



# **Tung Ho Steel Enterprise Corporation**

**TUNG HO STEEL ENTERPRISE CORPORATION**

## **2022 Annual Report**

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Company Website: [www.tunghosteel.com](http://www.tunghosteel.com)



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Exchange House for Trading on Global Depositary Receipts (GDR): Bourse de Luxembourg

Website for Information Query on Global Depositary Receipts (GDR): mops.twse.com.tw

**VI. Company Website: www.tunghosteel.com**

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## Chapter 1. Letter to Shareholders

In 2022, the global economy was expected to continue to recover after countries across the world gradually lifted the quarantine measures, but the following events affected the global economic growth: 1. The outbreak of war between Russia and Ukraine and the rising prices of agricultural products and energy commodities exacerbated the inflationary pressure under the pandemic. 2. As inflation constantly rose in Europe and the United States, central banks in various countries adopted monetary tightening policies to curb high inflation, including rapid interest rate hikes and balance sheet shrinkage. Although these policies gradually reduced the economic overheating, they weakened consumer demand. 3. Due to the outbreak of the pandemic in China's coastal provinces and cities, China adopted the dynamic zero-COVID policy, which dealt a blow to the global supply chain, triggered the trade war between China and the United States caused the reorganization of the global supply chain, and deteriorated the cross-strait geopolitical risks. 4. The economic impact caused by global climate change has been increasing year by year. For instance, the drought in the Yangtze River in China hinders the supply of water and electricity, causing industrial shutdown crises, the water level of the Rhine River in Europe obstructs shipping, and floods in Pakistan and Thailand cause loss of life and property. The above-mentioned environmental uncertainties, such as high inflation, high interest rates, high political risks and extreme climate change, have significantly increased the costs and difficulties of business operation, resulting in the slowdown of economic growth in various countries.

Since the second quarter, the number of confirmed cases of COVID-19 in Taiwan began to increase. Due to the weak growth of the global economy and the weak consumer demand in the U.S., Europe and China, the industrial chain continued to adjust its inventory, and practitioners used planned production cuts to reduce production capacity, resulting in a gradual decline in exports, production and export orders, and a slowdown in the growth of Taiwan's exports. Fortunately, the government's public construction budget reached a record high, and private consumption remained strong. With the gradual removal of the government's relevant pandemic prevention measures, the performance of domestic consumption and related industries improved. As a result, the economic support shifted from export to domestic consumption, and the overall economic performance did not fluctuate greatly.

The global steel industry, which has weakened slightly this year due to the impact of the pandemic and a weakening property market in mainland China, ended a post-pandemic bull trend in the second quarter as the global economy slowed. Taiwan's steel market still maintained good performance in the first half of the year. In the second half of the year, due to the deterioration of the international atmosphere, the investment of domestic industries gradually slowed down. With the gradual adjustment of Taiwan's construction economy, the demand for building materials also returned to a normal level.

As for the Company's bar steel, since the relevant construction application area is at a high level and the construction project is going on steadily, the shipment volume is stable. In the second half of the year, due to the impact of the pandemic, it witnessed a serious shortage of construction workers, and the progress of the project slowed down. However, in the whole year, the sales performance of rebar grew compared with that of 2021, and created a new record. Due to the adjustment of the global trend and the gradual cooling of the investment boom of Taiwan businessmen returning home, the shipments of section steel in the second half of the year decreased significantly compared with the 2021 and the first half of this year. Additionally, the geopolitical factors, the inventory reduction of electronics plants, and the delay in the construction of large plants affected the shipping of section steel. As a consequence, the sales performance declined compared to 2021.

Owing to the effective management of sales, procurement and production and the balance between the volume and price, the Company can maintain stable and good profits in the context of sharp price fluctuations. In addition, Tung Kang Steel Structure Corporation, a re-investment company, has completed the large-scale cases it has undertaken, and its profits have reached a new

high. The Company's subsidiary in Vietnam gradually returns to normal operation. This year, however, due to the global economic downturn and the rising of interest rate to alleviate inflation, faced with destocking and price adjustment, the shipment and sales are not ideal. Coupled with foreign exchange losses and increased interest costs, the Company has suffered from a large loss. Other reinvestment companies generally perform well this year and make good profits for the Company.

The consolidated operation profile and results of the Company and its main reinvestment business in 2022 are as follows:

#### I. Results of Production and Sales:

Unit: NT\$ thousand

	Production value			Sales value		
	2022	2021	Growth rate	2022	2021	Growth rate
Billet	41,464,939	39,988,452	3.69%	1,046,771	983,192	6.47%
Rebar	27,874,635	22,919,184	21.62%	32,392,188	27,171,077	19.22%
H-beam	10,769,651	12,754,285	(15.56%)	13,753,965	16,255,052	(15.39%)
Steel plate (self-made)	2,431,847	2,451,135	(0.79%)	1,409,283	1,812,956	(22.27%)
Steel plate (transaction)	0	0	0.00%	49,837	144,549	(65.52%)
Channel	726,440	1,215,173	(40.22%)	971,708	1,381,758	(29.68%)
I-Beam	31,217	61,559	(49.29%)	43,701	81,915	(46.65%)
Steel structure	7,983,386	8,949,867	(10.80%)	9,084,196	9,630,899	(5.68%)
Environmental protection processing	238,074	232,028	2.61%	238,074	232,028	2.61%
Steel sheet piles	127,886	82,263	55.46%	186,102	87,541	112.59%
Construction revenues	313,545	500,786	(37.39%)	251,812	467,642	(46.15%)
Others	712,388	629,679	13.14%	544,484	546,480	(0.37%)
Total	92,674,008	89,784,411	3.22%	59,972,121	58,795,089	2.00%

#### II. Profitability Analysis:

Unit: NT\$ thousand

	2022	2021	Growth rate
Operating revenue	59,972,121	58,795,089	2.00%
Operating costs	52,459,095	49,321,315	6.36%
Gross profit	7,513,026	9,473,774	(20.70%)
Operating expenses	2,326,477	2,414,169	(3.63%)
Net operating profit	5,186,549	7,059,605	(26.53%)
Net profit before tax	5,320,161	7,350,711	(27.62%)
Net income after tax	4,010,769	5,921,551	(32.27%)

### III. Financial structure and profitability analysis:

Analysis Item \ Year		2022	2021	
Financial structure (%)	Debt-to-assets ratio		47.20	46.33
	Long-term fund to fixed assets ratio		160.50	180.03
Profitability	Return on assets (%)		7.72	12.10
	Return on shareholder's equity (%)		13.68	20.62
	Paid-in capital ratio (%)	Operating income	71.03	96.68
		Income before tax	72.86	100.67
	Net profit ratio (%)		6.69	10.07
	Earnings per share (NT\$)		5.47	5.95

### IV. Overview of Technology and R&D

The Company's research and development expenses for 2022 was NT\$47,763,224, equivalent to 0.1% of the revenue. The research and development achievements of steelmaking include: The development of billet with high purity and high toughness and 50mm thickness of SM570 steel plates for billet refining, and continuous development of ultra-high strength steel, electric furnace - (waste gas and waste heat recovery ORC power generation, low-carbon green process, scrap steel preheating and continuous feeding). The research and development achievements of steel rolling include: The development of the continuous rolling of rebar for billet welding, the direct rolling with low energy consumption, the direct rolling process to improve the strength of the ultra-high strength shock-resistant rebar at least 1.6 times, the UE (Universal Edging) special rolling of H-beams with B-value  $\geq 300\text{mm}$  and the development of automatic dimensional measurement and surface defect detection system for H-beams/steel plates. Other R&D achievements: Planning and research on renewable energy (solar, wind and biogas power generation), planning and research on energy storage system, the application of carbon capture, utilization and storage (CCUS) technology, and the application of hydrogen energy technology. The Company's main R&D plans for 2023: 1. The introduction of oxygen-rich combustion technology for ladle preheater; 2. The introduction of oxygen-rich combustion technology for heating furnace; 3. The application of artificial intelligence to the development of intelligent factory technology; 4. Planning and research on renewable energy (solar, wind and biogas power generation); 5. Planning and research on energy storage system; 6. The application of carbon capture, utilization and storage (CCUS) technology; 7. The application of hydrogen energy technology; 8 The establishment of industrial big data for energy management system.

The Company's operational development strategy: Constantly improve technical capabilities, enhance management efficiency, lower production costs, and well coordinate production, sales and purchases to strengthen the competitive advantage in the domestic market, actively explore new markets and new clients abroad, research and develop new steel products and applications, and deepen key techniques to create advanced manufacturing processes, to promote environmental protection and greenhouse gas emissions reduction, to embrace the low-carbon trend, and to build a solid foundation for sustainable management.

Looking forward to 2023, global economic growth will continue to slow down and the economy will remain sluggish due to the continued impact of mutated viruses, the Russia-Ukraine war, high inflation, the US-China technology trade war and climate change. To control high inflation, most countries have tightened monetary policy. The negative impact of rising inflation, policy tightening and financial pressure has darkened the outlook for the global economy. The economic performance of the United States and Europe may fall into zero growth. Although China's

economy is expected to rebound due to the cancellation of the pandemic prevention and control measures, factors such as sluggish real estate, the aging population and insufficient external demand may affect its economic growth to a certain extent. With the gradual lifting of quarantine measures, continuous opening of borders, overseas consumption of Taiwanese is expected to increase significantly. The private sector and the government should work together to support Taiwan's economic performance. In the face of political and economic changes, the Company's operation and management teams should remain vigilant at all times, responding to changes at any time, and should not be negligent. I believe that with the concerted efforts of all employees, the crisis will be turned into a turning point, and we are bound to have good performance in business this year. The management team will still uphold the spirit of self-discipline, love for intelligence, and optimism, strengthen competitiveness, lower costs, enhance management, strive to develop new markets and products, improve performance, and create maximum value for shareholders.

Best wishes to all shareholders

May you be blessed with good health and good luck

**Chairman**

**Henry C.T. Ho**



## Chapter 2. Company Profile

### I. Date of Establishment

May 30, 1962

### II. Company History

May 1962	The Company was founded in Chiayi County, Taiwan Province. The funding capital was NTD 4.5 million. The Company's business at that time was disassembling steamships and trading old vessels, metal and iron materials, and mechanical and electrical materials. The Board elected Mr. Jindui Hou as the Chairman and Mr. Zhengting Hou as the General Manager.
May 1965	The Company acquired 44,525 square meters of reclaimed land at Port of Kaohsiung to build Cian-jhen rolling factory.
December 1965	The Company moved offices from Chiayi County to No.3, Kuojian Rd., Cianjhen Dist., Kaohsiung City.
September 1974	The Company acquired industrial land of 91,375 square meters in Linhai Industrial Park in the Siaogang District of Kaohsiung to build office buildings and steel plants.
January 1975	The Chairman, Mr. Jindui Hou, passed away from illness due to overwork. The Board then elected Mr. Zhengting Hou as the succeeding chairman and Mr. Zhenxiong Hou as the General Manager.
April 1977	The Kaohsiung Plant installed 20 ton electric arc furnace.
September 1977	The Kaohsiung Plant installed the first continuous casting machine in Taiwan.
March 1978	The Company moved to No.8, Jiaying Street, Siaogang District, Kaohsiung City.
July 1981	The Kaohsiung Plant completed trial run tests on its automatic tandem rolling machines and started to produce steel and steel rods, making the company a one-stop-shop steel manufacturer that can handle both steel refining and rolling.
June 1986	The Company purchased and installed two 50 ton electric arc furnaces at the Bade Plant in Taoyuan. The Company halted its ship-disassembling business in the same year.
April 1987	The head office was moved to 6F, No. 9, Sec. 1, Chang'an East Road, Taipei City.
July 1988	The Taoyuan Bade Plant's electric furnaces started production. The Company became listed on the Taiwan stock market.
April 1990	The Chairman, Mr. Zhengting Hou, resigned. The Board elected Mr. Zhenxiong Hou as the succeeding chairman and the General Manager, and appointed Mr. Zhengting Hou as the honorary chairman.
July 1992	The Taichung Office and Delivery Center was established.
August 1993	The Miaoli Plant completed trial tests on steel refining.
October 1993	The Miaoli Plant completed trial tests on steel rolling.
November 1993	The H-beam steel product was launched.
July 1994	The Miaoli Plant started mass production and operations.
January 1996	The Company received the Special Award for ROC 3rd Nuclear Energy Safety Group from the Atomic Energy Council of the Executive Yuan of the Republic of China.
May 1996	The Kaohsiung Plant officially initiated operation expansion.
October 1996	The Miaoli Plant completed trial tests on refining furnaces.
November 1996	The Company was granted the Highest Honor of Academic Award by the Chinese Institute of Mining and Metallurgical Engineering.
April 1997	The Company's publication, "The Ordinary", won the Taipei City Government Labor Bureau Secretary Award. The Company's publication, "CI", was granted Taipei City Mayor Award by the Taipei City Government and Excellence Award by the Council of Labor Affairs, Executive Yuan.
December 1997	The Kaohsiung Plant completed trial tests on rolling H-beam steel and officially discharged its steel-refining furnaces from production.
March 1998	The section steel mill at the Kaohsiung Plant was built and started mass production.

November 1998	The Miaoli plant launched the opening of its newly constructed Oxygen Factory. The Miaoli Plant started the production of narrow steel plates.
July 2002	The No. 2 caster in the Miaoli Plant started mass production.
October 2005	The Taoyuan Bade Plant successfully developed and started producing D43 steel bars.
June 2006	The committee on Taoyuan Plant expansion was formed to take charge of the preparation for the expansion of the plant.
April 2007	The Miaoli plant officially launched the opening of its crushed iron plant.
November 2007	The Taichung Office and Delivery Center was moved to Taichung Port, forming the Logistics Center at Taichung Port.
November 2008	The construction of the Taoyuan Plant officially commenced.
October 2009	The Board appointed Mr. Jieteng Hou as General Manager.
May 2010	The Taoyuan Plant completed trial run tests on furnaces and continuous casting equipments of the steel-refining mill.
June 2010	The committee on Taoyuan Plant expansion was dismissed. Construction of the new Taoyuan plant was completed.
July 2010	The Taoyuan Plant completed trial run tests on hot rolling system of the steel-rolling mill, making the plant the first in Taiwan that adopted a procedure in hot rolling steel billets directly, without using an additional heating furnace.
June 2011	The Taoyuan Plant officially started production of steel wire rods and bars.
November 2011	The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of beam and steel plate products.
May 2012	The Company hosted a press conference on the launch of steel rebar and coupler products. The Tung Ho Steel Cultural Foundation was established.
June 2013	The beam products of Kaohsiung and Miaoli Plants passed the ACRS S0 certification, becoming the first steel plant worldwide that manufactures the ACRS S0-certified beam products.
September 2013	The Taoyuan and Miaoli Plants were authorized by the Ministry of Economic Affairs to use the MIT Smile Label.
December 2013	The Kaohsiung Plant purchased the rebar mesh welding machine, completed trial tests on the machine, and officially started production using the machine.
June 2014	The Board elected Mr. Jieteng Hou as the succeeding chairman and general manager and Mr. Zhenxiong Hou as the honorary chairman.
July 2014	Construction for the expansion of the Taoyuan Plant Steel Rolling Line 2 officially began.
November 2014	The Kaohsiung Plant obtained the BV Verification Declaration for the carbon footprint of five beam and steel plate products, and was awarded the Glass Trophy from the Industrial Technology Research Institute, becoming the first steel plant in Taiwan to have acquired the Carbon Footprint Certificate.
June 2015	The Company hosted a press conference on the launch of steel plate pile products.
July 2015	The Company was invited to participate in the 2015 Flag Presentation Ceremony for Energy-Saving Service Groups hosted by the Ministry of Economic Affairs Bureau of Energy.
January 2016	The Company invested in the acquisition of Fuco International Ltd. and assembled the Steel Rolling Expansion Committee.
August 2016	Tung Kang Wind Power Co., Ltd., a subsidiary, obtained a license to operate for 25 years from the Bureau of Energy, Ministry of Economic Affairs, and began selling electricity.
September 2016	The H-beam and steel plate products of the Miaoli and Kaohsiung plants have passed the Korean Industrial Standards (KS) certification. Phu Quoc Steel Vietnam changed its name to Tung Ho Steel Vietnam Ltd, or THSVC in English.
October 2016	Awarded the 17th National Standardization Award by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs, for "Promotion of

	Orthographic Marking".
November 2016	Awarded "2016 TCSA Taiwan Corporate Sustainability Award", Silver Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
July 2017	The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of re-bar and steel plate products.
September 2017	The Taoyuan plant rolling line expansion project was completed and begun production.
November 2017	The Taoyuan plant has obtained the ISO 50001 quality management system certification.
	Awarded "2017 TCSA Taiwan Corporate Sustainability Award", Silver Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
January 2018	Miaoli Plant has obtained the "Green Product Certification for Resource Recycling" for carbon steel billets for electric furnaces.
	The company became an official member of WSA (World Steel Association).
July 2018	Taoyuan plant steel products have obtained the Korean National Standard (KS) certification.
September 2018	Participated in the Corporate Energy Conservation Service Group organized by the Bureau of Energy, Ministry of Economic Affairs, to promote conservation efforts, and was awarded the "Outstanding Performance" award for energy conservation implementation results from 2015 to 2017.
November 2018	Awarded "2018 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
March 2019	The THSVC steel rolling production line was completed and put into operation, and a new product launch event was held on March 19.
October 2019	The Taoyuan Plant co-hosted the "Project of Consulting on Water Saving for Major Water Users in Central Taiwan 2019" with the Water Resources Agency and was awarded the certificate of appreciation for the [On-site Observation Activity for Units with Excellent Water Conservation Results].
	The Taoyuan plant obtained the Material Flow Cost Accounting (MFCA) verification statement and was awarded the "Material Flow Cost Analysis Demonstration Plant" award by the Industrial Development Bureau, MOEA.
November 2019	The Taoyuan plant obtained the "Carbon Footprint Verification Declaration" for the product.
	Awarded "2019 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
November 2020	Awarded "2020 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
January 2021	The Miaoli Plant passed the UL certification in the United States and obtained Environmental Product Declarations (EPD) for steel sections and steel plates, the first steel company in Taiwan to obtain EPD for steel sections and steel plates.
May 2021	The Company in Taipei passed and obtained the ISO/CNS 45001 certification: 2018 Occupational Safety and Health Management System Verification and Registration.
May 2021	The 2021 Climate-related Financial Disclosures (TCFD) report has been verified by the British Standards Institution (BSI).
May 2021	The Company's results in the 7th Corporate Governance Evaluation ranked among top 5% of listed companies.
June 2021	The Company in Taipei passed and obtained the ISO 14064-1 certification in June 2021: 2006 greenhouse gas inventory statement.
November 2021	Awarded "2021 TCSA Taiwan Corporate Sustainability Award", Platinum Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
December 2021	The Company completed the CDP Climate Change Questionnaire for the first time and achieved the "Management Level (B)" scoring.
January 2022	The re-bar products of the Taoyuan Plant and the beam and channel products of the Kaohsiung Plant obtained the Type III Product Environmental Declaration (EPD) Certificate.

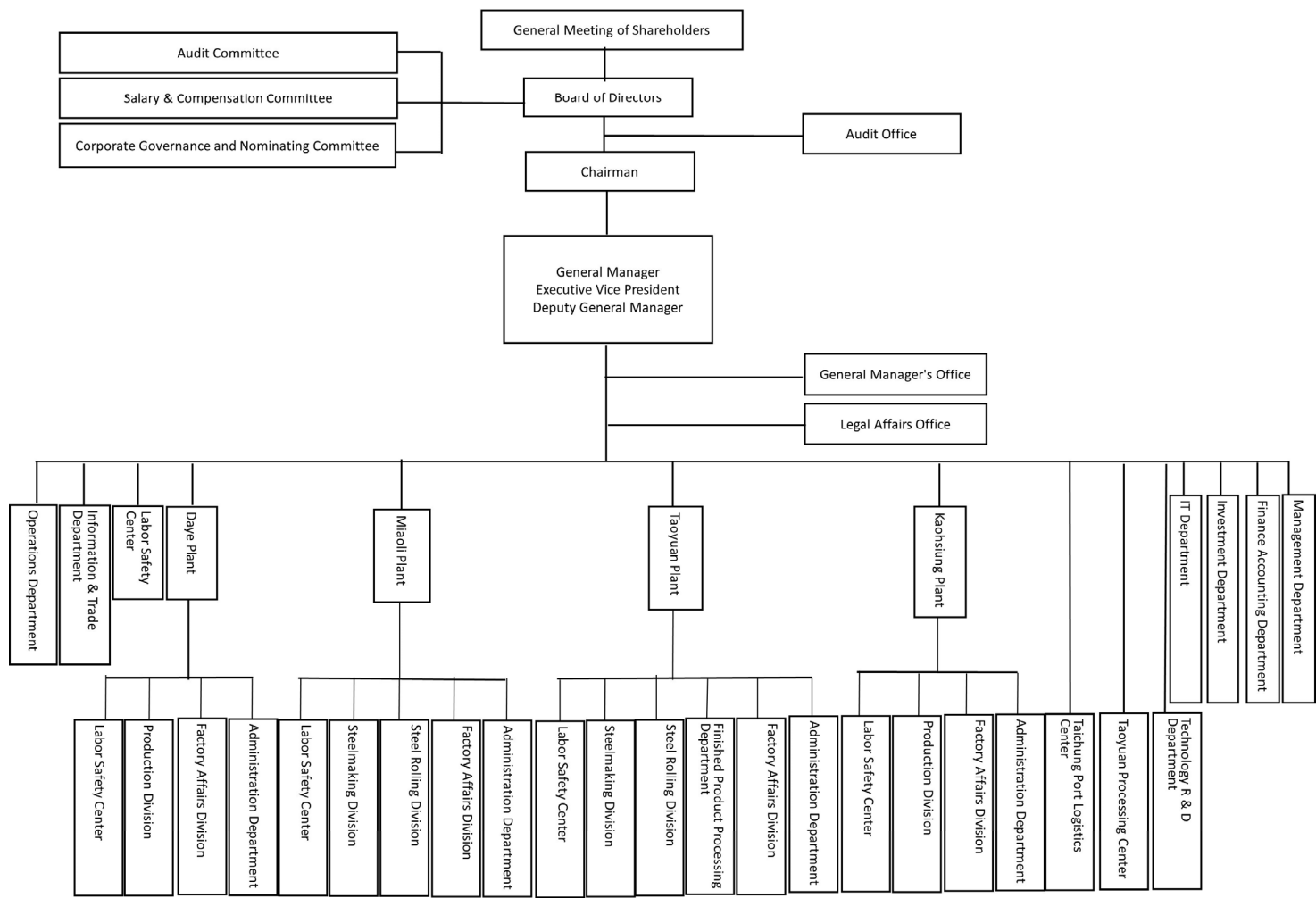
August 2022	Obtaining land, factory buildings and equipment of Kaohsiung Daye Factory.
September 2022	Establishing Taoyuan Processing Center:
November 2022	Awarded "2022 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Class [Traditional Manufacturing Industry].
January 2023	Kaohsiung Daye Factory has completed factory registration and started the production.

- (I) The Company's mergers, acquisitions, transfers of re-invested companies, or reorganizations in the most recent fiscal year and up to the publication date of this Annual Report: None.**
- (II) Substantial transfer or replacement of shareholdings of directors or of shareholders holding more than 10% of the Company's shares in the most recent fiscal year and up to the publication date of this Annual Report: None.**
- (III) Changes in management rights in the most recent fiscal year and up to the publication date of this Annual Report: None.**
- (IV) Significant changes in management methods or business activities in the most recent fiscal year and up to the publication date of this Annual Report: None.**
- (V) Other significant events affecting shareholders' equity in the most recent fiscal year and up to the publication date of this Annual Report and their impact on the Company: None.**

# Chapter 3. Corporate Governance

## I. Organization

### (I) Organizational Structure



**(II) Business and Functions of Main Departments:**

- (1) President's Office: Responsible for budget control, business analysis, bonus system, project planning, credit management, and customer service.
- (2) Legal Affairs Office: Responsible for research and handling of legal affairs, and providing legal advice.
- (3) Auditing Office: Responsible for establishing, promoting, and execution of the internal auditing system.
- (4) Management Department: Responsible for establishing the company's organizational and management system related to the personnel, education and training, logistics, and asset management.
- (5) Accounting Department: Responsible for establishing the Company's accounting system and managing accounting, costs, finances, foreign exchange, securities investment, and shareholder services.
- (6) Investment Division: Responsible for short, medium and long-term strategic investment planning and managing investee companies.
- (7) Information Technology Division: Responsible for the management of information and planning, development, maintenance and performance enhancement of the computing environment.
- (8) Operations Department: Responsible for domestic and foreign client quotations, bidding, and sales.
- (9) Assets and Trade Department: Responsible for bulk purchases of raw materials, machinery, and equipment.
- (10) Miaoli Plant: Responsible for the production of H-beam and steel plates, as well as other plant management affairs.
- (11) Taoyuan Plant: Responsible for the production of steel bars, as well as other plant management affairs.
- (12) Kaohsiung Plant: Responsible for the production of steel bars and H-beam, as well as other plant management affairs.
- (13) Daye Plant: Responsible for the production of rolled steel, as well as other plant management affairs.
- (14) Taoyuan Machining Center: Responsible for steel processing, warehousing and inland transportation affairs.
- (15) Logistics Center at Taichung Port: Responsible for steel processing, warehousing and inland transportation affairs.
- (16) R&D Division: Responsible for research and development of metallurgical technology, product development, and projects-related technologies.
- (17) Work safety center: Responsible for managing and supervising safety/health affairs at departments and plants.

II. Information of Directors, President, Vice President, Assistant Vice President, and Managers of Departments and Divisions

(I) Director Information - 1

March 31, 2023

Title	Nationality or registered place	Name	Gender Age	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children currently		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Remarks
							Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)			Title	Name	Relationship	
Corporate director	Taiwan	Mao Sheng Investment Inc.	N/A	2020.05.19	3 years	2017.06.16	60,407,877	6.02	64,918,877	8.89	N/A	N/A	0	0	N/A	Supervisor of Katec R&D Corporation	N/A	N/A	N/A	N/A
Chairman	R.O.C.	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	Male 51-60 years old	2020.05.19	3 years	2002.06.27	142,426	0.01	95,425	0.01	0	0	0	0	Department of Economics, Harvard University	Chairman of Tung Kang Steel Structure Co., Ltd. Chairman of Tung Kang Wind Power Co., Ltd. Director of Tung Kang Engineering & Construction Co., Ltd. Chairman of Dung Tang Energy Service Co., Ltd. Chairman of Far East Steel Inc. Chairman of Eternity Corp. Director of Katec Creative Resources Corp. Director of Katec R&D Corporation Chairman of Earle Ho and Sons, Ltd. Chairman of Mao Sheng Investment Inc. Chairman of Wan Nian Department Stores Co., Ltd. Director of He Zhao Investment Co., Ltd. Director of Shang Fu Industrial Inc. Director of Tung Ho Steel Vietnam Corp., Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Fujian Sino-Japan Metal Corp. Director of Mingtai Yule Co., Ltd. Director of Tung Ho Steel Cultural Foundation was established Chairman of THS Foundation	Vice Chairman	George Y. S. Ho	Brother	N/A
Vice Chairman	R.O.C.	Mao Sheng Investment Inc. Representative: George Y. S. Ho	Male 51-60 years old	2020.05.19	3 years	1996.05.23	10,000	0	6,700	0	0	0	0	0	Department of Environment and Visual Arts, Harvard University, USA	Director of Earle Ho and Sons, Ltd. Director of Mao Sheng Investment Inc. Chairman of He Zhao Investment Co., Ltd. Director of He Xing Investment Co., Ltd. Director of Eternity Corp. Director of Far East Steel Inc.	Chairman	Henry C. T. Ho	Brother	N/A
Legal person Directors	Taiwan	Earle Ho and Sons, Ltd.	N/A	2020.05.19	3 years	1988.08.18	139,505,779	13.89	108,715,999	14.89	N/A	N/A	0	0	N/A	Supervisor of Tung Kang Steel Structure Co., Ltd.	N/A	N/A	N/A	N/A
Directors	R.O.C.	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	Male Over 71 years old	2020.05.19	3 years	2014.06.18	128,432	0.01	86,049	0.01	0	0	0	0	Taipei Engineering Professional School, Mining and Metallurgical Engineering	N/A	None	None	None	N/A
Directors	R.O.C.	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	Male 61-70 years old	2020.05.19	3 years	2020.05.19	23,381	0	15,665	0	0	0	107,200	0.01	Master's degree in Business Management from the Business Institute, National Chengchi University	Chairman of Hou Te Enterprise Corporation Director of Goldham Development Ltd.	None	None	None	None

Title	Nationality or registered place	Name	Gender Age	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children currently		Shareholding by nominee arrangement		Main experiences (educational background)	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Supervisors or other department heads			Remarks
							Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)			Title	Name	Relationship	
Corporate director	Taiwan	Episil Holding Incorporation	N/A	2020.05.19	3 years	2014.06.18	5,055,649	0.50	3,387,285	0.46	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Directors	R.O.C.	Episil Holding Incorporation Representative: Chih-Ming Huang	Male 61-70 years old	2020.05.19	3 years	1988.08.18	484,337	0.05	324,505	0.04	0	0	0	0	MBA, California State University, USA	Head of Episil Holding Incorporation Supervisor of Far East Steel Inc. Head of Yu Tai Investment Co., Ltd. Supervisor of Hsie Ho Refractory Industrial Co. Ltd.	None	None	None	None
Corporate director	Taiwan	Liang Cheng Investment Co., Ltd.	N/A	2020.05.19	3 years	2014.06.18	11,185,973	1.11	7,494,602	1.03	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Directors	R.O.C.	Representative of Liang Cheng Investment Co., Ltd.: Pao-He Chen	Male 61-70 years old	2020.05.19	3 years	1988.08.18	1,073,205	0.11	719,047	0.10	3,421	0	0	0	Royal Roads University MBA	Chairman of Liang Cheng Investment Co., Ltd. Chairman of He-cheng Investment Inc. Chairman of Chi-cheng Investment Inc. Chairman of Jian-qing Investment Inc. Chairman of Shuizhiyuan Bio-Technology Co., Ltd. Director of Chin Chun Industrial Inc. Director of Nai Fei Technology Co., Ltd. Director of Hsu Ching Energy Application Co., Ltd. Director of Chin Chun Industrial Inc. Director of Zhucheng Construction Co., Ltd.	None	None	None	None
Directors	R.O.C.	Yen-Liang Ho	Male 51-60 years old	2020.05.19	3 years	1999.05.23	361,670	0.04	4,434,894	0.61	3,000	0	0	0	EMBA at Aalto University, Finland	Chairman, Enzen GS Chemical Co., LTD. Chairman, Hao-Han Investment Co., Ltd. Chairman, Sensuous Biotech Co.,Ltd Director, Apply Information Service Corp.,Ltd	None	None	None	None
Corporate director	Taiwan	Taiwan Zhi Di Co. Ltd.	N/A	2020.05.19	3 years	2014.06.18	65,000	0.01	43,550	0.01	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Directors	R.O.C.	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	Male Over 71 years old	2020.05.19	3 years	2011.06.24	318,887	0.03	213,654	0.03	0	0	0	0	Department of Economics, Soochow University	None	None	None	None	None
Independent Directors	R.O.C.	I-Chi Liu	Male Over 71 years old	2020.05.19	3 years	2014.06.18	0	0	0	0	0	0	0	0	M.S., Department of Accounting, National Chengchi University	None	None	None	None	None
Independent Directors	R.O.C.	Chuang-Hsi Chang	Male 51-60 years old	2020.05.19	3 years	2014.06.18	6,685	0	4,479	0	4,478	0	0	0	PhD in Law, Political Science and Sociology at the Pantheon-Assas University	None	None	None	None	None
Independent Directors	R.O.C.	Der-Ming Liu	Male 61-70 years old	2020.05.19	3 years	2017.06.16	0	0	0	0	0	0	0	0	Ph.D. in Economics, The Ohio State University, USA	Independent Director, Lasertek Taiwan Co., Ltd. Independent Director, CSBC Corporation	None	None	None	None



**Table 1: Major shareholders of corporate shareholders**

March 31, 2023

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholder (Note 2)
Mao Sheng Investment Inc.	Shu-Chau Wang Ho 18.61%, Henry C. T. Ho 59.25%
Earle Ho and Sons, Ltd.	Shu-Chau Wang Ho 78.92%
Episil Holding Incorporation	Zheng Mei Chu 47.10%, Huang Yun Xuan 24%, Huang Yu Xuan 24%, Chih-Ming Huang 4.80%
Liang Cheng Investment Co., Ltd.	British Virgin Islands JUSTIN Investment Management 100%
Taiwan Zhi Di Co. Ltd.	Shengyu Chen 52%, Shuzhen Hou 46%

Note 1: Directors who represent corporate shareholders should indicate the corporate names they represent

Note 2: Enter the names of the major shareholders of the corporate shareholders (the top ten in terms of shareholding) and their respective shareholding ratios. If the major shareholders are corporate shareholders, the following Table 2 should be completed.

Table 2: Major shareholders in Table 1 who are corporate shareholders and their major shareholders

March 31, 2023

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder
N/A	None

## Director Information - 2

### 1. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

Name \ Condition	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
Mao Sheng Investment Inc. Representative: Henry C. T. Ho	Henry C. T. Ho graduated from the Department of Economics at Harvard University. Immediately after graduation, he joined McKinsey & Company as an analyst. Mr. Ho joined Tung Ho Steel Enterprise Corporation in 1997 and has served in the Finance and Accounting, Materials, and Sales and Production departments, deeply involved in the operation and planning of the Company's internal management, raw material procurement, sales services, and production technology. Mr. Ho is a key person in the Company's planning for future development and corporate sustainability. Mr. Ho assumed the position of President in 2009 and the position of Chairman of the Board of Directors in 2014. Mr. Ho has the work experience required by the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, risk management, and climate change management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Mao Sheng Investment Inc. Representative: George Y. S. Ho	George Y. S. Ho graduated from the Department of Environment and Visual Arts at Harvard University, USA. Mr. Ho has been a Director of the Company since 1996. Mr. Ho is familiar with the decision-making and planning of the Company and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, international market perspective, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	Hui-Ming Wu graduated from Taipei Engineering Professional School with a degree in Mining and Metallurgical Engineering. Mr. Wu joined the Company in 1991 and retired in 2014. During this period, he served as factory general manager, special assistant, and production vice president. He has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	Joshua P.H. Tung has a Bachelor of Economics from National Taiwan University and an EMBA from National Chengchi University. Mr. Tung joined the Company in 1987 and retired in 2022. During this period, he has worked in the Finance and Accounting, Trading, and Investment departments and assumed the position of Vice President of Finance & Accounting Division in 2009. Mr. Tung has the work experience required by the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Episil Holding Incorporation Representative: Chih-Ming Huang	Chih-Ming Huang has an MBA from California State University, USA. Mr. Huang joined the Company's Board of Directors as a director in 1988 and is familiar with the Company's decision-making and planning. He has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	Pao-He Chen has an MBA from Royal Roads University, Canada. Mr. Chen currently serves as the President of Chu Cheng Construction and has worked in the construction industry for more than 30 years. He joined the Company's Board of Directors as a director in 1988 and is familiar with the Company's decision-making and planning. Mr. Chen has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, crisis management, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	Chao-He Lin graduated from the Department of Economics at Soochow University. Mr. Lin joined the Company in 1972 and retired in 2014. During this period, he served as Vice President and Senior Vice President. Mr. Lin has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Yen-Liang Ho	Yen-Liang Ho has an EMBA from Aalto University, Finland. Mr. Ho joined the Company's Board of Directors as a director in 1999 and is familiar with the Company's decision-making and planning. He has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0

Condition Name	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
I-Chi Liu	I-Chi Liu has an MS from the Department of Accounting at National Chengchi University, specializing in accounting and financial analysis. Mr. Liu has served as the Senior Accountant (retired) at KPMG International Cooperative, senior consultant, Director of National Federation of CPA Associations of the R.O.C.(NFCPAA), Managing Director of Taipei CPA Association, Supervisor of Tah Tong Textile Co., Ltd., and Independent Director of MiTwel, Inc. He is currently serving the third term as the Company's Independent Director and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, leadership, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	Serve as an Independent Director and meet the independence requirements: 1. including, but not limited to, that the person or the spouse or any relative of the person within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliate; 2. the person or the spouse or any relative of the person within the second degree of kinship does not hold more than 1% of the Company's issued shares; 3. the person is not a director, supervisor, or employee of the Company or any of its affiliates; 4. the person has not received any remuneration for providing business, legal, financial, or accounting services to the Company or any of its affiliates in the last two fiscal years; 5. the person has not served as an Independent Director of the Company for more than 3 terms.	0
Chuang-Hsi Chang	Chuang-Hsi Chang holds a PhD in Law, Political Science and Sociology from Pantheon-Assas University and currently works as an Associate Professor at Huaan University, specializing in global political and economic trends, corporate governance, and administrative management. Mr. Chang has served as the Secretary General of Office of Secretariat at Huaan University, Director and President of Huashan Creative Industrial Co., Ltd., Associate Professor of National Central University, and Associate Professor of Huaan University. He is currently serving the third term as the Company's Independent Director and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including operational judgment, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainability management, risk management, and climate change management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.		0
Der-Ming Lieu	Der-Ming Lieu holds a Ph.D. in Economics from Ohio State University, USA, and currently works as Adjunct Professor (Honorary Professor) of Department of Finance at National Sun Yat-sen University, specializing in international finance, investment, derivative financial products and financial engineering, corporate financial management, and risk measurement and control of investment portfolio. Mr. Lieu has served as Professor of Department of Finance at National Sun Yat-sen University, Independent Director of Laser Tek Taiwan CO.,LTD, and Independent Director of CSBC Corporation, Taiwan. Mr. Lieu is currently serving the second term as the Company's Independent Director and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including accounting and financial analysis, operational management, industry knowledge, decision-making, sustainability management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.		2

## (II) Diversity and Independence of the Board of Directors:

### 1. Diversity of the Board of Directors:

#### (1) Diversity Policy of the Board of Directors:

In accordance with Article 22 of the “Corporate Governance Best Practice Principles”, the Company shall strengthen the functions and regulations of the Board of Directors, consider diversity in the composition of the Board of Directors, and formulate appropriate diversity guidelines for its operations, business model, and development needs, including but not limited to the following two major criteria:

- A. Basic qualifications and value: Gender, age, nationality, and culture.
- B. Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc.

Each board member shall have the necessary knowledge, skill, and ability. To achieve the desired objectives of corporate governance, the board as a whole must have abilities that include: Operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate change management.

#### (2) Board of Directors Diversity Specific Management Objectives:

The Board of Directors shall direct the Company's strategies, supervise management, and be responsible to the Company and its shareholders. The operations and arrangements of the Company's corporate governance system shall ensure that the Board of Directors exercise its authority in accordance with the provisions of the Act, the Articles of Incorporation, or the resolution of the shareholders' meeting. Specific management objectives are as follows:

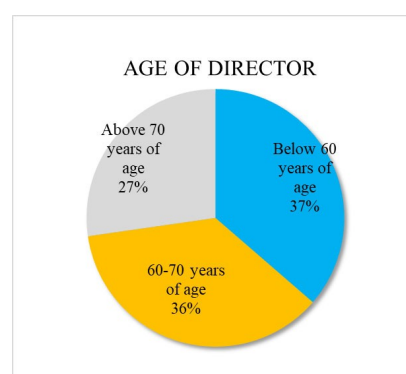
- A. The Company's board of directors also places emphasis on gender equality and should include at least one female director.
- B. The Company's board of directors places emphasis on operational judgment, management and crisis management capabilities. At least 2/3 of the members of the Board of Directors should be competent in the relevant core items.
- C. Independent directors may not serve more than three consecutive terms in order to stay independent.
- D. The number of directors who are employees of the Company, its parent, subsidiary or sister company shall be less than (including) 1/3 of the total number of directors for the purpose of supervision.

#### (3) Progress in Diversity of Board Members:

Management objectives	Achievement situations
The company's board of directors shall include at least one female director	In the 25th election of directors, female independent director candidates have been nominated
More than two-thirds of the board members should have core competencies such as operational judgment, operation management and crisis management	Achieved
Independent director has not served more than three terms	Achieved
Among the members of the Board of Directors, the number of directors who are employees of the Company, its parent, subsidiary or sister company shall be less than (including) 1/3 of the total number of directors	Achieved

Name of Director	Nationality	Gender	Whether or not the Director is also an Employee of the Company (Note)	Age of Director			Independent Director's term of office	Core Item										
				Below 60 years of age	60-70 years of age	Above 70 years of age		Business judgments	Accounting and financial analysis	Operational management	Crisis management	Industry knowledge	International markets	Leadership	Decision-making	Sustainable management	Risk management	Climate change management
Henry C. T. Ho	R.O.C.	Male	No	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
George Y. S. Ho	R.O.C.	Male	No	✓				✓					✓	✓	✓	✓		
Hui-Ming Wu	R.O.C.	Male	No			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Joshua P.H. Tung	R.O.C.	Male	(Note)		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chih-Ming Huang	R.O.C.	Male	No		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Pao-He Chen	R.O.C.	Male	No		✓			✓	✓	✓	✓	✓		✓	✓	✓		
Yen-Liang Ho	R.O.C.	Male	No	✓				✓	✓	✓	✓	✓		✓	✓	✓		
Chao-He Lin	R.O.C.	Male	No			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
I-Chi Liu	R.O.C.	Male	No			✓	3rd term	✓	✓	✓	✓	✓		✓	✓	✓	✓	
Chuang-Hsi Chang	R.O.C.	Male	No	✓			3rd term	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Der-Ming Lieu	R.O.C.	Male	No		✓		2nd term	✓	✓	✓		✓			✓	✓	✓	

(Note): Representative of Earle Ho And Sons, Ltd.: As of April 30, 2022, Joshua P.H. Tung was also the Senior Vice President of Finance and Accounting Department.



2. Independence of the Board of Directors:

- (1) According to the Company's "Articles of Incorporation", the election of directors and independent directors adopts a candidate nomination system. Shareholders who hold a certain number of shares or more may propose a list of candidates. The review of candidates' qualifications and compliance with Article 30 of the Company Act are conducted in accordance with the laws and regulations of the competent authorities in order to protect the rights and interests of shareholders, prevent monopoly of nomination, and maintain the independence of nomination.
- (2) Currently the Board of Directors consists of 11 directors, including 3 independent directors (27.27%). In accordance with relevant laws and regulations, through the power and duties of the Audit Committee, Independent Directors review and supervise the Company's management and control of existing or potential risks to ensure effective implementation of internal control. Independent Directors also assist in the selection (dismissal) of CPAs, review of CPA Independence, and preparation of financial statements.
- (3) There are 2 relatives within the second degree of kinship (18.18%, less than half of the the total number) , which meets the requirements of Paragraph 3 of Article 26-3 of the Securities and Exchange Act.
- (4) According to the provisions of the Articles of Association of the Company, independent directors may not serve more than three consecutive terms in order to stay independent. The three current independent directors have not served more than three terms.

## 2. Information of President, Vice President, Assistant Vice President, and Managers of Departments and Divisions

March 31, 2023

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main experiences (educational background)	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Remarks
					Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)			Title	Name	Relationship	
President	R.O.C.	Bing-Hua Huang	Male	2022.01.01	4,317	0	0	0	720,250	0.10	Master degree from Material Development Institute of National Cheng Kung University	Chairman of Tung Ho Steel Vietnam Corp., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director of Dongjing Investment Co., Ltd. Director of Tung Ho Steel Cultural Foundation was established Director of Tung Kang Wind Power Co., Ltd. Director of Tung Yuan International Corp.	None	None	None	None
Production Vice President	R.O.C.	Ming-Tsung Liu	Male	2022.01.01	0	0	0	0	224,300	0.03	Master's in Materials Science and Engineering, National Taiwan University	Director of Taiwan Steel United Inc.	None	None	None	None
Operations Department Vice President	R.O.C.	Bruce Guu	Male	2009.10.16	102,002	0.01	67	0	0	0	Department of Economics, Chinese Culture University	Chairman of Tung Kang Engineering & Construction Co., Ltd. Supervisor of Fujian Tung Kang Steel Co., Ltd.	None	None	None	None
Assets and Trade Department Vice President	R.O.C.	Arthur C. Lin	Male	2009.10.16	14,605	0	0	0	0	0	Department of Materials Science and Engineering, Tsinghua University	Chairman of Fujian Sino-Japan Metal Corp. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Siaogang Warehousing Inc. Director of Tung Ho Steel Vietnam Corp., Ltd. Director of Duc Hoa International J. S. C.	None	None	None	None
Head of Corporate Governance and Vice President of the Management Department	R.O.C.	Juyu Ho	Female	2022.01.01	4,690	0	0	0	0	0	Master degree in Business Administration from Institute of Business, Chung Yuan Christian University	Director of Katec R&D Corporation Supervisor of Katec Creative Resources Corp. Supervisor of Tung Kang Wind Power Co., Ltd.	None	None	None	None
Operations Department Assistant manager	R.O.C.	Jay Chiang	Male	2021.08.19	2,022	0	0	0	0	0	Department of International Trade, Soochow University	Director of Tung Kang Steel Structure Co., Ltd. Director of Fujian Sino-Japan Metal Corp.	None	None	None	None
Operations Department Assistant manager	R.O.C.	Flora Fan	Female	2009.11.01	7,370	0	0	0	0	0	International Trade Major, International Business Professional School	Director of Tung Kang Steel Structure Co., Ltd.	None	None	None	None
Accounting Department Assistant manager	R.O.C.	Shu-chu Huang	Female	2022.04.01	4,020	0	12,100	0	0	0	International Trade Major, School of Continuing Education, Taipei University of Commerce	None	None	None	None	None
Investment Division Assistant manager	R.O.C.	Tony Chen	Male	2009.11.01	0	0	0	0	0	0	Department of International Trade, Feng Chia University	None	None	None	None	None
Investment Division Assistant manager	R.O.C.	Chun-Sheng Chien	Male	2009.11.01	582	0	0	0	0	0	M.S., College of Technology Management, Tsinghua University Industrial Engineering Major, Taipei Engineering Professional School	Chairman of Duc Hoa International J. S. C. President of Duc Hoa International J. S. C.	None	None	None	None
Investment Division Assistant manager	R.O.C.	J. B. Chiu	Male	2010.06.01	3,368	0	0	0	0	0	Mechanical Engineering Major, United Engineering Professional School	Chairman, Fujian Tung Kang Steel Co., Ltd. Director of Goldham Development Ltd. General Manager of Tung Kang Steel Structure Co., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director, Li-Yu Venture Capital Inc. Director, Li-Shi Venture Capital Inc. Director of Tung Ho Steel Cultural Foundation was established	None	None	None	None
Investment Division Assistant manager	R.O.C.	Yi-Chih Hsu	Male	2019.02.11	1,255	0	0	0	0	0	EMBA, Tsinghua University Master degree from Material Development Institute of National Cheng Kung University	Director of Duc Hoa International J. S. C. President of Tung Ho Steel Vietnam Corp., Ltd.	None	None	None	None
Investment Division Assistant manager	R.O.C.	Yong-Zhi Chen	Male	2022.06.09	0	0	0	0	0	0	M.S., The School of Management at National Central University	Chairman of Katec Creative Resources Corp. Director of Tung Kang Engineering & Construction Co., Ltd.	None	None	None	None

Investment Division Manager	R.O.C.	Leo Liu	Male	2019.11.11	0	0	0	0	0	0	Fu Jen Catholic University Department of Accounting	Supervisor of Tung Kang Engineering & Construction Co., Ltd. Director of Tung Kang Wind Power Co., Ltd. Director of Katec Creative Resources Corp. Supervisor of Duc Hoa International J. S. C. Supervisor of Fujian Sino-Japan Metal Corp.	None	None	None	None
Assistant manager of IT Department	R.O.C.	Che-Chung Lin	Male	2005.05.01	6,580	0	12,060	0	0	0	Master degree in Information Management from Institute of Management, National Sun Yat-sen University	Director of Hexawave Inc.	None	None	None	None
Work safety center Senior Manager	R.O.C.	Frank Wang	Male	2021.11.01	14,367	0	12,892	0	0	0	Department of Economics, Tamkang University	None	None	None	None	None
Legal Affairs Office Senior Manager	R.O.C.	Albert Chao	Male	2021.11.01	3,563	0	0	0	0	0	Department of Law, Chinese Culture University	None	None	None	None	None
Deputy Manager of Auditing Office	R.O.C.	I-Yu Chen	Female	2022.01.01	0	0	0	0	0	0	Department of Statistics, Feng Chia University	None	None	None	None	None
General Manager of Taoyuan Works	R.O.C.	Wei-ping Lee	Male	2022.01.01	84	0	0	0	0	0	Taipei Engineering Professional School, Mechanical and Electrical Engineering	Director of Taiwan Steel United Inc.	None	None	None	None
General Manager of Miaoli Works	R.O.C.	Yao-ying Hsiao	Male	2022.01.01	6,700	0	0	0	0	0	Taipei Engineering Professional School, Mining	None	None	None	None	None
General Manager of Kaohsiung Works	R.O.C.	Tsung-Yu Wang	Male	2011.07.01	24	0	0	0	166,160	0.02	Master's degree in Financial Management, National Sun Yat-sen University	None	None	None	None	None

**(III)If the Chairman of the Board of Directors and the General Manager or other person of equivalent rank (top manager) are the same person or they are related to each other as spouses or first degree relatives, the reasons, rationality, necessity, and corresponding measures should be explained: Not applicable.**



**III. Remuneration Paid to Directors, President, and Vice President in the Most Recent Fiscal Year**

**(I) Remuneration Paid to Directors (including Independent Directors)**

December 31, 2022																						
Title	Name	Directors' remuneration (NT\$)								Total Remuneration (A+B+C+D) as a % of Net Income after Tax		Remuneration received as the Company's employee (NT\$)								Total Remuneration (A+B+C+D+E+F+G) as a (%) of Net Income after Tax		Whether or not remuneration from the parent company or investee companies from outside the subsidiaries were received
		Remuneration (A)		Resignation/retirement pension (B)		Director remuneration (C)		Business execution expenses (D)				Salaries, bonuses, and special allowances (E)		Resignation/retirement pension (F)		Employee remuneration (G)						
		The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company		All companies in the financial report		The company	All companies in the financial report	
Chairman	Representative of Mao Sheng Investment Inc.: Henry C. T. Ho	2,520,000	2,520,000	0	0	18,092,462	18,092,462	45,000	60,000	0.52	0.52	0	0	0	0	0	0	0	0	0.52	0.52	0
Directors	Representative of Mao Sheng Investment Inc.: George Y. S. Ho	360,000	360,000	0	0	18,092,461	18,092,461	45,000	45,000	0.46	0.46	0	0	0	0	0	0	0	0	0.46	0.46	0
Directors	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	360,000	360,000	0	0	30,534,071	30,534,071	45,000	45,000	0.77	0.77	0	0	0	0	0	0	0	0	0.77	0.77	0
Directors	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	360,000	360,000	0	0	30,534,070	30,534,070	45,000	45,000	0.77	0.77	3,257,282	3,257,282	54,000	54,000	198,400	0	198,400	0	0.86	0.86	0
Directors	Episil Holding Incorporation Representative: Chih-Ming Huang	360,000	360,000	0	0	1,902,712	1,902,712	45,000	45,000	0.06	0.06	0	0	0	0	0	0	0	0	0.06	0.06	0
Directors	Representative of Liang Cheng Investment Co., Ltd.: Pao-He Chen	360,000	360,000	0	0	4,209,881	4,209,881	45,000	45,000	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	0
Directors	Yen-Liang Ho	360,000	360,000	0	0	2,491,176	2,491,176	45,000	45,000	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	0
Directors	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	360,000	360,000	0	0	24,463	24,463	45,000	45,000	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	0
Independent Directors	I-Chi Liu	1,080,000	1,080,000	0	0	0	0	45,000	45,000	0.03	0.03	0	0	0	0	0	0	0	0	0.03	0.03	0
Independent Directors	Chuang-Hsi Chang	1,200,000	1,200,000	0	0	0	0	45,000	45,000	0.03	0.03	0	0	0	0	0	0	0	0	0.03	0.03	0
Independent Directors	Der-Ming Liu	1,080,000	1,080,000	0	0	0	0	45,000	45,000	0.03	0.03	0	0	0	0	0	0	0	0	0.03	0.03	0
Total		8,400,000	8,400,000	0	0	105,881,296	105,881,296	495,000	510,000	2.87	2.87	3,257,282	3,257,282	54,000	54,000	198,400	0	198,400	0	2.96	2.96	0
1.Please describe the policy, system, criteria and structure for the remuneration of independent directors, and the relevance to the amount of remuneration paid based on the responsibilities, risks and time commitment: (1)Independent directors receive monthly fixed remuneration and do not participate in the distribution of earnings, and are paid attendance fees on a per-meeting basis based on the actual number of meetings attended. (2)The above fixed remuneration is based on each independent director's participation in and contribution to the Company's operations and the value of their contributions to the Company. It is proposed to the Board of Directors after evaluation and discussion by the Remuneration Committee, taking into account the payout to listed companies in the same industry and related industries. (3)For serving as a member of each functional committee of the Company, the functional committee member shall be paid a fixed monthly remuneration and shall be paid attendance fees in accordance with the actual number of meetings attended.																						
2.Except as disclosed in the table above, the remuneration received by the directors of the Company for services (e.g. as consultants to the parent company/non-employees of all companies in the financial report/the reinvestment business, etc) in the most recent year: None.																						

(Note): Remuneration paid to the driver assigned to the Chairman in 2022 was NT\$1,023,751.

(II) Remuneration Paid to the President and Vice President

December 31, 2022

Title	Name	Compensation (A) (NT\$)		Resignation/retirement pension (B) (NT\$)		Bonuses and Allowances, etc. (C) (NT\$)		Employee remuneration amount (D) (NT\$)				Total Remuneration (A+B+C+D) as a (%) of Net Income		Whether or not remuneration from the parent company or investee companies from outside the subsidiaries were received
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Bing-Hua Huang	16,963,809	16,963,809	1,595,058	1,595,058	18,545,016	18,545,016	2,499,870	0	2,499,870	0	0.99	0.99	None
Vice President	Ming-Tsung Liu													
Vice President	Bruce Guu													
Senior Vice President	Joshua P.H. Tung													
Vice President	Arthur C. Lin													
Vice President	Juyu Ho													

Note: Remuneration paid to the driver assigned to the General Manager in 2022 was NT\$657,698.

### Remuneration scale table

Levels of remuneration paid to General Manager and Vice General Manager of the Company	Name of President and Vice President	
	The Company	All companies in the financial report
Less than NT\$1,000,000	None	None
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	Joshua P.H. Tung	Joshua P.H. Tung
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Ming-Tsung Liu, Bruce Guu, Arthur C. Lin, Juyu Ho	Ming-tsung Liu, Bruce Guu, Arthur C. Lin, Juyu Ho
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	Bing-Hua Huang	Bing-Hua Huang
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	6 persons	6 persons

**(III) Compare the ratio of the total remuneration paid to the Company's Directors, President, and Vice Presidents in the most recent two years to the net income after tax in the financial report by the Company and all companies in the consolidated statements, and explain the policies, standards and combinations of remuneration payment, the procedures for determining remuneration, and the relevance with business performance and future risks.**

1. Remuneration paid by the Company and all the consolidated entities to the Company's directors, president and vice president as a percentage to the income of the individual financial statement.

Remuneration of the Company's directors, president, and vice president as a percentage to the net income (%) of the individual financial statement.	2022		2021	
	The Company	All companies in the financial report	The Company	All companies in the financial report
	3.87	3.87	3.53	3.55

2. The policy, criteria and composition of remuneration payments, the procedures for determining remuneration, and the correlation with operating performance and future risks
  - (1) (Professional) Manager remuneration
    - a. The (Professional) manager's remuneration is determined based on the overall market position of the Company, the results of salary surveys in related industries, and the individual work performance of the managers, such as: the achievement of the manager's goals, contributions, and other correlated considerations.
    - b. The (Professional) manager's remuneration includes a fixed salary,

supervisor's bonus, fuel subsidy, work bonus (or sales bonus), various allowances, bonuses, year-end bonus, and employee remuneration.

- c. The distribution of bonuses for managers is determined by the results of performance evaluation conducted in accordance with the Company's Employee Performance Evaluation Regulations. The evaluation items are as follows:

Evaluation Item	Description	Proportion
Planning and achievement of organizational goals	Carry out executable planning for the goals assigned by the Company and formulate strategies and milestones to achieve objectives progressively and effectively.	15%
Decision-making ability	Determine, establish, and implement decisions to accomplish the tasks and goals assigned by the Company.	15%
Identify with the Company and coordinate job changes.	Devote to the Company's affairs, protect the Company's interests, and comply with the Company's rules and regulations.	10%
Planning and execution ability	Comprehensiveness, rationality, prospectivity, and adaptability in organization, preparation, planning, and work arrangement.	10%
Problem analysis and solving skills	Ability to analyze, improve, and solve operating and personnel problems and issues within the department or division.	10%
Talent cultivation and work training	Provide work guidance, impart knowledge and skills, and experience to the subordinates, and draw up training and development plans according to their work needs and performance.	10%
Leadership, communication, and coordination skills	Attitude and effectiveness in leading the staff and influence on the morale, discipline, and performance of the team.	10%
Cost and control	Ability to effectively utilize and manage human, material, and financial resources.	10%
Participation and Promotion of ESG	The degree of active participation, promotion, and implementation of the sustainable development policies the company, as well as the formulation and implementation results of ESG major issue strategies.	10%

- d. The (Professional) manager's remuneration is determined in accordance with the Company's relevant rules and regulations, and the Remuneration Committee periodically evaluates the reasonableness of the remuneration.

(2) Directors' remuneration:

- a. In accordance with Article 28 of the Company's Articles of Incorporation, up to 2% of the Company's profit for the year may be allocated as remuneration to the Company's directors for the year, and the amount shall be allocated based on the results of the performance evaluation of each director for the year.

In accordance with Article 10 of the "Board of Directors' Performance Evaluation Guidelines", the performance evaluation results of individual directors shall be used as a reference when determining their individual remuneration.

The Board of Directors previously resolved at the 18th meeting of the 23rd session on December 31, 2019 to approve the method of calculating the

remuneration of directors, taking into account the results of the performance evaluation of directors:

Directors' remuneration = Distributable directors' remuneration × Proportion of shares held by individual directors to the number of shares held by all directors × Payout ratio from the performance evaluation of the directors, where payout ratio from the performance evaluation of the directors was calculated by the evaluation conducted in accordance with Article 9 of "Board of Directors' Performance Evaluation Guidelines": For "Excellent" or "Above Satisfactory", the payout ratio is 100%; for "Satisfactory", the payout ratio is 90%; for "Less than Satisfactory", the payout ratio is 80%; for "Room for Improvement", the payout ratio is 70%.

For the performance evaluation results of the board of directors in 2022, the self-evaluation of various evaluation indicators by the directors is between 5 points of "strongly agreed" and 4 points of "agreed", indicating that the directors have a positive evaluation of the efficiency and effectiveness of the operation of various indicators. The scores of each aspect are shown in the table below, and the self-assessment results of each director are rated as "above standard" and "excellent above standard":

6 major aspects of self-evaluation	Number of questions	Proportion (%)
A. Familiarity with the goals and missions of the company	5	4.89
B. Awareness of the duties of a director.	5	4.98
C. Participation in the operation of the company	10	4.96
D. Management of internal relationship and communication.	4	4.91
E. The director's professionalism and continuing education	3	4.64
F. Internal control	3	4.94
Total/average score	30	4.89

- b. In accordance with Article 22-1 of the Company's Articles of Incorporation, the Remuneration Committee shall recommend a fixed monthly remuneration with reference to the standards of relevant industries and listed companies, and the responsibilities assumed by the directors, and shall submit it to the Board of Directors for approval.
  - c. In addition to the fixed monthly remuneration, the directors shall receive a monthly attendance fee based on the actual number of meetings attended.
  - d. If concurrently serving as a member of the various functional committees of the Company, the director shall be paid a fixed monthly remuneration and attendance fees in accordance with the actual number of meetings attended.
- (3) Independent directors' remuneration:
- a. Independent directors receive monthly fixed remuneration and do not participate in the distribution of earnings, and are paid attendance fees on a per-meeting basis based on the actual number of meetings attended.
  - b. The above fixed remuneration is based on each independent director's participation in and contribution to the Company's operations and the value of their contributions to the Company. It is proposed to the Board of Directors after evaluation and discussion by the Remuneration Committee, taking into account the payout to listed companies in the same industry and related industries.
  - c. For serving as a member of each functional committee of the Company, the functional committee member shall be paid a fixed monthly remuneration and shall be paid attendance fees in accordance with the actual number of meetings attended.

## IV. Corporate Governance Practices

### (I) Board of Directors Operation Status

In the last year, board meetings were held 8 (A) times. The attendance status is as follows:

Title	Name	Number of actual attendee (participant) (B)	Attendance by proxy	Actual attendance (participation) rate (%) [B/A]	Note
Chairman	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	8	0	100	None
Vice Chairman	Mao Sheng Investment Inc. Representative: George Y. S. Ho	8	0	100	None
Director	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	8	0	100	None
Director	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	8	0	100	None
Director	Episil Holding Incorporation Representative: Chih-Ming Huang	8	0	100	None
Director	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	8	0	100	None
Director	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	8	0	100	None
Director	Yen-Liang Ho	8	0	100	None
Independent Director	I-Chi Liu	8	0	100	None
Independent Director	Chuang-Hsi Chang	8	0	100	None
Independent Director	Der-Ming Lieu	8	0	100	None

Other matters that should be recorded:

- I. The operation of the board of directors' meeting shall state the date and period of the board meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors if any of the following circumstances apply:
  - (I) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an audit committee, which is not applicable.
  - (II) In addition to the above items mentioned, other matters resolved by the Board of Directors with the objection or reservation of the independent directors that are recorded or stated in writing: None.
- II. The directors' avoidance of interest motion should indicate the names of the directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting.

Date and Time	Content of motion	Reason for recusal of conflicts of interest	Voting participation
2022.03.10 16th meeting of the 24th board	Tung Kang Wind Power (the subsidiary) intends to apply for a lease of some land within the scope of Longgang Industrial Park of the Company	The Chairman of the Board, Henry C. T. Ho, is a director of the Tung Kang Wind Power and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho, and Joshua P.H. Tun is the director of Tung Kang Wind Power.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.03.10 16th meeting of the 24th board	Awarding the new project of "R&D Center of the Steel Industry in the Erhu Section of Tung Ho Steel Enterprise Corporation" to its subsidiary Tung Ho Steel Engineering & Construction Corp.	The Chairman of the Board, Henry C. T. Ho, and Joshua P.H. Tun are directors of the Tung Kang Engineering & Construction Co., Ltd. and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.03.10 16th meeting of the 24th board	Donation to the Tung Ho Steel Cultural Foundation, a corporate body	The Chairman of the Board, Henry C. T. Ho, is a director of the Foundation and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.

2022.04.12 17th meeting of the 24th board	Tung Kang Wind Power (the subsidiary) intends to apply for a lease of the roofs of some buildings in our company's factory areas to build solar power generation	The Chairman of the Board, Henry C. T. Ho, is a director of the Tung Kang Wind Power and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho, and Joshua P.H. Tun is the director of Tung Kang Wind Power.	The case was discussed and voted on by Der-Ming Liu, the acting chairman of the independent directors; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.05.05 18th meeting of the 24th board	Tung Kang Engineering & Construction Corp. (the subsidiary) intends to apply for a lease of four land projects including Land No. 1216 in Guanyin District, Taoyuan City	The Chairman of the Board, Henry C. T. Ho, is a director of the Tung Kang Engineering & Construction Corp. and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Joshua P.H. Tun, the acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.05.05 18th meeting of the 24th board	Tung Kang Engineering & Construction Corp. (the subsidiary) intends to apply for renewing a lease of all the company's factories located at No. 289, Baochang 6th Road, Guanyin District, Taoyuan City	The Chairman of the Board, Henry C. T. Ho, is a director of the Tung Kang Engineering & Construction Corp. and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Joshua P.H. Tun, the acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.05.27 19th meeting of the 24th board of directors	Tung Kang Wind Power (the subsidiary) intends to apply for a lease of the roofs of some buildings in Taoyuan factory areas to build solar power generation	The Chairman of the Board, Henry C. T. Ho, is the chairman of the Tung Kang Wind Power and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.08.04 20th meeting of the 24th board of directors	Purchase of plant and equipment from the subsidiary Tung Kang Engineering & Construction Corp.	The Chairman of the Board, Henry C. T. Ho, is a director of the Tung Kang Engineering & Construction Corp. and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.08.04 20th meeting of the 24th board of directors	Awarding the decoration project of "R&D Center of the Steel Industry in the Erhu Section of Tung Ho Steel Enterprise Corporation" to its subsidiary Tung Ho Steel Engineering & Construction Corp.	The Chairman of the Board, Henry C. T. Ho, is a director of the Tung Kang Engineering & Construction Corp. and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.
2022.11.07 22nd meeting of the 24th board	Tung Kang Engineering & Construction Corp. (the subsidiary) intends to apply for a lease of part of the company's factory buildings, offices and land at No. 540, Section 2, Jieshou Road, Bade District, Taoyuan City	The Chairman of the Board, Henry C. T. Ho, is a director of the Tung Kang Engineering & Construction Corp. and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, George Y. S. Ho.	The case was discussed and voted on by Chuang-Hsi Chang, the independent director and acting chairman of the board; except for the above-mentioned directors who were recused due to their interest involvement, the rest of the directors passed the case without objection.

- III. Listed companies should disclose information on the periodicity and duration, scope, method and content of the evaluation of the self (or peer) evaluation by the board of directors, and fill out Exhibit 2(2) on the implementation of the board evaluation.
- IV. Programs this year and in the recent year in strengthening the functionality of the Board (for example, set up an auditing committee, improve transparency, etc.) and execution evaluation:
- (I) The Company's important rules and regulations and corporate governance-related regulations are disclosed on the Company's website or on the Market Observation Post System in accordance with regulations.
  - (II) To enhance the professional knowledge of directors and to implement corporate governance, in 2022, in addition to arranging relevant education courses according to the needs of individual directors, two further education courses for directors are planned, namely, "Risks and Opportunities of Climate Change and Zero Emission Policies for Business Operations" and "Global Risk Perception - Opportunities and Challenges in the Next Decade". The information on the directors' training is disclosed on the Company's website and the Market Observation Post System.
  - (III) Following the "Code of Practice on Governance of Listed and OTC Companies", revising "Internal Major Information Processing Procedure" of the company, prohibiting insiders from buying and selling securities by use of undisclosed information in the market, including stock trading control measures taken by insiders from the date of learning of the company's financial report or related performance content, including (but not limited to) that directors are not allowed to trade their stocks during the closed period of 30 days before the announcement of annual financial reports and 15 days before the announcement of quarterly financial reports.
  - (IV) The Company has taken out the "Directors' and Supervisors' and Key Employees' Liability Insurance" to mitigate the risk of directors' legal liability and enhance corporate governance. The Company has submitted the report of the 22nd meeting of 24th Board of Directors' Meeting on November 7, 2022.
  - (V) Succession planning for board members and key management personnel:  
The company must, in accordance to its own development direction and goals, plan for a successor who possess not only professional ability, but also the personality traits of honesty and integrity and one who holds values that are consistent with the company.
- 1. Succession planning for Board of Directors:  
Re-election of directors will be carried out 25th shareholders' regular meeting in 2023, with 9 directors (including 3 independent directors) determined at the 24th meeting of 24th board meeting on January 5, 2023.  
After comprehensively considering the following matters, the Corporate Governance and Nomination Committee approved the review on February 14, 2023, and submitted the proposed candidates for directors to the 25th meeting of the 24th Board of Directors on February 22, 2023:
    - (1) Whether the director candidate has the professional knowledge, skills, and experience required for the operations of the Company, with diversity, such as gender, in mind.
    - (2) The independent director candidate's qualifications, professionalism, independence, integrity, and concurrent positions held at other companies, in accordance with the requirements of the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and other relevant rules and regulations of the Taiwan Stock Exchange.
    - (3) Whether the director candidate meets the qualifications and requirements set forth in Article 30 of the Company Act, and the nomination shall also be handled in accordance with Article 192-1 of the Company Act.
  - 2. Management succession plan:  
The company regularly reviews and selects the potential list of candidates for each level, establishes a talent pool, and conducts training programs. The content of the talent development program includes professional ability, management ability, individual development program (IDP) and job rotations:



- (1) Develop the ability to make decisions and evaluations through the mechanism of work practice reports and participation in important meetings on goals and management. Provide guidance and feedback for individuals throughout the process via regular performance evaluations by supervisors.
- (2) Cultivate diversified working abilities and nurture broadened horizons, and provide practical experience through cross-functional or cross-departmental (factory) job rotation, project planning and execution, part-time duties, work agency or assignment to investee companies, etc.
- (3) Participate in internal and external related training to develop decision making and judgment ability according to annual individual development needs.
- (4) Establish a comprehensive training record and regularly review the talent development plan in order to implement adjustments according to the organization's operational needs.
- (5) Encourage middle and senior level talents to unleash their creativity and to initiate further study, research or alternative training and internship programs. The company will provide resource support or adjust the content of their duties, so as to facilitate the diversity and resilience of the company's overall human resources.

The higher level managers of the Company have completed the intermediate supervisor training course, HQMTP, which includes courses on problem handling, work improvement, communication skills, etc., to better understand the business procedures through case studies, role-playing, and other learning methods and to improve overall management efficiency and leadership skills. In addition, due to business needs, the Company has formulated an annual training program to provide professional training for various business operations. In 2022, a total of 7,712 people participated in the training, totaling 33,571 hours of training, with an average of 17 hours of training per person.

The Company organizes and holds the business expansion management meeting and the Tung Ho Steel Growth Camp every year. The business expansion management meeting is for mid-level and senior managers to discuss the development strategies and trends in the steel and iron industry through visiting related businesses, physical activities, keynote speeches, etc. The Tung Ho Steel Growth Camp is for new and young employees where participants are divided into multiple teams and engage in research competitions on related topics to cultivate critical thinking, communication, and interpersonal skills, promoting teamwork and strengthening devotion to the Company.

The 2022 Expanded Operation Management Conference was held on November 17-18, 2022, with a total of 134 participants.

The company regularly handles promotion assessments to select excellent talents, with a total of 41 supervisors above class level promoted in 2022.

## 2. Board of Directors' Evaluation of Implementation Status

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Performed every three years	August 1, 2021 to July 31, 2022	Including board of directors, individual board members, and functional committees (Remuneration Committee, Audit Committee, and Corporate Governance Committee).	<p>According to the provisions of the Company's "Board of Directors' Performance Evaluation Guidelines", the performance evaluation of the Board of Directors shall be conducted at least every three years by an external professional and independent organization or a team of external experts and scholars.</p> <p>The external evaluation was executed by the "Chinese Corporate Governance Association" in 2022, and the association and the executive experts have no business dealings with the Company and are independent.</p> <p>The former association conducted self-assessment by the company through an open questionnaire, and after the evaluation committee reviewed the relevant documents provided by the company, four evaluation committee members were appointed to conduct a video interview with the Chairman of the Board of Directors, Convener of the Functional Committee of the Board of Directors, General Manager, Corporate Governance Director, and Audit Director of our Company on September 13, 2022.</p>	<p>The operation of our Company's board of directors are reviewed from eight major aspects: composition of the board of directors, guidance of the board of directors, authorization of the board of directors, supervision of the board of directors, communication of the board of directors, internal control and risk management, self-discipline of the board of directors, and other aspects such as board meetings and support systems.</p> <p>The results of the performance evaluation of the board of directors' meeting was submitted to the 6th meeting of the 4th Compensation Committee on December 13, 2022, and then presented to the 23rd meeting of the 24th Board of Directors meeting on December 22, 2022, for review and improvement; the content, method, execution and results of the relevant evaluation have been disclosed on the Company's website.  <a href="https://www.tunghosteel.com/investors/resolution">https://www.tunghosteel.com/investors/resolution</a></p>
Performed once a year	January 1, 2022 to December 31, 2022	Including board of directors, individual board members, and functional committees (Remuneration Committee, Audit Committee, and Corporate Governance Committee).	<p>(I) The performance of board members is self-evaluated by all board members.</p> <p>(II) The performance of Functional Committee is evaluated by the convener of each functional committee.</p> <p>(III) The performance of Board of Directors is evaluated by the Head of Corporate Governance.</p>	<p>(I) The evaluation aspects of board members include: There are 30 items in 6 major categories: mastery of corporate goals and tasks, awareness of directors' responsibilities, participation in corporate operations, internal relations and communication, professionalism and continuing education of directors, as well as internal control.</p> <p>(II) The evaluation aspects of each functional committee include: There are 20-23 items in 5 major categories: participation in the company's operation, awareness of functional committee responsibilities, improvement of the quality of functional committee decisions, composition and selection of functional committee members, and internal control.</p> <p>(III) The evaluation aspects of board of director include: There are 47 items in 5 major categories: participation in company operations, improving the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control.</p> <p>The evaluation results are sent to the Remuneration Committee for review on February 21, 2023, and the review results will be submitted to the 25th meeting of the 24th board of directors' meeting report on February 22, 2023, as the basis for review and improvement.</p> <p>The content, method, execution and results of the relevant evaluation have been disclosed on the Company's website.  (IV) <a href="https://www.tunghosteel.com/investors/resolution">https:// www.tunghosteel.com/investors/resolution</a></p>

## (II) Audit Committee Operation Status

In the last year, audit committee meetings were held 9 (A) times. The attendance status of independent directors is as follows:

Title	Name	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Note
Convener Independent Director	I-Chi Liu	9	0	100	None
Independent Director	Chuang-Hsi Chang	9	0	100	None
Independent Director	Der-Ming Lieu	9	0	100	None

Other matters that should be recorded:

I. When one of the following situations has occurred to the operations of the Audit Committee, state the date, term, content of proposals as well as any objections, reservations, or major recommendations of the independent directors, along with the results of resolutions by the Audit Committee and the Company's actions in response to the resolutions.

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

Date and Time	Content of motion	Audit Committee Resolution result	The Company's handling of the audit committee review opinions
2022.03.08 14th meeting of the 2nd board	1.The 2021 business report and financial report	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
	2.Surplus allocation proposal for 2021		
	3.Issuance of the "Statement of Internal Control" for the year 2021		
	4.Amendments to the "Procedures for Acquiring or Disposing of Assets"		
	5.Lease of 41 state-owned land including Land No. 1157 in Guanyin District, Taoyuan City		
	6.Tung Kang Wind Power (the subsidiary) intends to apply for a lease of some land within the scope of Longgang Industrial Park		
	7.Awarding the "R&D Center of the Steel Industry in the Erhu Section of Tung Ho Steel Enterprise Corporation"		
	8.Contribution to the activities and expenses of the Tung Ho Steel Cultural Foundation		
	9.Passed the short term credit obligation case of US\$35 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.		
	10.Endorsement and guarantee of credit facilities to subsidiaries		
2022.04.12 15th meeting of the 2nd board	1.Tung Kang Wind Power (the subsidiary) intends to apply for a lease of the roofs of some buildings in our company's factory areas	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
	2.Shumei Kuo, the manager of the Finance and Accounting Department, was authorized as our company's authorized trading personnel for derivative products		
2022.05.05 16th meeting of the 2nd board	1.Quarter 1 consolidated financial reports for 2022.	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The	The resolution of the board of directors was approved as
	2.Appointment and removal of the financial supervisor of our Company		

	<p>3.Tung Kang Engineering &amp; Construction Corp. (the subsidiary) intends to apply for a lease of four land projects including Land No. 1216, Baochang section, in Guanyin District, Taoyuan City</p> <p>4.Tung Kang Engineering &amp; Construction Corp. (the subsidiary) intends to apply for renewing a lease of all the company's factories located at No. 289, Baochang 6th Road, Guanyin District, Taoyuan City</p> <p>5.Endorsement and guarantee of credit facilities to subsidiaries</p>	independent directors have no objection.	written.
2022.05.27 17th meeting of the 2nd board	Tung Kang Wind Power (the subsidiary) intends to apply for a lease of the roofs of some buildings	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
2022.08.04 18th meeting of the 2nd board	<p>1.Quarter 2 consolidated financial reports for 2022</p> <p>2.Purchase of plant and equipment from the subsidiary Tung Kang Engineering &amp; Construction Corp.</p> <p>3.Awarding the decoration project of "R&amp;D Center of the Steel Industry in the Erhu Section of Tung Ho Steel Enterprise Corporation"</p> <p>4.Endorsement and guarantee of credit facilities to subsidiaries</p>	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
2022.08.30 19th meeting of the 2nd board	Our company intends to participate in the bidding for real estate (including 2 plots of land, No. 1347 and 1348 in Erqiao Section, Xiaokang District, Kaohsiung City, and 4 buildings) and equipment	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
2022.11.03 20th meeting of the 2nd board	<p>1.Quarter 3 consolidated financial reports for 2022</p> <p>2.Accountant public expenses review proposal for 2022</p> <p>3.Tung Kang Engineering &amp; Construction Corp. (the subsidiary) intends to apply for a lease of part of the company's factory buildings, offices and land at No. 540, Section 2, Jieshou Road, Bade District, Taoyuan City</p> <p>4.The Company intends to increase its capital in Tung Ho Steel Vietnam Corp., Ltd. by US\$40 million</p> <p>5.Endorsement and guarantee of credit facilities to subsidiaries</p>	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.
2022.12.22 21th meeting of the 2nd board	<p>1.Developing general principles of our company's pre approved non conviction service policy</p> <p>2.Non-conviction services is expected to be provided by KPMG International Cooperative in 2023</p> <p>3.Endorsement and guarantee of credit facilities to subsidiaries</p>	All members present agreed to approve the proposal and submit it to the board of directors for resolution. The independent directors have no objection.	The resolution of the board of directors was approved as written.

- (II) In addition to the above mentioned items, other resolutions not approved by the Audit Committee but approved by two-thirds or more of the Company's directors: None.
- II. The independent directors' avoidance of interest motion should indicate the names of the independent directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: None.
- III. Independent directors' communication with internal auditors and accountants (for example, methods and results of communication over the Company's financial and business status, etc.):
- (I) Communication status between independent directors and accountants:  
Prior to the annual review of the financial statements, the independent directors and the certified public accountants will discuss and communicate the scope and manner of the review, and the key audit issues.  
The certified public accountant communicates with the independent directors at the audit committee meetings on a quarterly basis regarding the review results or financial statement audits of the Company and its subsidiaries, and has reached consensus on relevant matters through adequate and excellent communication.  
The accountant will explain and communicate with the independent directors on an irregular basis regarding the update of relevant regulations and whether the amendment of laws and regulations affects the way of accounting.  
Summary of communication for 2022:

Date	Communication content	Handling and implementation results
2022.01.04 Audit Committee	Pre-audit discussion and communication regarding the scope of audit, audit approach, and key audit issues for the 2021 financial report.	No inconsistency of opinion. Affected by COVID-19, accountants couldn't travel to the mainland to conduct inspections, so please pay special attention to the various inspection operations of Fujian Donggang, a subsidiary of Fujian Tung Ho.
2022.03.08 Audit Committee	To communicate and discuss the results of the 2021 individual and consolidated financial report audit.	No inconsistency of opinion.
2022.05.05 Audit Committee	To communicate and discuss the results of the 2022 Quarter 1 individual and consolidated financial report audit.	No inconsistency of opinion.
2022.08.04 Audit Committee	To communicate and discuss the results of the 2022 Quarter 2 individual and consolidated financial report audit.	No inconsistency of opinion.
2022.11.03 Separate communication forum (pre-meeting of audit committee)	Separately communicating on the review process and related matters of the consolidated financial report.	Consensus has been reached on all relevant matters through enough communication with good communication situation.
2022.11.03 Audit Committee	To communicate and discuss the results of the 2022 Quarter 3 individual and consolidated financial report audit.	No inconsistency of opinion.

- (II) Communication between independent directors and internal auditors:  
The Company's head of internal audit sends monthly audit reports and tracking report related information to the independent directors for review, who will provide guidance to the internal audit unit through this communication mechanism.  
The head of internal audit attends and presents business reports at the board of directors and audit committee meetings.  
Summary of communication for 2022:

Date	Communication content	Handling and implementation results
2022.03.08 Audit Committee	1. Audit of business execution and missing items tracking improvement report from December 2021 to February 2022, as well as communication and discussion on related issues.	All independent directors present agreed to approve the proposal and submit it to the board of directors.
	2. Issuance of the Company of "Statement of Internal Control" for the year 2021	All independent directors present agreed to approve the proposal and submit it to the board of directors for resolution.
2022.05.05 Audit Committee	Audit of business execution and missing items tracking improvement report in March 2022, as well as communication and discussion on related issues.	All independent directors present agreed to approve the proposal and submit it to the board of directors.

2022.05.27 Audit Committee	Audit of business execution and missing items tracking improvement report in April 2022, as well as communication and discussion on related issues.	All independent directors present agreed to approve the proposal and submit it to the board of directors.
2022.08.04 Audit Committee	Audit of business execution and missing items tracking improvement report from May to June 2022, as well as communication and discussion on related issues.	All independent directors present agreed to approve the proposal and submit it to the board of directors.
2022.11.03 Audit Committee	Audit of business execution and missing items tracking improvement report from July to September 2022, as well as communication and discussion on related issues.	All independent directors present agreed to approve the proposal and submit it to the board of directors.
2022.11.03 Separate communication forum (after-meeting of audit committee)	The audit supervisor communicated separately with the independent directors according to the formulation of the audit plan and related matters of the year 2023.	Independent Director I-Chi Liu: After this cash capital increase, the capital of the subsidiary THSVC is equivalent to that of the parent company, and it is suggested that its audit plan should be considered according to the eight cycles of internal control. The audit supervisor revised the content of the audit plan according to the suggestion of Independent Director I-Chi Liu, and proposed to the board of directors for discussion.
2022.12.22 Audit Committee	1. Audit of business execution and missing items tracking improvement report from October to November 2022, as well as communication and discussion on related issues.	All independent directors present agreed to approve the proposal and submit it to the board of directors.
	2. The audit office submitted the "Audit Plan for 2023".	All members present agreed to approve the proposal and submit it to the board of directors for resolution.
11.12.22 Internal control forum	The Audit Office held a review forum on the internal control system with directors (including independent directors) after the Board meeting, and the communication contents were as follows: 1. Contents of addition (revision) of internal control system. 2. Audit work execution report for this year. 3. Report on deficiencies discovered improvements implemented during the audit. 4. Endorsement guarantee, fund loan and circumstances. 5. Recent amendments to Securities Management Act.	The independent directors present communicated with the audit office and give guidance on related issues.

IV. Audit Committee 2022 Work Agenda:

1. Review the appropriateness of the annual financial report and quarterly reports.
2. Review the business report and the distribution of earnings.
3. Review the independence and suitability of the accountant and the accountant's fee.
4. Review the operating procedures related to the internal control system.
5. Review the annual audit plan.
6. Assessment of the effectiveness of the internal control system.
7. Review major asset transactions and major investment cases.
8. Review of derivative transactions, major capital loans, and provision of endorsements and guarantees.

**(III) Differences and Reasoning for the Status of Corporate Governance and Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies**

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons										
	Yes	No	Summary											
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The "Corporate Governance Best Practice Principles" was approved by the 23rd session (12th meeting) Board of Directors' Meeting on March 26, 2019 and is posted on the Company's website. Please refer to the Company's website/Investor Services/Corporate Governance/Important Regulations of the Company (https:// www.tunghosteel.com/investors/norm).	No difference.										
II. Company Stock Equity Structure and Shareholders' Rights (I) Did the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly? (II) Does the company have in possession the list of major shareholders that have actual control over the company as well as the list of major shareholders with final control? (III) Did the company establish and execute risk control mechanism for affiliates, and firewall methods? (IV) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	✓		(I)The company has formulated the Spokesperson Policy and appointed a spokesperson and an acting spokesperson accordingly. They shall represent the Company to make public announcements of the Company’s major news and updates as well as to respond to any questions and inquiries the media or investors may have. The Company has a dedicated contact window for various external stakeholders, which is posted on the Company's website to receive notifications, suggestions, complaints and reports on the Company, and assigns dedicated personnel to handle and reply to such feedback. (II) The Company is in possession of the list of its major shareholders who control the Company substantially as well as the ultimate controller of these major shareholders. (III) Guarantee endorsement and financing for affiliated enterprises are subjected to strict internal regulations. The "Regulations Governing Related-Party Transactions" have been established to improve the financial transactions between the Company and its related companies and to prevent non-conventional transactions or improper transfer of benefits. (IV)In accordance with Article 6 of the Company’s Critical Internal Material Information Processing Procedures, internal personnel are subject to stock trading controls as of the date they are informed of the Company's financial or related results, including, but not limited to, directors not trading in the Company's stock 30 days prior to the publication date of the annual financial report and 15 days prior to the publication date of the quarterly financial report. The Company has publicized laws and regulations related to insider trading by email and will continue to remind all personnel by email before the aforementioned stock trading closure period. And insiders shall be reminded via email before the aforementioned stock trading closure period.	No difference.										
III. Board compositions and responsibilities (I) Does the Board of Directors formulate and implement diversified policies and specific management objectives?	✓		(I) The diversity policy of the Board of Directors, management goals, and implementation: 1. Diversity policy of the Board of Directors: In accordance with Article 22 of the “Corporate Governance Best Practice Principles”, the Company shall strengthen the functions and regulations of the Board of Directors, and shall consider diversity in the composition of the Board of Directors and formulate appropriate diversity guidelines for its operations, business model and development needs, including but not limited to the following two major criteria: (1) Basic qualifications and value: Gender, age, nationality and culture. (2) Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc. Each board member shall have the necessary knowledge, skill, and ability. To achieve the desired objectives of corporate governance, the board as a whole must have abilities that include: Operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate change management. 2. Board of Directors Diversity Specific Management Objectives: The Board of Directors shall direct the Company's strategies, supervise management, and be responsible to the Company and its shareholders. The operations and arrangements of the Company's corporate governance system shall ensure that the Board of Directors exercise its authority in accordance with the provisions of the Act, the Articles of Incorporation, or the resolution of the shareholders' meeting. Specific management objectives are as follows: (1) The Company’s board of directors also places emphasis on gender equality and should include at least one female director. (2) The Company’s board of directors places emphasis on operational judgment, management and crisis management capabilities. At least 2/3 of the members of the Board of Directors should be competent in the relevant core items. (3) Independent directors may not serve more than three consecutive terms in order to stay independent. <table><tr><th>Management objectives</th><th>Achievement situations</th></tr><tr><td>The company's board of directors shall include at least one female director</td><td>In the 25th election of directors, female independent director candidates have been nominated</td></tr><tr><td>More than two-thirds of the board members should have core competencies such as operational judgment, operation management and crisis management</td><td>Achieved</td></tr><tr><td>Independent director has not served more than three terms</td><td>Achieved</td></tr><tr><td>Among the members of the Board of Directors, the number of directors who are employees of the Company, its parent, subsidiary or sister company shall be less than (including) 1/3 of the total number of directors</td><td>Achieved</td></tr></table> (4) The number of directors who are employees of the Company, its parent, subsidiary or sister company shall be less than (including) 1/3 of the total number of directors for the purpose of supervision.	Management objectives	Achievement situations	The company's board of directors shall include at least one female director	In the 25th election of directors, female independent director candidates have been nominated	More than two-thirds of the board members should have core competencies such as operational judgment, operation management and crisis management	Achieved	Independent director has not served more than three terms	Achieved	Among the members of the Board of Directors, the number of directors who are employees of the Company, its parent, subsidiary or sister company shall be less than (including) 1/3 of the total number of directors	Achieved	No difference.
Management objectives	Achievement situations													
The company's board of directors shall include at least one female director	In the 25th election of directors, female independent director candidates have been nominated													
More than two-thirds of the board members should have core competencies such as operational judgment, operation management and crisis management	Achieved													
Independent director has not served more than three terms	Achieved													
Among the members of the Board of Directors, the number of directors who are employees of the Company, its parent, subsidiary or sister company shall be less than (including) 1/3 of the total number of directors	Achieved													

Assessed areas	Operations										Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
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Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons																				
	Yes	No	Summary																					
(IV) Does the company evaluate the independence of CPAs on a regular basis?			<p>directors, supervision of the board of directors, communication of the board of directors, internal control and risk management, self-discipline of the board of directors, and other aspects such as board meetings and support systems.</p> <p>The results of the performance evaluation of the board of directors' meeting was submitted to the 6th meeting of the 4th Compensation Committee on December 13, 2022, and then presented to the 23rd meeting of the 24th Board of Directors meeting on December 22, 2022, for review and improvement; the content, method, execution and results of the relevant evaluation have been disclosed on the Company's website. (Please refer to the Company's website/Investor Services/Corporate Governance/Operations/Board Performance Evaluation/2022/Board Performance External Evaluation Report for the Year 2022https:// Wwww.tunghosteel.com/investors/resolution)) and annual report (The implementation of the evaluation of the board of directors is also included in the annual report - IV. Corporate Governance Practices/(I) 2. the implementation of the board evaluation).</p> <p>2. 2022 Board of Directors Performance Evaluation Results:</p> <table><tr><th>Evaluation Target</th><th>Board Member</th><th>Functional Committees</th><th>Board of Directors</th></tr><tr><td>Aspect</td><td><ul style="list-style-type: none"><li>• Familiarity with the goals and missions of the company</li><li>• Awareness of the duties of a director</li><li>• Participation in the operation of the company</li><li>• Management of internal relationship and communication</li><li>• The director's professionalism and continuing education</li><li>• Internal control</li></ul></td><td><ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Awareness of the duties of the functional committee</li><li>• Improve the quality of functional committee decisions</li><li>• Composition and selection of functional committee members</li><li>• Internal control</li></ul></td><td><ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Improvement of the quality of the board of directors' decision making</li><li>• Composition and structure of the Board of Directors</li><li>• Election and continuing education of the directors</li><li>• Internal control</li></ul></td></tr><tr><td>Evaluation Items</td><td>30</td><td>20-23</td><td>47</td></tr><tr><td>Average score</td><td>4.89</td><td>5.00</td><td>4.91</td></tr><tr><td>Evaluation results</td><td>Excellent</td><td>Excellent</td><td>Excellent</td></tr></table> <p>The self-assessment scores of the Directors were between 5 “Strongly Agree” and 4 “Agree”, indicating that the Directors had positive feedback on the efficiency and effectiveness of the indicators.</p> <p>The scores of each aspect are shown in the table below, and the self-assessment results of each director are rated as "excellent above standard".</p> <p>In accordance with Article 10 of the "Board of Directors’ Performance Evaluation Guidelines", the performance evaluation results of individual directors shall be used as a reference when determining their individual remuneration. The Board of Directors previously resolved at the 18th meeting of the 23rd session on December 31, 2019 to approve the method of calculating the remuneration of directors, taking into account the results of the performance evaluation of directors.</p> <p>Directors’ remuneration = Distributable directors’ remuneration × Proportion of shares held by individual directors to the number of shares held by all directors × Payout ratio from the performance evaluation of the directors,</p> <p>where payout ratio from the performance evaluation of the directors was: For "superior than standard" and "above standard", the payout ratio is 100%; for "meeting standard", the payout ratio is 90%; for "not meeting standard", the payout ratio is 80%; and for "to be enhanced", the payout ratio is 70%.</p> <p>The results of the performance evaluation of the previous board of directors' meeting have been submitted to the 4th session (7th meeting) Remuneration Committee on February 21, 2023, and then presented to the Board of Directors meeting on February 22, 2023; the content, method, execution and results of the relevant evaluation will be disclosed on the Company's website (go to the “Performance Evaluation” section on the English page of Corporate Governance Practices: https://www.tunghosteel.com/EN/HomeEg/investors/resolution) and in the annual report (the implementation status of the relevant board evaluation for 2022 is also listed in Schedule 4 of the annual report on the board of directors’ operations).</p> <p>(IV) In accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies", the Company evaluates the independence and suitability of the appointed accountants once a year:</p> <p>1. In accordance with the assessed items set forth in the R.O.C. Professional Ethics Guidelines No. 10, "Integrity, Impartiality, Objectivity and Independence", and Article 47 of the Certified Public Accountant Act:</p> <ol style="list-style-type: none"><li>(1) The auditing CPAs and their associated auditors shall ensure honesty, impartiality, and independence.</li><li>(2) The CPAs shall not have any direct or material indirect financial relationship with the Company.</li><li>(3) The CPAs have not held a position of significant influence in the Company or its affiliates in the past two years.</li><li>(4) The CPAs do not own or try to sell any shares, other securities, or corporate bonds of the Company or its affiliates.</li><li>(5) The CPAs do not have any loans or guarantees with the Company or its affiliates.</li><li>(6) The CPAs do not have any joint investments or share any profits with the Company or its affiliates.</li><li>(7) The CPAs shall not currently hold a regular job at the Company or its affiliates, receiving a fixed salary or serving as a director or supervisor.</li><li>(8) The CPAs are not involved in the management function of decision-making or execution of the Company or its affiliates.</li><li>(9) The CPAs have not concurrently engaged in other related businesses that may lead to loss of independence.</li><li>(10) The CPAs shall not be a spouse (domestic partner), a lineal blood relative, a lineal relative by marriage, a parent, or any other collateral blood relative of any director, supervisor, manager, or person with significant influence of the Company or its affiliates.</li></ol>	Evaluation Target	Board Member	Functional Committees	Board of Directors	Aspect	<ul style="list-style-type: none"><li>• Familiarity with the goals and missions of the company</li><li>• Awareness of the duties of a director</li><li>• Participation in the operation of the company</li><li>• Management of internal relationship and communication</li><li>• The director's professionalism and continuing education</li><li>• Internal control</li></ul>	<ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Awareness of the duties of the functional committee</li><li>• Improve the quality of functional committee decisions</li><li>• Composition and selection of functional committee members</li><li>• Internal control</li></ul>	<ul style="list-style-type: none"><li>• Participation in the operation of the company</li><li>• Improvement of the quality of the board of directors' decision making</li><li>• Composition and structure of the Board of Directors</li><li>• Election and continuing education of the directors</li><li>• Internal control</li></ul>	Evaluation Items	30	20-23	47	Average score	4.89	5.00	4.91	Evaluation results	Excellent	Excellent	Excellent	
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Assessed areas			Operations	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons																																		
	Yes	No	Summary																																			
			<p>(11) The CPAs have not received any commission related to their services.</p> <p>(12) The CPAs have not received any gifts of great value.</p> <p>(13) The CPAs have not accepted improper accounting policies or made improper disclosure in the financial statements for the purpose of retaining customers.</p> <p>(14) The CPAs shall avoid any inappropriate relationship with any personnel or related party of the Company or its affiliates.</p> <p>(15) As of the most recent assurance operation, the CPAs have not been appointed for more than seven consecutive years.</p> <p>(16) The CPAs have not engaged in any matter that may result in disciplinary actions taken against them or damage the principle of independence so far.</p> <p>According to the preliminary evaluation by the Finance and Accounting Division on the independence and suitability of the 2022 CPAs, the CPAs met the independence requirements, and it was appropriate for them to provide the Company various financial, tax consultation, and assurance services.</p> <p>2. Refer to the Audit Quality Indicators (AQIs), and evaluate the independence and suitability of the appointed accountants. The Board of Directors of our Company should refer to the Audit Quality Indicators (AQIs) and evaluate the independence and suitability of the appointed accountants for the year 2023. Referring to the audit quality disclosure framework with 5 major dimensions and 13 audit quality indicators provided by KPMG, the audit quality evaluation of the firm and the audit team is as follows:</p> <table><tr><th>Five Major Components</th><th>Thirteen indicators</th><th>Evaluation Results</th></tr><tr><td rowspan="4">Professionalism</td><td>1-1 Apricot kernel experience</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>1-2 Training hours</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>1-3 Mobility Rate</td><td><input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>1-4 Professional Support</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td rowspan="4">Quality Control</td><td>2-1 Accountant's Load</td><td><input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>2-2 Audit Input</td><td><input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>2-3 Case Quality Control Review Review Situation</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>2-4 Quality Control Support Capability</td><td><input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td rowspan="2">Independence</td><td>3-1 Non-audit Service</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>3-2 Customer Awareness</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td rowspan="2">Supervision</td><td>4-1 External Inspection Failure and Magic Score</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>4-2 Improvement by letter from the competent authority</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr><tr><td>Innovation</td><td>5-1 Innovation plan or initiative</td><td><input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</td></tr></table> <p>After having been submitted to the 23rd Audit Committee of the 2nd board for review, the evaluation report was submitted for approval by the 25th meeting of the 24th board on February 22, 2023.</p>	Five Major Components	Thirteen indicators	Evaluation Results	Professionalism	1-1 Apricot kernel experience	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	1-2 Training hours	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	1-3 Mobility Rate	<input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor	1-4 Professional Support	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	Quality Control	2-1 Accountant's Load	<input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor	2-2 Audit Input	<input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor	2-3 Case Quality Control Review Review Situation	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	2-4 Quality Control Support Capability	<input type="checkbox"/> Good <input checked="" type="checkbox"/> Fair <input type="checkbox"/> Poor	Independence	3-1 Non-audit Service	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	3-2 Customer Awareness	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	Supervision	4-1 External Inspection Failure and Magic Score	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	4-2 Improvement by letter from the competent authority	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	Innovation	5-1 Innovation plan or initiative	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	
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(V) Does the listed company have a suitable and appropriate number of corporate governance personnel and does the company designate a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their operational duties, assisting directors and supervisors to comply with laws and regulations, conducting board and shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)?	✓		<p>The Administration Division is responsible for the Company's corporate governance related affairs, including coordinating the meeting of the Board of Directors and functional committees, preparing meeting minutes and related matters, assisting directors in their onboarding and continuing education, providing directors with information required for business execution, assisting directors in complying with laws and regulations, registering Company changes, and other matters stipulated in the Company's Articles of Incorporation or contracts, etc.; the convening of the shareholders' meeting and the recording of the shareholders' meeting minutes are the responsibilities of the Finance and Accounting Division.</p> <p>At the 23rd session (12th meeting) of the Board of Directors on March 26, 2019, Assistant Vice President Juyu Ho, having more than three years of experience in the Company's internal audit as well as in managing units of corporate governance related affairs, Assistant Vice President Ms. Juyu Ho was appointed the Head of Corporate Governance.</p> <p>(I) The corporate governance affairs mentioned in the preceding paragraph include at least the following items:</p> <ol style="list-style-type: none"><li>1. Handling matters relating to board meetings and shareholders meetings according to laws.</li><li>2. Producing minutes of board meetings and shareholders meetings.</li><li>3. Assisting in onboarding and continuous development of directors.</li><li>4. Furnishing information required for business execution by directors.</li><li>5. Assisting directors with legal compliance.</li><li>6. Other matters set out in the Articles of Incorporation or contracts.</li></ol> <p>(II) Business execution in 2022:</p> <ol style="list-style-type: none"><li>1. Arranged continuing professional education sessions for directors on May 5, 2022 and November 7, 2022.</li></ol>	No difference.																																		

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			<div>2. Assisted in the review and submission of the Board of Directors performance evaluation.</div> <div>3. Performance evaluation of the Board of Directors was carried out by an external evaluation agency.</div> <div>4. Assisted in the publication of the 2021 Corporate Social Responsibility Report and the 2022 Climate-related Financial Disclosure Report.</div> <div>5. Actively promoted corporate governance and assisted the Board of Directors in revising the "Corporate Governance and Nominating Committee Charter", "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", and "Board of Directors Performance Evaluation Guidelines” in order to strengthen the functions of the Board of Directors and improve the management mechanism.</div> <div>6. Completed the renewal of liability insurance for directors and key staff and submitted it to the meeting of the Board of Directors on November 7, 2022.</div> <div>(III) Training of Cooperate Governance Managers: The total number of continuing professional training hours in 2022 was 19 hours and met the requirement set forth in Paragraph 2 of Article 24 of the Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, which requires current chief corporate governance officers to complete a minimum of 12 continuing professional education (CPE) hours per year.</div> <table><tr><th>Date of continuing education</th><th>Organizer</th><th>Course name</th><th>Training hours</th></tr><tr><td>2022.05.05</td><td>Securities and Futures Market Development Foundation of Corporate Body of the Republic of China</td><td>Risks and Opportunities of Climate Change and Zero Emission Policies for Business Operations</td><td>3</td></tr><tr><td>2022.07.07</td><td>TSEC and OTC Securities Exchange</td><td>Promotion Conference of the Sustainable Development Roadmap Industry Theme</td><td>2</td></tr><tr><td>2022.09.30</td><td>Chinese Corporate Governance Association</td><td>International order variables and the adaptability of corporate governance</td><td>3</td></tr><tr><td>2022.10.05</td><td>Corporate Operation and Sustainable Development Association</td><td>Risk Management, Internal Control, Digital Governance, Digital Transformation, Looking Forward to the Future, New Thinking in Risk Management</td><td>3</td></tr><tr><td>2022.10.19</td><td>Securities and Futures Market Development Foundation of Corporate Body of the Republic of China</td><td>2022 Insider Equity Transaction Legal Compliance Promotion Conference</td><td>3</td></tr><tr><td>2022.11.07</td><td>Securities and Futures Market Development Foundation of Corporate Body of the Republic of China</td><td>Global Risk Awareness - Opportunities and Challenges in the Next Decade</td><td>3</td></tr><tr><td>2022.11.11</td><td>Chinese Corporate Governance Association</td><td>How corporates can prevent corruption</td><td>2</td></tr></table> <div>Please refer to the Company's website (go to Investor Services &gt; Corporate Governance &gt; Corporate Governance Structure &gt; Corporate Governance Officer) for the annual highlights of corporate governance-related business and the training of the corporate governance officers (https://www.tunghosteel.com/investors/member).</div>	Date of continuing education	Organizer	Course name	Training hours	2022.05.05	Securities and Futures Market Development Foundation of Corporate Body of the Republic of China	Risks and Opportunities of Climate Change and Zero Emission Policies for Business Operations	3	2022.07.07	TSEC and OTC Securities Exchange	Promotion Conference of the Sustainable Development Roadmap Industry Theme	2	2022.09.30	Chinese Corporate Governance Association	International order variables and the adaptability of corporate governance	3	2022.10.05	Corporate Operation and Sustainable Development Association	Risk Management, Internal Control, Digital Governance, Digital Transformation, Looking Forward to the Future, New Thinking in Risk Management	3	2022.10.19	Securities and Futures Market Development Foundation of Corporate Body of the Republic of China	2022 Insider Equity Transaction Legal Compliance Promotion Conference	3	2022.11.07	Securities and Futures Market Development Foundation of Corporate Body of the Republic of China	Global Risk Awareness - Opportunities and Challenges in the Next Decade	3	2022.11.11	Chinese Corporate Governance Association	How corporates can prevent corruption	2	
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IV. Does the company establish communication channels (including but not limited to shareholders, employees, customers and suppliers, etc.) and build a designated section on its website for stakeholders, and properly respond to corporate social responsibility issues of concern to the stakeholders?	✓		<div>Tung Ho Steel values the rights and opinions of its stakeholders, establishes an open and direct communication channel with them, and publishes an annual Corporate Sustainability Report (Sustainability Report/ESG Report). In addition to providing information on the management of Tung Ho Steel's corporate social responsibility, Tung Ho Steel also provides information on issues that are of concern to its stakeholders in order to continuously review and improve the performance of its corporate social responsibility.</div> <div>(I) Shareholder communication channel:<div>1. The shareholders' meeting is held in the second quarter of each year and motions are voted on a case-by-case basis. Shareholders can exercise their voting rights through electronic means and fully participate in the voting process.</div><div>2. The annual report of the shareholders' meeting is issued annually for investors.</div><div>3. The Company holds corporate meetings on an irregular basis. Two corporate meetings were held in 2022.</div><div>4. The Shareholder Services section of the Company website (English version: https://www.tunghosteel.com/shareowner/shareholders) discloses information related to shareholders' meetings, announces revenue and significant information, the contact window for the Company's spokesperson, proxy spokesperson, as well as stock transfer agent and stock transfer agent. Shareholders can respond by phone or email.</div></div> <div>(II) Community: Participate in local activities from time to time to listen to the opinions of the residents; designate a person responsible for handling the</div>	No difference.																																

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			<p>suggestions or reactions of the residents to ensure adequate communication and to establish good relations.</p> <p>(III) Customers: Hold monthly dealer meetings and conduct regular customer satisfaction surveys. Our sales staff visit customers from time to time to gain an in-depth understanding of customer needs and obtain customer feedback.</p> <p>(IV) Employees: Employees may file complaints and reports in writing, by e-mail, verbally or by telephone to the unit supervisor or to the management of each plant. If the Company receives complaints or reports via designated units or personnel, the Company will make a report and notify the independent directors in writing if significant violations are found or if there is a risk of significant harm to the Company; if any violations by directors or managers are substantiated after investigation, the Company will immediately disclose the relevant information on the Market Observation Post System. The Company shall endeavor to protect the identity and safety of the whistleblower against retaliation and any form of threats. An employee can also fully express his/her opinions through the Company's labor union or regular labor meetings.</p> <p>(V) A Stakeholders section has been set up on the Company's website (go to CSR &gt; Sustainable Management &gt; Communication with Stakeholders, English website: <a href="https://www.tunghosteel.com/EN/HomeEg/csr/mp_investment">https://www.tunghosteel.com/EN/HomeEg/csr/mp_investment</a>) , providing a contact window for each stakeholder and a complaint mailbox at:</p> <ol style="list-style-type: none"> <li>1. Tungho mailbox: <a href="mailto:tungho@tunghosteel.com">tungho@tunghosteel.com</a></li> <li>2. Employees: Ms. Yu-Chen Ding (02) 2551-1100 Ext. 531 / <a href="mailto:dingyuj@tunghosteel.com">dingyuj@tunghosteel.com</a></li> <li>3. Customers: Mr. Rui-Hong Weng (02) 2551-1100 Ext. 538 / <a href="mailto:rhweng@tunghosteel.com">rhweng@tunghosteel.com</a></li> <li>4. Shareholder and media: Ms. Shu-Mei Guo (02) 2551-1100 Ext. 568 / <a href="mailto:ksm@tunghosteel.com">ksm@tunghosteel.com</a></li> <li>5. Suppliers: Mr. Zhong-Ming Pan (02) 2551-1100 Ext. 604 / <a href="mailto:pcm@tunghosteel.com">pcm@tunghosteel.com</a></li> <li>6. Email addresses of Independent Directors <ul style="list-style-type: none"> <li>I-Chi Liu: <a href="mailto:617ycliu@gmail.com">617ycliu@gmail.com</a></li> <li>Chuang-Hsi Chang: <a href="mailto:drachang@livemail.tw">drachang@livemail.tw</a></li> <li>Der-Ming Lieu: <a href="mailto:dmlieu@hotmail.com">dmlieu@hotmail.com</a></li> </ul> </li> </ol>	
V. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		<p>The Company's shareholders' meeting will be handled by Yuanta Securities Co., Ltd's stock agent department.</p> <p>Address: B1, No. 210, Sec. 3, Chengde Rd, Taipei City.</p> <p>Tel: (02)2586-5859 (Representative code)</p> <p>Website: <a href="https://www.yuanta.com">https:// www.yuanta.com</a></p>	No difference.
<p>VI. Information disclosure</p> <p>(I) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?</p> <p>(II) Did the company adopt other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)?</p> <p>(III) Did the Company announce and report the annual financial report within two months after the end of the fiscal year? Did the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadline?</p>	✓		<p>(I) The Company has set up a website to disclose the important rules and regulations of the Company, as well as the related information and execution of financial, business and corporate governance.</p> <p>(II) The Company's information is disclosed in the following manner:</p> <ol style="list-style-type: none"> <li>1. We have set up a website in English and Chinese, and appointed dedicated staff to collect and disclose relevant information.</li> <li>2. Designated a spokesperson and an acting spokesperson.</li> <li>3. The Company's financial information is disclosed to public investors through the Company's website and the Market Observation Post System.</li> <li>4. Information and presentation materials related to the corporate meeting are announced on the Company's website for investors' reference.</li> </ol> <p>(III) The financial reports for the first, second and third quarters as well as the operating results for each month were announced and reported within the prescribed time limits. The financial report in 2022 has been announced within two months after the end of the fiscal year.</p>	No difference.
VII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(I) Employee Rights</p> <ol style="list-style-type: none"> <li>1. The work unions elect representatives as committee members of the Employee Welfare Committee and Retirement Reserve Fund Supervisory Committee who are responsible for supervising and protecting employees' rights and interests.</li> <li>2. Through regular labor-management meetings, occupational safety committee meetings, and trade unions, employees can fully express their opinions and establish a smooth communication channel.</li> <li>3. Employees may submit comments or complaints in writing, by mail (e-mail), orally, or by telephone to the department/division manager or the management unit at each plant in accordance with the "Employee Grievance and Reporting Rules". Employees are welcome to raise questions at any time to safeguard their rights, make their voices be heard, and receive immediate and effective solutions.</li> <li>4. The Company has established the Human Rights Policy, Employee Grievance and Reporting Rules, Regulations Governing the Prevention of Sexual Harassment, Sustainable Development Best Practice Principles, and Workplace Violence Prevention Policy Statement.</li> <li>5. Miaoli Works and its enterprise union signed a collective agreement in 2020.</li> </ol> <p>(II) Employee care:</p> <ol style="list-style-type: none"> <li>1. The Company has formulated a retirement policy for employees in accordance with the Labor Standard Act and the Labor Pension Act as well as set up a Retirement Reserve Fund Supervisory Committee, which holds regular meetings and makes precise pension calculations for employees under the old Labor Pension system. Employees who are eligible for the new Labor Pension system, the Company will deposit their pension funds to their individual</li> </ol>	No difference.

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			<p>pension accounts according to their pension brackets on a monthly basis.</p> <p>2. The Company has established the Employee Welfare Committee to organize various employee welfare activities and subsidies.</p> <p>3. The Company buys group insurance for its employees (including foreign labors), including life insurance, accidental injury, occupational accident, and overseas business travel insurance in order to protect the work and life safety of employees.</p> <p>4. The Company provides employee health checks that have better frequency and coverage than those offered by law, establishes integrated occupational medical health services, provides employees medical information from time to time, and conducts health education activities to care for the physical and mental health of employees.</p> <p>(III) Investor relations: The Company promotes shareholder activism and makes electronic voting available for shareholders to exercise their voting rights at the shareholders' meeting. The Company also tries to avoid extempore motions at the shareholders' meeting to protect the rights and interests of the shareholders who vote electronically.</p> <p>(IV) Supplier relations: The Company urges our suppliers to jointly implement environmental protection, information disclosure in response to the impact of climate change and on labor human rights, in order to fulfill our social responsibility and to grow together with our suppliers for mutual benefit and to establish a long-term stable supply chain. The Company has incorporated CSR commitments into supplier management and regulations. Suppliers who sign contracts with the Company from 2020 onwards are required to sign a corporate social responsibility pledge, which covers labor rights and human rights, environmental protection, climate change mitigation and adaptation, as well as honest management and ethical standards.</p> <p>(V) Rights of stakeholders: The Company respects the rights and interests of stakeholders and makes every effort to understand their expectations and needs through appropriate communication channels. The Company also strives to appropriately respond to stakeholders' needs and expectations by incorporating them into the Company's decision-making in order to create and share sustainable business results with stakeholders.</p> <p>(VI) Directors continuing education: The Company arranges for directors to participate in various continuing education courses every year. In 2022, a total of 30 directors participated in the continuing education courses, amounting to 90 hours, with an average of 8.18 hours per person. The total director training hours met 100% of the requirements set forth in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. For more details about continuing education for directors, please visit the Company's website (go to Investor Services &gt; Corporate Governance &gt; Operations &gt; Continuing Education: <a href="http://www.tunghosteel.com/investors/resolution">www.tunghosteel.com/investors/resolution</a>).</p> <p>(VII) The implementation of risk management policies and risk evaluation standard: Starting March 18, 2022, risk management has been processed in accordance with the Company's Risk Management Policy and Procedure. Through risk management meetings, potential risks related to various departments have been identified, including 24 risk factors in four major categories: operational, financial, processing, and environmental. Each department has evaluated the possibility and level of impact according to the business activities of the department and produced a matrix diagram accordingly. "Climate Change Risks" and "Natural Disaster Risks" in the environmental category have been identified as high-risk items, and relevant departments have formulated management measures. The Audit Office will prepare annual audit plans based on the risk evaluation results to ensure effective control of operational risks and to provide timely suggestions for improvement. The implementation details have been reported to the 24th session (23th meeting) Board of Directors Meeting on December 22, 2022.</p> <p>(VIII) The implementation of customer relations policies: The Company regularly holds dealer meetings in order to understand customers' opinions and feedback and actively conducts customer satisfaction surveys every year. In response to the problems reported by customers, the Company reviews them carefully and constantly makes necessary improvements to ensure customers the best service quality. The Company respects customer information confidentiality and privacy. In order to effectively manage customer information and ensure security, the Company has formulated the "Guidance for Information Security Management". The Company has established the firewall, encrypting file system, and electronic personal data storage platform to control and check access rights and access records of relevant personnel in order to protect and secure customer information.</p> <p>(IX) The company has purchased liability insurances for directors to reduce and disperse the risks of directors from causing major damages to the company and its shareholders due to illegal actions; After the policy was renewed for the year 2022, it was submitted to the 24th session (22th meeting) Board of Directors on November 7, 2022.</p>	
<p>VIII. Please describe the improvements that have been made based on the corporate governance evaluation released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priorities and measures to enhance areas that have not yet been improved.</p> <p>The following is a description of the evaluation indicators based on the results of the Company's 9th Corporate Governance Review, for which the Company did not achieve the required scores but has made improvements:</p> <p>(I) (Indicator 2.7): Whether the number of independent directors of the company is more than one-third of the total number of directors? Improvement progress: The shareholders of the Company will conduct a re-election of directors this year.</p> <p>(II) (Indicator 3.20): Whether the company has been invited (on its own) to hold at least two Road Shows, and the interval between the two Road Shows at the beginning and end of the evaluation year is more than three months? Improvement progress: Our Company has held Road Shows every year twice a year with an interval of more than three months, and the company will evaluate whether to increase the number of Road Shows in the future.</p>				

**(IV) If the company has established a remuneration committee or nomination committee, the committee's composition and operations must be disclosed.**

**1. Remuneration Committee Member Information**

Identity	Name	Condition	Professional qualifications and experience	Independence	Also served as a member of remuneration committees for how many other companies
Convener Independent Directors	Chuang-Hsi Chang		Please refer to (I) the Director Information - 2 Table on Page 17 for more details of the Directors.	Please refer to (I) the Director Information - 2 Table on Page 17 for more details of the Directors.	0
Independent Director	I-Chi Liu		Please refer to (I) the Director Information - 2 Table on Page 17 for more details of the Directors.	Please refer to (I) the Director Information - 2 Table on Page 17 for more details of the Directors.	0
Others	Chengming Zhu		Chengming Zhu holds a Ph.D. in Business from National Taiwan University and is currently a professor in the Department of Applied Economics and Management of National Ilan University, specializing in business management, human resource management, organizational behavior, salary management, and performance management. Chengming Zhu is a highly experienced and skilled professional who has served as the Chairman of the Department of Business Administration at Chung Yuan Christian University, the Dean of the College of Business at Chung Yuan Christian University, an adjunct professor of the Graduate Institute of Human Resource Management at National Central University, an adjunct professor of NTU School of Professional Education and Continuing Studies, and the Dean of the College of Humanities and Management at National Ilan University.	The requirements for independence are met, including, but not limited to not, that the person or the spouse or any relative of the person within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliate; the person or the spouse or any relative of the person within the second degree of kinship does not hold any of the Company's issued shares; the person is not a director, supervisor, or employee of any of the Company's affiliates; the person has not received any remuneration for providing business, legal, financial, or accounting services to the Company or any of its affiliates in the last two fiscal years.	0

**2. Remuneration Committee Operation Status**

- (1) The company's remuneration committee comprised 3 members.
- (2) Current term for the members: The term of the 24th board of directors expires on June 3, 2020. The latest remuneration committee has held two meetings (A); member qualifications and attendance records are as follows:

Title	Name	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) (B / A) (Note)	Note
Convener Independent Director	Chuang-Hsi Chang	2	0	100	None
Committee Member Independent Director	I-Chi Liu	2	0	100	None
Committee Member	Chengming Zhu	2	0	100	None



Other matters that should be recorded:

- I. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Remuneration Committee, the date of the Directors' Meeting, session, contents of proposals, results of meeting resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail (also, where the salary and compensation approved by the Directors' Meeting is better than that recommended by the Remuneration Committee, the differences and the reason for the approval shall be described in detail).

Date and Time	Content of motion	Remuneration Committee Resolution result	The Company's handling of the Remuneration Committee review opinions
2022.03.08 4th meeting of the 5th board	1. 2021 distribution of remunerations to employees and directors.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.
	2. 2021 Board of Directors Performance Evaluation Guidelines	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	Acknowledged by the Board of Directors
2022.12.13 4th meeting of the 6th board	1. The percentage of directors' and employees' remuneration in 2022.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.
	2. Review the performance evaluation standards for professional managers in 2022.	Proposal passed.	Implemented in accordance with the contents of the resolution.
	3. Year-end bonus distribution in 2022.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	The resolution of the board of directors was approved as written.

- II. If there are objections or reservations by the members that have been recorded in writing during the remuneration committee resolution, the remuneration committee meeting's date, period, motion content, the opinions of all of the members, and treatment of the member's opinions must be disclosed in detail. None.

### 3. Corporate Governance and Nominating Committee Information and Operation Status

#### (1) Qualifications and responsibilities of the Corporate Governance and Nominating Committee Information members:

The Corporate Governance and Nominating Committee shall consist of at least 3 directors, half of whom shall be independent directors, appointed by the resolution of the Board of Directors. Responsibilities include:

- To formulate the Corporate Governance Best Practice Principles and related regulations and review the effectiveness of their implementation.
- To formulate, monitor, and review sustainable development policies, systems, or related management policies.
- To establish, monitor and review ethical corporate management policies and prevention programs.
- To establish, monitor, and review environmental sustainability (climate change management) systems and objectives.
- The Company establishes, monitors and reviews risk management policies and management mechanisms.
- Propose lists of nominated candidates for directors.
- Develop and regularly review directors' training programs and succession plans for directors and senior managers.
- Establish and develop the organizational structure of the Board of Directors and functional committees.
- Other matters as directed by the Board of Directors.

(2) Professional qualifications and experience of the committee members and operation status of the committee:

- (1) The Company's Corporate Governance and Nominating Committee consists of 3 members.
- (2) Current term for the members: From May 19, 2020 to May 18, 2021, the latest Nominating Committee held 3 meetings (A). The professional qualifications and experience of the members, attendance, and discussion items are as follows:

Title	Name	Professional qualifications and experience	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) (B / A) (Note)	Note
Convener	Henry C. T. Ho	Please refer to (I) the Director Information - 2 Table on Page 16 for more details of the Directors.	3	0	100	None
Committee Member	Chuang-Hsi Chang	Please refer to (I) the Director Information - 2 Table on Page 17 for more details of the Directors.	3	0	100	None
Committee Member	Der-Ming Lieu	Please refer to (I) the Director Information - 2 Table on Page 17 for more details of the Directors.	3	0	100	None

Other matters that should be recorded:

The Corporate Governance and Nomination Committee's meeting date, term, content of proposals, suggestions or objections of the committee members, resolution results of the committee, as well as the Company's handling of the committee's opinions should all be recorded in detail.

Date and Time	Content of motion	Corporate Governance and Nominating Committee resolution results	The Company's handling of the Corporate Governance and Nominating Committee opinions
2022.05.24 2nd session (4th meeting)	The publication of the 2022 Climate-related Financial Disclosures (TCFD) Report.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	All the directors present passed the resolution without objection.
	Revision of Corporate Social Responsibility Policy	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	All the directors present passed the resolution without objection.
2022.07.29 2nd session (5th meeting)	Formulation of greenhouse gas management strategies, reduction targets and plans.	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	All the directors present passed the resolution without objection.
	Developing the "Measures for Special Surplus Reserve Allocation and Application for Climate Change Adaptation and Mitigation",	Upon the consent of all the members present, some articles were amended and submitted to the Board of Directors for resolution.	All the directors present passed the resolution without objection.
2022.07.29 2nd session (6th meeting)	Function adjustment of Functional committee of our Company	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	All the directors present passed the resolution without objection.



**V. Implementation of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies with Reasons**

Promoted items	Implementation Status			Discrepancy with industry standards in sustainable development practices and reasons																																				
	Yes	No	Summary																																					
I. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the high-ranking management with the implementation and supervise the status?	✓		<div>(I) Governance structure to promote sustainable development In order to improve the functions of the Board of Directors and strengthen the management mechanism, the Company has established the Corporate Governance and Nominating Committee in accordance with the Company’s Articles of Incorporation. The Corporate Governance and Nominating Committee is a non-statutory functional committee. It consists of units such as corporate governance, sustainable development, integrity management, environmental sustainability, and risk management. Its responsibilities include the formulation and supervision of the policies, management guidelines, and goals for relevant issues of each unit. The President assigns the heads of related departments and divisions to take charge of each unit and execute relevant plans.</div> <div>(II) Sustainable Development Unit Operation Status</div> <div><div>1. Professional Unit:The Company's Corporate Governance and Nominating Committee is responsible for the promotion of sustainable development. It was established upon approval by the 23rd session (16th meeting) Board of Directors on September 26, 2019. To strengthen the functions of the Board of Directors, the shareholders' meeting approved the amendment to the Company's Articles of Incorporation on July 15, 2021, and the Corporate Governance Committee was renamed to Corporate Governance and Nominating Committee.</div><div>2. Operations and annual execution of the current year: The Corporate Governance and Nominating Committee holds at least two meetings a year, with a total of three members, and more than half of the members are independent directors with relevant professional capabilities.</div></div> <table><tr><th>Title</th><th>Name</th><th>Gender</th><th>Education</th><th>Professional competence</th></tr><tr><td>Convener</td><td>Henry C. T. Ho</td><td>Male</td><td>Department of Economics, Harvard University</td><td>Operational judgment capabilities, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate change management</td></tr><tr><td>Committee Member</td><td>Chuang-Hsi Chang</td><td>Male</td><td>PhD in Law, Political Science and Sociology at the Pantheon-Assas University</td><td>Operational judgment capabilities, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, climate change management</td></tr><tr><td>Committee Member</td><td>Der-Ming Lieu</td><td>Male</td><td>Ph.D. in Economics, The Ohio State University, USA</td><td>Operational judgment capabilities, operational management, industry knowledge, decision-making, sustainable management, risk management</td></tr></table> <div>Responsibilities include:</div> <div><div>To formulate the Corporate Governance Best Practice Principles and related regulations and review the effectiveness of their implementation.</div><div>To formulate, monitor, and review sustainable development policies, systems, or related management policies.</div><div>To establish, monitor and review ethical corporate management policies and prevention programs.</div><div>To establish, monitor, and review environmental sustainability (climate change management) systems and objectives.</div><div>The Company establishes, monitors and reviews risk management policies and management mechanisms.</div><div>Propose lists of nominated candidates for directors.</div><div>Develop and regularly review directors' training programs and succession plans for directors and senior managers.</div><div>Establish and develop the organizational structure of the Board of Directors and functional committees.</div><div>Other matters as directed by the Board of Directors.</div></div> <div>The execution of the current year and the date of reporting to the Board of Directors:</div> <table><tr><th>Date</th><th>Term</th><th>Summary</th><th>Date of reporting to the Board of Directors</th></tr><tr><td>2022.05.24</td><td>2nd session (4th meeting)</td><td><div><div>Corporate governance and execution and review report</div><div>Report on the implementation of sustainable development</div><div>1. Report on communication with the interested person</div><div>2. Report on the issuance of sustainable development reports for 2021</div><div>Report on the inventory and schedule planning of greenhouse gas</div><div>Report on the performance of environmental sustainability team</div><div>Issuance of financial disclosure reports on climate change in 2022</div><div>Revision of Corporate Social Responsibility Policy</div></div></td><td>2022.05.27 19th meeting of the 24th board of directors</td></tr><tr><td>2022.07.29</td><td>2nd session (5th meeting)</td><td><div><div>Report on the inventory and schedule planning of greenhouse gas</div><div>Formulation of greenhouse gas management strategies, reduction targets and plans</div><div>1. Information on inventory and reduction of greenhouse gas in 2021</div><div>2. Greenhouse gas management strategies, reduction targets and plans</div><div>Developing the "Measures for Special Surplus Reserve Allocation and Application for Climate Change Adaptation and Mitigation"</div></div></td><td>2022.08.04 20th meeting of the 24th board of directors</td></tr><tr><td>2022.12.06</td><td>2nd session (6th meeting)</td><td><div><div>The promotion of corporate governance:</div><div>1.Develop intellectual property management plans that are linked to operational objectives</div><div>2.Program to prevent dishonest behavior and insider trading</div><div>3.Risk management</div></div></td><td>2022.12.22 23Rd meeting of the 24th board of directors</td></tr></table>	Title	Name	Gender	Education	Professional competence	Convener	Henry C. T. 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					4.Information security management 5.Environmental sustainability • Report on the inventory and schedule planning of greenhouse gas • Function adjustment of Functional committee of our Company																						
					<b>Three meetings (A) were held in 2022; member qualifications and attendance records are as follows:</b>																						
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					3. The proposals and motions of the Corporate Governance and Nominating Committee are regularly submitted to the Board of Directors' for reporting or for resolution, at least twice a year. In 2021, the Corporate Governance and Nominating Committee reported twice at the Board of Directors meeting on May 11, 2021 (the 9th meeting of the 24th Board of Directors) and on November 12, 2021 (the 14th meeting of the 24th Board of Directors).																						
					(III) Supervision of sustainable development by the board of directors : In order to implement sustainable development and facilitate economic, environmental, and social progress, the specific promotion plans of policies, systems, or related management guidelines for sustainable development have been approved by the Board of Directors. The supervision in 2022 is as follows:																						
					<table><tr><th>Date of board meeting</th><th>Session</th><th>Content</th></tr><tr><td>2022.03.10</td><td>16th meeting of the 24th board</td><td><ul style="list-style-type: none"><li>• Amendments to the “Code of Practice on Corporate Governance” are approved.</li><li>• Amendments to the “Code of Practice on Corporate Social Responsibility” are approved.</li><li>• Approved the donation of NT\$2.5 million and 80 tons of scrap steel to the “Tung Ho Steel Foundation” for organizing steel sculpture artistic creation exhibitions and conference expenses. The funds will be allocated in installments depending on the business operation.</li></ul></td></tr><tr><td>2022.04.12</td><td>17th meeting of the 24th board</td><td><ul style="list-style-type: none"><li>• Approved the application of the subsidiary Tung Kang Wind Power Co., Ltd. to lease buildings in each factory area of the Company to build solar photovoltaic power generation equipment and surrounding facilities.</li></ul></td></tr><tr><td>2022.05.27</td><td>19th meeting of the 24th board of directors</td><td><ul style="list-style-type: none"><li>• Report on the implementation of sustainable development<ol style="list-style-type: none"><li>1. Report on communication with the interested person</li><li>2. 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Environmental sustainability</li></ol></li><li>• Report on the inventory and schedule planning of greenhouse gas</li></ul></td></tr></table>	Date of board meeting	Session	Content	2022.03.10	16th meeting of the 24th board	<ul style="list-style-type: none"><li>• Amendments to the “Code of Practice on Corporate Governance” are approved.</li><li>• Amendments to the “Code of Practice on Corporate Social Responsibility” are approved.</li><li>• Approved the donation of NT\$2.5 million and 80 tons of scrap steel to the “Tung Ho Steel Foundation” for organizing steel sculpture artistic creation exhibitions and conference expenses. 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2022.03.10	16th meeting of the 24th board	<ul style="list-style-type: none"><li>• Amendments to the “Code of Practice on Corporate Governance” are approved.</li><li>• Amendments to the “Code of Practice on Corporate Social Responsibility” are approved.</li><li>• Approved the donation of NT\$2.5 million and 80 tons of scrap steel to the “Tung Ho Steel Foundation” for organizing steel sculpture artistic creation exhibitions and conference expenses. The funds will be allocated in installments depending on the business operation.</li></ul>																									
2022.04.12	17th meeting of the 24th board	<ul style="list-style-type: none"><li>• Approved the application of the subsidiary Tung Kang Wind Power Co., Ltd. to lease buildings in each factory area of the Company to build solar photovoltaic power generation equipment and surrounding facilities.</li></ul>																									
2022.05.27	19th meeting of the 24th board of directors	<ul style="list-style-type: none"><li>• Report on the implementation of sustainable development<ol style="list-style-type: none"><li>1. Report on communication with the interested person</li><li>2. Report on the issuance of sustainable development reports for 2021</li></ol></li><li>• Report on the inventory and schedule planning of greenhouse gas</li><li>• Issuance of financial disclosure reports on climate change in 2022</li><li>• Revision of Corporate Social Responsibility Policy</li><li>• Tung Kang Wind Power (the subsidiary) intends to apply for a lease of the roofs of some buildings of Taoyuan Factory of our Company</li></ul>																									
2022.08.04	20th meeting of the 24th board of directors	<ul style="list-style-type: none"><li>• Report on the inventory and schedule planning of greenhouse gas</li><li>• Formulation of greenhouse gas management strategies, reduction targets and plans<ol style="list-style-type: none"><li>1. Information on inventory and reduction of greenhouse gas in 2021</li><li>2. Greenhouse gas management strategies, reduction targets and plans</li></ol></li><li>• Developing the "Measures for Special Surplus Reserve Allocation and Application for Climate Change Adaptation and Mitigation"</li></ul>																									
2022.12.22	23rd meeting of the 24th board of directors	<ul style="list-style-type: none"><li>• The promotion of corporate governance:<ol style="list-style-type: none"><li>1. Develop intellectual property management plans that are linked to operational objectives</li><li>2. Program to prevent dishonest behavior and insider trading</li><li>3. Risk management</li><li>4. Information security management</li><li>5. Environmental sustainability</li></ol></li><li>• Report on the inventory and schedule planning of greenhouse gas</li></ul>																									
II. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓				(I) The Company has established the Corporate Governance and Nominating Committee, which is responsible for the formulation and supervision of policies, management guidelines, and objectives on issues such as risk management. (II) The risk management policy was approved at the 3rd meeting of the 24th Board of Directors in June 2020. The policy is to “effectively identify, prevent, and control risks through systematized and institutionalized management modes to maintain normal operation and achieve sustainable operation of the company”, and “Risk Management Policy and Operating Procedures” is formulated. According to the principle of significance, risk assessment is conducted on environmental, social, and corporate governance issues, and relevant departments carry out risk identification, risk measurement, risk response, and risk monitoring on the basis of their responsibilities. They shall be submitted annually to the Corporate Governance and Nomination Committee for discussion and implementation, and regularly reviewed annually. Through the risk management meeting, the potential risks related to each department are identified, including four categories of business, finance, operation, and environment, with a total of 24 risk factors. Each department will assess the possibility and impact degree according to their responsibilities. Due to the impact of the Russia-Ukraine War and US rising interests rates on the domestic economy in 2022, “Interest Rate Risk”, “Strategic Risk”, “Operational Risk”, “Major External Hazard Risk”, and “The Impact of Important Domestic and Foreign Policy and Legal Changes on the Company's Sustainable Management” are added after the review this year. In addition, the “2050 Zero Emission Path and Strategy Overview” was released this year, and "Climate Change Risk" is one of the major risks for this year. The management measures for high-risk projects have been formulated by relevant departments. The Audit Office is responsible for preparing annual audit plans based on the risk management policies and risk evaluation results in order to ensure effective control of operational risks, and timely provide suggestions for improvement. The related implementation was reported to the 23rd meeting of the 24th Board of Directors Meeting on December 22, 2022. (III) Information security management	No difference.																					

			<p>Our company has imported the ISO 27001 information security management system and external verification was completed in February 2023. The scope of verification covers the relevant information security management activities of our company's information department, including system development, management, maintenance and operation, and the management, maintenance and operation of information rooms and network service.</p> <p>In order to strengthen the information security management mechanism of the enterprise, a dedicated unit for fund security and a fund security supervisor have been established according to Article 9-1 of the Guidelines for Handling Internal Control Systems Established by Public Companies. The related implementation was reported to the 23rd meeting of the 24th Board of Directors Meeting on December 22, 2022.</p> <p>(IV) Develop intellectual property management plans that are linked to operational objectives</p> <p>The amendment to the "Intellectual Property Management Regulations" was approved at the 4th meeting of the 24th Board of Directors' Meeting on August 13, 2020, which incorporates intellectual property management into the corporate governance structure and elevates its supervision level to that of the Board of Directors. The company conducted the inventory of intellectual property on October 11, 2022, including trade secrets, patents, and trademarks. Trade secrets include the storage method, storage location, access department, management personnels, file borrowing process and retention period of confidential documents. There are 73 trademarks in valid authority, which is consistent with the results of trademark verification by the Intellectual Property Bureau of the Ministry of Economic Affairs. The aims are to track and manage regularly, strengthen the awareness and recognition of intellectual property protection and identify the risks of intellectual property protection and prevent at an early date, and the report was submitted at the 24th meeting of the 23rd Board of Directors on December 22, 2022.</p>	
<p>III. Environmental issues</p> <p>(I) Has the Company referred to the nature of its industry to establish a suitable environmental management system (EMS)?</p>	✓		<p>1.The Company's three plants have obtained the environmental management system (ISO 14001) and the greenhouse gas inventory (ISO 14064-1) certification; the production units of the Taoyuan and Miaoli plants have obtained the energy management system (ISO 50001) certification; in addition, special units have been set up to ensure compliance with relevant laws and regulations. Compliance audits are done monthly, and annual compliance assessments are conducted in January of each year to ensure the applicability of relevant environmental protection policies at the plant, followed by annual internal and external audits. The Company has set up a dedicated unit to effectively manage waste gas, wastewater, and waste, with continual investment for better pollution prevention equipment. It also adopt the Best Available Control Technology (BACT) to implement pollution prevention, reduce industrial waste, and strengthen water saving, wastewater recycling and reuse in compliance with environmental protection laws and regulations. Strictly control waste production, storage and disposal processes, and establish an independent waste audit system.</p> <p>2.Relevant international standards are as follows:  (1)ISO 9001 Quality Management System Certification (Valid till: December 7, 2024)  (2)ISO 14001 Environment Management System Certification (Valid till: Thursday, August 31, 2023)</p>	No difference.
<p>(II) Is the Company committed to improving usage efficiency of energy use renewable resources with reduced environmental impact?</p>	✓		<p>The Company's main raw material is scrap steel. Iron resources are reusable, remanufactured and have the highest recycling rate, therefore playing an important role in the recycling process. The Company has established the ISO 9001 management system and formulated standards for scrap steel inspection and electric furnace operation. Documents and activities related to material or waste recycling are organized every month to discuss relevant implementation results and target reviews, such as building crushing plants and improving the recovery rate of steelmaking. PDCA effectiveness evaluation for emission management is carried out every year in order to be in sync with the domestic and foreign scrap steel market, improve the recovery rate of steelmaking, reduce the consumption of raw materials and energy, and reduce the impact on the environment.</p> <p>In response to the development of the national greenhouse gas reduction strategies as well as the sustainable energy development goals of resource efficiency, energy conservation, and environmental protection, the Company has successively launched the ISO 50001 energy management system, ISO 14064-1 greenhouse gas inventory, and ISO 14067 product carbon footprint certification. At the same time, capital expenditures and related manpower and material resources are invested in various energy-saving solutions in order to control production costs and utilize energy efficiently and appropriately. The Company has not only changed the fuel for the heating furnace at the Miaoli Plant from heavy oil to natural gas transported by pipelines in order to reduce the impact on the environment, but also continues to implement energy-saving and carbon-reduction plans every year, working with Taiwan Power Company to reduce electricity consumption during the summer months. The total amount of energy saved and carbon reduced at each plant in 2022 was approximately 25,790 tons of CO<sub>2</sub>e.</p>	No difference.
<p>(III) Does the Company assess the potential risks and opportunities brought by changes on the Company, both for the time being and for the future, and take measures to respond?</p>	✓		<p>The Company has officially signed and pledged as a TCFD supporter in February 2021. The Company pays close attention to global climate changes and international response trends, includes climate change as one of the major issues and critical risk items for corporate sustainability, continues to analyze and manage climate change, and is committed to greenhouse gas emission adaptation and mitigation. The details regarding the implementation of climate change factors into the Company's business operations as well as the 2022 Climate-related Financial Disclosures (TCFD) Report have been reported to the 24th session (19th meeting) Board of Directors Meeting on May 27, 2022. The Company will continue to strengthen governance supervision and participate in climate change management.</p> <p>The Company refers to the Task Force on Climate-related Financial Disclosures (TCFD) every year, and the environmental sustainability unit of the Corporate Governance and Nominating Committee holds a meeting where representatives from different departments and divisions discuss various climate change scenarios, define short-, middle-, and long-term risks and opportunities, determine corresponding strategies, as well as assess financial impact. How products and services, supply chains, adaptation and mitigation activities, R&amp;D investments, and business operations (including business types and locations of facilities) may affect the Company's business and strategies are also taken into consideration. Six risks and four opportunities were identified in 2022. The risks include cap and trade, renewable energy regulations, new technology investment, tropical cyclone, change in customer behavior, and change in average precipitation; the opportunities include use of more efficient production, recycling, financial institution incentives, and incentive policy adoption. 2022 climate change-related risks, opportunities, necessary measures, and targets of related issues are disclosed in the 2022 Tung Ho Steel TCFD Report.</p> <p>The Company not only promotes energy conservation but also actively develops energy resources, such as the investment in Tung Kang Wind Power Corp., which obtained an electrical contractor license in 2016. Tung Kang Wind Power Corp. currently owns 5 wind turbines and has started selling energy in bulk. In 2023, the Company founded Tung Sugar Energy Service Co., Ltd. and established a biomass energy processing center to generate electricity using the biogas from anaerobic fermentation. In addition, the biogas residue is sold as organic fertilizers to improve the current disposal of biomass waste and to fulfill the goal of turning waste into resources and energy, thereby achieving circular economy and sustainable development. Tung Sugar Energy Service Co., Ltd. is expected to start generating energy at 4,238 kWh/year in the third quarter of 2023. The Company has also actively planned spaces within the works, such as open spaces and rooftops, to install renewable energy generation equipment to enhance the proportion of renewable energy use.</p> <p>At the 25th meeting of the 24th Board of Directors Meeting held on February 22, 2023, the Company released its phased goal for 2030 to reduce 30% carbon emissions compared with 2005; a long-term carbon reduction target aligned with the mainland's 2050 net zero path, and a target that 30% of total electricity consumption in 2030 will come from renewable energy sources (RE30).</p>	No difference.

<p>(IV) Does the Company count the amount of greenhouse gas emissions, water consumption and total weight of waste for the past two years? Are any policies pertaining to greenhouse gas reduction, reduction of water consumption, or other waste management policies formulated accordingly?</p>	✓	<p>I. The statistics on greenhouse gases, water consumption, and waste in the past two years (including all plants) are as follows:</p> <p>(1) Greenhouse gases (the Headquarters and the three Plants have all been certified by Bureau Veritas in Taiwan): The total amount of the Company's greenhouse gases in 2022: 809,959 tCO<sub>2</sub>e, intensity 0.423 (total greenhouse gas emissions/total billet production), including:</p> <ul style="list-style-type: none"> <li>- Direct emissions (Scope 1) 188,678 tCO<sub>2</sub>e</li> <li>- Indirect emissions (Scope 2) 621,281 tCO<sub>2</sub>e</li> <li>- Other indirect emissions (Scope 3) 1,348,186 tCO<sub>2</sub>e (The inventory of Scope 3 covers a total of 15 items, such as transportation, products of an organization, use of products of an organization, etc.)</li> </ul> <p>The total amount of the Company's greenhouse gases in 2021: 882,400 tCO<sub>2</sub>e, intensity 0.419 (total greenhouse gas emissions/total billet production), including:</p> <ul style="list-style-type: none"> <li>- Direct emissions (Scope 1) 216,292 tCO<sub>2</sub>e</li> <li>- Indirect emissions (Scope 2) 666,107 tCO<sub>2</sub>e</li> <li>- Other indirect emissions (Scope 3) 2,463,592 tCO<sub>2</sub>e (The inventory of Scope 3 covers a total of 15 items, namely, fuel- and energy-related activities, waste generated in operations, employee commuting, business travel, and investments.)</li> </ul> <p>(2) Water consumption: The Company's total water consumption in 2022 was 2,108.753 million liters, with an intensity of 0.001102 (total water consumption/total billet production); the Company's total water consumption in 2021 was 2,205.048 million liters, with an intensity of 0.001046.</p> <p>(3) Waste: The total weight of the Company's waste in 2022 was 349,360 tons, namely, 33,601 tons of hazardous business waste and 315,759 tons of non-hazardous business waste. The total weight of the Company's waste in 2021 was 385,868 tons, namely, 35,733 tons of hazardous business waste and 350,135 tons of non-hazardous business waste.</p> <p>Since 2003, we have been conducting greenhouse gas emission inventories, participating in voluntary reduction programs, and proactively disclosing greenhouse gas management information. At the 25th meeting of the 24th Board of Directors Meeting held on February 22, 2023, the Company released its phased goal for 2030 to reduce 30% of carbon emissions compared with 2005; a long-term carbon reduction target aligned with the mainland's 2050 net zero path, and a target that 30% of total electricity consumption in 2030 will come from renewable energy sources (RE30).</p> <p>The company attaches great importance to water resources and continues to take various water-saving measures. In addition to adopting the best available technology (BAT) and direct hot feed rolling process in Taoyuan Plant, which can effectively reduce unit water consumption, it also reuses industrial water (cooling water and process water), finds ways to recycle and reuse cooling water, soft water, process water, etc. until the water quality that can not be reused and then discharge to the recovery pool for secondary water use. This can reduce the demand for supplementary water outside the area and use water resources effectively, such as: Process drainage and domestic wastewater, are collected in a recycling tank after proper treatment and used as a secondary water source for non-potable and non-bodily contact water in the form of mid-water or direct use, including: The use of miscellaneous water such as green field watering, storage area sprinkling, furnace cooling water, landscape refill water, road dust prevention and car washing to reduce overall water consumption.</p> <p>The Company has established an independent waste inspection and audit system at each of the three plants. All inspection and audit results are recorded in writing for monitoring and improvement as well as incorporated into future inspections and audits. Before outsourcing and contracting any waste removal and treatment providers, it is necessary for the Company to verify whether such providers are qualified to provide services, have obtained all required licenses from the competent authorities, and have properly declared through the Internet the output, storage, removal, and treatment of all business waste. Any information and documents submitted with the online declaration should be kept for three years. The Company appoints specific personnel to oversee waste outputs as well as inspect the service provider's operation and management of waste storage, removal, treatment, and reuse. The inspection results are also recorded in writing for future reference.</p> <p>Remarks: In 2021, the greenhouse gas emissions of the Company's head office and three plants were verified by Taiwan Wesley International Quality Assurance (BV). In 2022, the data were presented as internal inventory data because the verification was not completed when the annual report was issued.</p>	No difference.
<p>IV. Society</p> <p>(I) Has the Company set up management policy and procedures according to related laws and regulations and the International Bill of Human Rights?</p>	✓	<p>The Company respects and supports internationally recognized human rights norms and principles, including the Universal Declaration of Human Rights, the UN Global Compact, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and complies with the laws and regulations of the jurisdiction where the Company is located. In accordance with the United Nations Guiding Principles on Business and Human Rights, the Company has formulated the human right policy. The Company's human right policy applies to the Company's subsidiaries, foundations to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company (hereinafter referred to as "group enterprises and organizations"). In accordance with relevant laws and regulations, the Company regularly takes inventory of related forms and documents and reviews the legality of various operation processes. The Company's Human Rights Policy:</p> <p>I. Diversity, Inclusion, and Equal Opportunity</p> <p>(1) In accordance with all national labor laws, the Company prohibits child labor and forced labor and does not tolerate discrimination. The Company strives to create a diverse, open, equal, and harassment-free work environment and provides an effective and appropriate grievance system to protect the rights and interests of its employees.</p> <p>(2) Employment is based on professional abilities and experience, and employees are not to be treated differently or discriminated against in any form based on race, class, language, ideology, religion, party affiliation, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, disability, zodiac sign, blood type, or previous union membership; where otherwise provided for in other laws, such provisions shall prevail.</p> <p>II. Safe and Healthy Work Environment</p> <p>(1) The Company is committed to providing a safe and healthy work environment as well as necessary health and first aid measures to eliminate any factor that may be hazardous to the health and safety of its employees in the work environment, reducing the risk of occupational disasters.</p> <p>(2) The Company regularly provides labor safety related education and training, annual employee health checks, and various health promotion activities, in order to take care of the physical and mental health of its employees.</p> <p>III. Freedom of Assembly</p> <p>The Company respects the rights of employees to form and join various social organizations. Diversified communication systems and platforms are provided for employees to ensure a harmonious and win-win labor-management relationship.</p> <p>The Company takes all complaints seriously and investigates with due diligence. In 2022, the Company did not receive any complaint about gender or racial discrimination or violation of human rights. Human rights related courses provided by the Company in 2022: "Sexual Harassment Prevention Education and Training", "Prohibition of Workplace Violence", and "Human Rights, Safety, and Health Education and Training for Security Personnel", totaling 294.5 hours</p>	No difference.

<p>(II) Does the Company formulate and implement reasonable employee benefits measures (including compensation, days-off, and other benefits, etc.), and appropriately link the operating performance or results to employee compensation?</p>	✓	<p>I. Employee welfare In accordance with the Labor Standards Act, Act of Gender Equality in Employment, and Occupational Safety and Health Act, employment at the Company is based on professional abilities and experience, and the Company has never treated anyone differently in any form based on race, ideology, religion, party affiliation, place of origin, place of birth, gender, age, sexual orientation, marriage, appearance, physical and mental disabilities, zodiac sign, blood type, etc. Female employees account for 8.8% of the total number of the Company's employees, indigenous employees account for 1.3%, and employees with physical and mental disabilities account for 1.4%. The Company is committed to creating a harmonious, friendly, diverse, and equal working environment. In order to provide comprehensive care of our employees and their living conditions, and to provide reasonable and competitive remuneration to attract, retain and motivate talents for the long-term development of the company and to achieve business objectives, the Company pays salaries based on stable remuneration, and also pays flexible remuneration by taking into account the content of respective duties, the responsibilities undertaken, the degree of contribution and the performance of each individual. Through the establishment of joint employee welfare committees in each factory, the Company prganizes various employee welfare activities and subsidies, such as: education scholarships for employees' children, gifts for festivals, birthday gifts, wedding and funeral subsidies, community subsidies and retirement subsidies, etc. The Company has formulated retirement policy for employees in accordance with the Labor Standard Act and Labor Pension Act and was approved to set up a "retirement reserve fund supervisory committee." Calculate the labor pensions under the old system year by year (the contribution rate is 7% from 2008 to 2017 and 10% from 2018), and hold regular meetings to protect the rights and interests of employees. The pension fund as of the end of 2023 will be sufficient to pay for the retirement benefits of eligible employees in the following year. Employees who are eligible for the new pension system will contribute 6% monthly to their individual pension accounts according to their pension brackets. In response to the COVID-19 pandemic, the Company supports the government's vaccination policy and encourages everyone to get vaccinated. Since 2021, employees have been provided a half-day paid vaccination leave, and they can apply for a vaccination record card, in an effort to help protect employees against COVID-19.</p> <p>II. Operational Performance and Employee Remuneration Based on the principle of profit-sharing, the Company has established a remuneration policy and related remuneration, bonuses and performance appraisal methods to effectively link performance with individual remuneration. The Company has also formulated a remuneration policy and distributes earnings to employees according to the operational performance of the Company. Article 28 of the Company's Articles of Incorporation also specified that if the Company achieves a profit for the year, the contribution to employees' remuneration shall not be less than 2.5%, and the allocation of the remuneration of employees and directors in 2022 was approved at the 25th meeting of the 24th Board of Directors on February 22, 2023.</p>	No difference.
<p>(III) Has the Company provided employees with a safe and healthy work environment as well as conducted regular classes on health and safety?</p>	✓	<p>I. Measures for safe and healthy work environment, education policies, and their implementation: In order to provide a safe and healthy working environment for employees, an Occupational Safety and Health Committee is formed in each plant, with the plant manager serving as the chairman and the head of the Labor and Safety Center as the management representative. The committee convenes a meeting once a month to review potential safety and health risks, discuss and track safety and health issues, give instructions on safety and health related issues, and invite representatives of contractors/consultants to attend. In addition to communication, coordination and resolution of health and safety issues with workers through occupational safety and health committee meetings,the Company also performs monthly work safety inspections, safety observations, safety interviews, annual health inspections, health management, and occasional work safety promotion meetings and occupational disaster prevention promotions by the Labor Inspection Division. In view of the harm caused by unsafe behaviors and a dangerous environment, the AI team of the Information Technology Department has started to apply AI image auto-detection, environment recognition monitoring and alarm, AI interlock auto-protection, immediately stopping operation upon detection of personnel entering, warning or broadcasting to expel intruders, according to the respective hazardous equipment and equipment areas informed by the three plants to control (manage) the unsafe behaviors or environment in order to enhance on-site safety and health management. Each plant arranges monthly health consultation for colleagues performed by occupational medicine specialists, and performs arranges health seminars and individual doctor consultation for level 2 (and above) staff who perform special operations. In 2022, there were 1,662 general health check-ups and 1,526 special health check-ups, with examination fees totaling approximately NT\$2.92 million. In 2022, each plant arranged education and training for new recruits as well as various types of on-the-job education and training related to safety and health, with an investment of about 1.99 million NTD and a total of 22,909 participant hours.</p> <p>II. Verifications and certifications All three of the Company's plants will follow the PDCA of the occupational safety and health management system to implement safety and health management step by step. Each plant has also converted to ISO 45001 certification. The scope of implementation of this system and the applicable items cover the operating sites and all workers in each plant, contractors or consultants will be stipulated in the contract. All operational activities in ISO/CNS 45001:2018 are covered.</p> <p>III. Number and ratio of work accidents and improvement In 2022, a total of 12 injuries occurred at the three plants, an increase of 6 injury compared with 2021, accounting for 0.6% of the total number of employees. The increase was due to unsafe behavior and unsafe environment; the employees who were injured were all male employees, and no female employees were involved in any work-related injuries. All work accidents and injuries were discussed and analyzed at the Occupational Safety and Health Committee meeting to establish measures to be taken for improvement. Measures for improvement: (1) Re-examined the workplace to identify occupational hazards and assess risk factors. (2) As the injuries were due to unsafe behavior and unsafe environment, all departments and divisions have been asked to regularly and continuously implement education and training on the safety standards for operation through case studies. (3) Implementation of safety observations (consultations) which are recorded in the green safety card. (4) Set up warning signs and slogans, such as prohibiting entry of non-related personnel, prohibiting entry during operation of equipment, etc. The Company will continue to improve in accordance with the verification requirements of the occupational safety and health management system and actively promote safety and health management. At the company-wide target management meeting chaired by the President every month, analysis of statistics and corrective measures of the occupational disasters in the previous month are reviewed. The Audit Office and the Labor Safety Centers in all factories will conduct joint cross-plant inspection every quarter and report to the president the deficiencies and corrective measures. For major occupational accidents that require hospitalization, the section chief and the division head should conduct monthly and factory director and deputy director should conduct autonomous management every two months and report to the President for review.</p>	No difference.

<p>(IV) Has the Company established effective career and competence development and training plans?</p>	✓	<p>The Company organizes career development and training programs according to operational needs and planning for various positions and functions. The operation and management meetings are held every quarter for middle and senior management to discuss the development strategies, current financial conditions, and the trends in the iron and steel industry in the world. Every year, the Company expands the operation and management meeting through visiting related industries, physical activities, keynote speeches and others to build consensus. A total of 182 people participated in the 2022 meeting.</p> <p>Different contents of professional training are designed for different functions, such as personnel, accounting, procurement, information, sales, engineering, and machinery. The training is based on internal training and supplemented by external training to help the employees improve their work capabilities. Necessary safety and health education training is given to new recruits and in-service employees to enhance their awareness of work safety and health and emergency response capabilities to ensure work safety. Other human rights and corporate social responsibility-related training: Training of integrity management, anti-corruption, and sexual harassment prevention measures to enhance their concepts of human rights and corporate social responsibility. The Company also provides general education courses such as language, humanities, and art courses, to help improve the employees' language abilities and cultivate their life through extensive learning. The Company provides subsidies for language courses and incentives for language certifications to encourage employees to improve their language skills.</p> <p>In 2022, the Company's total number of education and training hours was 33,571 hours, an average of 17 training hours per person; the number of training hours for high-level managers was 405 hours, an average of 23 hours per person; the number of training hours for division heads was 944 hours, an average of 28 hours per person; the number of training hours for section chiefs was 1,786 hours, an average of 19 hours per person; the number of training hours for other personnel was 30,436 hours, an average of 17 hours per person.</p>	No difference.
<p>(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer or customer protection policies and grievance procedures?</p>	✓	<p>In order to ensure the appropriateness of the quality assurance system, each plant has set up a quality management committee and a quality control laboratory to maintain a good quality standard of products. We actively value the feedback of our customers in order to provide them with excellent products and satisfactory services. In addition to dedicating staff to provide procurement services, consultation and advice, we also have a dedicated email address to handle and respond to customer comments and suggestions. When there are discrepancies in the shipping process or quality of products with our customers, Tung Ho Steel will handle the situation in accordance with the Regulations for Handling Customer Complaints. After receiving the customer complaint, the business unit will actively assign staff to understand the situation and fill in the Customer Complaint Handling Form to investigate the preliminary reason for the reference of relevant units. Handling plans will be deliberated in no time to respond to our customers for a solution. The requirements for product control in the internal review meeting will be stricter. In 2022, we did not receive any reports from customers regarding data privacy violations or data breaches. The Company has passed product verification standards of relevant certification organizations:</p> <ol style="list-style-type: none"> <li>1. Ministry of Economic Affairs MIT Smile Label</li> <li>2. Bureau of Standards, Ministry of Economic Affairs, product registration and certification records</li> <li>3. CNS trademark certification from the Bureau of Standards, Ministry of Economic Affairs</li> <li>4. Industrial Development Bureau, Ministry of Economic Affairs, Green Product Certification for Resource Recycling</li> <li>5. Australasian Certification Authority for Reinforcing and Structural Steels hot-rolled steel product ACRS certification</li> <li>6. Ministry of Economy, Trade and Industry JIS MARK factory certification</li> <li>7. American Bureau of Shipping ABS marine steel manufacturing certification</li> <li>8. Nippon Kaiji Kyokai Class NK marine steel manufacturing certification</li> <li>9. Bureau Veritas BV marine steel manufacturing certification</li> <li>10. Det Norske Veritas DNV GL marine steel manufacturing certification</li> <li>11. British Lloyd's Register LR marine steel manufacturing certification</li> <li>12. KS certification from Korea Standards Association for hot rolled steel products</li> <li>13. Building and Construction Authority, Ministry of National Development of the Government of Singapore, BC1: 2012 Design Guide on Use of Alternative Structural Steel, Factory Production Control Certificates (FPC)</li> <li>14. UK Conformity Assessed (UKCA) certification</li> </ol> <p>Others</p> <ol style="list-style-type: none"> <li>1. ISO 9001 quality management system certification (Valid till: December 7, 2024)</li> <li>2. ISO 14001 environmental management system certification (Valid till: August 31, 2023)</li> <li>3. ISO 50001 energy management system certification (Valid till: November 3, 2023)</li> <li>4. Type III Product Environmental Declaration (EPD) Certificate Certification</li> <li>5. ISO 14067 carbon footprint of products</li> <li>6. TAF Physics Laboratory/Laboratory Accreditation</li> <li>7. Factory Production Control Certification</li> </ol>	No difference.
<p>(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor rights, and how well are those policies implemented?</p>	✓	<ol style="list-style-type: none"> <li>I. The Company's supplier management policy: Tung Ho Steel views our suppliers as important operation partners. In addition to ensuring the quality, cost, delivery and service capability of our suppliers, the Company also urges our suppliers to jointly implement environmental protection, information disclosure in response to the impact of climate change and on labor human rights, in order to fulfill our social responsibility and to grow together with our suppliers for mutual benefit and to establish a long-term stable supply chain. <ol style="list-style-type: none"> <li>(1) The Company views economic, environmental and social aspects as the core of our common development and urge suppliers to comply with laws and regulations in order to achieve sustainable development and create a win-win situation.</li> <li>(2) We safeguard the rights and interests of stakeholders, and include social responsibility, labor safety, human rights and environmental protection issues as the basis for management decisions and implementation.</li> <li>(3) Business ethics and morality, equality of opportunity and fair trade are the highest guiding principles of supply chain interaction, eliminating illegal interests and severely punishing illegal acts.</li> <li>(4) We will work together to strengthen the response and disclosure of information on the impact of climate change and take action on greenhouse gas emissions.</li> </ol> <p>The Company has established the "Regulations for the Selection and Evaluation of Suppliers of Raw Materials, By-products and Materials" to establish basic information on suppliers and to effectively manage the selection and evaluation of suppliers. At the same time, the integration of suppliers of by-products includes guiding them to take into account of product quality, energy-saving and environmental protection requirements. For example, the selected suppliers should pass ISO 9001 quality management system certification, ISO 14001 environmental management system certification, use environmental labels for products, use environmentally friendly and recyclable packaging methods and materials, and comply with our environmental policy and related industrial waste reduction, energy conservation, pollution prevention, and environmental protection laws and regulations; in addition, suppliers should be urged to pay attention to labor rights, workplace safety and hygiene, and improve unfavorable labor conditions.</p> </li> <li>II. Suppliers who sign contracts with the Company are required to sign a corporate social responsibility pledge, which covers labor rights and human rights, environmental protection, climate change</li> </ol>	No difference.



			mitigation and adaptation, as well as honest management and ethical standards. By 2022, a total of 591 companies have signed the pledge. In the event of actual or foreseeable significant poor environmental, labor conditions, human rights, social or other impacts on existing suppliers, they will be obliged to improve or terminate the contract immediately.	
V. Does the company make reference to international standards or guidelines for the preparation of reports, such as corporate sustainability reports that disclose non-financial information about the company? Did you obtain confirmation or assurance from a third-party verifier for your report?	✓		<p>(I) International standards or guidelines for the preparation of non-financial information reports The content structure of the Company's "2021 Corporate Social Responsibility Report" issued in 2022 is based on the GRI Standards of the Global Reporting Initiative (GRI): The reporting framework of the report followed the GRI Standards Core Option, G4 Sector Disclosures –Mining and Metals, and AA1000 Accountability Principles Standard, and also referred to the guidelines and framework listed in the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies and the United Nations Sustainable Development Goals (SDGs), Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB). The writing of the guidelines and framework listed, the strategies, goals, and specific actions related to the material topics of Tung Ho Steel are also disclosed in accordance with the reporting principles. The "2021 Tung Ho Steel Sustainability Report" was approved and issued at the 19th meeting of the 24th Board of Directors Meeting on May 27, 2022. In addition, the strategies, goals, and specific actions related to the material topics of Tung Ho Steel are also disclosed in accordance with the reporting principles.</p> <p>In addition, the Company officially signed as TCFD Supporters in February 2021. It was the first in the industry to publish the Climate-related Financial Disclosures (TCFD) Report with reference to the TCFD (Task Force on Climate-Related Financial Disclosures) issued by the Financial Stability Board (FSB) and disclosed the following 4 core elements based on its climate-related financial information: Establish a risk framework based on "Governance", "Strategy", "Risk Management", "Indicators and Objectives", identify major risks and opportunities that may affect business operations, and formulate relevant countermeasures. The "Tung Ho Steel Climate Related Financial Disclosure Report in 2022" was approved and issued at the 19th meeting of the 24th Board of Directors Meeting on May 27, 2022.</p> <p>(II) Third-party assurance or accreditation for non-financial information reports The Company's CSR Report 2021 published in 2022 has been verified by British Standards Institution (BSI), a third-party impartial organization and meets the requirements of GRI Standards (Core) and AA1000AS Type 1 Medium Assurance Level. The report is publicly disclosed in the Sustainability section of the website. "Tung Ho Steel 2022 Climate-related Financial Disclosures (TCFD) Report" has been verified by the independent and credible British Standards Institution (BSI). According to BSI, the maturity model for the Company's Climate-related Financial Disclosures is Level 5: Excellence grade.</p>	No difference.
VI.If the Company has established sustainable development principles based on Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the principles and their implementation: No difference. No difference.				
<p>VII.Other key information useful for explaining the status of sustainable development implementation:</p> <p>(I) The Company completed the CDP Climate Change Questionnaire for the first time and achieved the "Management Level (B)" scoring. The Carbon Disclosure Project (CDP) invites thousands of companies around the world to disclose data, risks, and opportunities related to carbon management every year. It is an environmental sustainability assessment with international credibility. The Company completed the CDP Climate Change Questionnaire for the first time and achieved the B scoring, which is better than the average (C) of the metal smelting, refining, and forming sector, the average (B-) of Asian companies, and the average (B-) of global enterprises, showing that the Company has entered the climate change management stage and has integrated climate change factors into its business operations. The Company will continue to pay close attention to global climate changes and international response trends, includes climate change as one of the major issues and critical risk items for corporate sustainability, continues to analyze and manage climate change, and is committed to greenhouse gas emission adaptation and mitigation.</p> <p>(II) All products produced by the Company have obtained the Type III Product Environmental Declaration (EPD) Certificate: The beam and steel plate products of the Miaoli Plant, the re-bar products of the Taoyuan Plant, and the beam and channel products of the Kaohsiung Plant have all obtained the Type III Product Environmental Declaration (EPD) Certificate. Obtaining EPD certification can help our customers obtain higher grade of certification in green building rating. At the same time, it is also an important reference for consumers to buy eco-friendly products and to better understand the impact of products on the environment.</p> <p>(III) Our company is concerned about social issues and actively participates in public welfare. The Company donated a total amount of NT\$20 million to charities in 2022.</p> <p>(IV) The Company has won the TCSA Taiwan Corporate Sustainability Award organized by the Taiwan Corporate Sustainability Institute year after year. In 2021, the Company was awarded the Corporate Sustainability Report Platinum Award for Traditional Manufacturing Industry, which is the highest award in the manufacturing industry, showing that we have taken actions to fulfill our commitment to sustainability reporting, to demonstrate our corporate social responsibility and the implementation of sustainability issues, and to drive our company toward sustainable development.</p> <p>(V) Tung Ho Steel is committed to caring for social welfare and fulfilling its responsibility to thrive along with Taiwan. The Company established the Tung Ho Steel Foundation with the purpose of promoting cultural and artistic qualities, actively cultivating artistic talents, promoting artistic education, promoting the development of cultural and creative industries, and organizing or sponsoring cultural and artistic activities. Since its establishment, the foundation has held six "Tung Ho Steel International Artist-in-Residence Program", which is one of the most important cases of collaboration between Taiwanese enterprises and the arts community, which has created a new synchrony between industrial production and artistic expression.</p> <p>(VI) To promote climate change adaptation and mitigation, the 20th meeting of the 24th Board of Directors Meeting in August 2022 approved the "Regulations for the appropriation and application of special reserve for climate change adaptation and mitigation", which will be allocated \$174 million in 2022 for the purpose of energy-saving equipment or energy-efficiency upgrading, research and development of energy-saving technologies, low-carbon product development technologies and other related climate change adaptation and mitigation projects. The special reserve is to be used for energy-saving equipment or energy-efficiency upgrades, research and development of conservation technologies, low-carbon product development technologies, and other climate change adaptation and mitigation projects or programs.</p> <p>(VII)Plan the path of carbon reduction in 2050 Actively Following China's "2050 Net Zero Emission Path and Strategy General Description" issued in March 2022, in addition to developing clean energy, the Company is currently planning an electric furnace renovation/new research project to research the feasibility of introducing an electric furnace scrap preheating system and the feasibility of ORC power generation from waste heat recovery of heating furnace, oxygen-enriched combustion technology for preheater of steel barrel, oxygen-enriched combustion technology for heating furnace, carbon capture and utilization, etc.</p>				

(V) Climate-related information for TWSE/TPEX Listed Companies - Implementation of climate related information

Project	Status of implementation																																																																															
1. State the Board's managers oversight and governance of climate related risks and opportunities.	1. The board’s managers are responsible for oversight and governance of climate related risks and opportunities. The Company’s board of directors is responsible for the review and guidance of climate change strategies, action plans and annual objectives, with regular monitoring on the implementation status and review of GHG reduction targets and achievements on an annual basis. The Company has established the Corporate Governance Committee (functional committee) under the board of directors. The committee consists of three members appointed by resolution of the board of directors, among which more than 50% of the members are independent directors. The Company’s Chairman is appointed as the committee’s convener (chairperson), and is responsible for issues related to climate change, including environmental sustainability, as well as the establishment, monitoring and review of company objectives. Corporate Governance Committee meetings are held at least twice a year, and climate change-related issues are reported to the board of directors every year. The environmental sustainability team is set up under the Corporate Governance Committee (functional committee), which is composed of dedicated personnel from relevant departments, with the Production Vice President as the Chairperson who is responsible for evaluating and managing climate-related risks and opportunities, as well as goal and strategy formulation. The environmental sustainability team reports its implementation status to the Corporate Governance Committee on a regular basis. Climate Change Risk Management, Strategy and Target Setting for 2022 was approved by the 19th meeting of the 24th Board of Directors Meeting on May 27, 2022.																																																																															
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finance (short-term, medium-term and long-term) of the enterprise.	2. The Identification Results of Climate Risks and Opportunities The Company has identified 6 climate-related significant risks and 4 climate-related significant opportunities in 2022 years after conducting a climate change risk and opportunity identification meeting through members of the Environmental Sustainability Group, based on the TCFD recommended framework assessment. (1)Climate risks <table><tr><th>Risk ranking</th><th>Risk Type</th><th>Risk Content</th><th>Risk category</th><th>Timetable</th><th>The probability of occurrence</th><th>The degree of financial impact</th></tr><tr><td>1</td><td>Risks and opportunities of Transformation</td><td>[Regulations]Cap and trade (Increase greenhouse gas emissions pricing + provide low carbon transition services + meet demands for low carbon products and services)</td><td>The company</td><td>Short term</td><td>Very huge</td><td>Huge</td></tr><tr><td>2</td><td>Transformation risks</td><td>[Technology]Investment in new technology</td><td>The company</td><td>Mid-term</td><td>Very huge</td><td>Huge</td></tr><tr><td>3</td><td>Transformation risks</td><td>[Regulations]Renewable energy regulations</td><td>The company</td><td>Mid-term</td><td>Huge</td><td>Huge</td></tr><tr><td>4</td><td>Physical risks</td><td>[Immediate]Tropical wind</td><td>The company</td><td>Long-term</td><td>Very huge</td><td>Average</td></tr><tr><td>5</td><td>Transformation risks</td><td>[Market] Customer behavior changes</td><td>The company, customers</td><td>Long-term</td><td>Average</td><td>Average</td></tr><tr><td>6</td><td>Physical risks</td><td>[Long-term]Average rainfall changes</td><td>The company</td><td>Long-term</td><td>Huge</td><td>Small</td></tr></table> (2)Climate Opportunity <table><tr><th>Opportunity Ranking</th><th>Opportunity Content</th><th>Opportunity Category</th><th>Timetable</th><th>The probability of occurrence</th><th>The degree of financial impact</th></tr><tr><td>1</td><td>[Resource efficiency]More efficient production</td><td>The company</td><td>Mid-term</td><td>Very huge</td><td>Very huge</td></tr><tr><td>2</td><td>[Resource efficiency] Recycling and reuse</td><td>The company</td><td>Short term</td><td>Very huge</td><td>Average</td></tr><tr><td>3</td><td>[Market]Financial institution awards</td><td>The company Financial Institutions</td><td>Short term</td><td>Very huge</td><td>Average</td></tr><tr><td>4</td><td>[Market]Adop incentive policies</td><td>The company</td><td>Mid-term</td><td>Very huge</td><td>Small</td></tr></table>	Risk ranking	Risk Type	Risk Content	Risk category	Timetable	The probability of occurrence	The degree of financial impact	1	Risks and opportunities of Transformation	[Regulations]Cap and trade (Increase greenhouse gas emissions pricing + provide low carbon transition services + meet demands for low carbon products and services)	The company	Short term	Very huge	Huge	2	Transformation risks	[Technology]Investment in new technology	The company	Mid-term	Very huge	Huge	3	Transformation risks	[Regulations]Renewable energy regulations	The company	Mid-term	Huge	Huge	4	Physical risks	[Immediate]Tropical wind	The company	Long-term	Very huge	Average	5	Transformation risks	[Market] Customer behavior changes	The company, customers	Long-term	Average	Average	6	Physical risks	[Long-term]Average rainfall changes	The company	Long-term	Huge	Small	Opportunity Ranking	Opportunity Content	Opportunity Category	Timetable	The probability of occurrence	The degree of financial impact	1	[Resource efficiency]More efficient production	The company	Mid-term	Very huge	Very huge	2	[Resource efficiency] Recycling and reuse	The company	Short term	Very huge	Average	3	[Market]Financial institution awards	The company Financial Institutions	Short term	Very huge	Average	4	[Market]Adop incentive policies	The company	Mid-term	Very huge	Small
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3. Describe the financial impacts of extreme weather events and transformational actions.	3. Climate risk and opportunity scenarios, coping strategies and financial impacts (1)Climate risks 1.Cap and trade Situation: In response to the trend of increasingly stringent requirements for total control/emissions trading, renewable energy regulations, increasing pricing of greenhouse gas emissions, low-carbon transition services, and demand for low-carbon products and services, the Company will adopt low-carbon energy sources such as wind and solar power, and try to enter new markets for carbon capture and sequestration. <table><tr><th>Description</th><th>Period</th><th>Financial impact (NT\$/year)</th><th>Statement of financial impacts</th></tr><tr><td rowspan="3">Impacts of risks on the established profit base</td><td>Short term</td><td>-130 million</td><td>[Increased Cost] It is estimated the carbon price will increase by NT\$200 per ton from 2022 to 2025.</td></tr><tr><td>Mid-term</td><td>-320 million</td><td>[Increased Cost] It is estimated the carbon price will increase by NT\$500 per ton from 2026 to 2030.</td></tr><tr><td>Long-term</td><td>-620 million</td><td>[Increased Cost] It is estimated the carbon price will increase by NT\$750 per ton from 2031 to 2040, NT\$1,000 per ton from 2041 to 2045 and NT\$1,500 per ton from 2046 to 2050.</td></tr><tr><td rowspan="3">Impacts of risk coping strategy on existing profit base after implementation</td><td>Short term</td><td>-120 million</td><td>[Capital expenditure] Setting up solar power generation facilities [Decreased Cost] Credits carbon fees and reduces the cost of purchased electricity [Increased Cost] Starts CCUS carbon capture. Utilization and storage industry-university cooperative research project.</td></tr><tr><td>Mid-term</td><td>-280 million</td><td>[Capital Expenditure] Start CCUS Carbon Capture. Utilization and Storage Experimental Plant [Capital expenditure] Start the transformation plan of EAF 1 in the factory [Decreased Cost] Credits carbon fees and reduces the cost of purchased electricity</td></tr><tr><td>Long-term</td><td>+210 million</td><td>[Capital Expenditure] Start CCUS Carbon Capture. Utilization and Storage Production Plant</td></tr></table>	Description	Period	Financial impact (NT\$/year)	Statement of financial impacts	Impacts of risks on the established profit base	Short term	-130 million	[Increased Cost] It is estimated the carbon price will increase by NT\$200 per ton from 2022 to 2025.	Mid-term	-320 million	[Increased Cost] It is estimated the carbon price will increase by NT\$500 per ton from 2026 to 2030.	Long-term	-620 million	[Increased Cost] It is estimated the carbon price will increase by NT\$750 per ton from 2031 to 2040, NT\$1,000 per ton from 2041 to 2045 and NT\$1,500 per ton from 2046 to 2050.	Impacts of risk coping strategy on existing profit base after implementation	Short term	-120 million	[Capital expenditure] Setting up solar power generation facilities [Decreased Cost] Credits carbon fees and reduces the cost of purchased electricity [Increased Cost] Starts CCUS carbon capture. Utilization and storage industry-university cooperative research project.	Mid-term	-280 million	[Capital Expenditure] Start CCUS Carbon Capture. Utilization and Storage Experimental Plant [Capital expenditure] Start the transformation plan of EAF 1 in the factory [Decreased Cost] Credits carbon fees and reduces the cost of purchased electricity	Long-term	+210 million	[Capital Expenditure] Start CCUS Carbon Capture. Utilization and Storage Production Plant																																																							
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4. Describe how the climate risk identification, assessment, and management processes are integrated into the overall risk management system.				[Capital expenditure] Start the transformation plan of EAF 2 in the factory [Capital expenditure] New wind power generation facilities [Increased Cost] Existing wind power cancellation cost [Decreased Cost] Credits carbon fees and reduces the cost of purchased electricity
	2.Investment in new technologies: Situation: The company is required to develop CCUS carbon capture, utilization and storage related technologies.			

<p>5. If situational analysis is used to assess the resilience to climate change risks, describe the contexts, parameters, assumptions, analysis factors, and key financial implications.</p> <p>6. If there is a transformation plan for managing climate related risks, describe the plan and the metrics and targets used to identify and manage physical and transformation risks.</p> <p>7. If internal carbon pricing is used as a planning tool, the basis for the pricing should be described.</p> <p>8. If climate related targets are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the annual progress of achievement should be stated; and if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and quantity of carbon credits to be offset or the quantity of renewable energy certificates (RECs) should be stated.</p> <p>9. Greenhouse Gas Inventory and Confirmation (please refer to 3.).</p>	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>				<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>																										
	<p>5.Changes of Customer behaviors</p> <p>Situation: Customers will require the EPD certificate in the short term, and carbon neutrality certificates of steel bars in the medium and long term will be required to meet the delivery qualification.</p>				<table> <tr> <th>Description</th><th>Period</th><th>Financial impact (NT\$/year)</th><th>Statement of financial impacts</th></tr> <tr> <td rowspan="3">Impacts of risks on the established profit base</td><td>Short term</td><td>-170 million</td><td>[Decreased Profit] Customer orders do not require carbon labelling of products.</td></tr> <tr> <td>Mid-term</td><td>-460 million</td><td>[Decreased Profit] Customer orders do not require carbon labelling of products. [Decreased Profit] Customer orders do not require carbon labelling of products.</td></tr> <tr> <td>Long-term</td><td>-2.3 billion</td><td>[Decreased Profit] Customer orders do not require carbon labelling of products. [Decreased Profit] Customer orders do not require carbon labelling of products.</td></tr> <tr> <td rowspan="4">Impacts of risk coping strategy on existing profit base after implementation</td><td>Short term</td><td>+430 million</td><td>[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products.</td></tr> <tr> <td>Mid-term</td><td>+270 million</td><td>[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products. [Increased Cost] Purchase carbon rights to achieve carbon neutrality of products [Increased Profit] Obtain customer orders that require carbon neutrality of products</td></tr> <tr> <td>Long-term</td><td>-30 million</td><td>[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products. [Increased Cost] Purchase carbon rights to achieve carbon neutrality of products [Increased Profit] Obtain customer orders that require carbon neutrality of products</td></tr> </table>				Description	Period	Financial impact (NT\$/year)	Statement of financial impacts	Impacts of risks on the established profit base	Short term	-170 million	[Decreased Profit] Customer orders do not require carbon labelling of products.	Mid-term	-460 million	[Decreased Profit] Customer orders do not require carbon labelling of products. [Decreased Profit] Customer orders do not require carbon labelling of products.	Long-term	-2.3 billion	[Decreased Profit] Customer orders do not require carbon labelling of products. [Decreased Profit] Customer orders do not require carbon labelling of products.	Impacts of risk coping strategy on existing profit base after implementation	Short term	+430 million	[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products.	Mid-term	+270 million	[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products. [Increased Cost] Purchase carbon rights to achieve carbon neutrality of products [Increased Profit] Obtain customer orders that require carbon neutrality of products	Long-term	-30 million
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	Mid-term	-460 million	[Decreased Profit] Customer orders do not require carbon labelling of products. [Decreased Profit] Customer orders do not require carbon labelling of products.																												
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Impacts of risk coping strategy on existing profit base after implementation	Short term	+430 million	[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products.																												
	Mid-term	+270 million	[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products. [Increased Cost] Purchase carbon rights to achieve carbon neutrality of products [Increased Profit] Obtain customer orders that require carbon neutrality of products																												
	Long-term	-30 million	[Increased Cost] Introduced guidance and certification of EPD Carbon Label. [Increased Profit] Obtain customer orders requiring carbon labeling of products. [Increased Cost] Purchase carbon rights to achieve carbon neutrality of products [Increased Profit] Obtain customer orders that require carbon neutrality of products																												
	<p>6.Change in average precipitation</p> <p>Situation: The annual total rainfall in Taiwan increased by 15%, but the number of days of continuous rainfall increased by 5.5%, which led to the water supply company's water cut-off and the factory's water cut-off for 7 days.</p>				<table> <tr> <th>Description</th><th>Period</th><th>Financial impact (NT\$/year)</th><th>Statement of financial impacts</th></tr> <tr> <td rowspan="3">Impacts of risks on the established profit base</td><td>Short term</td><td>0</td><td>None</td></tr> <tr> <td>Mid-term</td><td>0</td><td>None</td></tr> <tr> <td>Long-term</td><td>-17 million</td><td>[Decreased Profit] The factory stopped running due to water outages. [Increased Cost] Water outages caused the labor cost loss in factories. [Increased Cost] Water outages caused the depreciation loss of factory property</td></tr> <tr> <td rowspan="4">Impacts of risk coping strategy on existing profit base after implementation</td><td>Short term</td><td>0</td><td>None</td></tr> <tr> <td>Mid-term</td><td>0</td><td>None</td></tr> <tr> <td>Long-term</td><td>-3 million</td><td>[Increased Cost] Carries water with water truck.</td></tr> </table>				Description	Period	Financial impact (NT\$/year)	Statement of financial impacts	Impacts of risks on the established profit base	Short term	0	None	Mid-term	0	None	Long-term	-17 million	[Decreased Profit] The factory stopped running due to water outages. [Increased Cost] Water outages caused the labor cost loss in factories. [Increased Cost] Water outages caused the depreciation loss of factory property	Impacts of risk coping strategy on existing profit base after implementation	Short term	0	None	Mid-term	0	None	Long-term	-3 million
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	Mid-term	0	None																												
	Long-term	-3 million	[Increased Cost] Carries water with water truck.																												
	<p>(2)Climate Opportunity</p> <p>1.More efficient production:</p> <p>Situation: A new scrap preheating electric furnace is installed to replace the old one, and the unit smelting power can be reduced by 100 ~ 120 kWh.</p>				<table> <tr> <th>Description</th><th>Period</th><th>Financial impacts (NT\$/year)</th><th>Statement of financial impacts</th></tr> <tr> <td rowspan="4">Opportunities from coping strategies on existing profit base</td><td>Short term</td><td>0</td><td>None</td></tr> <tr> <td>Mid-term</td><td>+190 million</td><td>[Capital expenditure] Set up a new electric furnace with high efficiency [Increased Cost] Depreciation expense of new electric furnace [Decreased Cost] reduces the cost of purchased electricity</td></tr> <tr> <td>Long-term</td><td>+340 million</td><td>[Capital expenditure] Set up a new electric furnace with high efficiency [Increased Cost] Depreciation expense of new electric furnace [Decreased Cost] reduces the cost of purchased electricity</td></tr> </table>				Description	Period	Financial impacts (NT\$/year)	Statement of financial impacts	Opportunities from coping strategies on existing profit base	Short term	0	None	Mid-term	+190 million	[Capital expenditure] Set up a new electric furnace with high efficiency [Increased Cost] Depreciation expense of new electric furnace [Decreased Cost] reduces the cost of purchased electricity	Long-term	+340 million	[Capital expenditure] Set up a new electric furnace with high efficiency [Increased Cost] Depreciation expense of new electric furnace [Decreased Cost] reduces the cost of purchased electricity									
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	<p>2.Recycling:</p> <p>Situation: Invest in Taiwan Steel Union and Guardian Recycling.</p>				<table> <tr> <th>Description</th><th>Period</th><th>Financial impacts (NT\$/year)</th><th>Statement of financial impacts</th></tr> <tr> <td rowspan="3">Opportunities from coping strategies on existing profit base</td><td>Short term</td><td>+170 million</td><td>[Increased Profit] Obtain incomes from investment in recovery and reuse [Opportunity Cost] Opportunity cost of investment amount</td></tr> <tr> <td>Mid-term</td><td>+170 million</td><td>[Increased Profit] Obtain incomes from investment in recovery and reuse [Opportunity Cost] Opportunity cost of investment amount</td></tr> <tr> <td>Long-term</td><td>+190 million</td><td>[Increased Profit] Obtain incomes from investment in recovery and reuse [Opportunity Cost] Opportunity cost of investment amount</td></tr> </table>				Description	Period	Financial impacts (NT\$/year)	Statement of financial impacts	Opportunities from coping strategies on existing profit base	Short term	+170 million	[Increased Profit] Obtain incomes from investment in recovery and reuse [Opportunity Cost] Opportunity cost of investment amount	Mid-term	+170 million	[Increased Profit] Obtain incomes from investment in recovery and reuse [Opportunity Cost] Opportunity cost of investment amount	Long-term	+190 million	[Increased Profit] Obtain incomes from investment in recovery and reuse [Opportunity Cost] Opportunity cost of investment amount									
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	<p>Internal Carbon Pricing and Climate Change Adaptation and Mitigation Response Project</p> <p>In order to promote climate change adaptation and mitigation actions, Tung Ho Steel actively manages carbon risks, and formulates operating procedures and methods such as climate-related financial disclosure and internal carbon pricing. The internal carbon pricing of the Company adopts nationally determined carbon price, so as to facilitate the set greenhouse gas reduction target and promote the clean energy transformation in the future.</p> <p>In order to promote climate change adjustment and mitigation actions, in August 2022, the 20th meeting of the 24 Board of Directors passed the case of "Measures for Allocation and Application of Special Surplus Reserve for Climate Change Adjustment and Mitigation", which was calculated according to internal carbon pricing (adopting the price of national carbon fee) and categories I and II of internal inventory in that year plus total carbon emissions. In 2022, NT\$174 million were allocated, and this special surplus reserve were used for projects or planned expenditures related to climate change adaptation and mitigation, such as energy-saving equipment or energy efficiency upgrading of equipment, energy-saving technologies R&amp;D, and low-carbon product development technologies.</p> <p>7. Future outlook: 1.5 °C Low Carbon Transformation Plan</p> <p>Due to the significant increase in production of the Company in 2021, category I (category I) was 216,292 metric tons of CO2e, category II (category II) was 666,107 metric tons of CO2e, and the total emissions of category I (category I) and category II (category II) were 882,400 metric tons of CO2e. Comparing emission trends and explanation of differences, please refer to the Company's 2022 Sustainability Report 4-2 Energy Resource Use. The company's greenhouse gas emissions in 2021 were higher than those in 2005. In the future, it will continue to replace with renewable energy and transform the efficiency scheme of electric furnaces, and move to achieve the goal of reducing emissions by 30% in 2030.</p> <p>When drawing up the 1.5 °C low-carbon transformation plan, the company at first plans the carbon reduction path for the power use projects with high greenhouse gas emissions, and then uses the carbon capture, utilization and storage technology (CCUS) to achieve the net zero goal. The Company's current carbon reduction path and estimated carbon reduction projects include:</p> <p>(1)Reduce the use of electricity</p> <p>1.Shifts to decarbonized technologies and equipment: Transformation of electric furnace</p> <p>2.Develop renewable energy</p> <p>(2)Implementation of energy saving and carbon reduction scheme</p> <p>1.Improve energy efficiency</p> <p>2.Process improvement</p> <p>(3)Other carbon reduction paths</p> <p>1.Stop using cast iron</p> <p>2.Use low-carbon fuels flexibly</p> <p>3.Reduce the use of carburants</p> <p>4.Carbon Capture, Utilization and Storage Technology (CCUS)</p>
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### 3.Greenhouse Gas Inventory and Confirmation

<p>Basic information of the company</p> <p>■Companies with capital of over NT\$10 billion in steel industry and cement industry</p> <p>□ Companies with capital of more than NT\$5 billion but less than NT\$10 billion.</p> <p>□ Companies with capital less than NT\$5 billion.</p>	<p>According to the sustainable development road map of listed companies, at least it should be disclosed</p> <p>■ Individual check of parent company-</p> <p>□ Check of subsidiary company of consolidated financial report</p> <p>■ Parent company individual conviction</p> <p>□ Consolidated financial report subsidiary conviction</p>
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Category I	Total emissions (Metric tonnes CO2e)	Density (Mt CO2e/steel embryo output)	Confirmation mechanism	Convinced case description
Parent company	188,678	0.090	Bureau Veritas in Taiwan (BV)	The data in 2022 is the internal inventory data, which is intended to be convinced by Bureau Veritas in Taiwan (BV) in June, 2023.
Subsidiaries	0	0		
Total	188,678	0.090		
Category II	Total emissions (Metric tonnes CO2e)	Density (Mt CO2e/steel embryo output)	Confirmation mechanism	Convinced case description
Parent company	621,281	0.295	Bureau Veritas in Taiwan (BV)	The data in 2022 is the internal inventory data, which is intended to be convinced by Bureau Veritas in Taiwan (BV) in June, 2023.
Subsidiaries	0	0		
Total	621,281	0.295		
Scope III	Parent company Category III emissions : 307,276 metric tons of carbon dioxide equivalent Category IV emissions : 913,615 metric tons of carbon dioxide equivalent Category V emissions : 127,295 metric tons of carbon dioxide equivalent			

### (VI) Compliance with the Code of Conduct for Honest Management and Differences from the Code of Conduct for Listed Companies and Reasons

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
I. Formulate ethical corporate management policies and programs (I) Has the company established an ethical corporate management policy approved by the board of directors, and has the policy and practice of ethical corporate management been stated in the bylaws and external documents? Is there commitment from the board of directors and the senior management to actively implement the management policy?  (II) Has the company established a mechanism	✓		(I) The Company's integrity management policy is to treat all stakeholders based on the principles of fairness, integrity, honesty, and faithfulness. The Company has also established the Ethical Corporate Management Best Practice Principles and the Ethical Corporate Management Operating Procedures and Code of Conduct, which have been approved by the Board of Directors, implemented and publicly disclosed on the Company's website. In order to implement the ethical corporate management policy, we have established the "Commitment to Ethical Conduct", which is signed by the management and employees, as well as the "Declaration of Compliance", which is signed by the directors, to implement the ethical corporate management best practice principles.  (II) In order to prevent unethical behavior in business activities, the Company's	No difference.

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>to assess the risk of dishonest acts, regularly analyzed and evaluated the business activities within the scope of business that have a higher risk of dishonest acts, and formulated a corresponding plan to prevent dishonest acts. Does the plan cover the preventive measures for the acts mentioned in Article 7, Paragraph 2 of the "Code of Conduct for Listed Companies with Integrity"?</p> <p>(III) Has the Company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies? Has the Company implemented the policies and regularly reviewed and amended the said policy?</p>			<p>code of conduct for ethical corporate management stipulates the prohibition of unethical behavior, benefits and attitudes, and the "Procedures and Conduct Guidelines for Ethical Corporate Management" to specifically regulate and prevent unethical behavior. The Company also conducts risk assessment and prepares necessary preventive measures annually when each department performs self-evaluation of its internal control system. The Company has established stringent behavioral norms, ethical standards and regulations relating to appeal, reward and punishment systems in the company's "Board of Directors' Meeting Procedure", "Ethical Code of Conduct for Directors, Supervisors and Managers", "Critical Internal Material Information Processing Procedures" and "Work Rules". On October 11, 2022, each unit of the Company performed risk assessment of unethical acts and to prepare necessary prevention plans and measures.</p> <p>(III) In accordance with the code of conduct for ethical corporate management, the Company has established the "Procedures and Guidelines for Ethical Corporate Management" to prevent unethical behavior, and has regularly reviewed the procedures, guidelines, disciplinary actions, complaint system, and has established the "Employee Rotation Regulations". Relevant positions have promoted regular rotation operations to prevent the occurrence of various drawbacks. In addition, in order to protect the rights and interests of employees or other activities against the interests of The Company, The Company has formulated the "The Company's" Employee Grievance and Whistleblower Policy "(whistleblower protection policy), and each factory has a complaint box, through which colleagues can lodge complaints and report to the unit supervisor or the factory management unit through e-mail, orally or by telephone.</p>	
<p>II. Implement Ethical Corporate Management</p> <p>(I) Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?</p> <p>(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management, and report regularly (at least once a year) to the Board of Directors on its ethical management policies and plans to prevent unethical practices and monitor their implementation?</p> <p>(III) Did the company establish policies that prevent conflict of interests, provide appropriate channels for filing related complaints and implement such policies and channels?</p> <p>(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, and has the internal audit unit prepared an audit plan based on the evaluation results of the risk of unethical acts? Has the Company checked the compliance of the unethical act prevention plan accordingly, or appointed an accountant to perform the audit?</p> <p>(V) Did the company periodically provide internal and external training programs on ethical corporate management?</p>		✓	<p>(I) The company appoints its General manager's office to provide customer credit surveys during the company's external business activities and designates Legal Affairs Office to review and execute contract terms. In accordance with Article 20 of the Company's "Ethical Corporate Management Operating Procedures and Code of Conduct," when the Company enters into a contract with another party, the Company shall fully understand the other party's integrity ethical corporate management status and include compliance with ethical corporate management in the contract terms. Starting from May 2020, the Company requires that the terms of ethical corporate behavior be stipulated in procurement and business contracts, and requests credit units to include ethical corporate behavior in the credit history and credit evaluation criteria.</p> <p>(II) The dedicated unit of the Company's ethical corporate management is the Corporate Governance and Nominating Committee, which is responsible for formulating and supervising the implementation of integrity management policies and prevention plans. It meets at least twice a year with three members, more than half of whom are independent directors. The information on the implementation of ethical corporate management is discussed annually by the Corporate Governance and Nominating Committee and reported to the Board of Directors; on October 11, 2022, each unit was asked to perform risk assessment of unethical acts and to prepare necessary preventive plans and measures. The implementation of the 2022 Unethical Corporate Practices Prevention Program was reported to the 24th session (23th meeting) Board of Directors Meeting on December 22, 2022.</p> <p>(III) In order to prevent conflicts of interest, the Company has set forth the principles of preventing conflicts of interest in the "Rules of Procedure for the Board of Directors' Meetings", "Ethical Corporate Management Operating Procedures and Code of Conduct", "Code of conduct for Ethical Corporate Management, "Code of Ethical Conduct for Directors and Managers" and other relevant regulations. The Company also announces on its website that it accepts notifications, suggestions, complaints and reports on the Company, and has set up mailbox for internal and external stakeholders to voice their complaints.</p> <p>(IV) The Company has established an effective accounting system and prepared financial statements in accordance with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and the "International Financial Reporting Standards, IFRS" in order to properly present its operating results and financial position. Through each unit's annual internal control system self-evaluation, the Company also reviews and amends the system constantly to ensure that the design and implementation of the system continues to be effective in response to changes in the company's internal and external environment. Based on the risk evaluation results, the audit office will include the higher risk operation items in the annual audit plan to review the actual implementation of the operation. Statement of Financial Accounting Standards issued by the accountant in 2022: "In the course of this audit, no doubts about the integrity of management were raised and no fraud was found to have been committed by management."</p> <p>(V) The company occasionally promotes integrity management principles on its quarterly magazines, official websites or during major meetings and requests its employees to comply with such principles. On September 2, 2022, the Company conducted an online insider trading related law promotion on the company's internal platform, targeting all employees of the company and related companies. On November 11, 2022, the "Corporate Anti-Corruption and Fraud Prevention Case Studies" training course was held for 134 participants, totaling 268 hours, including all company and affiliated companies' supervisors at or above the division level, sales staff, IT/information personnel, finance and accounting personnel, and purchasing personnel. At the target management meeting for middle and senior management on October 7, 2022, the Company promoted the right to enter and prevent insider trading. In 2022, the Company</p>	No difference.

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			educated directors and managers on the importance of insider shareholding changes twice. In October 2022, the Company's managers participated in the 2021 Prevention of Insider Trading training course hosted by the Taiwan Stock Exchange. A total of 1 people participated for a total of 3 hours.	
III. Operation of the company's whistle-blowing system (I) Did the company establish a specific whistle-blowing, reward and punishment system, set up a convenient complaint channel and assign designated personnel to handle the reported complaint? (II) Does the Company have standard operating procedures for investigation of whistleblower matters, follow-up measures to be taken after the completion of the investigation and the related confidentiality mechanism? (III) Did the company adopt measures for protecting the whistle-blower against improper treatment or retaliation?	✓		(I) In order to protect the rights and interests of employees and to follow the rules for reporting improper violations of the company's interests, the Company has established the "Employee Grievance and Reporting Rules" and has set up a grievance box in each factory, where employees can submit complaints and reports to the unit manager or the management of each factory through the grievance box or email, verbally or by phone. When handling a report, the Management Department, the Audit Office, the Legal Office, and the relevant department heads as necessary will form an investigation team to conduct a factual investigation. In addition, the "Code of Ethical Conduct for Directors and Managers" has been established to encourage employees to report to the directors, audit committee members, managers, internal audit supervisors or the head of the management department with sufficient evidence if they discover any violation of laws and regulations or violation of the Code of Ethical Conduct by a director or manager. The Company will reward the whistleblowing employee in accordance with relevant regulations if the report is substantiated. When material violations or concerns involving material impairment to the Company come to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in writing. (II) The Company's "Employee Grievance and Whistleblower Policy" (whistleblower protection policy) provides for the following grievance handling procedures: Preliminary hearings, fact-finding, findings and resolutions. The relevant personnel responsible for handling the complaint (prosecution) shall maintain absolute confidentiality and shall not disclose it to the public. If the case information is leaked due to intentional negligence, the responsible personnel will be punished in accordance with the relevant regulations corresponding to the severity of the leak. (III) According to the nature of the reported case and the situation of the whistle-blower, the company adopts necessary protective measures for keeping the whistle-blower's identity confidential to protect the whistle-blower against retaliation.	No difference.
IV. Strengthen information disclosure Did the company disclose the content and effectiveness of its integrity management principles on the company's website and the Market Observation Post System?	✓		The Company has established the Ethical Corporate Management Policy, the Ethical Corporate Management Operating Procedures and Code of Conduct, which have been publicly disclosed on the Company's website and annual report. The Company has also regularly reported on the progress of prevention of unethical conduct to the Board of Directors.	No difference.
V. The company shall establish its own Code of Business Integrity based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and clearly articulate the differences between its operations and the established code. The company has established its own principles of integrity management based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies". There are no differences in the company's operation and the regulations specified in the code.				
VI. Other critical information conducive to understanding the operation of the company's integrity management: (e.g., review/revision of the company's integrity corporate management principles) (I) Suppliers who sign contracts with the Company onwards are required to sign a corporate social responsibility pledge, which covers labor rights and human rights, environmental protection, climate change mitigation and adaptation, as well as honest management and ethical standards. In 2022, a total of 591 suppliers signed the pledge, accounting for 88% of the Company's transaction amount with suppliers. (II) The "Rules of Procedure for the Board of Directors' Meetings" clearly describes that a director shall recuse himself or herself when matters that involve his or her interests arise. If his or her participation is likely to damage the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting. He or she may not exercise voting rights as a proxy for another director. The company's directors uphold a high level of self-discipline. If a motion involves the interests of the directors themselves, the directors shall adhere to the principles of recusal and abstain from participation. (III) The company has established Critical Internal Material Information Processing Procedures, which mandates that the company's directors, supervisors, managers and employees shall exercise due administrative diligence and duty of loyalty, undertake business activities according to the procedures and may not disclose important internal information to other parties.				

- (VII)** If the company has established corporate governance codes and related bylaws, their query methods shall be disclosed:  
 In order to establish a sound corporate governance system, in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies published by the Taiwan Stock Exchange, the Company has formulated the Corporate Governance Best Practice Principles, which was adopted by the 23rd (12th meeting) Board of Directors on March 26, 2019. The latest version is available on the Market Observation Post System and the Company's website ([https:// www.tunghosteel.com/investors/norm](https://www.tunghosteel.com/investors/norm), Investor Services > Corporate Governance > Major Internal Policies). The Company monitors at all times domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanisms, so as to enhance their effectiveness.
- (VIII)** Critical information that can enhance the understanding of the company's corporate governance practices shall be disclosed  
 Operations relevant to the company and its subsidiaries' corporate governance and material information, for example: the company's crucial regulations, Board of Directors nomination and election methods, continuing education of directors and supervisors, key resolutions of the Board of Directors, and corporate governance practices are all disclosed in the corporate sustainability report and on the Company's website ([https://www.tunghosteel.com/investors/ resolution](https://www.tunghosteel.com/investors/resolution), Investor Services > Corporate Governance).
- (IX)** The internal control system implementation status shall disclose the following matters

## 1. Internal Control System Statement

### **Tung Ho Steel Enterprise Corporation Internal Control System Statement**

Date: February 22, 2023

Based on the results of self-evaluation, the Company's 2022 internal control system hereby declares the following:

- I. The Company acknowledges that the Company's Board of Directors and managers are responsible for the implementation and maintenance of the internal control system, and that the company has already established such a system, and that the company has already established such a system. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.
- II. Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company shall determine the effectiveness of the internal control system design and execution based on the internal control system effectiveness review items as provided by the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereafter "Handling Regulations"). The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each component also comprised several items. Please refer to "Governing Regulations" for details.
- IV. The company has already adopted the aforementioned internal control system judgment items to inspect the effectiveness of the internal control system design and implementation.
- V. Based on the aforementioned evaluation results, the company believes that the design and execution of its December 31, 2022 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of understanding of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, timeliness, transparency, and regulatory compliance-related internal control system items; and that the company can reasonably achieve the aforementioned goals.
- VI. This statement will be the main content of the Company's annual report and public statement, and will be made available to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- VII. This declaration statement has been authorized by the Board of Directors on February 22, 2023, and all eleven attendees of the Board have approved the contents of the declaration statement.

**Tung Ho Steel Enterprise Corporation**

Chairman: Henry C. T. Ho

President: Binghua Huang

2. If the internal control system review is conducted by commissioned accountants, the said accountant review's report shall be disclosed: None.
- (X) The Company's major deficiencies improvement status for internal personnel who have received penalties for violating provisions provided by the internal control system in recent years and up to the publication date of this annual report must be listed clearly for situations when the said penalties may impact shareholders' interest or share prices: None.
- (XI) Critical resolutions made during shareholders and Board of Directors' meetings in recent years and up to the publication date of this annual report

Date	Meeting	Critical resolution matters	Board of Directors (Shareholder's meeting) Resolution result
2022.03.10	16th meeting of the 24th board	1.2021 Board of Directors Performance Evaluation Report 2.Passed the independence and suitability evaluation of the accountant. 3.Passed the distribution of employee and director remuneration for 2021. The total employee remuneration was NT\$188,534,158, and the total remuneration to directors was NT\$150,827,327. 4.The 2021 business report and financial report. 5.Passed the Company's 2021 earnings appropriation of cash dividend at NT\$6.4 per share. 6.Established the baseline date for distribution of cash dividends and issue date in 2021. 7.Passed the amendment to the Procedures for Acquisition or Disposal of Assets. 8.Amendments to the Code of Practice on Corporate Governance are approved. 9.Amendments to the "Code of Practice on Corporate Social Responsibility" are approved. 10.Passed the formulation of convening the 111-year regular meeting of shareholders of the Company and acceptance of proposals from shareholders holding more than 1% of shares. 11.Passed the purchase of 41 state-owned land, such as No.1157, Guanyin District, Taoyuan City, the total land area is 14,248.63 square meters, and the total transaction amount is NT\$423,896,757. 12.Approved the application of the subsidiary Tung Kang Wind Power Co., Ltd. to lease part of the Company's land in the Longgang Industrial Park area. 13.Passed the new construction project of Tung Ho Steel Enterprise Corporation R&D Center in Erhu. 14.Approved the donation of NT\$2.5 million and 80 tons of scrap steel to the "Tung Ho Steel Foundation" for organizing steel sculpture artistic creation exhibitions and	The entire Board adopted without objection.



		<p>conference expenses. The funds will be allocated in installments depending on the business operation.</p> <p>15. Passed the short term credit obligation case of US\$35 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>16. Passed the endorsement/guarantee short term credit obligation renewal case of US\$20 million with Cathay United Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	
2022.04.12	17th meeting of the 24th board	<p>1. Approved the application of the subsidiary Tung Kang Wind Power Co., Ltd. to lease buildings in each factory area of the Company to build solar photovoltaic power generation equipment and surrounding facilities.</p> <p>2. Passed the amendment to the Organizational Rules of Corporate Governance and Nomination Committee.</p>	The entire Board adopted without objection.
2022.05.05	18th meeting of the 24th board	<p>1. Passed the Company's Quarter 1 consolidated financial reports for 2022.</p> <p>2. Passed the appointment and dismissal of the financial directors of the Company, and the financial director was changed to Huang Shuzhu, assistant manager of the accounting department.</p> <p>3. Approved the application of the subsidiary Tung Kang Engineering &amp; Construction Co., Ltd. to lease part of the Company's 4 government-owned lands including No.1216 in the Guanyin District of Taoyuan City.</p> <p>4. Approved the application of the subsidiary Tung Kang Engineering &amp; Construction Co., Ltd. to renew the lease of the Company's buildings located at No.289 Baotou Sixth Road, the Guanyin District of Taoyuan City.</p> <p>5. Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in Cathay United Bank.</p> <p>6. Passed the endorsement/ guarantee short term credit obligation renewal case with the Taishin International Bank for the subsidiary Fujian Tung Kang Steel Co., Ltd.</p> <p>7. Passed the guarantee endorsement application short term credit obligation case with the Fubon Bank (China) Co., Ltd. Suzhou Branch for the subsidiary Fujian Tung Kang Steel Co., Ltd.</p>	The entire Board adopted without objection.
2022.05.27	Shareholder's meeting	<p>Important resolutions of the 2022 annual shareholders' meeting and the implementation status:</p> <p>1. Ratifications:</p> <p>(1) The 2021 business report and financial report. Status of implementation: Proposal passed.</p> <p>(2) Passed the surplus allocation table for 2021. Status of implementation: Other items in the Company's surplus allocation table has been approved by resolution of the 2022 shareholders' meeting, including the legal reserve, the contra equity item</p>	After the chairman consulted all the shareholders present, the case was passed without objection.

		<p>special reserve, and changes in re-measurement of defined benefit plan. (Distribution of cash dividends of NT\$4,673,368,435 was approved by the board of directors on March 10, 2022, with dividend per share of NT\$6.40. The board of directors approved to set the ex-dividend date on April 2, 2022, and the distribution of cash dividends was completed on April 29, 2022).</p> <p>2.Matters for Discussion: Amendments to the “Procedures for Acquiring or Disposing of Assets”</p> <p>Status of implementation: Adopt the amendment of some provisions and announce them on the company website (website: <a href="https://www.tunghosteel.com">https://www.tunghosteel.com</a>, Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Articles of Incorporation).Procedures for acquiring or disposing of assets).</p>	
2022.05.27	19th meeting of the 24th board of directors	<p>1.Report on the implementation of sustainable development:  (1) Report on communication with interested parties.  (2) Issuance Report of Sustainability Report in 2021.</p> <p>2.Greenhouse gas inventory and schedule planning report.</p> <p>3.Issuance of climate-related financial disclosure report in 2022.</p> <p>4.Adoption of amendments to the Corporate Social Responsibility Policy.</p> <p>5.Approved the application of the subsidiary Donggang Wind Power Co., Ltd. to apply the lease of the Company’s buildings in Taoyuan City.</p>	The entire Board adopted without objection.
2022.08.04	20th meeting of the 24th board of directors	<p>1.Greenhouse gas inventory and schedule planning report.</p> <p>2.Passed the Company's Quarter 2 consolidated financial reports for 2022.</p> <p>3.Formulation of greenhouse gas management strategies, reduction targets and plans.</p> <p>4.Formulation of the "Special Surplus Reserve Allocation and Application Measures for Climate Change Adjustment and Mitigation" case.</p> <p>5.Passed the purchase of plant and equipment of Donggang Construction Engineering Co., Ltd., a subsidiary.</p> <p>6.Passed the contract awarding case of the decoration project of "Iron and Steel Industry R&amp;D Center of Erhu Section of Tung Ho Steel Enterprise Co., Ltd.".</p> <p>7.Passed the endorsement/ guarantee short term credit obligation renewal case of US\$29.5 million with Taipei Fubon Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>8.Passed the endorsement/ guarantee short term credit obligation renewal case of US\$25 million with Hua Nan Commercial Bank, Ltd. for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>9.Passed the endorsement/ guarantee short term credit obligation renewal case of US\$60 million with Mizuho Bank Taiwan for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	The entire Board adopted without objection.

		<p>10. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$30 million and additional credit of US\$16 million with China Trust and Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>11. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$20 million and additional credit of US\$10 million with Taishin International Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>12. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$15 million and additional credit of US\$5 million with Mega International Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	
<b>2022.08.30</b>	<b>21st meeting of the 24th board</b>	Authorized the chairman to participate in the bidding of real estate and equipment within the scope of authorization.	The entire Board adopted without objection.
<b>2022.11.07</b>	<b>22nd meeting of the 24th board</b>	<p>1. Passed the liability insurance report of directors, supervisors and major staff.</p> <p>2. Passed the Company's Quarter 3 consolidated financial reports for 2022.</p> <p>3. Passed the accountant public expenses review proposal for 2022.</p> <p>4. Passed the subsidiary Donggang Construction Engineering Co., Ltd., part of the factory building, office and land at No.540, Section 2, Jieshou Road, Bade District, Taoyuan City were leased.</p> <p>5. Passed the short term credit obligation case of US\$40 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>6. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$15 million with Mega International Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>7. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$16 million with Bank SinoPac for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>8. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$5 million with Bank SinoPac for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>9. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$15 million with BNP Paribas, Ho Chi Minh City Branch and Hanoi Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>10. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$16 million with First Commercial Bank, Hanoi Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>11. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$15 million and additional credit of US\$10 million with Standard Chartered Bank (Vietnam) Ltd., Ho Chi Minh City Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	The entire Board adopted without objection.

		12. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$2.5 million with Bank SinoPac (China) Ltd. for the subsidiary Fujian Dong Gang Steel Co, Ltd.	
2022.12.22	23rd meeting of the 24th board of directors	1. 2022 Board of Directors Performance External Evaluation Report 2. Report on Corporate Governance Promotion: (1) Develop a smart property management plan linked to operational objectives (2) Prevention of dishonest behavior and prevention of insider trading (3) Risk management (4) Information Security Management (5) Environmental sustainability 3. Greenhouse gas inventory and schedule planning report. 4. Approve the functional adjustment of the functional committee of the board of directors. 5. Passed the budget supplement and new budget of "Taoyuan Processing Center" of the Company. 6. Passed the endorsement/ guarantee collateralized credit obligation renewal case of US\$50 million with Mizuho Bank (China), Ltd. Shenzhen Branch for the subsidiary Fujian Tung Kang Steel Corp., Ltd.	The entire Board adopted without objection.
2023.01.05	24th meeting of the 24th board	1. Passed the re-election of the 25th directors of the Company. 2. Approved the proposal to hold the 2023 Annual General Meeting and to process proposals of shareholders holding more than 1% of shares. 3. Approved the application of the subsidiary Donggang Wind Power Co., Ltd. to apply to rent the buildings of Taoyuan Processing Center of the company.	The entire Board adopted without objection.
2023.02.22	25th meeting of the 24th board	1. 2022 Board of Directors Performance Evaluation Report 2. Greenhouse gas inventory and schedule planning report. 3. Cooperate with Anhou Jianye United Certified Public Accountants to change the visa accountant report by internal rotation. 4. Passed the independence and suitability evaluation of the accountant. 5. Passed the distribution of employee and director remuneration for 2022. The total employee remuneration was NT\$132,351,620, and the total remuneration to directors was NT\$105,881,296. 6. The 2022 business report and financial report. 7. Passed the Company's 2022 surplus distribution case, with cash dividends at NT\$3.5 per share. 8. Established the baseline date for distribution of cash dividends and issue date in 2022. 9. Passed the nomination of candidates for the 25th board of directors (including independent directors) of the Company. 10. Passed the lifting of the non-competition restriction of the new directors of the	The entire Board adopted without objection.

		<p>Company.</p> <p>11.Passed the Amendment of the "Articles of Incorporation."</p> <p>12.Amendments to the Code of Practice on Corporate Governance are approved.</p> <p>13.Passed the Amendment of the “the Code of Practice on Sustainable Development”.</p> <p>14.Passed the "financial business related operating procedures between related parties", the plan is finalized.</p> <p>15.Passed the company's Taoyuan Processing Center C workshop construction project and surrounding related facilities project contract.</p> <p>16.Passed the setting of the 2030 phased goal of "2050 Net Zero Carbon Emission", two “30” are formulated as the 2030 phased goals: (1) Carbon reduction by 30%: In 2030, the total carbon emissions will be reduced by 30% compared with 2005. ((2) RE30: In 2030, 30% of the total electricity consumption will come from renewable energy; And complete the negotiation for the purchase of renewable energy with an annual power consumption of 30% of the Company by 2030.</p> <p>17.Passed the short term credit obligation case of US\$35 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>18.Passed the endorsement/guarantee short term credit obligation renewal case of US\$20 million with Cathay United Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	
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**(XII)** The primary content of directors who have dissented on critical resolutions passed by the Board of Directors, where such dissents have been recorded or documents in recent years up to the annual report publication date: None.

**(XIII)** Summary of resignation or dismissal for chairman, general manager, accounting manager, finance director, head of internal audit, corporate governance managers, and R&D managers in recent years up to the annual report publication date: None.

**V. Information on fees to CPA**

**(I) Disclosure of audit fees, non-audit fees, and details of non-audit services:**

Unit: NT\$thousand

CPA Accounting Firm Name	CPA Name	CPA Audit period	Public expenses for audit	Non-public expenses for audit					Total	Remark
				System design	Business registration	Human Resources	Others	Subtotal		
KPMG International Cooperative	Isabel Lee Sinney Kuo	Jan. 2022 to Dec. 2022	6,310	0	0	0	1,110	1,110	7,420	(1)The expenses for 2022 Country-by-Country Report and Master File totaled NT\$810,000. (2)R&D and smart machinery investment in 2022: NT\$300,000.

**(II)** If the accounting firm has been changed and the annual audit public expenses were lower for the year of the firm change compared to that of the previous year, then audit public expenses before and after the changes and the reason for such changes should be disclosed: Not applicable.

**(III)** If the audit public expense has been decreased by over 10% compared to the previous year, the amount, ratio, and reason of the public expense reduction shall be disclosed: Not applicable.

**VI. Information on Replacement of CPAs: None.**

**VII. The Company's Chairman, President, Chief Financial Officer, or managers in charge of its financial and accounting operations who served in the firm of the CPAs or its affiliates in the most recent fiscal year: None.**

**VIII. Share Transfer by directors, managers, and shareholders holding more than 10% equity and changes to share pledging by them in the most recent fiscal year and up to the publication date of this Annual Report**

**(I) Share equity change status for directors, managers, and major shareholders**

Title	Name	2022		As of March 31, 2023	
		Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)	Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)
Directors	Mao Sheng Investment Inc.	18,002,000	0	501,000	0
Directors	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	0	0	0	0
Directors	Mao Sheng Investment Inc. Representative: George Y. S. Ho	0	0	0	0
Directors	Earle Ho and Sons, Ltd.	0	0	0	0
Directors	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	0	0	0	0
Director and Senior Vice President of Finance and Accounting Division (Note)	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	0	0	0	0
Directors	Liang Cheng Investment Co., Ltd.	0	(6,700,000)	0	0
Directors	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	0	0	0	0
Directors	Episil Holding Incorporation	0	0	0	0
Directors	Episil Holding Incorporation Representative: Chih-Ming Huang	0	0	0	0
Directors	Yen-Liang Ho	4,195,575	0	0	0
Directors	Taiwan Zhi Di Co. Ltd.	0	0	0	0
Directors	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	0	0	0	0
Independent Directors	I-Chi Liu	0	0	0	0
Independent Directors	Chuang-Hsi Chang	0	0	0	0
Independent Directors	Der-Ming Liu	0	0	0	0
Chairman	Henry C. T. Ho	0	0	0	0
President	Bing-Hua Huang	0	0	0	0
Production Vice President	Ming-Tsung Liu	30,000	0	0	0

Title	Name	2022		As of March 31, 2023	
		Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)	Number of shares held added (subtracted) (Shares)	Numbers of pledged shares added (subtracted) (Shares)
Vice President of Sales Division	Bruce Guu	12,000	0	0	0
Vice President of Trading Division	Arthur C. Lin	0	0	0	0
Head of Corporate Governance and Vice President of the Management Department	Juyu Ho	0	0	0	0
Assistant manager of the sales department	Flora Fan	0	0	0	0
Assistant manager of the sales department	Jay Chiang	0	0	0	0
Associate Manager of Accounting Department	Shu-chu Huang	(4,000)	0	(31,000)	0
Assistant Manager of Accounting Department	Kuei-Hua Liu	0	0	0	0
Assistant manager of the investment division	J. B. Chiu	0	0	0	0
Assistant manager of the investment division	Tony Chen	0	0	0	0
Assistant manager of the investment division	Yi-Chih Hsu	(9,000)	0	0	0
Assistant manager of the investment division	Chun-Sheng Chien	0	0	0	0
Assistant manager of the investment division	Yong-Zhi Chen	0	0	0	0
Assistant manager of IT Department	Che-Chung Lin	0	0	0	0
General Manager of Taoyuan Works	Wei-ping Lee	0	0	0	0
General Manager of Miaoli Works	Yao-ying Hsiao	0	0	0	0
General Manager of Kaohsiung Works	Tsung-Yu Wang	0	0	0	0
Major shareholders holding more than 10% of the shares	Earle Ho and Sons, Ltd.	0	0	0	0

Note Earle Ho and Sons, Ltd. Representative: As of April 30, 2022, Director Joshua P.H. Tung still served as Senior Vice President of Finance and Accounting Division

**(II)Share equity transfer information for directors, managers, and shareholders with the shareholding ratio of 10% or greater: None.**

**(III)Equity pledge information for directors, managers, and shareholders with the Shareholding percentage of 10% or greater: None.**



**IX. Information on the Relationship Between Any of the Top Ten Shareholders (Related Party, Spouse, or Kinship within the Second Degree)**

March 31, 2023

Name	Personal shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Shareholders with the top 10 shareholding ratios who are related, or their spouses and second-degree relatives' names and their respective relationships		Remarks
	Number of shares (Shares)	Shareholding percentage (%)	Number of shares (Shares)	Shareholding percentage (%)	Number of shares (Shares)	Shareholding percentage (%)	Title (or full name)	Relationship	None
Earle Ho and Sons, Ltd.	108,715,999	14.89	N/A	N/A	0	0	None	None	None
Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	86,049	0.01	0	0	0	0	None	None	None
Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	15,665	0	0	0	107,200	0.01	None	None	None
Mao Sheng Investment Inc.	64,918,877	8.89	N/A	N/A	0	0	None	None	None
Mao Sheng Investment Inc. Representative: Henry C. T. Ho	95,425	0.01	0	0	0	0	Mao Sheng Investment Inc. Representative: George Y. S. Ho	Brother	None
Mao Sheng Investment Inc. Representative: George Y. S. Ho	6,700	0	0	0	0	0	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	Brother	None
He Zhao Investment Co., Ltd. Representative: George Y. S. Ho	62,595,750	8.57	N/A	N/A	0	0	None	None	None

Yuanda Taiwan High Dividend Fund Special Account	34,274,079	4.69	N/A	N/A	0	0	None	None	None
Fubon Life Insurance Company Representative: Richard M. Tsai	18,305,470	2.51	N/A	N/A	0	0	None	None	None
Yu Tai Investment Co., Ltd. Representative: Chih-Ming Huang	12,985,399	1.78	N/A	N/A	0	0	None	None	None
Citi (Taiwan) Commercial Bank is entrusted with the special investment account of Norwegian Central Bank	9,237,531	1.27	N/A	N/A	0	0	None	None	None
Public Service Pension Fund Management Committee	9,110,697	1.25	N/A	N/A	0	0	None	None	None
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch	8,481,602	1.16	N/A	N/A	0	0	None	None	None
JPMorgan Chase Bank Taipei Branch is entrusted with the special investment account of Advanced Starlight Fund Company's series funds Advanced Aggregate International Stock Index Fund	7,952,069	1.09	N/A	N/A	0	0	None	None	None

**X. The shareholding of the Company, directors, management and an enterprise that is directly or indirectly controlled by the Company in the invested company**

December 31, 2022

Reinvestment business	Investment by the Company		Investments by directors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares (thousands)	Shareholding percentage (%)	Number of shares (thousands)	Shareholding percentage (%)	Number of shares (thousands)	Shareholding percentage (%)
Zenitron Corporation	3,825	1.75	0	0	3,825	1.75
Adlink Technology	967	0.44	0	0	967	0.44
Siaogang Warehousing Inc.	2,384	19.87	0	0	2,384	19.87
Hexawave Inc.	2,564	6.41	0	0	2,564	6.41
Taiwan Aerospace	1,621	1.19	0	0	1,621	1.19
Overseas investment	1,000	1.11	0	0	1,000	1.11
Li-Shi Venture Capital Inc.	677	5.68	0	0	677	5.68
Li-Yu Venture Capital Inc.	558	4.76	0	0	558	4.76
Taiwan High Speed Rail Inc.	1,913	0.03	0	0	1,913	0.03
Dongjing Investment	0	9.11	0	0	0	9.11
Industrial Bank of Taiwan	1,313	4.17	0	0	1,313	4.17
Global Venture	2,800	2.33	0	0	2,800	2.33
Chien Shing Harbour Service Co.,Ltd.	8,204	9.35	0	0	8,204	9.35
Tung Kang Wind Power	65,500	100.00	0	0	65,500	100.00
Tung Yuan International Corporation	0.08	100.00	0	0	0.08	100.00
Tung Kang Steel Structure Co., Ltd.	201,121	97.48	3,537	1.71	204,658	99.20
Taiwan Steel Union Inc.	24,829	22.31	0	0	24,829	22.31
Katec R&D Corporation	5,646	46.19	0	0	5,646	46.19
Katec Creative Resources Corp.	95,737	99.02	0	0	95,737	99.02
Goldham Development Ltd.	15,000	100.00	0	0	15,000	100.00
Tung Ho Steel Vietnam Corp., Ltd.	0	100.00	0	0	0	100.00
Fujian Tung Kang Steel Corp., Ltd.	0	0	0	100.00	0	100.00
Tung Kang Engineering & Construction Co., Ltd.	0	0	25,000	100.00	25,000	100.00
Fujian Sino-Japan Metal Corp.	0	0	0	35.00	0	35.00
3 Oceans International Inc.	0	0	902	66.32	902	66.32
Duc Hoa International J.S.C.	0	0	8,154	96.00	8,154	96.00
China Merchandise Corp.	0	0	3	0.66	3	0.66
Ding-Xing Development	0	0	150	3.75	150	3.75
Dung Tang Energy Service Co., Ltd.	5,400	36.00	0	0	5,400	36.00

## Chapter 4. Fund-raising Conditions

### I. Capital and Shares

#### (I) Source of Capital

##### a. Type of shares

March 31, 2023

Share Types	Authorized Capital			Remark
	Shares issued and outstanding	Shares unissued	Total	
Listed Common stock	730,213,818	769,786,182	1,500,000,000	None

##### b. Formation of capital

Year/ month	Par value per share (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares Held (Shares)	Amount (NT\$)	Shares Held (Shares)	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
2007.01	10	1,000,000,000	10,000,000,000	824,347,119	8,243,471,190	Converted corporate bonds of NT\$243,601,360	None	Jing-Shou-Shang-Zi No. 09601012140 issued on January 18, 2007
2007.05	10	1,000,000,000	10,000,000,000	884,130,387	8,841,303,870	Converted corporate bonds of NT\$597,832,680	None	Jing-Shou-Shang-Zi No. 09601100430 issued on May 9, 2007
2007.07	10	1,200,000,000	12,000,000,000	911,739,989	9,117,399,890	Converted corporate bonds of NT\$276,096,020	None	Jing-Shou-Shang-Zi No. 09601181070 issued on July 30, 2007
2007.10	10	1,200,000,000	12,000,000,000	937,447,345	9,374,473,450	Converted corporate bonds of NT\$257,073,560	None	Jing-Shou-Shang-Zi No. 09601254410 issued on October 17, 2007
2007.12	10	1,200,000,000	12,000,000,000	943,812,404	9,438,124,040	Converted corporate bonds of NT\$63,650,590	None	Jing-Shou-Shang-Zi No. 09601310120 issued on December 19, 2007
2009.01	10	1,200,000,000	12,000,000,000	873,812,404	8,738,124,040	Canceled treasury stock of NT\$700,000,000	None	Jing-Shou-Shang-Zi No. 09801010110 issued on January 16, 2009
2009.09	10	1,200,000,000	12,000,000,000	900,017,836	9,000,178,360	Capitalization of profits of NT\$262,054,320	None	Jing-Shou-Shang-Zi No. 09801200710 issued on September 7, 2009
2009.10	10	1,200,000,000	12,000,000,000	944,517,836	9,445,178,360	Cash capital increase of NT\$445,000,000	None	Jing-Shou-Shang-Zi No. 09801234430 issued on October 12, 2009

Year/ month	Par value per share (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares Held (Shares)	Amount (NT\$)	Shares Held (Shares)	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
2009.11	10	1,200,000,000	12,000,000,000	947,072,482	9,470,724,820	Converted corporate bonds of NT\$28,526,460 Canceled treasury stock of NT\$2,980,000	None	Jing-Shou-Shang-Zi No. 09801265140 issued on November 13, 2009
2010.04	10	1,200,000,000	12,000,000,000	950,189,593	9,501,895,930	Converted corporate bonds of NT\$31,171,110	None	Jing-Shou-Shang-Zi No. 09901076350 issued on April 20, 2010
2010.05	10	1,200,000,000	12,000,000,000	970,079,690	9,700,796,900	Converted corporate bonds of NT\$198,900,970	None	Jing-Shou-Shang-Zi No. 09901100840 issued on May 18, 2010
2010.07	10	1,200,000,000	12,000,000,000	976,178,411	9,761,784,110	Converted corporate bonds of NT\$60,987,210	None	Jing-Shou-Shang-Zi No. 09901150550 issued on July 12, 2010
2011.05	10	1,200,000,000	12,000,000,000	976,295,900	9,762,959,000	Converted corporate bonds of NT\$1,174,890	None	Jing-Shou-Shang-Zi No. 10001098990 issued on May 18, 2011
2011.11	10	1,200,000,000	12,000,000,000	980,929,084	9,809,290,840	Converted corporate bonds of NT\$46,331,840	None	Jing-Shou-Shang-Zi No. 10001272260 issued on November 30, 2011
2012.09	10	1,200,000,000	12,000,000,000	980,949,968	9,809,499,680	Converted corporate bonds of NT\$208,840	None	Jing-Shou-Shang-Zi No. 10101193050 issued on September 14, 2012
2012.11	10	1,200,000,000	12,000,000,000	987,498,693	9,874,986,930	Converted corporate bonds of NT\$65,487,250	None	Jing-Shou-Shang-Zi No. 10101236480 issued on November 14, 2012
2013.03	10	1,200,000,000	12,000,000,000	991,771,203	9,917,712,030	Converted corporate bonds of NT\$42,725,100	None	Jing-Shou-Shang-Zi No. 10201046600 issued on March 18, 2013
2013.06	10	1,200,000,000	12,000,000,000	998,146,821	9,981,468,210	Converted corporate bonds of NT\$63,756,180	None	Jing-Shou-Shang-Zi No. 10201103060 issued on June 3, 2013
2013.09	10	1,200,000,000	12,000,000,000	998,202,069	9,982,020,690	Converted corporate bonds of NT\$552,480	None	Jing-Shou-Shang-Zi No. 10201181010 issued on September 3, 2013
2014.12	10	1,200,000,000	12,000,000,000	998,221,448	9,982,214,480	Converted corporate bonds of NT\$193,790	None	Jing-Shou-Shang-Zi No. 10301251470 issued on December 5, 2014
2017.12	10	1,200,000,000	12,000,000,000	1,000,224,069	10,002,240,690	Converted corporate bonds of NT\$20,026,210	None	Jing-Shou-Shang-Zi No. 10601165320 issued on December 5, 2017
2017.12	10	1,500,000,000	15,000,000,000	1,004,060,608	10,040,606,080	Converted corporate bonds of NT\$38,365,390	None	Jing-Shou-Shang-Zi No. 10701033630 issued on March 28, 2018

Year/ month	Par value per share (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares Held (Shares)	Amount (NT\$)	Shares Held (Shares)	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
2020.12	10	1,500,000,000	15,000,000,000	1,016,790,163	10,167,901,630	Converted corporate bonds of NT\$127,295,550	None	Jing-Shou-Shang-Zi No. 10901227680 issued on December 18, 2020
2021.04	10	1,500,000,000	15,000,000,000	1,089,871,370	10,898,713,700	Converted corporate bonds of NT\$730,812,070	None	Shou-Shang-Zi No. 11001062940 issued on April 27, 2021
2021.10	10	1,500,000,000	15,000,000,000	730,213,818	7,302,138,180	Handling of cash reduction Cancellation of 359,657,552 issued shares, with a nominal value of NT \$10 per share, for a total of NT \$3,596,575,520, which is accounted for capital reduction rate of 33%.	None	Jing-Shou-Shang-Zi No. 11001062940 issued on October 21, 2021

**(II) Shareholder structure**

March 31, 2023

Shareholder structure	Government Agencies	Financial Institutions	Other legal person	Domestic natural persons	Foreign organizations and foreign individuals	Total
Quantity						
Number of people	6	37	314	78,648	275	79,280
Shareholding (shares)	9,931,760	91,261,631	319,943,793	214,753,027	94,323,607	730,213,818
Percentage (%)	1.36	12.50	43.81	29.42	12.91	100

**(III) Shareholding distribution status**

Denomination of NT\$10 per share March 31, 2023

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	45,454	10,725,350	1.47
1,000 - 5,000	26,788	54,526,071	7.47
5,001 - 10,000	3,876	27,775,401	3.80
10,001 - 15,000	1,208	14,798,441	2.03
15,001 - 20,000	479	8,458,071	1.16
20,001 - 30,000	520	12,553,328	1.72
30,001 - 40,000	249	8,585,096	1.18
40,001 - 50,000	139	6,340,340	0.87
50,001 - 100,000	261	17,963,493	2.46
100,001 - 200,000	134	18,558,801	2.54
200,001 - 400,000	65	18,345,067	2.51
400,001 - 600,000	22	11,178,560	1.53
600,001 - 800,000	13	9,169,837	1.26
800,001 - 1,000,000	14	12,909,120	1.77
1,000,001 and above	58	498,326,842	68.23
Total	79,280	730,213,818	100.00

**(IV) List of major shareholders: Shareholders with equity ratio of more than 5% or the names of the top 10 shareholders as well as their shareholding amount and ratio.**

March 31, 2023

Name of the major shareholders	Shares	Shareholding (shares)	Percentage (%)
Earle Ho and Sons, Ltd.		108,715,999	14.89
Mao Sheng Investment Inc.		64,918,877	8.89
He Zhao Investment Co., Ltd.		62,595,750	8.57
Yuanda Taiwan High Dividend Fund Special Account		34,274,079	4.69
Fubon Life Insurance Company		18,305,470	2.51
Yu Tai Investment Co., Ltd.		12,985,399	1.78
Citi (Taiwan) Commercial Bank is entrusted with the special investment account of Norwegian Central Bank		9,237,531	1.27
Public Service Pension Fund Management Committee		9,110,697	1.25
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch		8,481,602	1.16
JPMorgan Chase Bank Taipei Branch is entrusted with the special investment account of Advanced Starlight Fund Company's series funds Advanced Aggregate International Stock Index Fund		7,952,069	1.09
		336,577,473	46.09

(V) Market price per share, net worth, earnings, dividends, and the related information for the last 2 years.

Unit: NT\$

Item \ Year		2021	2022	As of March 31, 2023
Market price per share	Maximum	69.30	83.00	64.10
	Minimum	31.00	48.05	56.00
	Average	45.64	59.19	61.18
Net worth per share	Before distribution	29.78	39.45	N/A
	After distribution (Note 7)	25.07	35.95(Note 6)	N/A
Earnings per Share	Weighted average number of shares (thousand shares)		991,957	730,214
	Earnings per Share	Before retrospective adjustments (Note 2)	5.95	5.47
		After retrospective adjustments (Note 2)	5.95	5.47
Dividend per share	Cash dividends (NT\$)		6.40	3.50
	Stock dividends	Earnings	0	0
		Capital Reserve	0	0
	Accumulated unpaid dividends		0	0
Return on investment	Price to earnings ratio (Note 3)		7.67	10.82
	Price to dividends ratio (Note 4)		7.13	16.91
	Cash dividend yield (Note 5) (%)		14.02	5.91

Note 1: Source: Taiwan Stock Exchange

Note 2: Imputed based on basic earnings per share.

Note 3: Price earning ratio = average closing price per share for the year / earnings per share.

Note 4: Price earning ratio = average closing price per share for the year / cash dividends.

Note 5: Cash dividend yield = cash dividends / average closing price per share for the year.

Note 6: Passed the 2022 amount of cash dividend by resolution of the board of directors on February 22, 2023.

Note 7: Fill-in based on the circumstances of the board meetings for the next year.



**(VI) Dividend policy and implementation status**

**1. Dividend policy:**

The Company's dividend policy is formulated by resolution of the board of directors, taking into account the Company's operating conditions, changes in the overall environment and shareholder interests. Without considering other special circumstances, the amount of earnings distributed for the current year shall be no less than 50% of net profit.

In accordance with the Articles of Incorporation, annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserves, and provision or reversal of special reserves, as the company operation or laws may require. The residual balance is then added to undistributed earnings carried from previous years and may be distributed as earnings.

The Company's operational life span has reached a positive, stable, and mature stage. With regard to earnings distribution, cash dividends shall be no less than 80% of total dividends, and stock dividends shall be no higher than 20%.

2. Dividend distribution by resolution of the board of directors: After the company's 25th annual Board of Director's meeting of the 24th term has approved to allocate cash dividends of NT\$3.50 per share, amounting to NT\$2,555,748,363 with a total of 730,213,818 shares, if the number of shares outstanding is subsequently affected for some other reason, and caused the interest rate for the allocated shares to change as a result, the chairman shall be authorized to provide adjustments accordingly.

**(VII) The effects of the stock dividends proposed by the shareholders' meeting on the company's business performances and earnings per share: Not applicable.**

**(VIII) Employee and director compensation**

1. Percentages or ranges of remuneration of employees and directors under the Articles of Incorporation

In accordance with the Articles of Incorporation, if the company sustains profit for the current year, 2.5% or more of the income shall be set aside as remunerations to employees, and 2% or less of the income shall be distributed as director remuneration. The distribution shall be resolved by the Board of directors and reported in the shareholder's meeting. However, an amount shall be set aside first to compensate cumulative losses, if any. The allocation of employee remuneration does not include the employees of the Company's affiliates.

If employee remuneration is distributed in the form of new stock, employee stock shall be calculated based on the closing price of the day before the Board of directors' meeting.

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

The distribution of the 2022 remuneration of employees by cash and director remuneration have been approved by resolution of the board of directors on February 22, 2023. In accordance with the Company's Articles of Incorporation, if the estimated amount differs from the actual distributed amount, the discrepancies will be considered an accounting estimation and adjusted in the annual report.

3. Remuneration proposals passed by the Board of Directors:

- (1) Employee and director remuneration will be distributed in cash or stocks:

Unit: NT\$

Item	Board of Directors resolution (February 22, 2023)
Director remuneration (cash)	105,881,296
Employee remuneration (cash)	132,351,620

- (2) If the amount is different than the estimated annual expense amounts, the discrepancy amount, reason, and disposal status shall be disclosed:

There was no discrepancy with estimated annual expense amounts.

- (3) The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus: Not applicable as the Company has no plans on distributing employee stock dividends.

4. Any discrepancy between actual distribution of remuneration of employees and directors (including the number of shares, the amount and stock price) and the recognized remuneration of employees and directors and disclosure of the differences, reasons and responses:

Unit: NT\$

	Actual allocation amount	Board of Directors resolution (March 30, 2022)	Difference
Director remuneration (cash)	150,827,327	150,827,327	None
Employee remuneration (cash)	188,534,158	188,534,158	None

**(IX)** Status of company share buy back: None.

## II. Issuance of Corporate Bonds

### (I) Corporate bond issuance status

The 7th domestic unsecured convertible bond has been suspended listing at Taipei Exchange on March 8, 2021.

Types of corporate bonds		The 7th domestic unsecured convertible bonds
Issuance (processing) date		2018.05.14
Denomination		NT\$100,000
Location of issuance and transactions		Taipei Exchange
Issue price		Issued based on face value
Total		NT\$2,000,000,000
Interest rate		0%
Tenor		Five-year maturity date: 2023.05.14
Guarantee agency		None
Consignee		Trust Department of Fubon Commercial Bank Co., Ltd.
Underwriting institution		Taishin Securities Co., Ltd.
Certified lawyer		Yi-Cheng Peng
CPA		Huizhi Kou and Hsinying Kuo
Repayment method		Repayment of principal by cash on due date except otherwise for matters related to conversion regulations, exercise of selling rights, early redemption, or repurchase and cancellation.
Outstanding principal		NT\$0
Terms of redemption or advance repayment		The convertible bonds shall be redeemed at 100.75% face value after three years of issuance, and redeemed at 101.00% face value after four years of issuance.
Restrictive clause		None
The credit rating institution's name, date of rating, and corporate bond rating results		N/A
Other rights attached	Converted to ordinary (exchange or subscription) shares, global depository receipts, or other marketable securities as of the date of this annual report	The 7th series convertible bonds were converted to Tung Ho Steel's common shares at NT\$858,107,620.
	Issuance and conversion (exchange or subscription) method	Omitted
Issuance and conversion, exchange or subscription methods, and the condition of issuance that may dilute share equity and affect equity rights for the existing shareholders		None
Name of the commissioned custodian institution for the exchange bid		None

## (II) Convertible bond data

The 7th domestic unsecured convertible bond has been suspended listing at Taipei Exchange on March 8, 2021.

Unit: NT\$

Types of corporate bonds		The seventh domestic unsecured conversion of corporate bonds		
Item	Year	2019	2020	As of March 5, 2021 (Note 3)
	Maximum	106.50	173.00	156.00
Market price of the convertible bond	Minimum	100.00	100.50	153.00
	Average	102.86	120.00	154.66
Conversion price		24.80 (Note 1)	23.30 (Note 2)	23.30
Issuance date and conversion price during issuance		Issuance date: May 14, 2018, conversion price during issuance NT\$27.80	Issuance date: 2018.05.14, conversion price during issuance NT\$27.80	Issuance date: 2018.05.14, conversion price during issuance NT\$27.80
Method of conversion		Issuance of new shares	Issuance of new shares	Issuance of new shares

Note 1: The conversion price of the 7th domestic unsecured convertible bond was adjusted to NT\$24.80 due to distribution of cash dividend on July 22, 2019.

Note 2: The conversion price of the 7th domestic unsecured convertible bond was adjusted to NT\$23.30 due to distribution of cash dividend on June 20, 2020.

Note 3: The 7th domestic unsecured convertible bond has been suspended listing at Taipei Exchange on March 8, 2021.

## III. Issuance of preferred shares: None.

#### IV. Issuance of global depositary receipts (GDR)

March 31, 2023

Item \ Issuance (processing) date			September 22, 1994
Issuance (processing) date			1994.09.22
Location of issuance and transactions			Bourse de Luxembourg
Total amount issued			USD103,200,000
Issue price per GDR			USD17.20
Units issued			6,000,000 units
Underlying Securities			Common shares of Tung Ho Steel Enterprise Corporation
Common Shares Represented			66,187,923 shares
Rights and obligations of the GDR holders			Enjoy the same rights and obligations as those of Tung Ho Steel Enterprise Corporation's shareholders
Trustee			The Bank of New York Mellon
Depository bank			The Bank of New York Mellon
Custodian bank			Far Eastern International Bank
Outstanding Balance			491,919 units
Allocation method for the related expenses during the issuance and subsisting periods			The issuance expenses shall serve as capital reserve reduction, and the subsisting period expenses shall serve as current expenses
Terms and conditions for depositary and custodial contracts			The depository institution shall exercise the voting rights of the original securities attached to the depositary receipts in accordance with the instructions provided by the deposit receipt holders as well as the depositary contract and the laws and regulations of the Republic of China
Market price per unit	2021	Highest	24.69
		Lowest	11.21
		Average	16.20
	2022	Highest	28.65
		Lowest	15.30
		Average	20.11
	As of March 31, 2023	Highest	20.79
		Lowest	16.86
		Average	19.13

#### V. Issuance of employee subscription right and restricted stock awards: None.

#### VI. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

## VII. Implementation status of the capital utilization plan

**The 7th domestic unsecured convertible bond issued by the company (has been suspended listing at Taipei Exchange on March 8, 2021).**

- (I) The total amount of funds required for this project: NT\$2.5 billion.
- (II) Source of funds: The 7th domestic unsecured convertible bonds of 20,000 units, with denomination of NT\$100,000, have been issued at 100.5% face value, which raised total funds of NT\$2.01 billion. The coupon rate is 0% under a bond duration of five years. If the requirement is deemed to be insufficient, it shall be covered by the Company's own funds.
- (III) Plan project, expected progress, and the expected possible benefits

Project item	Expected completion date	Total amount of capital required (Thousands of New Taiwan Dollars)	Expected capital spending schedule
			Quarter 2 2018
Repayment of bank loans	Quarter 2 2018	2,512,500	2,512,500
Total		2,512,500	2,512,500
Expected benefits	Repaying the bank loans can save NT\$22,070,000 in interest expenses for 2018, and can save NT\$37,835,000 in interest expenses each year starting from 2019.		

- (IV) The anticipated benefits and the actual results: For the fundraising plan, NT\$2,010,000,000 was for the repayment of bank borrowings. Up to Quarter 2 2018, the actual amount spent was NT\$2,010,000,000. Meanwhile, the company has saved interest expenses of NT\$20,583,000 in 2018, and is expected to save interest expenses of NT\$35,286,000 in the following fiscal years. As of Quarter 2 2018, the funding progress and its implementation complies with the original schedule, and there has been no significant difference between the estimated and actual benefits.
- (V) Status of implementation: The actual amount spent was NT\$2,010,000,000 and the repayment of bank loans was completed at 100.00% in accordance with the scheduled progress of fund utilization, which is in line with the progress of the original plan to repay bank loans, with no significant abnormalities. The execution of the project was completed according to the original plan and reported to the Taiwan stock exchange in July 2018.

## Chapter 5. Business Overview of the Company and Its Subsidiaries

### I. Business Activities

#### (I) Scope of business

##### 1. Main content:

Company		Main Business Activities	Main contents and the current product (service) lineup
Parent company	Tung Ho Steel Enterprise Corporation		<ul style="list-style-type: none"> <li>(1) Manufacturing processing and sales of re-bar, flat iron, angle iron, channel iron, plate element, and other steel products.</li> <li>(2) Manufacturing processing and sales of steel and alloy steel, tool steel, high carbon steel, and other special steel.</li> <li>(3) Processing and trading of iron and steel industrial raw materials, hardware, machinery, iron electrical materials, and light metal manufacturing.</li> <li>(4) Iron and steel smelting, rolling, heat treatment, painting, plating, and processing operations.</li> <li>(5) Manufacturing, processing, and trading of steel plates, bars, and rails.</li> <li>(6) Design, manufacture, processing, and trading of various structural steel, steel materials, and mechanical bodies.</li> </ul>
Subsidiary	Tung Yuan International Corp.		Foreign investments
	Tung Kang Steel Structure Co., Ltd.		Specialized construction of steel structure engineering
	Goldham Developmwn Ltd.		Foreign investments
	Katec Creative Resources Corp.		Waste and resource recycling industry
	Tung Kang Wind Power Co., Ltd.		Development, production, distribution and sales of wind power.
	Tung Ho Steel Vietnam Corp., Ltd.		Production and sales of billets, re-bar, small steel, and wire rods.
	3 Oceans International Inc.		Foreign investments.
	Duc Hoa International J.S.C.		Quicklime manufacturing industry
	Tung Kang Engineering & Construction Co., Ltd.		Civil architectural engineering
	Fujian Tung Kang Steel Co., Ltd.		Machining of section steel and steel structure

## 2. Revenue Breakdown

Item Products	As a percentage of cumulative operating revenue for 2022 (%)	As a percentage of cumulative operating revenue for 2021 (%)
Re-bar	54	46
Section beam (Note 1)	27	34
Billet	2	2
Others (Note 2)	17	18
Total	100	100

Note 1: The section beams include H-beams, plates, channels, I-beams, and steel sheet piles.

Note 2: Others refer to the operating income of consolidated subsidiaries from products other than re-bars, section beams and billets in the consolidated financial report after consolidations and write-offs, and the balance on construction contracts (Tung Kang Steel Structure Co., Ltd. and Fujian Tung Kang Steel Corp., Ltd.)

## 3. New merchandise to be developed

- (1) Steelmaking: Development case of high cleanliness and high toughness steel embryo, development of high-grade marine steel grades, research on ORC power generation technology of waste heat recovery of electric furnace waste gas, development of low-carbon life process technology of electric furnace, research on continuous feeding process of preheating scrap steel of electric furnace, introduction of oxygen-enriched combustion technology into preheater of steel barrel, etc.
- (2) Rolled steel: Leading R&D plan in developing the new technology for low-energy direct rolling to increase tensile strength of ultra-high-strength re-bar by more than 1.6 times, development of billet welding technology and application of direct rolling technology for continual re-bar rolling, and development of H-beam/ steel plate on-line size automatic measurement and surface defect detection system and the R&D plan for tandem reciprocating universal edging round profiled material rolling technology.
- (3) Others: Application of artificial intelligence technology and development of intelligent factory technology, comprehensive and innovative solutions of circular economy in steel industry, planning research of renewable energy (solar energy, wind energy and biogas power generation), application research of carbon capture, utilization and storage (CCUS) technology, application research of hydrogen energy technology, establishment of industrial big data energy management system, etc.

## (II) Industry overview

### 1. Current status and development of the industry

The consolidated revenue of Tung Ho Steel in 2022 was NT\$59.972 billion, a slight increase of 2.00% compared with NT\$58.795 billion in 2021; However, consolidated sales declined from 2.5799 million metric tons in 2021 to 2.3822 million metric tons in 2022, a decrease of 7.66 percent YoY. This also raises the specter of global price inflation. In 2022, the international steel market experienced a year of sharp ups and downs. At the end of February, the Russia-Ukraine war caused the world's democratic



countries led by the United States and the European Union to launch comprehensive economic sanctions against Russia; Meanwhile, the Federal Reserve Board and Financial Stability Board also underestimated the seriousness of the inflation problem caused by long-term quantitative easing, under the optimistic expectation that the complete vaccination rate of the global novel coronavirus vaccine is gradually popularized and the epidemic situation is slowing down, the world collectively misjudged that the steel supply shortage and demand growth would soon occur, resulting in a short-term spike in the international steel price. In just two months, the Federal Reserve continued to raise interest rates violently amid fears of a recession because of inflation, and international steel prices plunged. After the combined net profit of Tung Ho Steel reached a new record of NT\$5.922 billion in 2021, it declined to NT\$4.011 billion in 2022, with an annual decrease of 32.27%, but it was still the second highest since the financial tsunami in 2008. After-tax EPS declined slightly from 5.95 in 2021 to 5.47 in 2022 (Note: In 2021, Tung Kang handled capital reduction, and the capital amount was reduced from NT\$10.9 billion to NT\$7.3 billion). Tung Ho Steel has long been committed to the business strategy of balancing sales, raw material purchase volume and price, so that the international steel price can show fairly good business performance in 2022 when the international steel price fluctuates drastically.

Tung Ho Steel in Vietnam is the first overseas electric furnace smelting and rolling mill of the investment and production base of Tung Ho Steel. Since the steel bar was put into production in 2019, Tung Ho Steel in Vietnam steel bar brand has gradually gained recognition from the Vietnamese market. After the fourth quarter in 2020, it made a profit for the first time in a single quarter. In 2021, although it turned into a profit smoothly, in 2022, under the unfavorable environment of drastic ups and downs in the international steel market, huge inventory depreciation and exchange losses occurred. Under the violent interest rate increase of the Federal Reserve of the United States, Vietnam's loan interest quickly rose to about 10%, causing a serious interest burden. Under the attack of many unfavorable factors, the largest loss since entering Vietnam in 2022 was NT\$968 million. Under the current imperfect inventory and exchange hedging mechanism in Vietnam, Donggang has completely changed its business strategy in Vietnam, taking risk management and control as the priority principle, strengthening risk management and control mechanism at both ends of finished product sales and raw material procurement, and taking reducing uncertain losses as the priority principle. However, focusing on the rapid economic growth of Vietnam and ASEAN and driving the long-term demand of steel in the future, it can still inject positive contributions to the business performance of the parent company in the long run.

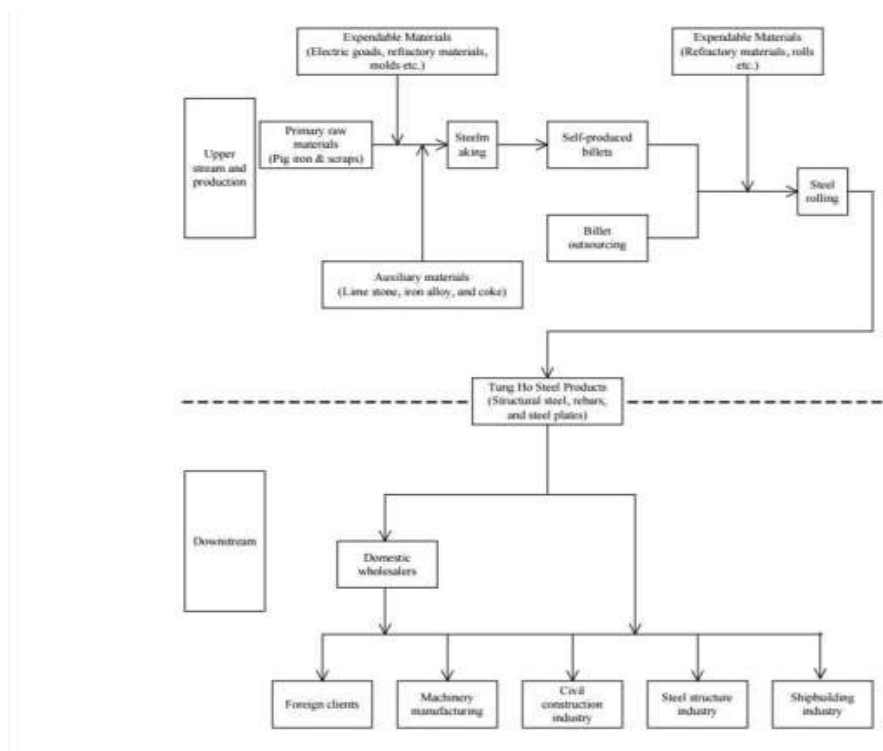
In addition, in 2022, because the international steel market experienced sharp ups and downs, the annual sales volume of Tung Tung Kang Steel Structure Co., Ltd. declined by 12.17% and 7.95% compared with 2021, but it still contributed a huge profit of NT\$824 million to the parent company. At present, the visibility of orders can still reach the end of 2023, and its operating performance continues to be stable. In addition, although the sales value of FujianTung Kang declined slightly by 2.48% compared with 2021 under the strict control of novel coronavirus pneumonia dynamic zero-Covid policy, it is not easy to maintain profits continuously. However, under the adverse factors of Sino-US science and technology war and global anti-China trend for a long time, how to transform and make breakthroughs is still an important issue and challenge for the future operation performance of foreign-funded enterprises.

Tung Ho Steel has been actively investing in green energy and environmental

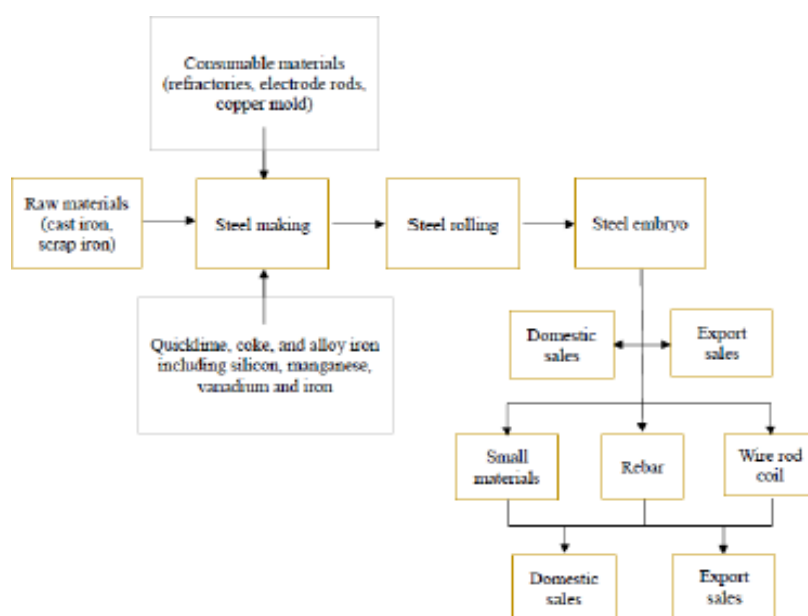
protection businesses in the past: The invested companies include Tung Ho Steel Wind Power Corp., Tung Ho Energy Service Co., Ltd., Katec Creative Resources Corp., Katec R&D Corporation and Taiwan Steel Union Inc. Tung Ho Steel's investment in green energy and environmental protection businesses are currently at the seeding stage. These two industries are closely related to Tung Ho's primary business and are key to determining the future competitiveness of steel businesses. In future, green energy, waste reduction and carbon reduction will become the core competitiveness of steel industries, an aspect that Tung Ho aims to incorporate in its long-term investment planning and corporate sustainability. In addition, the Climate Change Response Law was revised at the end of last year. Achieve the goal of carbon neutrality by 2050 in response to global climate change. Tung Ho Steel in 2020 has actively participated in international initiatives related to environment and climate change, including EPD (Environmental Product Declaration) Product environment announcement, TCFD (Task force on Climate-related Financial Disclosures) climate-related financial disclosure recommendations, CDP (Carbon Disclosures Project) carbon disclosure plan-climate change project; In 2021, it actively introduced SASB (Sustainability Accounting Standards Board) sustainable accounting standards; Tung Ho Steel also built a blueprint for sustainable development with full participation in 2022 under the ESG framework of the sustainable report; This year, it officially announced two "30" carbon reduction targets in 2030. The first "30" is RE30, and the whole company uses 30% renewable energy; The second "30" is to reduce carbon by 30% based on the total carbon emissions in 2005. In addition, it also actively cooperates with the industry, government and academia to invest in CCUS (Carbon Capture, Utilization and Storage), energy storage system related applications and hydrogen energy combustion and hydrogen energy transportation and storage technology research, and plans an active carbon reduction path to achieve net zero carbon emissions.

## 2. The status of the upper, middle, and downstream relationships for the industry

### (1) Tung Ho Steel



### (2) Tung Ho Steel Vietnam Corp. Ltd.



### (III) Overview of Technology and R&D

#### 1. R&D plan for the last two fiscal years

Item	2023 R&D program	2022 R&D program
(1) Steelmaking	<ul style="list-style-type: none"> <li>a. Development of billets with high steel cleanliness and high toughness.</li> <li>b. Development of SM570 steel plate of 50mm thickness.</li> <li>c. Development of high-strength re-bar.</li> <li>d. Development of advanced steel material for ships.</li> <li>e. Development of ultra-high-strength steel.</li> <li>f. Testing of various supplies and refractory materials.</li> <li>g. Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers.</li> <li>h. Research on ORC power generation technology for electric furnace waste heat recovery.</li> <li>i. Development of low-carbon and green manufacturing technology for electric furnace.</li> <li>j. Electric furnace scrap preheating continuous feeding process research.</li> <li>k. Introducing oxygen-enriched combustion technology into preheater of steel barrel.</li> </ul>	<ul style="list-style-type: none"> <li>a. Development of billets with high steel cleanliness and high toughness.</li> <li>b. Development of SM570 steel plate of 50mm thickness.</li> <li>c. Development of high-strength re-bar.</li> <li>d. Development of advanced steel material for ships.</li> <li>e. Development of ultra-high-strength steel.</li> <li>f. Testing of various supplies and refractory materials.</li> <li>g. Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers.</li> <li>h. Research on ORC power generation technology for electric furnace waste heat recovery.</li> <li>i. Development of low-carbon and green manufacturing technology for electric furnace.</li> <li>j. Electric furnace scrap preheating continuous feeding process research.</li> </ul>
(2) Steel rolling	<ul style="list-style-type: none"> <li>a. Leading R&amp;D plan in developing the new technology for low-energy direct rolling to increase tensile strength of ultra-high-strength re-bar by more than 1.6 times.</li> <li>b. Development of billet welding technology and application of direct rolling technology for continual re-bar rolling.</li> <li>c. The R&amp;D plan of universal edging, a new special rolling technology for the production of H-beams with B value of <math>\geq 300\text{mm}</math>.</li> <li>d. Development of H-beam/ steel plate on-line size automatic measurement and surface quality inspection system.</li> <li>e. Development of smart combustion control system for heating furnace.</li> <li>f. Development of angle and flat bar H/V (horizontal/ vertical) combination rolling.</li> <li>g. R&amp;D plan for tandem reciprocating universal edging round profiled material rolling technology.</li> <li>h. Leading small-scale R&amp;D plan for domestic small steel.</li> <li>i. Development of ultra-high-strength steel.</li> <li>j. Introducing oxygen-enriched combustion technology into heating furnace.</li> </ul>	<ul style="list-style-type: none"> <li>a. Leading R&amp;D plan in developing the new technology for low-energy direct rolling to increase tensile strength of ultra-high-strength re-bar by more than 1.6 times.</li> <li>b. Development of billet welding technology and application of direct rolling technology for continual re-bar rolling.</li> <li>c. The R&amp;D plan of universal edging, a new special rolling technology for the production of H-beams with B value of more than 300mm.</li> <li>d. Development of H-beam/ steel plate on-line size automatic measurement and surface quality inspection system.</li> <li>e. Development of smart combustion control system for heating furnace.</li> <li>f. R&amp;D plan for tandem reciprocating universal edging round profiled material rolling technology.</li> <li>g. Leading small-scale R&amp;D plan for domestic small steel.</li> <li>h. Development of ultra-high-strength steel.</li> </ul>
(3) Others	<ul style="list-style-type: none"> <li>a. Development of AI applications and smart chemical process technology.</li> <li>b. Comprehensive and innovative solutions to promote a circular economy in the steel industry</li> <li>c. Research on Planning of Renewable Energy (Solar Energy, Wind Energy and Biogas Power Generation).</li> <li>d. Research on Energy Storage System Planning</li> <li>e. Research on Application of Carbon Capture, Utilization and Storage (CCUS) Technology</li> <li>f. Research on Application of Hydrogen Energy Technology</li> <li>g. Establishment of industrial big data energy management system</li> </ul>	<ul style="list-style-type: none"> <li>a. Development of AI applications and smart chemical process technology.</li> <li>b. Comprehensive and innovative solutions to promote a circular economy in the steel industry.</li> <li>c. Renewable energy (solar energy, wind energy, biogas power) application research</li> <li>d. Energy storage system application research.</li> <li>e. Research on Carbon Capture Utilization and Storage (CCUS) technology application.</li> <li>f. Research on hydrogen energy technology application.</li> </ul>

## 2. R&D expenditure in most recent years up to the date of publication of annual report

Unit: NT\$

Item	Year	2022	2021
Total research and development expenses for Taoyuan plant (NT\$)		2,589,869	2,270,299
Total research and development expenses for Miaoli plant (NT\$)		34,207,801	27,413,675
Total research and development expenses for Kaohsiung plant (NT\$)		10,965,554	11,461,652
Total R&D expenditure (NT\$)		47,763,224	41,145,626
Ratio of total R&D expenditure to net sales (%)		0.08	0.07

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

#### 1. Short-term development plan - marketing business strategies:

(1)Originally, after the cancellation of novel coronavirus pneumonia dynamic zero pandemic policy, the establishment of the scope of influence of Russia-Ukraine War and the slowdown of violent interest rate increase to curb inflation, the market optimistically expected that the prosperity in the second half of this year would slowly recover with the de-stocking, but in the United States, Switzerland and Germany, liquidity problems derived from poor bank risk management broke out one after another, adding variables. On the surface, seemingly simple liquidity problems are actually fundamental problems caused by long-term quantitative easing. At present, under the pressure of high interest rates, banks first have problems; However, quantitative easing not only causes banks to spend more than short, but also enterprises to spend more than short, after all, short-term capital costs are relatively cheap.

However, the viscosity of inflation problem is still tenacious at present. If we continue to maintain high interest rates to curb inflation in the short term, we will force all short-term problems to come to the table. 2023 is still a year full of uncertainties. This year's global economic development will not be optimistic, so we should further strengthen the risk management and control of payment receivable and the control of raw material purchase quantity and period.

(2)Sino-US trade war led to the two great powers of China and the United States are competing with each other, which is further derived into a scientific and technological war. The confrontation between totalitarian countries and democratic countries has already caused the geopolitical situation to be unstable. After Russia invaded Ukraine, the war could not be ended, and democratic countries launched comprehensive economic sanctions against Russia, which worsened the confrontation between totalitarian countries and democratic countries. The opening of the new Cold War era will lead to the turbulence of the world geopolitical situation. We should seriously assess the opportunities and risks of global economic development.

(3)In response to the government initiative COP26 Glasgow Agreement, at the end of last year, China Development Council explicitly stipulated that China's NDC (National Determined Contribution) in 2030 Country customized contribution objectives: It is the total carbon emission in 2005 reduced by 24±1%; Tung Ho Steel further announced its 2030 carbon reduction target this year, aiming to cut greenhouse gas emissions by 30 percent from 2005 levels and achieve it ahead of schedule.

(4)The detailed rules for the implementation of "Climate Change Response Act" would

be completed in this year, stipulating measures such as imposing carbon taxes and the control of total carbon emissions, which may exert a significant impact on the steel industry.

- (5) Observing the impact of continuous steel capacity expansion of emerging countries on the global steel market, especially in India and Southeast Asian countries.
  - (6) Strengthen the monitoring of raw material and steel product international price volatility trends to disperse the sources of raw material procurement.
  - (7) Urge the government to pass the CNS international standard verification and registration system for various types of steel products as soon as possible.
  - (8) Implement the industry and marketing project involving order-based productions and deepen cost-control project productions.
  - (9) Strengthen and integrate domestic and foreign sales channels.
  - (10) Status of Market and Sales
2. Long-term Development Plan - Marketing Business Strategy:
- (1) Develop new high value-added products for the market.
  - (2) To re-integrate the market positioning and product orientation of Donghe Steel in response to changes in market supply and demand and competitive relationships.
  - (3) Carefully study the possibility of removing trade barriers in the Chinese market and strengthen the assessment of the feasibility of overseas investment.
  - (4) To enter the Vietnam and Southeast Asia Association market, strengthen the understanding of local laws and taxes, study the local market and make related investments.
  - (5) Based on Donggang's wind power generation, we will actively invest in the procurement of renewable energy and energy storage systems, application technology research, and related investments.

## II. Market analysis

1. Sales region for the main products.

Region \ Year		2022		2021	
		Amount	%	Amount	%
Foreign sales	Asia	5,778,359	9.64	6,012,973	10.23
	America	31,185	0.05	14,758	0.03
	Others	1,483,805	2.47	2,195,945	3.73
Subtotal		7,293,349	12.16	8,223,676	13.99
Domestic sales		52,678,772	87.84	50,571,413	86.01
Total		59,972,121	100.00	58,795,089	100.00

## 2. Domestic market share of the Company's main products

Unit: Tons

Item \ Year		2022	2021
H-beam	Total domestic sales volume	868,900	1,129,550
	The company	490,459	651,025
	Market share (%)	56.45	57.64
Re-bar	Total domestic sales volume	6,874,389	6,660,544
	The company	1,207,483	1,167,000
	Market share (%)	17.56	17.52

Source: Taiwan Steel & Iron Industries Association

## 3. Supply and Demand for the future market

Outlook in 2023. Originally, after the cancellation of novel coronavirus pneumonia's dynamic zero-Covid policy, the establishment of the scope of influence of Russia-Ukraine War and the slowdown of violent interest rate increase to curb inflation, the market optimistically expected that the prosperity would recover slowly in the second half of this year with the destocking, but the liquidity problems derived from poor bank risk management broke out one after another in the United States, Switzerland and Germany, adding variables. On the surface, the seemingly simple liquidity problem is actually a fundamental problem caused by long-term quantitative easing. However, the stickiness of inflation problem is still tenacious at present. If the interest rate continues to be high in the short term to curb inflation, all banks and enterprises will be forced to come to the table with the problem of short expenditure and long expenditure, so 2023 is still a year full of uncertainties. This year's global economic development will not be optimistic.

Finally, thanks to successful COVID-19 pandemic prevention and benefits from the US-China trade war, we see booming fixed-asset investment (FAI) growth amid strong demand in the construction industry. However, there were unfavorable factors which will exert a negative influence on Taiwan's overall economic growth, including the worsening labor shortage in Taiwan's construction industry due to aging population and unwillingness of youth to participate in the 3K industries, as well as the recent severe water scarcity in Taiwan due to global climate change.

In addition, nationalism in China and Russia has expanded greatly. The trade war between China and the United States has led to an increasingly intense technological war this year, pitting a totalitarian state against a democracy. The

opening of a new Cold War era will lead to the turbulence of the world's geopolitical situation. Therefore, we should seriously assess the opportunities and risks of global economic development.

The amendment of "Climate Change Response Act" would be completed in the year, stipulating measures such as imposing carbon taxes and the control of total carbon emissions, which may exert a significant impact on the steel industry. In response to the government initiative COP26 Glasgow Agreement, at the end of last year, China Development Council explicitly stipulated that China's NDC (National Determined Contribution) in 2030 Country customized contribution objectives: It is the total carbon emission in 2005 reduced by 24±1%; Tung Ho Steel further announced its 2030 carbon reduction target this year, aiming to cut greenhouse gas emissions by 30 percent from 2005 levels. To achieve the goal of carbon neutrality in 2050, countries, enterprises and even individuals must think about the comprehensive net zero carbon emission path.

Global steel overcapacity should still focus on Southeast Asia and India, The steel production capacity of Southeast Asian countries will increase rapidly to 151 million tons in the next few years India since In 2018, it surpassed Japan to become the country with global crude steel output second only to China, China Iron and Steel Association estimates that its steel production capacity will reach 300 million tons in 2030. These emerging countries could replace China on influencing the global steel market, and exacerbate the problem of excess capacity in the global steel industry.

#### 4. Competitive niche

##### (1) Long years of industry experience

Since its establishment in 1962, the company has specialized in steel rolling and steelmaking for more than 50 years, and its senior management also served in the company for more than a decade, with high professional familiarity in the steel industry, and lead the company in formulating effective competitive strategies in response to industrial changes.

##### (2) Excellent product quality

In view of fierce competition in the steel industry, the Company adheres to improving product quality to maintain its competitiveness. The Miaoli, Taoyuan, and Kaohsiung plants have obtained ISO certification, while the Company has maintained stable relationships downstream customers over the years on the back of stable steel quality.

##### (3) R&D excellence



In the past years, the Company's R&D achieved outstanding results. The main steelmaking R&D achievements include: Development of high strength steel billets for rebars, ultra-high strength steel, restored melted slag process development, and furnace material recycle technology development. The main R&D achievements are as follows: High-strength threaded rebar, high-strength threaded rebar coupler, U-shaped steel sheet piles, billet induction heating processing, ultra-thick H-shaped steel and various shaped steels with distinct specifications were developed in order to diversify our products, enhance our technical capability, and increase the Company's revenue and profit. The R&D plans under progress include: Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers, development of billets with high steel cleanliness and high toughness, R&D for low-energy direct rolling of ultra-high-strength re-bar, development of billet welding and endless rolling technology technology, R&D for tandem reciprocating universal edging round profiled material rolling technology, development of low-alloy ultra-high-strength steel plate, and development of restored melted slag recycling process.

5. Favorable and unfavorable factors for the development

(1) Favorable factors

- a. Since the Tung Ho Steel Taoyuan Plant was officially put into production on October 31, 2010, its energy conservation and carbon reduction based environmental friendly production process can reduce production costs by approximately 30% to 40% compared to that of the traditional steel plants. The second production line officially commenced production in the 4th quarter of 2017, which will aid Tung Ho steel to further implement an environmental protection process for energy conservation and carbon reduction, and its contributions to Tung Ho Steel's overall operating performance materialized in the past two years. Looking forward, we expect the second production line to strengthen Tung Ho Steel's competitive advantage in the domestic re-bar market.
- b. The Neihu MRT's steel medium-capacity rails and guide rails developed and produced by Tung Ho Steel enables Tung Ho Steel to become the only steel manufacturer in the entire Asia with medium-capacity steel rail projects, which is conducive to the company's expansion to the United States, China, and Southeast Asia export markets.
- c. Successful prevention of COVID-19 pandemic in Taiwan and the US-China trade war.
- d. The global warming and greenhouse gas emission issues have received great attention. "Carbon customs tax," "carbon and energy taxes," and "carbon trading" will be common problems that the global industry must face together. Tung Ho Steel's electric arc furnace production process has a competitive advantage compared to that of the blast furnace process, and its investment in energy conservation and carbon reduction equipment is also ahead of its peers.
- e. The stipulation of "Climate Change Response Act" would be completed in the year, stipulating measures such as imposing carbon taxes and the control of total carbon emissions.
- f. Tapping into the Vietnam and ASEAN markets with active deployment.

(2) Unfavorable factors

- a. The liquidity problems derived from poor bank risk management broke out one after another in the United States, Switzerland and Germany, adding variables. On the surface, the seemingly simple liquidity problem is actually a fundamental problem caused by long-term quantitative easing. However, the stickiness of inflation

problem is still tenacious at present. If the interest rate continues to be high in the short term to curb inflation, all banks and enterprises will be forced to come to the table with the problem of short expenditure and long expenditure, so 2023 is still a year full of uncertainties

- b. The confrontation between totalitarian countries and democratic countries has surfaced, and the opening of the new Cold War era will lead to the turbulence of the world geopolitical situation.
- c. The impact of amendments to some provisions of the Average Land Titles Ordinance on the short-term, medium-term and short-term real estate market.
- d. Taiwan's water resource in response to global climate change.
- e. China Development Council announced China's carbon neutral target power structure in 2050, still with 20%-27% of thermal power generation + CCUS is stable base load, resulting in Compared with other advanced countries, China's industry must pay higher cost of electricity carbon reduction, Completely deviate from international advanced countries, such as Japan, and reduce the proportion of thermal power generation to the lowest in 2050, and Power structure planning based on nuclear power generation as stable base load. When advanced countries in the world have invested in research one after another, SMR (Small Modular Reactor) Small Nuclear power generation is an untouchable issue in Taiwan.
- f. Renewable energy issues continue to fever. The domestic electricity price structure has been unreasonable for a long time. Although it has gone through two price increases, it has not touched the rooted electricity price structure at all, which has a very adverse long-term impact on Taiwan's long-term development of renewable energy and energy storage system, and will weaken the international competitiveness of domestic industries for a long time.
- g. The presence of high-cost alternative and renewable energy will further exacerbate the pressure of operating cost control.
- h. Labor shortage in Taiwan's construction industry due to aging population and unwillingness of youth to participate in the 3K industries.
- i. Export businesses are facing more severe challenges given rising steel production capacity in developing countries, especially in Southeast Asia and India, as well as the prevalence of trade protectionism.

(3) The external environmental issues:

- a. The stickiness of inflation problem is still tenacious at present. If the

interest rate continues to be high in the short term to curb inflation, all banks and enterprises will be forced to come to the table with the problem of short expenditure and long expenditure.

b.The opposition between totalitarian countries and democratic countries, the turbulent geopolitical situation in the world,The new Cold War era has a great impact on global industry,Thoughts on Re-layout of Downstream Supply Chain.

c.The steel production capacity of developed countries and rising steel production capacity of emerging countries.

d.Renewable energy issues continue to fever and the domestic electricity price structure is unreasonable.

e.Taiwan's water resource management in response to global climate change.

f.Labor shortage in Taiwan's construction industry due to aging population and unwillingness of youth to participate in the 3K industries.

## (V) Major product manufacturing processes

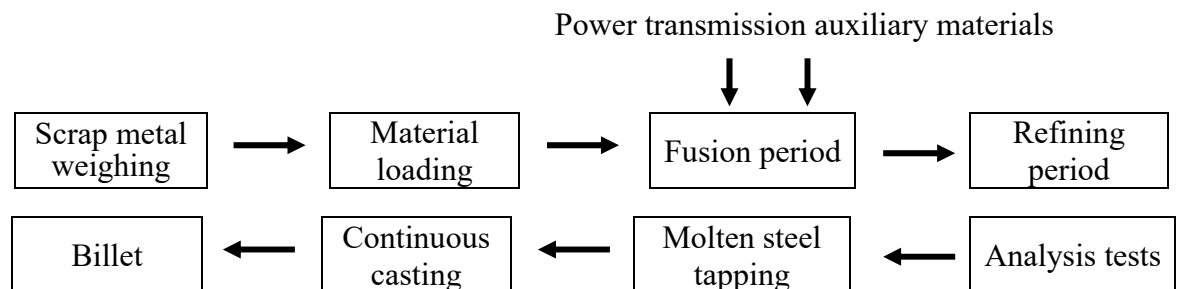
### 1. Product use

- (1) Re-bar: Civil engineering and construction steel material.
- (2) Billet: Production of steel, steel bars, wire rods, H-beams, channel steel, steel semi-finished products.
- (3) H-Beam: Structural steel base material for steel construction and civil engineering.
- (4) Universal steel plate: Structural steel materials for assembly type steel such as welded H-beams, box columns, and truss columns.
- (5) Large steel channel: Structural steel materials for steel construction, mechanical and electrical equipment, etc.
- (6) U-shaped steel sheet pile: Broadly used in retaining walls, piers, dams and levees, and other projects. Moreover, it can be recycled and reused, with evident effects of protecting the environment. U-beam steel sheet piles are characterized by high strength, light weight, good waterproofing, durability, and easy of construction.
- (7) Steel structure: Plant, high-rise buildings, span building, civil construction, construction steel materials and consolidated construction.
- (8) Environmental protection business-restored steel: Sold to steel refining plants for use as raw materials for steel refining.

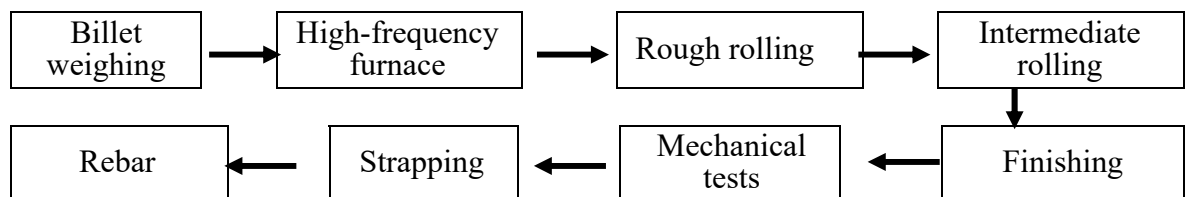
- (9) Environmental protection business-crude zinc oxide: Sold to Zn metal refining plants for use as raw materials.
- (10) Environmental protection business-Slag products: Used as subbase material and aggregates.
- (11) Wind power generation: The electricity generated is sold to TPC and delivered to users.
- (12) Quicklime: Steel refining auxiliary materials.

## 2. Production process

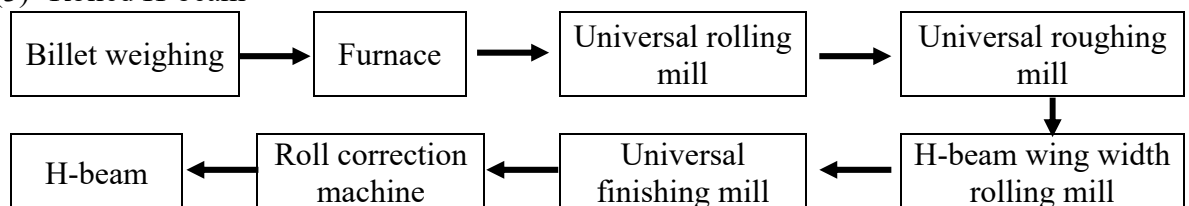
### (1) Billet refinement



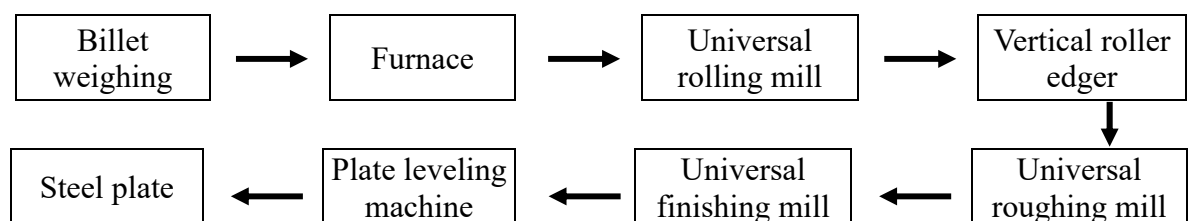
### (2) Rolling steel



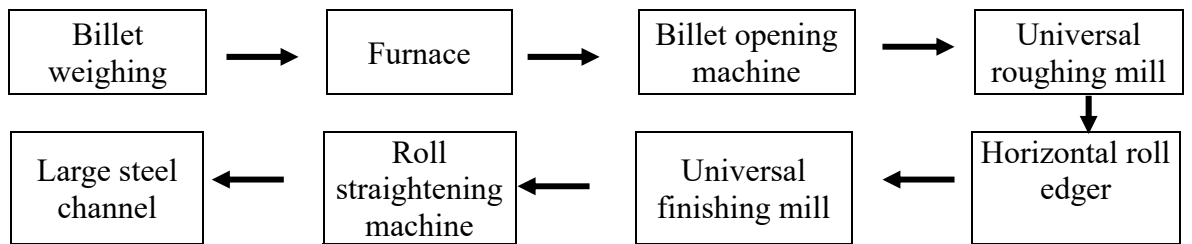
### (3) Rolled H-beam



### (4) Universal plate rolling



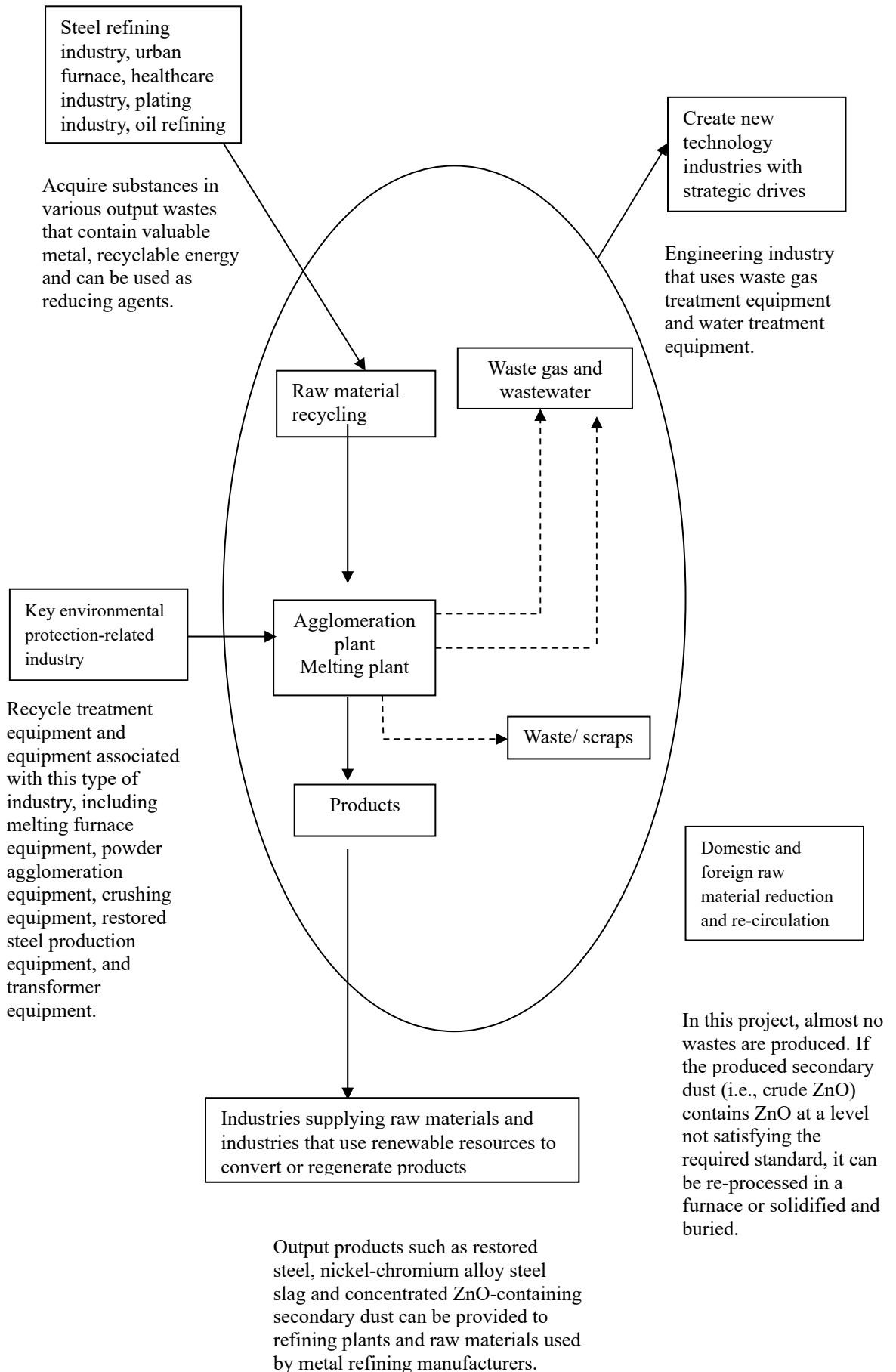
(5) Large channel for rolling



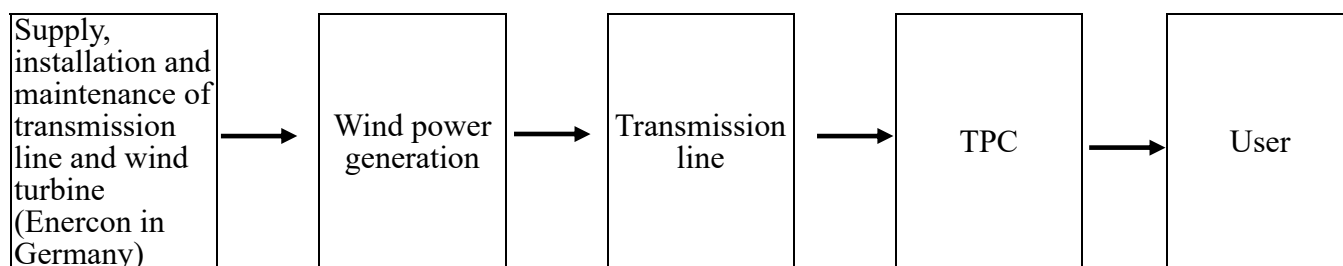
(6) Steel structure manufacturing



## (7) Environmental protection process



(8) Wind power generation



(VI) Main raw material supply of the parent company and subsidiaries

1. Purchase of main raw materials in 2022

Unit: Tons

Company	Product Name		First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Quantity	Quarter					
Tung Ho Steel	Scraps	Domestic	260,382	287,788	208,040	212,055	968,265
		Foreign	240,728	247,168	284,571	207,463	979,930
	Pig iron	Domestic	0	0	0	0	0
		Foreign	16,996	0	20,409	44,837	82,242
	Ferro-silicon	Domestic	0	0	0	0	0
		Foreign	1,100	850	2,000	1,150	5,100
	Ferro-manganese	Domestic	0	0	0	0	0
		Foreign	800	600	300	800	2,500
	Ferro-Silicon-manganese	Domestic	0	0	0	0	0
		Foreign	9,000	5,500	6,400	6,400	27,300
Tung Kang Steel Structure Co., Ltd.	Billet	Domestic	0	0	0	0	0
		Foreign	15,543	4,974	9,387	41,681	71,585
	Section beam	Domestic	9,317,532	6,873,544	5,780,516	6,047,032	28,018,624
		Foreign	0	0	0	0	0
	Steel plate	Domestic	22,510,833	18,836,361	19,949,564	12,887,470	74,184,228
		Foreign	0	3,003,700	4,500,731	998,105	8,502,536
Tung Ho Steel Vietnam Corp., Ltd.	Scraps	Domestic	36,926	34,815	14,416	20,391	106,548
		Foreign	34,723	61,621	46,761	35,489	178,594
	Pig iron	Domestic	0	322	999	1,033	2,354
		Foreign	0	0	0	0	0
Fujian Tung Kang Steel Corp., Ltd. Steel	Steel plate	Domestic	1,279	1,017	561	2,406	5,263
		Foreign	0	0	0	0	0
	H-beam	Domestic	1,808	2,635	1,825	368	6,636
		Foreign	0	0	0	0	0
	Profiled material	Domestic	668	672	429	304	2,073
		Foreign	0	0	0	0	0
Katec Creative Resources Corp.	Dust collection	Domestic	2,487	2218	1,456	1,207	7,368
		Foreign	0	0	0	0	0
	Medical wastes	Domestic	194	188	140	80	602
		Foreign	0	0	0	0	0
	Other waste/ scraps	Domestic	248	303	486	1,226	2,263
		Foreign	0	0	0	0	0



Duc Hoa International J.S.C.	Limestone	Domestic	29,968	28,816	15,726	30,139	104,649
		Foreign	0	0	0	0	0
	Blind Coal	Domestic	2,956	1,362	1,908	1,522	7,748
		Foreign	0	0	0	0	0

## 2. Primary importing regions for raw materials and the supply status

Company	Product name	Primary importing regions for raw materials	Supply status
Tung Ho Steel	Scrap, pig iron and billet	USA, South & Central America, Japan, Vietnam	Good
	Ferro-silicon, ferro-manganese, ferro-silicon-manganese	China, India, Malaysia	Good
Tung Ho Steel Vietnam Corp., Ltd.	Scraps	USA, Japan, South & Central America, Australia	Good
	Pig iron	Purchased in Vietnam	Good
Tung Kang Steel Structure Co., Ltd.	Steel plate, section beam	Japan	Good
Duc Hoa International J.S.C.	Limestone, blind coal	Purchased in Vietnam	Good

(VII) Names of customers who accounted for more than 10% of the sales in any of the last two years, sales as a percentage of total sales, and the reasons for addition or reduction changes.

- Customer name for those whose sales volume are more than 10% of the total in any given year for the last 2 years:

2022				2021			
Name	Amount (Unit: Thousands of New Taiwan Dollars)	Net sales ratio (%)	Relationship with the issuer	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Net sales ratio (%)	Relationship with the issuer
Others	59,972,121	100	None	Others	58,795,089	100	None
Net sales	59,972,121	100	N/A	Net sales	58,795,089	100	N/A

The Company's sales targets are less concentrated, and the amount sold per single target has not exceeded 10% in 2022 and 2021.

- The top 10 customer name with the highest total sales for the last 2 years.

2022				2021			
Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net sales ratio (%)	Relationship with the issuer	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net sales ratio (%)	Relationship with the issuer
Lih Dar Steel Co., Ltd.	3,474,604	5.79	Parent company's customer	Lih Dar Steel Co., Ltd.	4,343,696	7.39	Parent company's customer
Cheng Gang Industry	2,036,619	3.40		Cheng Gang Industry	2,433,565	4.14	
Yulishing Building Utilities	1,844,595	3.08		Gir Gai Trading Co., Ltd.	2,061,742	3.51	
SANWA	1,818,366	3.03		Yulishing Building Utilities	2,054,167	3.49	
TSMC	1,436,736	2.40	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.	Collaborated manufacturing	1,732,744	2.95	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.

2022				2021			
Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net sales ratio (%)	Relationship with the issuer	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net sales ratio (%)	Relationship with the issuer
Gir Gai Trading Co., Ltd.	1,323,955	2.21	Parent company's customer	Taiwan Kumagai	1,714,189	2.92	
Teh Tai Steel Co.	1,060,556	1.77	Parent company's customer	Teh Tai Steel Co.	1,270,808	2.16	Parent company's customer
Superiority Steel Co., Ltd.	976,347	1.63		Superiority Steel Co., Ltd.	1,139,340	1.94	
Taiwan Kumagai	790,000	1.32	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.	Kai Hong Steel	946,573	1.61	
Runhorn Prettech Engineering Co., Ltd.	787,552	1.31	Parent company's customer	New Asia	865,773	1.47	
Subtotal	15,549,330	25.93		Subtotal	18,562,597	31.57	
Others	44,422,791	74.07		Others	40,232,492	68.43	
Total	59,972,121	100.00		Total	58,795,089	100.00	

### 3. Primary supplier information for the recent two years

Item \ Period	2022				2021			
	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Relationship with the issuer
1	Others	43,936,810	100.00	None	Others	58,290,164	100.00	None
Total	Net Purchases	43,936,810	100.00	N/A	Net Purchases	58,290,164	100.00	N/A

The Company's suppliers in 2022 and 2021 are less concentrated, and the amount purchased per single supplier has not exceeded 10% in 2022.

4. Name of top 10 customer with the highest total import volume for the last 2 years

2022			2021		
Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)	Name	Amount (Unit: Thousands of New Taiwan Dollars)	Total annual net purchase ratio (%)
Zhenyu metal	2,704,109	6.15	Hong Kuan Metal Co., Ltd.	2,983,044	5.12
SIMS	2,570,376	5.85	SIMS	2,142,997	3.68
ALCO	1,975,944	4.50	SD	1,578,661	2.71
SD	1,425,478	3.24	ALCO	1,103,330	1.89
ADVANCED	1,352,001	3.08	MC3	1,036,159	1.78
CSC	1,057,583	2.41	ADVANCED	1,000,445	1.72
METALTRADE PACIFIC	919,871	2.09	METALTRADE PACIFIC	969,729	1.66
BLUE BAY	859,162	1.96	DAEHAN	948,421	1.63
AML	799,968	1.82	CSC	943,837	1.62
Guangcheng trade	792,059	1.80	Nippon Steel Corporation	770,349	1.32
Total	14,456,553	32.90	Total	13,476,972	23.12
Others	29,480,257	67.10	Others	44,813,192	76.88
Net Purchases	43,936,810	100.00	Net Purchases	58,290,164	100.00

(Note): The above top 10 customers are end-suppliers, not agents.

(V) Annual production value for the last 2 years

Year	2022			2021		
Product name	Production capacity (Tons)	Production volume (Tons)	Production value (Unit: Thousands of New Taiwan Dollars)	Production capacity (Tons)	Production volume (Tons)	Production value (Unit: Thousands of New Taiwan Dollars)
Billet	3,650,000	2,186,972	41,464,939	3,650,000	2,427,575	39,988,452
Re-bar	2,100,000	1,391,514	27,874,635	2,100,000	1,350,995	22,919,184
H-Beam	1,200,000	486,070	10,769,651	1,200,000	669,650	12,754,285
Plate		110,159	2,431,847		128,098	2,451,135
Channel		29,971	726,440		58,940	1,215,173
I-Beam		1,328	31,217		2,970	61,559
Sheet Piles		5,464	127,886		3,913	82,263
Steel Structure	123,600	144,521	7,983,386	123,600	187,501	8,949,867
Environmental Protection Handling	46,368	11,060	238,074	46,368	12,379	232,028
Engineering Income	0	0	313,545	0	0	500,786
Others (Note)	100,000	9,778	712,388	100,000	100,638	629,679
Total	7,219,968	4,376,837	92,674,008	7,219,968	4,942,659	89,784,411

Note: Others include fixed-size and formed rebar processing, rebars sold, coupler materials sold and quicklime of the subsidiary.

(VI) Sales value for the last 2 years

Year	2022				2021			
Product name	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)
Billet	52,621	1,046,771	0	0	40,555	764,379	10,906	218,813
Re-bar	1,204,350	27,218,766	259,300	5,173,422	1,162,949	22,276,241	248,257	4,894,836
H-Beam	462,439	12,964,761	27,205	789,204	605,916	14,936,301	51,736	1,318,752
Steel plate (self-made)	44,063	1,409,283	0	0	68,672	1,812,956	0	0
Steel plate (transaction)	1,452	49,837	0	0	5,575	144,549	0	0
Channel	13,023	353,210	20,855	618,498	15,583	365,345	39,892	1,016,413
I-Beam	1,330	43,701	0	0	2,943	81,915	0	0

Year		2022				2021			
Product name	Sales volume and value	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
		Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)	Volume (Tons)	Value (Unit: Thousands of New Taiwan Dollars)
Steel Structure		132,537	8,381,158	12,137	703,038	145,043	8,886,199	13,695	744,700
Steel Trading		0	0	0	0	0	0	0	0
Environmental Protection Handling		11,060	238,074	0	0	12,379	232,028	0	0
Sheet Piles		5,923	186,102	0	0	3,331	87,541	0	0
Construction revenues		0	251,812	0	0	0	467,642	0	0
Others (Note)		40,832	535,297	65,950	9,187	34,874	516,316	94,130	30,163
Total		1,969,630	52,678,772	385,447	7,293,349	2,097,820	50,571,412	458,616	8,223,677

Note: Others include fixed-size and formed rebar processing, rebars sold, coupler materials sold and quicklime of the subsidiary.

### III. Number of employees, average years of service, average age, and education of employees for the last two years until the public date of this report

Year		2022	2021
Number of employees (people)	Head office	192	189
	Kaohsiung Plant	362	288
	Taoyuan Plant	576	546
	Miaoli Plant	543	531
	Temporary	3	7
	Foreign employees	262	220
	Total - parent company	1,938	1,781
	Subsidiary (including foreign employees)	1,008	1,024
	Total	2,946	2,805
Average age (Note)		42.64	41.63
Average length of service (Note)		11.82	11.88
Degree distribution ratios (%) (Note)	Ph.D.	0.04	0.05
	Masters	5.93	5.30
	Bachelor's Degree	55.92	56.52
	Senior High School	22.78	23.85
	Below Senior High School	15.33	14.28

Note: Average age, average years of service, and degree distribution ratios refer to those of formal employees, and excluding those of temporary employees and foreign employees.

### IV. Environmental protection expenditures

(I) For the most recent year and as of the printing date of the annual report, the losses suffered as a result of environmental pollution (including compensation and environmental protection audit results of violations of environmental protection laws and regulations, the date of the penalty, the penalty number, the provisions of the violation, the content of the violation, and the content of the penalty should be listed), and disclose the estimated amount of current and possible future occurrences and response measures:

Contents of Environmental Protection Penalty Cases Company		Environmental violations	Penalty	Countermeasures (improvement and preventive measures)
Parent company	Taoyuan Plant	January 7, 2022 (Penalty No.: January 11, 2022 FHKZ No. 1110008070) Violation of Article 23, Paragraph 2 of the Air Pollution Prevention Law: No opacity correction has been performed.	Penalty fine of NT\$100,000.	If there is any condition that causes the monitoring computer to be disabled, inform the Lao'an Center immediately. Record the correction situation of the day every day and review it by the supervisor to prevent it from happening again.
	Miaoli Plant	2022.09.30 (Penalty No.: FHSZI No.1110066773) violates Item 2 of Article 15 and Paragraph 8 of Article 24 of the Measures for the Establishment and Management of Special Units or Personnel for Waste (Sewage) Water Treatment and Item 2 of Article 21 of the Water Pollution Prevention and Control Law: The waste (sewage) treatment personnel set up by the company are repeatedly set up as occupational safety and health managers outside of environmental protection regulations.	The fine is NT\$10,000 + 1 hour of environmental lecture.	Change of business manager and reporting.
	Kaohsiung Plant	2022.07.21( Penalty No.: 2023.02.01 GSHJKZ No. 11230798000) Violation of Article 34, Paragraph 4 of the Air Pollution Prevention Law: The plant's air pollution prevention specialist is also the occupational safety and health officer.	The fine is NT\$200,000 + 2 hours of environmental lecture.	A new Air Pollution Prevention Specialist was appointed on January 4, 2023 and approved by the EPA for review.
Subsidiary		None	None	None

**(II) Environmental protection expenditure for this company from the most recent fiscal year to the publication date of this annual report:**

The company not only continues to enhance product quality and customer service, but also dedicated efforts in pollution prevention and control, industrial waste reduction, and environmental protection. To fulfill corporate social responsibility, the company also invested on relevant environmental protection activities. In 2022, the parent company's environmental protection expenditure (depreciation) was approximately NT\$69,292,000 and the running expense was approximately NT\$581,337,000, which bring about a total of NT\$650,629,000. Environmental protection expenditure for the parent company and its subsidiaries from the most recent fiscal year to the publication date of this annual report:

Environmental protection expenditures Company		Environmental protection expenditures (Unit: Thousands of New Taiwan Dollars)		
		Item	2022	2021
Parent company	Taoyuan Plant	Environmental protection expenditures (depreciation)	36,592	46,253
		Running expenses for environmental protection	318,419	285,887
		Taoyuan Plant Subtotal	355,011	332,140
	Miaoli Plant	Environmental protection expenditures (depreciation)	32,442	35,085
		Running expenses for environmental protection	253,833	288,095
		Miaoli Plant Subtotal	286,275	323,180
	Kaohsiung Plant	Environmental protection expenditures (depreciation)	258	258
		Running expenses for environmental protection	9,085	12,364
		Kaohsiung Plant Subtotal	9,343	12,622
Total - parent company		650,629	667,942	

Subsidiary	Tung Kang Steel Structure Co., Ltd.	Environmental protection expenditures (depreciation)	97	285
		Running expenses for environmental protection	116	107
	Tung Ho Steel Vietnam Corp., Ltd.	Environmental protection expenditures (depreciation)	8,619	8,617
		Running expenses for environmental protection	2,051	2,154
	Katec Creative Resources Corp.	Environmental protection expenditures (depreciation)	2,353	2,375
		Running expenses for environmental protection	1,762	2,982
	Duc Hoa International J.S.C.	Environmental protection expenditures	329	0
		Total - subsidiaries		15,327
Total			665,956	684,462

**(III) Estimated major environmental protection expenditures in the next two years**

1. The Company has set extremely high environmental protection standards for plant operations, which fully comply with environmental protection regulations, and can reduce the risk of irregularities.

No major pollution has occurred in recent years, and thus improvements had not affected the Company's earnings, competitiveness and capital expenditures.

2. The Company has always invested on equipment and staff training for minimizing industrial pollution, and has obtained ISO-14001 Environmental Management System certification, with continual investments according to improvements and the pollution status.

**V. Labor-management relations**

- (I)** The company's employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1. Employee welfare:

The company deeply believes that employees are a company's greatest asset and the key driver to business management; therefore, the company is committed to taking care of its employees. In addition to enrolling employees into labor insurance and national health insurance as required by law, the company also buys group insurance for its employees (including foreign labors), including term life insurance, accidental injury, occupational accident, travel insurance for cases of business travel to overseas, in order to protect employees' safety. Other welfare benefits:

- (1) Establish a joint employee welfare committee

The Company has set up a joint employee welfare committee through each important operation location (Head Office, Taoyuan Plant, Taoyuan Processing Center, Miaoli Plant, Logistics Center at Taichung Port, Kaohsiung Plant and Da-Yeh Plant) to handle various employee welfare activities and subsidies, such as employee trips, subsidies for social group events, group insurance, subsidy for

education of employees' children, three festive bonuses, wedding, funerals and other celebratory event subsidies, and retirement subsidies. Employees are encourage to create social clubs including hiking, softball, golf, badminton, and health-walk clubs and hold club events at a nonperiodic interval. The company also motivates employees to partake in health-promotion activities such as health-walking, healthy exercise, and aerobic exercise.

- (2) Establish employee canteen to ensure a healthy diet for employees.
- (3) Establish employee dormitory to offer accommodation to employees who live in remote areas or in areas where transport is inconvenient.

- (4) Regular health check-up

Each year, health examinations superior to those required by law are provided to existing employees, including general checkups and health examinations for employees involved in special operations, and assistance on self-health care management is afforded to employees.

- (5) Build an integrated occupational medical health service for employees

Physicians are invited to visit the plants and provide individual consultations services and evaluations to employees (including suitability and reinstatement assessments).

Physicians, safety and health professionals, and qualified nurses are gathered to offer preventive medical services in the workplace both remotely and onsite, thus ensuring workplace health and safety. The service content includes medical advices, referrals, health education, occupational injury and disease consultation, diagnosis and prevention, health-promotion planning, safety training, health examinations, health management, survey on the quality of health institutions, and health management of contagious disease.

- (6) Nonperiodic provision of medical-related information and hosting of health education activities

Educational information regarding disease prevention, healthy diet, and nutrition is afforded as a reminder to employees that they should monitor their body weight and blood pressure frequently. Furthermore, employees are educated on health-related issues in a timely manner.

- (7) Employee compensation

In accordance with the Company's Articles of Incorporation, if the Company earns a profit in the current year, the proportion of employee remuneration shall be no less than 2.5%, in order to align employees with the Company's operating performance.

(8) Employee stock options: During capital increase, a portion of new outstanding stocks is retained for purchase by employees.

2. Continuing education

Training is based on the principles of career development. Based on business requirements and career planning each year, training programs, internal or external courses are developed and provided to enhance employees' knowledge and skills, cultivate positive work attitudes in employees, promote employee career development, recruit various management and professional talents and encourage employees to improve themselves, thereby enhancing the human resource quality in the organization and developing highly competitive human resources.

3. Retirement System

The company has formulated retirement policy for employees in accordance with the Labor Standard Act and Labor Pension Act and was approved to set up a "retirement reserve fund supervisory committee."

In addition to calculating old labor pension fund for each year and convening regular meetings to protect employee rights and interests, the retirement reserve funds as of the end of 2022 are sufficient to cover the pensions of retired employees in the following year.

The new labor pension scheme refers to voluntary pension contributions by employees that are subject to the new labor retirement system, which means that the employees can deposit 6% of the employees' monthly wages into their individual labor pension account according to the pension range.

4. Status of Industrial Relations Agreement

The Company has established labor unions at its business offices, and held employer-employee meetings on a regular basis. The labor union members can elect representatives to participate in employer-employee meetings for labor-management relations, communications, and collaborations. In accordance with the Collective Agreement Act, the labor union of Miaoli plant held meetings to negotiate on the Collective Agreement since September 2019, and completed the signing of Collective Agreement on December 17, 2020. The work unions also elect representatives as committee members of the Employee Welfare Committee and Retirement Reserve Fund Supervisory Committee who are responsible for supervising and protecting employees' rights and interests.

5. Grievance system

The Company attaches great importance to labor-management relations, and regularly holds employer-employee meetings, in order to promote collaborative



labor-management relations and improve work efficiency. In addition to employer-employee meetings, the Company has formulated the "Regulations Governing Employee Complaints and Grievances". Employees may submit an appeal for any unfair treatment or unreasonable discrimination in the Company, or any incomplete matters or negligence on the Company's system, rules, or regulations which will damage the rights and interests of employees.

6. Sexual harassment prevention

In the aim to protect its employees from sexual harassment and create a friendly working environment, the company formulated the "Regulations Governing the Prevention of Sexual Harassment". This involves providing regular education and training, and strengthening the advocacy of sexual harassment prevention and complaint channels through websites and bulletin boards. The company also established a Sexual Harassment Complaint Committee, which shall be objective, impartial and professional in dealing with sexual harassment complaints, and adopting prevention measures to create a harassment-free working environment.

- (II) Disclose the losses suffered due to industrial relation disputes in recent years up to the publication date of this annual report as well as estimations for similar losses in the future and coping measures:

There is no such industrial relation dispute related losses in recent years up to the publication date of this annual report. The company's management system will continue to improve staff welfare and pursue industrial relation unity, and no losses are expected to occur due to labor disputes.

## **VI. Information Security Management**

(I) Information Security Risk Management Structure

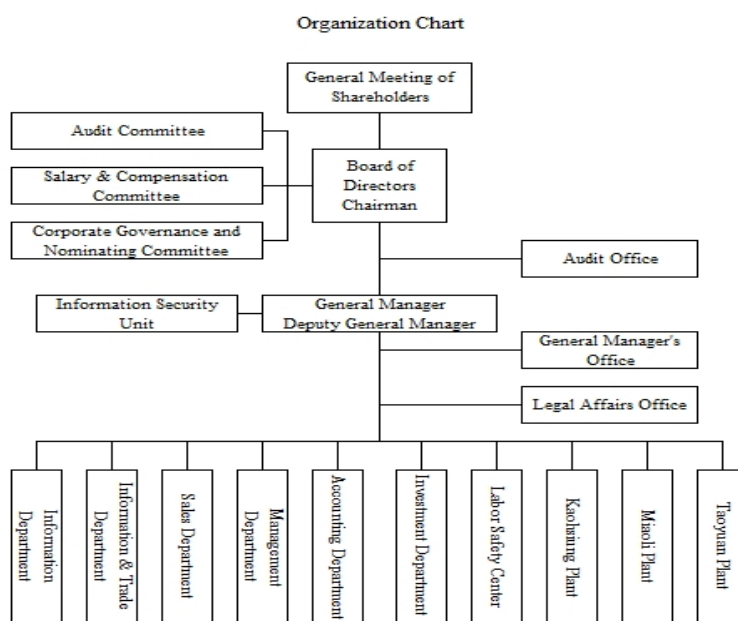
1. Set up a dedicated information security unit

The Company has established S080 as a special unit for information security under the Information Department in accordance with Article 9-1 of the "Guidelines for Establishing Internal Control Systems in Public Companies".

2. ISO27001 Information Security Management System Introduction and Implementation

In order to implement and strengthen information security management, the Information Technology Department appointed an information security consultant to assist in the implementation of ISO 27001 in August 2022: 2013 Information Security Management System (ISMS), and the Information Security Management Representative assigned by General Manager to establish the "Information Security Team", which is responsible for the implementation of the company's information security management system, and will complete the validation in February 2023.

The information security management framework is as follows:



## (II) Information Security Policy

1. Our information security policy: "Everyone responsible for information security and zero information security incidents".
2. Policy requirements:
  - (1) Information will be protected from unauthorized access.
  - (2) The confidentiality of the information is protected.
  - (3) The integrity of information will be maintained.
  - (4) The availability of the information will be ensured.
  - (5) The requirements of the authorities and national laws will be met.
  - (6) Information security training will be provided to all employees of the Company.
  - (7) The goal of information security is to ensure sustainable management, reduce hazards, and prevent information security incidents.

## (III) Specific Management Solutions

Function Classification	Function
Identification	(1) Information asset inventory and risk assessment (2) Internal and external auditing
Defensive measures	(1) Identity access management (2) Endpoint protection (3) Firewall (4) Weakness repair
Detection	(1) Vulnerability Scan (2) Spam Management
Incident Notification	Information Security Incident Notification and Contingency Measures
Disaster Recovery	(1) Data backup (2) Disaster Recovery Exercise

**(IV) Investment in resources for information and communication security management**

1. ISO 27001: 2013 Information security management system is introduced to implement and strengthen information security management.
2. In terms of raising employees' awareness of information security, we held three information security education training, for a total of five hours and two information security presentations in 2022 to enable employees to understand phishing attack techniques and email phishing attack techniques, which have reduced the risk of account and password theft.
3. Weakness scanning and vulnerability remediation are carried out to improve the quality of information security, through enhanced measures by targeting the items with high risk or higher inspection results.

**(V) For the most recent year and up to the printing date of the annual report, the possible impact of losses suffered due to major information and communications security incidents and the measures taken in response: None.**

# VII.Significant contracts between parent company and subsidiary

Important contracts		Nature of the contracts	Contracting parties	Start and end dates of the contract	Major Content	Restriction clause
Parent company	Taoyuan Plant	Construction contract	Hao Shen Industrial Co., Ltd.	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Disposal and recycling of oxidizing slag	Relevant monthly settlements are calculated based on the actual carrying capacity.
			Hwa Shen Environmental Co., Ltd.	2022.01.01~2022.12.31 2023.01.01~2023.12.31		
		Construction contract	Jinji Xin Enterprises Ltd.	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Iron Oxide Clearance Sale	Relevant monthly settlements are calculated based on the actual carrying capacity.
		Equipment procurement	SMS ELOTHERM	2021.03.15~2022.02.28	Rolling - Heater Retrofit Case	Deposit fund: 20% Product delivery fund: 70% Acceptance inspection fund: 10%
		Equipment procurement	Tatung Heavy Electricity	2021.06.01~2022.01.31	Rolling - Heater Retrofit Transformer Purchase Contract	Product delivery fund: 90% Acceptance inspection fund: 10%
		Equipment procurement	DANIELI	2021.05.12~2022.01.31	PR0 Gripper Purchase Contract	Deposit fund: 30% Acceptance inspection fund: 70%
		Construction contract	Taiwan Cement Corporation Su-Ao Plant	2021.06.01~2022.05.31	Disposal and recycling of restored melted slag	Charges calculated based on the actual carrying capacity.
			Ruentex Materials Co.,Ltd.	2020.07.01~2025.06.30		
			Taiwan Steel Resources Co., Ltd.	2022.01.01~2022.12.31		
		Construction contract	Taiwan Steel Union Inc.	2022.01.01~2022.12.31	Contract for reuse of industrial waste (dust collection)	Monthly settlement
		Certification	Bureau Veritas of Taiwan	2022.01.01~2022.12.31	Greenhouse gas verification operations	Acceptance inspection fund: 100%
		Construction contract	Tung Kang Engineering & Construction	2021.11.13~2022.11.31	Taoyuan Processing Center Main Project Construction Case	Monthly progress-based pricing
		Construction contract	Wu Hsiung Enterprise Co., Ltd.	2021.11.13~2022.11.31	Concrete procurement for Taoyuan processing plant	Paid based on the actual quantity of each batch
		Planning and Design	Luo Chin Shing Architect	2022.03.01~2022.05.01	Taoyuan Processing Center - Additional Plant C and Machine Room Planning and Design Commissioning Case	Deposit fund: 10% Product delivery fund: 70% Acceptance inspection fund: 20%
		Equipment procurement	Yuann Fuu Industry Co.,Ltd.	2022.03.01~2022.07.31	Taoyuan Machining Center - MEP machine purchase case	Product delivery fund: 80% Acceptance inspection fund: 20%
		Material Procurement	Tung Kang Engineering & Construction Corp.	Related-Party Transactions	General (Production) Material Purchase and Sale Agreement - 774 items	100% after acceptance
		Construction contract	Shiwei Environmental Protection	2022.04.26~2023.04.25	Tung Ho Guanyin Industrial Park - Waste Removal	Payment in accordance with the progress, retaining the validation receipt
		Construction contract	Build waste corporation in mainland	Matching plant hours	7M road waste removal (to assist the public sector to remove)	Contract: \$30,000, the rest will be paid monthly according to the progress
		Equipment procurement	Yungtay-Hitachi Construction Machinery Co., Ltd.	2022.04.27~2022.05.10	Purchase contract for hydraulic short-arm excavator	Deposit fund: 30% Confirmation Specification: 60% Acceptance inspection fund: 10%
		Equipment procurement	Yung Tay-Hitachi Construction Machinery Co., Ltd.	2022.04.27~2023.02.28	Hydraulic long-arm excavator procurement contract	Deposit fund: 30% Confirmation Specification: 60% Acceptance inspection fund: 10%
		Equipment procurement	SMS	2022.05.31-2023.02.28	Rolling - Purchase contract for packaging machine head	Letters of Credit
		Construction contract	TONG JINN	2022.07.01~2022.08.15	Rolling - Installation of heater equipment	100% of acceptance inspection fund
		Certification	Bureau Veritas of Taiwan	2023.01.01~2027.12.31	Greenhouse gas verification operation contract	Divided into 5 equal installments
		Equipment procurement	Peiwen Enterprise	2022.11.25~2023.06.30	Steelmaking Division trolley motor purchase	Deposit fund: 30% Acceptance inspection fund for shipment: 70%
		Equipment procurement	Fudi Enterprise	2023.01.15~2023.06.30	Electric Furnace Cut-Off Switch Procurement Contract	Deposit: 30% Acceptance inspection fund for shipment: 70%

Important contracts		Nature of the contracts	Contracting parties	Start and end dates of the contract	Major Content	Restriction clause
Company		Planning and Design	Changfeng Engineering	2022.05.18	Processing center change feasibility planning and development project	Contract: 20% To: 30% Approved: 50%
		Planning and Design	Luo Chin Shing Architect	2022.05.01	Plant detailed design	Contract: 10% Delivery: 70% License Approval: 20%
		Construction contract	Katec	2022.09.05	Soil Inspection	100% of acceptance inspection fund
		Equipment procurement	Ciao Her Rubber Industry Co., Ltd.	2022.10.20~2023.02.28	Scrap Steel Phase III Soil Powder Screening Machine Equipment	100% of acceptance inspection fund
		Construction contract	Jingcheng Construction	2022.11.11~2023.02.28 (100 days after notice of commencement of work)	Scrap Steel Phase III Plant Civil and Steel Structure Project	Payments according to the progress of the project
		Construction contract	QUNYI FIRE PROTECTION	2022.11.22~	Taoyuan Plant Phase III Fire Fighting Facilities and Utilities Lighting Construction	100% of acceptance inspection fund
		Construction contract	Pro Chain Technology	Within 35 days after the start of the successive steel structures	Waste Steel Phase III Plant Color Steel Project	Deposit fund: 30% Completion fund: 65% Acceptance inspection fund: 5%
		Plant Procurement	Tung Kang Engineering & Construction	Related-Party Transactions	Contract for the sale and purchase of Tung Kang Engineering & Construction Co., Ltd.'s plant	100% of acceptance inspection fund
		Equipment procurement	Tung Kang Engineering & Construction	Related-Party Transactions	Contract for the sale and purchase of Tung Kang Engineering & Construction Co., Ltd.'s equipment	100% of acceptance inspection fund
		Planning and Design	Changfeng Engineering Consultants	1. 15 days after signing the contract to complete the information and sent to Party A for confirmation. 2. Submit for approval and then apply for payment.	Increased traffic assessment for Taoyuan Processing Center	Contract: 50% Approved: 50%
		Planning and Design	Son Jin Engineering Consultant Co.,LTD.	1. The information will be sent to Party A for confirmation after signing the contract. 2. Submit for approval and then apply for payment.	Outflow control plan change variance description (CD stand)	Contract: 50% Approved: 50%
		Construction contract	Tung Kang Engineering & Construction	2023.02.17~2023.12.31	Taoyuan Processing Center-C building factory construction (including assumptions, civil foundation, structural decoration, machine room, pool and miscellaneous works)	Payments according to the progress of the project
	Miaoli Plant	Construction contract	Taiwan Cement Corporation Su-Ao Plant	2021.06.01~2022.05.01	Reduction of slag generation removal and reuse	None
		Construction contract	Taiwan Cement Corporation Heping Plant	2022.01.01~2022.04.30	Reduction of slag generation removal and reuse	None
		Construction contract	Taiwan Steel Resources Co., Ltd.	2022.01.01~2022.12.31	Reduction of slag generation removal and reuse	None
		Construction contract	Ruentex Materials	2020.07.01~2025.06.30	Reduction of slag generation removal and reuse	None
		Construction contract	Chium Shing Environmental Protection Co., Ltd.	2022.01.01~2022.12.31	Disposal and recycling of oxidizing slag	None
		Sales agreement	Chium Shing Environmental Protection Co., Ltd.	2022.02.01~2024.01.31	Disposal and recycling of oxidizing slag	None
		Construction contract	Hao Shen Industrial Co., Ltd.	2022.01.01~2022.12.31	Disposal and recycling of oxidizing slag	None
		Construction contract	Hwa Shen Environmental Co., Ltd.	2022.04.01~2022.12.31 2021.04.01~2022.03.31	Disposal and recycling of oxidizing slag	None

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Major Content	Restriction clause
		Sales agreement	Hwa Shen Environmental Co., Ltd.	2020.02.01~2022.01.31 2022.02.01~2024.01.31	Iron Powder Clearance Sale	None
		Construction contract	Re-source technology Co.,Ltd	2022.01.01-2022.12.31	Disposal and recycling of oxidizing slag	None
		Equipment procurement	Metrotek International Co., Ltd.	2021.05.21~2022.04.21	Purchase of slag truck crane	AdvancePayment: 30% Arrivalpayment; 60% Acceptance inspection fund: 10%
		Construction contract	Taiwan Steel Union Inc.	2022.02.01~2023.12.31	Dust collection and ash removal for reuse	None
		Construction contract	Fenglian Steel	2022.07.01~2023.06.30	BH workshop one time processing	None
		Purchase agreement	CPC Corporation, Taiwan	2022.10.29~2024.10.29	NG Natural Gas	Monthly payment on the 12th of each month
		Purchase agreement	Dachangxing	2022.04.01~2024.03.31	Liquefied Petroleum Gas	Payment on the 15th of the month
		Purchase agreement	Air Liquide Far Eastern	2020.11.01~2025.10.31	Liquid Argon Gases	Fixed monthly fee and monthly basic usage fee
		Purchase agreement	Lianhua Zhonggang	2020.01.01~2025.08.31	LPG liquid oxygen	Monthly equipment usage fee
		Purchase agreement	Formosa Plastics Corporation	2021.02.01~2022.01.31	Quicklime	None
		Purchase agreement	DUC HO	2022.01.01~2022.12.31	Quicklime	None
		Sales agreement	Jinji Xin Enterprises Ltd.	2022.01.01~2022.12.31	Iron Oxide, Iron Oxide Powder Clearance Sale	None
		Sales agreement	PLUM-MONIX industry Co.,Ltd.	2021.04.15~2022.05.14	Iron Oxide Clearance Sale	None
		Sales agreement	Hung Mao Environment	2022.02.01~2023.01.31	Business waste removal treatment	None
	Kaohsiung Plant	Technical services	Eternity Corp.	2020.07~2022.06	1. Plant management technical support services. 2. Provision of administrative and data analysis. 3. Other matters related to the technical service agreement.	None
		Technical services	Eternity Corp.	2022.07~2023.06	1. Plant management technical support services. 2. Provision of administrative and data analysis. 3. Other matters related to the technical service agreement.	None
		Technical services	FAR EAST STEEL ENTERPRISE CORPORATION	2022.01~2022.12	1.Steel, sizing and clearing related work 2.Steel heavy industry related work 3.Rebar import and export related work	None
		Equipment procurement	AN GEN MACHINE MFG. CO., LTD	2022.06~2023.10	Automatic assembly type friction welding machine production system purchase and sale contract	Deposit: 0.94 million Shipment fund I: 2.5 million Shipment fund II: 0.62 million Acceptance inspection fund: 0.64 million
		Equipment procurement	EZBOND CHEMICAL CO., LTD.	2021.03~2024.12	Renewal contract of PLC controller for stacking and shipping bed control of Kaohsiung plant steel production line	Deposit: 30% Equipment payment: 60% Experimental collections: 10%
		Equipment procurement	Yungtay-Hitachi Construction Machinery Co., Ltd.	2021.11~2022.06	490 Excavator Purchase and Sale Contract	100% after acceptance
Subsidiaries	Tung Kang Wind Power	Power Procurement Agreement	Taiwan Power Company	2016.09~2031.08	TPC acquires all the electricity produced by Tung Kang Wind Power	The electricity supply (power generation) per hour shall not exceed full capacity with the generation of 5 wind turbines

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Major Content	Restriction clause
	Co., Ltd.	Wind Turbine Operation and Maintenance Contract	Enercon Taiwan Ltd.	2016.08~2026.07	The contracting party is responsible for the maintenance and repair of wind turbines	None
		Commissioning Design and Engineering Contract for Renewable Energy Generation Equipment	Yongxin Energy Service Co., Ltd.	2021.09-2023.09	Commissioning design and construction of renewable energy generation equipment	None
	Tung Kang Engineering & Construction Co., Ltd	Construction Engineering	Yurui Construction Co., Ltd.	2022.05.19~2024.01.09	Contract for New Construction of Yurui Construction Co., Ltd.	Construction fund: 100%
		Construction Engineering	Yurui Construction Co., Ltd.	2022.05.19~2024.01.09	Material Purchase Contract for the New Construction Project of Yurui Construction Co., Ltd.	Loan: 100%
		Construction Engineering	Tsinghua University	2022.08.26~2025.03.29	Tsinghua University College of Arts Building Phase II Interior Decoration Project	Construction fund: 95% Reserve fund: 5%
		Construction Engineering	Yihe Industrial Co., Ltd	June 20, 2022 to completed construction	National Tsing Hua University New Construction Project: Ready-mixed Concrete	Loan: 100%
		Construction Engineering	Chengde Construction Co., Ltd	May 19, 2022 to completed construction	National Tsing Hua University New Construction Project: Formwork (wages)	Construction fund: 90% Reserve fund: 10%
		Construction Engineering	Chengde Construction Co., Ltd	May 19, 2022 to completed construction	National Tsing Hua University New Construction Project: Formwork (material)	Loan: 90% Reserve fund: 10%
		Construction Engineering	TUNG HO STEEL ENTERPRISE CORPORATION	2022.08.05 ~ Transfer of ownership to the mutual delivery of the building.	Contract for sale and purchase of real estate	Contract fund: 10% Deed tax payment 70% Transfer of ownership and payment of final payment: 20%
		Construction Engineering	Guanlin Iron and Steel Enterprise Co., Ltd	August 15, 2022 to completed construction	National Tsing Hua University New Construction Project: Steel Structure Engineering (Wages)	Advance payment: 10% Steel structures are paid according to the progress of installation: 75% Payment for steel bearing plate according to installation progress: 5% Final payment after the license is obtained: 10%
		Construction Engineering	TUNG HO STEEL ENTERPRISE CORPORATION	2022.03.11~2023.09.30	New construction works of Yurui Construction Co., Ltd. Contract for the sale and purchase of bamboo rebar	Loan: 100%
		Construction Engineering	Shengwen Engineering Co., Ltd	December 15, 2022 to completed construction	National Tsing Hua University New Construction Project: Rebar and Wire Mesh Assembly Project	Construction fund: 90% Reserve fund: 10%
	Katec Creative Resources Corp.	Equipment Update	Zhengyuzhou Machinery Co., Ltd	2022.01.04~2022.05.06	Burning tower renewal construction	Deposit fund: 30% Product delivery fund: 30% Installation fund: 20% Acceptance inspection fund: 20%
		Equipment added	TOYOTA MATERIAL HANDLING TAIWAN LTD.	2022.01.19	Purchase contract for shovel loader	Deposit fund: 30% Product delivery fund: 70%
		Equipment Update	Yi Kai Machinery Co., Ltd.	2022.01.28~2022.03.13	Cooling tower renewal construction	Deposit fund: 30% Product delivery fund: 40% Installation fund: 20% Acceptance inspection fund: 10%
		Equipment Update	Yi Kai Machinery Co., Ltd.	2022.06.16~2022.09.24	Cooling tower 21 pipe renewal construction	Deposit fund: 50% Product delivery fund: 20% Installation fund: 20% Acceptance inspection fund: 10%

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Major Content	Restriction clause
		Equipment added	New Green Power	Obtain the registration letter of renewable energy generation equipment from Bureau of Energy - Before June 25, 2023	Engineering agreement of Photovoltaics	First phase: 10% Second phase: 10% Third phase: 10% Forth phase 20% Fifth phase: 40% Sixth phase: 10%
		Equipment added	YUNG TAY-HITACHI CONSTRUCTION MACHINERY CO., LTD.	2022.07.11~2022.07.20	Purchase of back digger	Deposit fund: 30% Product delivery fund: 70%
		Equipment added	Delta Mechanical Engineering Co., Ltd.	2022.07.20~2022.09.30	Modification of spare furnace cover	Deposit fund: 30% Acceptance inspection fund: 70%
		Equipment Update	QIYUEWATER CORRUGATED STEEL SHEET	2022.05.31~2022.08.31	Repair engineering for plant	Deposit fund: 50% Completion fund: 50%
		Equipment Update	Yi Kai Machinery Co., Ltd.	2022.08.10~2022.10.04	BQ feeding bucket system renovation project (2 sets)	Deposit fund: 30% Product delivery fund: 40% Installation fund: 20% Acceptance inspection fund: 10%
	Duc Hoa International J.S.C.	Purchase agreement (agreement in principle)	ANLAN Coal	2017.01.01	Procurement of blind coal	None
		Purchase agreement (agreement in principle)	TRƯỜNG HÀNH Great Wall Mining	2019.02.15	Procurement of limestone	None
		Sales agreement	Tung Ho Steel	2023.01.01~2023.12.31	Sales of quicklime	None
		Sales agreement	THSVC Tung Ho Vietnam	2023.02.01~2013.12.31	Sales of quicklime	None
		Sales agreement (purchase order)	G.T. International Enterprise	2023.01.01~2013.12.31	Sales of quicklime	None



## Chapter 6. Financial Status Overview of the Company and Its Subsidiaries

### I. Condensed balance sheet and condensed consolidated income statement for the last 5 years

#### (I) Condensed balance sheet - consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year		Financial information for the last 5 years				
		2022	2021	2020	2019	2018
Current assets		29,655,048	31,394,169	21,192,142	23,009,268	22,968,952
Property, plant, and equipment (Note 1)		20,038,567	18,002,034	18,390,406	19,648,493	20,694,943
Intangible assets		179,458	185,611	163,396	177,149	186,738
Other assets (Note 1)		4,893,474	5,820,938	4,675,143	4,856,593	4,707,860
Total assets		54,766,547	55,402,752	44,421,087	47,691,503	48,558,493
Current liabilities	Before distribution	22,605,252	22,993,691	13,815,783	15,670,438	17,489,725
	After distribution (Note 2)	25,161,000	27,667,059	15,450,590	17,025,920	18,694,598
Non-current liabilities		3,246,781	2,676,476	2,897,479	7,719,654	7,058,004
Total liabilities	Before distribution	25,852,033	25,670,167	16,713,262	23,390,092	24,547,729
	After distribution (Note 2)	28,407,781	30,343,535	18,348,069	24,745,574	25,752,602
Equity attributed to the owners of the parent company		28,805,965	29,542,469	27,503,307	24,199,492	23,903,085
Shares		7,302,138	7,302,138	10,587,599	10,040,606	10,040,606
Capital surplus		7,684,679	7,684,679	7,287,920	6,592,236	6,592,236
Reserve fund: Surplus	Before distribution	14,131,035	14,713,541	10,450,151	8,272,872	7,917,267
	After distribution (Note 2)	11,575,287	10,040,173	8,815,344	6,917,390	6,712,394
Other equity		(311,887)	(157,889)	(822,363)	(706,222)	(647,024)
Treasury stock		0	0	0	0	0
Non-controlling interest		108,549	190,116	204,518	101,919	107,679
Equity	Before distribution	28,914,514	29,732,585	27,707,825	24,301,411	24,010,764
	After distribution (Note 2)	26,358,766	25,059,217	26,073,018	22,945,929	22,805,891
Total Amount		26,358,766	25,059,217	26,073,018	22,945,929	22,805,891

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment. Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: On February 22th, 2023, the 2022 cash dividend distribution was approved by resolution of the board of directors, and reported to the shareholders meeting.

Condense balance sheet - individual

Unit: Thousands of New Taiwan Dollars

Item	Year	Financial information for the last 5 years				
		2022	2021	2020	2019	2018
Current assets		20,942,767	21,503,736	14,307,234	17,387,667	17,428,675
Property, plant, and equipment (Note 1)		13,824,070	11,319,898	11,960,389	12,638,857	13,352,838
Intangible assets		0	0	0	0	0
Other assets (Note 1)		13,340,375	13,271,417	10,991,440	11,409,964	12,032,116
Total assets		48,107,212	46,095,051	37,259,063	41,436,488	42,813,629
Current liabilities	Before distribution	16,775,947	14,044,073	7,668,044	11,042,221	12,732,372
	After distribution (Note 2)	19,331,695	18,717,441	9,302,851	12,397,703	13,937,245
Non-current liabilities		2,525,300	2,508,509	2,087,712	6,194,775	6,178,172
Current liabilities	Before distribution	19,301,247	16,552,582	9,755,756	17,236,996	18,910,544
Total	After distribution (Note 2)	21,856,995	21,225,950	11,390,563	18,592,478	20,115,417
Owners' equity		28,805,965	29,542,469	27,503,307	24,199,492	23,903,085
Share capital		7,302,138	7,302,138	10,587,599	10,040,606	10,040,606
Capital surplus		7,684,679	7,684,679	7,287,920	6,592,236	6,592,236
Reserve fund:	Before distribution	14,131,035	14,713,541	10,450,151	8,272,872	7,917,267
Surplus	After distribution (Note 2)	11,575,287	10,040,173	8,815,344	6,917,390	6,712,394
Other equity		(311,887)	(157,889)	(822,363)	(706,222)	(647,024)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Equity Total	Before distribution	28,805,965	29,542,469	27,503,307	24,199,492	23,903,085
	After distribution (Note 2)	26,250,217	24,869,101	25,868,500	22,844,010	22,698,212

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment. Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: On February 22th, 2023, the 2022 cash dividend distribution was approved by resolution of the board of directors, and reported to the shareholders meeting.

Condensed income statement - consolidated

Unit: Thousands of New Taiwan Dollars

Item	Year	Financial information for the last 5 years				
		2022	2021	2020	2019	2018
Operating revenue		59,972,121	58,795,089	42,866,290	44,863,600	39,769,621
Gross profit		7,513,026	9,473,774	6,620,704	4,131,766	3,324,682
Operating profit and loss		5,186,549	7,059,605	4,421,487	2,106,598	1,275,353
Non-operating income and expenditure		133,612	291,106	68,083	15,534	(20,250)
Net profit before tax		5,320,161	7,350,711	4,489,570	2,122,132	1,255,103
Net profit of continuing operations		4,010,769	5,921,551	3,556,583	1,557,798	888,939
Net profit of the term						
Losses from discontinued units		0	0	0	0	0
Net profit (loss)		4,010,769	5,921,551	3,556,583	1,557,798	888,939
Other comprehensive income (net income after-tax)		(63,252)	640,531	(140,008)	(68,984)	(115,685)
Total comprehensive income for the period		3,947,517	6,562,082	3,416,575	1,488,814	773,254
Net Income Attributable to: Parent company		3,994,004	5,906,247	3,562,064	1,566,059	887,932
Net profit attributable to non-controlling equity		16,765	15,304	(5,481)	(8,261)	1,007
Total comprehensive income attributed to the owners of the parent company		3,936,864	6,556,297	3,418,766	1,494,574	762,869
Total comprehensive income attributed to non-controlling equity		10,653	5,785	(2,191)	(5,760)	10,385
Earnings per share		5.47	5.95	3.52	1.56	0.88

Condensed income statement - individual

Unit: Thousands of New Taiwan Dollars

Item	Year	Financial information for the last 5 years				
		2022	2021	2020	2019	2018
Operating revenue		47,003,192	45,569,308	34,263,435	35,247,359	34,692,282
Gross profit		6,475,829	7,986,476	6,062,161	4,117,593	3,177,085
Operating profit and loss		4,648,949	6,006,802	4,267,440	2,549,525	1,593,327
Non-operating income and expenditure		406,883	1,195,203	121,705	(460,135)	(366,522)
continuing operations department						
Net profit before tax		5,055,832	7,202,005	4,389,145	2,089,390	1,226,805
Losses from discontinued units		0	0	0	0	0
Net profit of the term		3,994,004	5,906,247	3,562,064	1,566,059	887,932
Other comprehensive income (net income after-tax)		(57,140)	650,050	(143,298)	(71,485)	(125,063)
Total comprehensive income for the period		3,936,864	6,556,297	3,418,766	1,494,574	762,869
Earnings per share		5.47	5.95	3.52	1.56	0.88

(II) Names of the certification accountants and their audit opinions for the last 5 years

Year	Names of the certification accountants	Audit opinion	Description
2022	Cihui Li and Hsinying Kuo	Unqualified opinion	None
2021	Cihui Li and Hsinying Kuo	Unqualified opinion	None
2020	Cihui Li and Hsinying Kuo	Unqualified opinion	None
2019	Huizhi Kou and Hsinying Kuo	Unqualified opinion	None
2018	Huizhi Kou and Hsinying Kuo	Unqualified opinion	None

## II. Financial analysis for the last five years

### (I) Financial analysis—consolidated

Analysis Item (Note 2)		Year (Note 1)	Financial analysis for the last five years				
			2022	2021	2020	2019	2018
Financial structure (%)	Debt-to-assets ratio		47.20	46.33	37.62	49.04	50.55
	Long-term capital property, plant, and equipment ratio		160.50	180.03	166.42	162.97	150.13
Solvency (%)	Current ratio		131.19	136.53	153.39	146.83	131.33
	Quick ratio		29.87	30.18	43.37	32.32	31.34
	Interest coverage ratio		18.49	49.57	23.51	7.80	6.36
Operating ability	Receivables turnover ratio (times)		14.82	15.13	12.99	13.46	11.37
	Average collection period		24.62	24.12	28.09	27.11	32.10
	Inventory turnover ratio (times)		2.66	3.01	2.77	2.75	3.06
	Payable turnover ratio (times)		19.50	17.85	15.61	18.26	17.59
	Average days of sales		137.21	121.26	131.76	132.72	119.13
	Property, plant, and equipment turnover ratio (times)		3.15	3.23	2.25	2.22	1.93
	Total asset turnover ratio (times)		1.10	1.06	0.96	0.94	0.82
Profitability	Return on assets (%)		7.72	12.10	8.05	3.73	2.38
	Return on equity (%)		13.68	20.62	13.68	6.45	3.70
	Paid-in capital to income before tax (%)		72.86	100.67	42.40	21.14	12.50
	Net profit margin (%)		6.69	10.07	8.30	3.47	2.24
	Earnings per share (NT\$)		5.47	5.95	3.52	1.56	0.88
Cash flows	Cash flow ratio (%)		30.37	(4.58)	67.53	24.46	(31.10)
	Cash flow adequacy ratio (%)		42.31	21.05	44.89	29.59	30.78
	Cash reinvestment ratio (%)		3.72	(4.65)	14.66	4.83	(13.14)
Leverage	Operating leverage		1.98	1.73	2.07	3.05	3.98
	Financial leverage		1.06	1.02	1.04	1.16	1.21

The reasons that caused the changes in financial ratios of more than 20% in the last two years:

1. The interest coverage ratio decreased to 18.49, the ratio of operating income to paid-in capital decreased to 71.03%, and the ratio of ratio of net income before tax to share capital decreased to 72.86%. The main reason is that operating income decreased by NT\$1,873,056 thousand, a decrease of 26.53%, and net income before tax decreased by NT\$2,030,550 thousand, a decrease of 27.62% compared to the previous year.
2. The return on assets decreased to 7.72%, while return on equity decreased to 13.68% and net profit margin of 6.69%. This is mainly due to the Company's net income decreased by NT\$1,910,782 thousand, a decrease of 32.27% compared with the previous year.
3. Cash flow ratio increased to 30.37%, cash flow adequacy ratio increased to 42.31% and cash reinvestment ratio increased to 3.72%. This was primarily because of increase of net cash inflow from operating activities by NT\$7,917,912 thousand, an increase of 752.31% compared with the previous year

Note 1: The annual financial reports have been audited by certified public accountant.

Note 2: Financial ratio calculation formulae are as follows:

1. Financial structure
  - (1) Debt-to-assets ratio = total liabilities / total assets.
  - (2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventories - prepaid expenses - contract assets) / current liabilities.
  - (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
  - (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
  - (2) Average collection period = 365 / receivables turnover.
  - (3) Inventory turnover = cost of goods sold / average inventory.
  - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
  - (5) Average days of sales = 365 / inventory turnover.
  - (6) (Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
  - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
  - (1) Return on assets = (net income + interest expenses × (1 - tax rate)) / average total assets.
  - (2) Return on equity = net income / average total equity.
  - (3) Net profit margin = net income / net sales.
  - (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued.
5. Cash flows
  - (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
  - (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
  - (3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
  - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating income.
  - (2) Financial leverage = operating income / (operating income - interest expenses).

## (II) Financial analysis—individual

Analysis Item (Note 2)		Year (Note 1)	Financial analysis for the last five years				
			2022	2021	2020	2019	2018
Financial Structure (%)	Debt-to-assets ratio		40.12	35.91	26.18	41.60	44.17
	Long-term capital property, plant, and equipment ratio		226.64	283.14	247.41	240.48	225.28
solvency(%)	Current ratio		124.84	153.12	186.58	157.47	136.88
	Quick ratio		28.59	35.55	50.16	46.61	44.63
	Interest coverage ratio		40.82	209.65	54.82	15.09	9.56
Management capacity	Receivables turnover ratio (times)		12.33	12.47	10.00	7.85	8.35
	Average collection period		29.60	29.27	36.50	46.53	43.71
	Inventory turnover ratio (times)		2.51	2.82	2.52	2.65	3.56
	Payable turnover ratio (times)		21.20	19.43	18.89	20.80	22.43
	Average days of sales		145.41	129.43	144.84	137.73	102.52
	Property, plant, and equipment turnover ratio (times)		3.74	3.91	2.79	2.71	2.58
	Total asset turnover ratio (times)		0.98	0.99	0.92	0.85	0.81
Profitability	Return on assets (%)		8.69	14.24	9.22	4.00	2.53
	Return on equity (%)		13.69	20.71	13.78	6.51	3.71
	Paid-in capital	Operating income	63.67	82.26	40.31	25.39	15.87
	Paid-in capital ratio (%)	Income before tax	69.24	98.63	41.46	20.81	12.22
	Net profit margin (%)		8.50	12.96	10.40	4.44	2.56
	Earnings per share (NT\$)		5.47	5.95	3.52	1.56	0.88
Cash Flow	Cash flow ratio (%)		32.06	3.28	109.45	32.61	(36.06)
	Cash flow adequacy ratio (%)		49.51	40.18	63.66	52.60	54.51
	Cash reinvestment ratio (%)		1.30	(2.17)	13.88	4.74	(12.15)
Leverage	Operating leverage		1.81	1.64	1.84	2.23	2.84
	Financial leverage		1.03	1.01	1.02	1.06	1.10

The reasons that caused the changes in financial ratios of more than 20% in the last two years:

- 1.The interest coverage ratio decreased to 40.82, the ratio of operating income to paid-in capital decreased to 63.67%, and the ratio of ratio of net income before tax to share capital decreased to 69.24%. The main reason is that operating income decreased by NT\$1,357,853 thousand, a decrease of 22.61%, and net income before tax decreased by NT\$2,146,173 thousand, a decrease of 29.80% compared to the previous year.
- 2.The return on assets decreased to 8.69%, while return on equity decreased to 13.69% and net profit margin of 8.50%. This is mainly due to the Company's net income decreased by NT\$1,912,243 thousand, a decrease of 32.38% compared with the previous year.
- 3.Cash flow ratio increased to 32.06%, cash flow adequacy ratio increased to 49.51% and cash reinvestment ratio increased to 1.30%. This was primarily because of increase of net cash inflow from operating activities by NT\$4,918,757 thousand, an increase of 1,068.96% compared with the previous year.

Note 1: The annual financial reports have been audited by certified public accountant.

Note 2: Financial ratio calculation formulae are as follows

1. Financial structure
  - (1) Debt-to-assets ratio = total liabilities / total assets.
  - (2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventories - prepaid expenses - contract assets) / current liabilities.
  - (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
  - (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
  - (2) Average collection period = 365 / receivables turnover.
  - (3) Inventory turnover = cost of goods sold / average inventory.
  - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
  - (5) Average days of sales = 365 / inventory turnover.
  - (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
  - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
  - (1) Return on assets = (net income + interest expenses × (1 - tax rate)) / average total assets.
  - (2) Return on equity = net income / average total equity.
  - (3) Net profit margin = net income / net sales.
  - (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued.
5. Cash flows
  - (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
  - (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
  - (3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
  - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating income.
  - (2) Financial leverage = operating income / (operating income - interest expenses).



**III. Report of the Audit Committee on the Review of Recent Individual and Consolidated Financial Report**

**Audit Committee's Audit Report**

The Board of Directors made the Company's 2022 business report, financial statements (including consolidated and stand alone financial statements) and appropriation of earnings, among which the financial statements (including consolidated and stand alone financial statements) were certified by CPAs Cihui Li and Hsinying Kuo of KPMG Taiwan, and the CPAs issued an audit report that expresses unqualified opinion. These have been reviewed by the Audit Committee as correctly portraying ASE's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is submitted for shareholder's examination.

To:

The Company's 2023 General Shareholders Meeting

Tung Ho Steel Enterprise Corporation  
Audit Committee convener: Yichi Liu

February 22, 2023

**IV. Latest financial statements: Please see page 153 of the annual report for details.**

**V. Latest accountant audited individual financial report:**

Please see page 241 of the annual report for details.

**VI. Effects of financial difficulties experienced by the company and its affiliated companies on the Company's financial status from recent year to the publication date of the annual report: None.**

## Chapter 7. Financial position and financial performance review analysis and risk assessments of the Compny and subsidiaries

### I. Financial summary

#### (I) Comparative analysis of financial status-consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	29,655,048	21,192,142	(1,739,121)	(5.54)
Long-term investments	2,081,927	1,842,457	(82,979)	(3.83)
Property, plant and equipment	20,038,567	18,390,406	2,036,533	11.31
Intangible assets	179,458	163,396	(6,153)	(3.31)
Investment properties	1,924,962	1,936,246	(3,978)	(0.21)
Other assets	886,585	896,440	(840,507)	(48.67)
Total assets	54,766,547	44,421,087	(636,205)	(1.15)
Current liabilities	22,605,252	13,815,783	(388,439)	(1.69)
Long-term liabilities	3,246,781	2,897,479	570,305	21.31
Other liabilities	0	0	0	0.00
Total liabilities	25,852,033	16,713,262	181,866	0.71
Share capital	7,302,138	10,587,599	0	0.00
Capital surplus	7,684,679	7,287,920	0	0.00
Retained earnings	14,131,035	10,450,151	(582,506)	(3.96)
Other equity	(311,887)	(822,363)	(153,998)	(97.54)
Total equity attributable to parent company owners	28,805,965	27,503,307	(736,504)	(2.49)
Non-controlling interest	108,549	204,518	(81,567)	(42.90)
Total equity	28,914,514	27,707,825	(818,071)	(2.75)
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)				
1.Other assets: There is a decrease of NT\$ 840,507 thousand over the previous year mainly due to the prepayment of NT\$ 645,463 thousand as a deposit to the "National Property Administration, Ministry of Finance" for the "Development Project of Donghe Guanyin Industrial Park in Guanyin District, Taoyuan City" this year. The following is due to complete the valuation procedure to transfer fixed assets in this year.				
2.Long-term liabilities: There is an increase of NT\$570,305 thousand compared to the previous year, mainly due to i.the influence of operating and investing activities, and increased long-term borrowings by NT\$708,175 thousand. ii.Net defined benefit liability decreased by NT\$143,030 thousand.				
3.Other equity: There is a decrease of NT\$153,998 thousand compared to the previous year, mainly due to the decrease of NT\$153,114 in the unrealized profit and loss difference of financial assets measured at fair value through other comprehensive profit and loss, which was affected by the increase and decrease of the stock price and fair value of the investment company.				

## (II) Comparative analysis of financial position - individual

Unit: Thousands of New Taiwan Dollars

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	20,942,767	21,503,736	(560,969)	(2.61)
Long-term investments	11,035,533	10,193,116	842,417	8.26
Property, plant and equipment	13,824,070	11,319,898	2,504,172	22.12
Intangible assets	0	0	0	0.00
Investment properties	1,924,962	1,991,799	(66,837)	(3.36)
Other assets	379,880	1,086,502	(706,622)	(65.04)
Total assets	48,107,212	46,095,051	2,012,161	4.37
Current liabilities	16,775,947	14,044,073	2,731,874	19.45
Long-term liabilities	2,525,300	2,508,509	16,791	0.67
Other liabilities	0	0	0	0.00
Total liabilities	19,301,247	16,552,582	2,748,665	16.61
Share capital	7,302,138	7,302,138	0	0.00
Capital surplus	7,684,679	7,684,679	0	0.00
Retained earnings	14,131,035	14,713,541	(582,506)	(3.96)
Other equity	(311,887)	(157,889)	(153,998)	(97.54)
Total equity	28,805,965	29,542,469	(736,504)	(2.49)
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)				
1.Fixed assets: There is an increase of NT\$2,504,172 thousand compared to the previous year, mainly due to overall operational purposes, an increase of NT\$2,430,000 thousand in land, plant, buildings and equipment in Xiaogang District, Kaohsiung City was acquired through court auction during the year.				
2.Other assets: There is a decrease of NT\$ 706,622 thousand over the previous year mainly due to the prepayment of NT\$ 645,463 thousand as a deposit to the "National Property Administration, Ministry of Finance" for the "Development Project of Donghe Guanyin Industrial Park in Guanyin District, Taoyuan City" this year. The following is due to complete the valuation procedure to transfer fixed assets in this year.				
3.Other equity: There is a decrease of NT\$153,998 thousand compared to the previous year, mainly due to the decrease of NT\$153,114 in the unrealized profit and loss difference of financial assets measured at fair value through other comprehensive profit and loss, which was affected by the increase and decrease of the stock price and fair value of the investment company.				

## II. Financial performance

### (I) Comparative analysis of operating performance-consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year	2022	2021	Amount increase (decrease)	Percentage of change (%)
Total operating income	60,425,022	59,287,514	1,137,508	1.92
Less: Sales returns	5,060	6,018	(958)	(15.92)
Sales discounts	447,841	486,407	(38,566)	(7.93)
Net operating income	59,972,121	58,795,089	1,177,032	2.00
Operating costs	52,459,095	49,321,315	3,137,780	6.36
Gross profit	7,513,026	9,473,774	(1,960,748)	(20.70)
Operating expenses	2,326,477	2,414,169	(87,692)	(3.63)
Net operating profit	5,186,549	7,059,605	(1,873,056)	(26.53)
Non-operating income and expenditure	133,612	291,106	(157,494)	(54.10)
Net profit before tax	5,320,161	7,350,711	(2,030,550)	(27.62)
Less: Income tax expenses	1,309,392	1,429,160	(119,768)	(8.38)
Net profit of the term	4,010,769	5,921,551	(1,910,782)	(32.27)
Other comprehensive income (net income after-tax)	(63,252)	640,531	(703,783)	(109.87)
Total comprehensive income for the period	3,947,517	6,562,082	(2,614,565)	(39.84)
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)				
1.Gross profit: There is a decrease of NT\$1,960,748 thousand compared to the previous year, mainly due to the rising international energy price affected by the Russia-Ukraine war, the rising price of raw material scrap and the decrease of shipments of section steel due to the delay of large-scale plant construction, which resulted in adverse cost price differences and quantity differences.				
2.Non-operating income and expenses: There is a decrease of NT\$157,494 thousand compared to the previous year, mainly due to The increase in the average amount of financing compared to the previous year and the impact of the People's Bank of China interest rate hike resulted in an increase of NT\$152,107 thousand in financial costs.				
3.Other comprehensive income (net income after tax): There is an increase of NT\$703,783 thousand compared to the previous year, mainly due to				
(1)The influence of the rise and depreciation of the dong, the appreciation of the VND in the previous year and the depreciation of the VND in the current year resulted in an increase of NT\$450,412 thousand and a decrease of NT\$40,488 thousand in the exchange balance of the financial statements of foreign operating institutions, respectively.				
(2)Due to the increase of NT\$209,272 thousand and a decrease of NT\$153,114 thousand in the unrealized profit and loss difference of financial assets measured at fair value through other comprehensive profit and loss, which was affected by the increase and decrease of the stock price and fair value of the investment company for the previous and the current year.				
(3)An increase of NT\$81,232 thousand in the re-measurement of the defined benefit plan.				
4. To sum up, the total operating profit, pre-tax net profit, current net profit and other comprehensive profit and loss decreased by NT\$1,873,056 thousand, NT\$2,030,550 thousand, NT\$1,910,782 thousand and NT\$2,614,565 thousand, respectively.				

## (II) Comparative analysis of operating performance - individual

Unit: Thousands of New Taiwan Dollars

Item \ Year	2022	2021	Amount increase (decrease)	Percentage of change (%)
Total operating income	47,271,044	45,916,706	1,354,338	2.95
Less: Sales returns	970	1,438	(468)	(32.55)
Sales discounts	266,882	345,960	(79,078)	(22.86)
Net operating income	47,003,192	45,569,308	1,433,884	3.15
Operating costs	40,527,363	37,582,832	2,944,531	7.83
Gross profit	6,475,829	7,986,476	(1,510,647)	(18.92)
Less: Unrealized gains from sales	64,907	96,349	(31,442)	(32.63)
Plus: Realized sales profit	96,349	82,953	13,396	16.15
Gross profit	6,507,271	7,973,080	(1,465,809)	(18.38)
Operating expenses	1,858,322	1,966,278	(107,956)	(5.49)
Net operating profit	4,648,949	6,006,802	(1,357,853)	(22.61)
Total non-operating income and expenses	406,883	1,195,203	(788,320)	(65.96)
Net profit (loss) before tax	5,055,832	7,202,005	(2,146,173)	(29.80)
Less: Income tax expenses	1,061,828	1,295,758	(233,930)	(18.05)
Net profit (loss)	3,994,004	5,906,247	(1,912,243)	(32.38)
Other comprehensive income (net income after-tax)	(57,140)	650,050	(707,190)	(108.79)
Total comprehensive income for the period	3,936,864	6,556,297	(2,619,433)	(39.95)
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)				
1.Unrealized gains from sales: There is a decrease of NT\$31,442 thousand compared to the previous year, mainly due to the difference in the level of inventories sold by the Company to its subsidiary Tung Kang Steel Structure Corporation at the end of 2022 and 2021 which have not yet been put into production.				
2.Gross profit: There is a decrease of NT\$1,510,647 thousand compared to the previous year, mainly due to the rising international energy price affected by the Russia-Ukraine war, the rising price of raw material scrap and the decrease of shipments of section steel due to the delay of large-scale plant construction, which resulted in adverse cost price differences and quantity differences.				
3.Non-operating income and expenses: There is a decrease of NT\$788,320 thousand compared to the previous year, mainly due to				
(1)During the year, the operation of the investment company was affected by the international economic environment, resulting in a decrease of NT\$855,611 thousand in the share of the profit and loss of associates recognized by the equity method..				
(2)The increase in the average amount of financing compared to the previous year and the impact of the People's Bank of China interest rate hike resulted in an increase of NT\$91,620 thousand in financial costs.				
4.Other comprehensive income (net income after tax): There is a decrease of NT\$707,190 thousand compared to the previous year, mainly due to				
(1)The influence of the rise and depreciation of the dong, the appreciation of the VND in the previous year and the depreciation of the VND in the current year resulted in an increase of NT\$450,412 thousand and a decrease of NT\$40,488 thousand in the exchange balance of the financial statements of foreign operating institutions, respectively.				
(2)Due to the increase of NT\$209,272 thousand and a decrease of NT\$153,114 thousand in the unrealized profit and loss difference of financial assets measured at fair value through other comprehensive profit and loss, which was affected by the increase and decrease of the stock price and fair value of the investment company for the previous and the current year.				
(3)An increase of NT\$81,501 thousand in the re-measurement of the defined benefit plan.				
To sum up, the total operating profit, pre-tax net profit, current net profit and other comprehensive profit and loss decreased by NT\$1,357,853 thousand, NT\$2,146,173 thousand, NT\$1,912,243 thousand and NT\$2,619,433 thousand, respectively.				

### III. Cash flows

#### (I) 1.Liquidity analysis for the last two years -consolidated

Item \ Year	2022	2021	Increase (decrease) ratio (%)
Cash flow ratio (%)	30.37	(4.58)	763.10
Cash flow adequacy ratio (%)	42.31	21.05	101.00
Cash reinvestment ratio (%)	3.72	(4.65)	180.00
Analysis description for items with increase and decrease ratio change of over 20% is as follows: Cash flow ratio increased to 30.37%, cash flow adequacy ratio increased to 42.31% and cash reinvestment ratio increased to 3.72%. This was primarily because of increase of net cash inflow from operating activities by NT\$7,917,912 thousand, an increase of 752.31% compared with the previous year.			

#### 1.Cash flow analysis for the coming year - consolidated

Unit: Thousands of New Taiwan Dollars

Cash balance at beginning of year	Annual net cash flow from operation activities	Cash outflow for the entire year	Cash surplus (shortage) amount	Cash surplus at the end of the period	Cash shortfall remedy measures	
					Investment plan	Financing plan
2,126,513	6,045,687	(3,998,260)	(2,346,930)	1,827,010	N/A	Applicable

##### 1. Cash flow status analysis:

- (1) Cash inflows from operating activities amounted to about NT\$6 billion: It mainly includes net profit after tax and depreciation and amortization expenses.
- (2) Cash outflows from investment activities amounted to about NT\$4 billion: It mainly purchases property, plant and equipment.
- (3) Cash outflows from financing activities amounted to about NT\$2.3 billion: It mainly pays cash dividends and increase bank borrowing.

##### 2. Insufficient liquidity improvement plan and liquidity analysis: Not applicable.

##### 3. Cash flow analysis for the coming year Not applicable.

#### (II) Liquidity analysis for the last two years-individual

Item \ Year	2022	2021	Increase (decrease) ratio (%)
Cash flow ratio (%)	32.06	3.28	877.44
Cash flow adequacy ratio (%)	49.51	40.18	23.22
Cash reinvestment ratio (%)	1.30	(2.17)	159.91
Analysis description for items with increase and decrease ratio change of over 20% is as follows: Cash flow ratio increased to 32.06%, cash flow adequacy ratio increased to 49.51% and cash reinvestment ratio increased to 1.30%. This was primarily because of increase of net cash inflow from operating activities by NT\$4,918,757 thousand, an increase of 1,068.96% compared with the previous year.			

## Cash flow analysis for the coming year - Individual

Unit: Thousands of New Taiwan Dollars

Cash balance at beginning of year	Annual net cash flow from operation activities	Cash outflow for the entire year	Cash surplus (shortage) amount	Cash surplus at the end of the period	Cash shortfall remedy measures	
					Investment plan	Financing plan
518,048	4,232,458	(3,283,000)	(955,748)	511,758	N/A	N/A

### 1. Cash flow change analysis in the year:

- (1) Cash inflows from operating activities amounted to about NT\$4.2 billion: It mainly includes net profit after tax and depreciation and amortization expenses.
- (2) Cash outflows from investment activities amounted to about NT\$3.3 billion: Cash flow mainly for acquisition of property, plant and equipment and adding investment for the new subsidiaries.
- (3) Cash outflows from financing activities amounted to about NT\$1 billion: It mainly pays cash dividends and increase bank borrowing.

### 2. Insufficient liquidity improvement plan and liquidity analysis: Not applicable.

### 3. Cash flow analysis for the coming year Not applicable.

## IV. The effects that significant capital expenditures have on financial operations in the recent year: None.

## V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year:

### (I) Investment policy in the past year

The Company's investment policy involves management of domestic and foreign investments and deployment in upstream and downstream industries to meet business needs. The investment management is in accordance with the Procedures for Acquisition and Disposal of Assets and Rules for Management of Investee Companies, in order to keep track of the financial and business conditions of investee companies, and supervise that it is implemented or handled in accordance with laws and regulations to optimize operating performance.

### (II) Profit/loss analysis, improvement plan, and investment plan for the coming year: None.

## VI. Risk issues and analysis evaluation

### (I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

Unit: Thousands of New Taiwan Dollars; %

Item	2022	2021
Net operating income	59,972,121	58,795,089
Net interest gains (losses)	(282,674)	(134,091)
Net exchange gains (losses)	(23,408)	67,828
Ratio of net interest gains (losses) to net sales (%)	(0.47)	(0.23)
Ratio of net exchange gains (losses) to net sales (%)	(0.04)	0.12

## 1. Interest rate changes

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Company's interest rate risks arise from the liabilities and financial investments of operating activities. Given that the Company's interest income and expenses are affected by interest rate changes in Taiwan and the U.S., the Company's funding needs are mainly from cash inflow from operating activities, long-term and short-term borrowings to reduce interest rate risks, while some are from long-term bonds with fixed interest rates. In terms of financial investment, the Company mainly focus on short-term fixed-income securities with high liquidity and high rating to preserve capital and maintain liquidity. However, the hedging only offset part of the financial impact that arise from interest rate fluctuations.

For the cost of capital required for operation of the Group, it will use the bank cooperation degree and the trend of the practical interest rate to obtain more favorable funds for the Group. The net interest payments account for a small proportion of the net operating income, and the changes in interest rates have not had a significant impact on the Group. In addition, the Group keeps close contact with the banks at all times, and pays attention to the changes in the market, so as to obtain more favorable interest rates from the banks. The Group has been closely monitoring the changes in market interest rates and raising funds by issuing convertible bonds at appropriate times to lock in interest costs and reduce the Company's interest burden. Major capital expenditures will also be carefully evaluated and compared with other sources to finance with lower costs.

## 2. Foreign exchange rate changes

Exchange rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exchange rate risk refers to the exchange rate risk arising from exposure to sales, procurement and borrowing transactions denominated in non-functional currencies.

The Company's primary products include rebar, structural steel. The majority of rebar sales customers were located in Taiwan and were denominated in NT\$, the ratio of domestic and export sales of structural steel in the year of 2022 was about 89: 11, and the total amount of export sales accounts for about 5% of the revenue, and the amount of export sales in the year of 2022 was about NT\$2.35 billion. The ratio of domestic and export sales of structural steel for the Group in the year of 2022 was about 92: 8, and the total amount of export sales accounts for about 3% of the revenue, and the amount of



export sales in the year of 2022 was about NT\$1.578 billion. Main quoted currency for export and import is USD, the import and sales USD and foreign currency balance each other. 50% of the main raw material scrap steel was also purchased domestically in NT dollars. Hence, there were no foreign exchange rate risks. The export of products and 50% import of raw materials are mainly denominated in US dollars. The gap between foreign currency gains and losses is affected by foreign exchange rate fluctuations. As such, sharp fluctuations in NTD/ USD exchange rate will have evident impact on the Company's financial status. Exchange loss of NT\$23,408 thousand was incurred in 2022, which accounted for 0.04% and 0.45% of annual operating revenue and operating profit, respectively, exerting limited impact on the Company's annual sales and profits. In order to avoid the risk of exchange rate change, the main exchange rate hedging tool is long-term foreign exchange, and the fair value changes of derivative financial instruments are listed in profit and loss, and the following specific measures are taken to avoid exchange risks:

- (1) The Company collects daily information for foreign exchange rate changes to keep track of foreign exchange rate trends, and make timely decisions related to currency conversion or hold foreign currency debts. It also consult with the bank's foreign exchange department for hedging strategies, and decide on foreign currency positions according to the actual funding needs and foreign exchange rates.
  - (2) In terms of FX budgeting, the exchange of foreign currency claims and liabilities can have a natural hedging effect through regular export and import trade.
  - (3) It also consult with the bank's foreign exchange department for hedging strategies, and decide on foreign currency positions according to the actual funding needs and foreign exchange rates.
3. Inflation, deflation and overall market volatility
- Any sudden change in market consensus for inflation and deflation will often affect the global economy. Market efficiency may be reduced for both high inflation or deflation, which influence consumers in making investment decisions, and tend to negatively effect the macro and micro economy. In recent years, the political turmoil among the world's major economies and ultra-loose monetary policies have exacerbated the effect of market consensus for inflation or deflation on market volatility. The market fluctuations caused by policy changes have no direct impact on the Company, but may indirectly affect the willingness of countries for capital investments on national construction, which will thereby affect the medium and long-term steel demand.

In 2022, Taiwan's moderate inflation (based on the average consumer price index of the Directorate General of Budget, Accounting and Statistics) is around 2.95%, which has no material impact on the Company's sales. Nonetheless, the Company cannot guarantee that there will be no major changes in nature, extent or scope of inflation or deflation in the future, which may adversely affect the Company's sales.

**(II)** The primary reasons for gain or loss and future response measures for high-risk and high-leveraged investments, loans to others, guarantee endorsements, and derivative transaction policy:

1. The Company has not engaged in high-risk, high-leveraged financial investments in recent years. The primary reason for buying U.S. Dollar and engaging in long-term foreign exchange, option operations, and interest rate swap operations is to circumvent exchange rate and interest rate fluctuations and stabilize sales costs and capital costs. The company has not suffered any significant losses from engaging in derivative transactions. In addition, the company's derivative transaction policy is based on the actual hedging demand, and the relevant operations are handled based on the company's "Policies and Procedures for Financial Derivatives Transactions."
2. As of the end of 2022, the Company has short-term financing loans and actual working expenditure for the subsidiary's (Tung Ho Steel Vietnam Corp., Ltd.) operating turnover requirements of NT\$921,300 (Thousands of New Taiwan Dollars). The maximum amount of the Company's loan is 20% of the net value; The credit limit for a single enterprise is 10% of net worth, the Company's loaning of funds to others are handled in accordance with the "Procedures for Extending Loans to Others" of the Company and its subsidiaries.
3. As of the end of 2022, due to the financing guarantees of subsidiary, the actual disbursement amount endorsements / guarantees for the subsidiaries Fujian Tung Kang Steel Co., Ltd. and Tung Ho Steel Vietnam Co., Ltd. were NT\$92,832 (Thousands of New Taiwan Dollars) and NT\$3,301,413 (Thousands of New Taiwan Dollars). The subsidiary Tung Yuan International Corp. has provided endorsements/ guarantees for the investment in Fujian Sino-Japan Metal Corp. The actual disbursement amount of endorsements/ guarantees is NT\$161,228 (Thousands of New Taiwan Dollars). The Company endorses to a maximum of 50% of the net value; An endorsement guarantee for a single business is limited to 50% of net worth, the endorsements / guarantees by the Company and its subsidiaries are handled in accordance with the "Procedures for Endorsements and Guarantees" of the Company and its subsidiaries.

**(III)** Future R&D projects and estimated R&D expenditure:

1. In terms of steelmaking: Development of high-definition and toughness steel billet, development of ultra-high-strength steel development, project research on electric furnace off-gas detection, dynamic control furnace burners, and carbon injections, research on ORC power generation technology for electric furnace waste heat recovery, technology development on electric furnace low-carbon green processes, research on electric furnace scrap preheating and continuous feeding process, etc.
2. In terms of steel rolling: Leading R&D plan in developing the new technology for low-energy direct rolling to increase tensile strength of ultra-high-strength re-bar by more than 1.6 times, development of billet welding technology and application of direct rolling technology for continual re-bar rolling, development of H-beam/ steel plate on-line size automatic measurement and surface defect detection system, development of intelligent combustion control system for heating furnace, and the R&D plan for tandem reciprocating universal edging round profiled material rolling technology, in order to diversify our products, enhance our technical capability, and increase the Company's revenue and profit.
3. Other: Artificial intelligence technology application and intelligent factory technology development, comprehensive and innovative solutions in the iron and steel industry circular economy, research on renewable energy (solar, wind, biogas power generation), research on the energy storage system , R&D on carbon capture utilization and storage (CCUS) technology, various new technology research and development plans such as applied research, comprehensive and innovative solutions for circular economy in the iron and steel industry, etc.
4. The company is expected to invest another NT\$100 million for R&D.

**(IV)** The affect that domestic and international policies and law changes have on the company's financial operations as well as the responding measures:

The Company has kept close track of policies and regulations that may affect the Company's business operations, and formulated relevant risk management procedures. As of 2022 and 2023 up to the date of publication of the annual report, the Company's major changes in law in regard to business operations:

1. On March 4, 2022, the Financial Supervisory Commission amended Articles 3 and 6 of "Measures for Recording and Complying with Matters in the Procedures Manual of Shareholders' Meetings of Publicly issued Companies", which are mainly in accordance with the provisions of Paragraph 3, Article 172-2 and of the Company Act. The Company shall open video conferences of shareholders' meetings publicly. Therefore, the forms of shareholders' meetings can be divided into physical shareholders' meetings,

video supplementary shareholders' meetings and video shareholders' meetings. In order to make shareholders understand the convening method of shareholders' meetings, a new and modified part of articles were added. On November 15 of the current year, the Legislative Yuan amended Article 22-1 of the "Securities and Exchange Act". In view of the occurrence of force majeure events such as the spread of the epidemic and the increasing popularity of shareholders' participation in the shareholders' meeting and exercise of shareholders' rights by video, it specified that the stock handling criteria of publicly issued stock companies must stipulate the matters to be followed by the shareholders' meeting handling by video conference and electronic voting, so shareholders can participate in the shareholders' meeting, and implement the spirit of corporate governance. The company has synchronized supporting internal correction method in accordance with the law.

2. Article 3, 7 and 19 of "Procedures of the Board of Directors of Public Issuing" amended by the Financial Supervisory Commission on August 5, 2022, which include: In consideration of major matters related to the company's operation, the directors shall evaluate their proposals with sufficient information and time before making decisions. They shall be listed in the reasons for convening, and shall not be put forward as urgent motions or justifiable reasons. The election of the Chairman shall be made by resolution of the Board of Directors or the Executive Board of Directors, and his relieve shall also be made by resolution of the former Board of Directors or the Executive Board of Directors, the election and election of the chairman are both important matters of the company, and the election or relieve of the chairman shall be referred to the Board of Directors or the Executive Board of Directors for discussion.
3. Article 45 of the "Trade Union Act" amended by the Legislative Yuan on November 15, 2022, this amended act focuses on protecting the right of labor solidarity, negotiation and dispute, and strengthening and urging employers not to give unfavorable treatment to workers or otherwise affect, hinder the operation and autonomy of the trade union and other improper labor practices. The fine will be increased to deter employers from taking chances and avoid breaching it. In addition, with reference to the provisions of the Labor Occupational Accident Insurance, Protection Law and the Law on the Settlement of Labor Disputes, the basis for imposing other adverse disciplinary measures against the violation of Paragraph 1 of Article 35 of this Law is specified, and "punishment affecting reputation" is disposed, so as to make the effect of punishment and alert against the violators. In addition, if the employer or those who exercise management power on behalf of the employer violate the provisions of Paragraph 1, Article 35 of this Law and do not act or fail to act within a certain period as specified in

the ruling, the fine limit will be increased moderately in order to strengthen the utility of supervising the employer. In order to maintain Labor harmony and Labor protection, the Company should also adhere to the law.

(V) The effect that technological changes (including information security risks) and industrial changes have on the company's financial operations as well as the responding measures:

1. Information security risk assessment:

In accordance with relevant laws and regulations, the Company shall take into account company goals to conduct information security risk assessment, determine various information security requirements, and adopt necessary information security measures to ensure continual operations and minimize operating losses.

2. Information Security and Cyber Risk Analysis - Information Asset Risk Analysis

Name of the asset	Risk event		Existing control measures
	Weakness	Threat	
Server	System vulnerabilities	System hacked	Routinely fix system vulnerabilities
	No system backup	Difficult system recovery	System virtualization and backup on different hosts
	No data backup	Data corruption	Duplicate hard disk backup and tape backup
	No strict control over the account	Unauthorized access Informaton was stolen	The account password must meet complexity requirements and changed regularly
	Natural disaster	System crash	Set up remote backup system
PC	System vulnerabilities	System hacked	Install Windows Server Update Services (WSUS) for system security updates
	Computer virus	Malware infection	Establish a centralized antivirus system to cyber security monitoring and incident exclusion.
Application system	No periodic authorization checks	Unauthorized access to information	Annual review of user permissions
	No stringent program testing	Data error	Program modification for rigorous operation processes
Employees	Lack of cyber security awareness	Computer is infected Stolen account and data	Advocacies on information security on an irregular basis

3. The impact of information systems malfunction on the Company's business and countermeasures:

- (1) The Company will gradually establish a high availability remote host and data backup mechanism for the information system structure based on its risk level to ensure uninterrupted services.
- (2) The backup media will be sent for remote storage, strengthening the system

backup and recovery drills to ensure normal operations of the information system and data preservation, and thereby lowering the risk of system interruption caused by unexpected natural disasters and human negligence, while ensuring that the recovery time is in line with expectations.

- (3) According to the recent cyber threat analysis, the source of threat mostly comes from external hacks, followed by human negligence and lack of information security awareness of internal employees, while the root causes behind these information security incidents are due to system vulnerabilities or execution of unknown malware. Therefore, we will subsequently attach more importance on task executions. Although we have a backup and recovery mechanism for the last line of defense after information security incidents, losses from information security incidents may be greatly reduced if precautions are taken.

4. Industry changes:

In 2022 and as of the publication date of the annual report, the Company's operational strategies include continuous efforts in improving our technical capability and management efficiency, lowering production costs, and ramping up collaboration of production and sales so that we can raise the Company's competitive advantages in the domestic market. We will also carry out aggressive expansion of our overseas market and customer base simultaneously. Another important strategy of the Company is the continual research and development of new steel products and applications, to further expand and consolidate the company's operational foundation.

The steel products market has the feature of always being deeply affected by changes in the business cycle, which exerted an impact on steel product manufacturing services. Since most of the Company's customers are from industries such as the public construction, automotive, machinery manufacturing, and electronic parts and accessories, the Company's sales and profits are also affected by order fluctuations.

The steel products industry is facing great recession and excess capacity in China. Since the Company's current and future business operations are contributed by customers in the steel products industry, it may be dragged down along with the overall steel manufacturing industry due to the aforementioned industrial recession and excess capacity in the supply chain. As such, the Company's revenue, profits and profitability would be affected if the Company cannot effectively offset the decline in demand through cost reduction or other measures.

In response to continuous industrial and technological changes for steel products, and strengthening the Company's competitive advantage of precision processing would enable it

to produce more advanced steel products. If the Company has not developed the vision for technological improvement and rapidly establish innovative business models, or if competitors unexpectedly obtained more advanced technology, the Company's competitiveness may not be strong enough to win more orders. Although the Company has dedicated efforts in maintaining its R&D advantages, its competitiveness may weaken without the support of leading technologies or business models.

**(VI)** The effects that enterprise image change have on enterprise crisis management as well as the responding measures:

The company has always maintained the operation principles of professionalism, quality, and integrity as well as emphasized on corporate image and risk management. There are currently no foreseeable crisis matters.

**(VII)** Expected benefits and potential risks of merger and acquisition and response measures:

There have been no mergers and acquisitions in 2022 and up to the date of publication of the annual report. However, the changes in market supply/ demand and prices in the global steel market will affect the company's sales and profits. Therefore, the company will kept close track of the changes in market supply and demand for the adjustment in sales strategies, and continue to add value to products in order to mitigate potential risks.

**(VIII)** The expected benefits and possible risks of plant expansion as well as the responding measures:

There have been no plant expansions in 2022 and up to the date of publication of the annual report. However, the changes in market supply/ demand and prices in the global steel market will affect the company's sales and profits. Therefore, the company will kept close track of the changes in market supply and demand for the adjustment in sales strategies, and continue to add value to products in order to mitigate potential risks.

**(IX)** Risks faced by concentrated sales or purchasing as well as the responding measures:

1. The Company has thousands of customers in Taiwan. The total net sales of the top ten customers of the consolidated subsidiary in 2022 accounted for approximately 25.93% of the net sales, of which the largest customer accounted for approximately 5.79%, so there was no sales concentration.
2. In 2022, the top ten suppliers of the Company consolidated its subsidiaries accounted for 32.90% of the consolidated net purchases. Considering that some of the Company's raw materials that were purchased according to company features are from single suppliers, we suspect that demands could not be met if there is no alternative source of supply. We expect the Company's sales and profits to decline if the company cannot timely obtain the required raw materials, or upon surging raw material prices with rising

costs unable to be passed on to customers. Therefore, the Company is committed to purchasing raw materials from different suppliers, or suppliers from different regions, in order to ensure safe raw materials supply, and reduce the risk of concentrated purchasing.

- (X)** The effects that large share equity transfers by directors or major shareholders holding more than 10% of the company shares have on the company as well as risk and responding measures:

The Company's existing shareholders have not engaged in sales of large number of common shares. In 2022 and as of the publication date of the annual report, directors or major shareholders holding more than 10% of the company shares have no risks of large share equity transfers or replacements that may affect the Company's normal operations.

- (XI)** The effects that change in management has on the company as well as risk and responding measures:

There have been no risks from change in management in 2022 and up to the date of publication of the annual report.

- (XII)** In terms of litigation or non-litigation matters, the company and the company's directors, general managers, actual responsible person, shareholders holding more than 10% of the company shares, and affiliated companies, who are involved in a major lawsuit of a subsidiary company that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or securities prices, must be specified.

The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed:

1. There have been no major lawsuits 2022 and up to the date of publication of the annual report.
2. The company's directors, general managers, substantial persons in charge, and major shareholders holding more than 10% of the shares and affiliated companies were not involved in major litigations in 2022 and as of the publication date of the annual report, and there are currently no major litigations still pending.

- (XIII)** Other critical risks and response measures:

1. Risk management

The Company has established the Corporate Governance Committee under the board of directors, covering the corporate governance, corporate social responsibility, ethical management, environmental sustainability, and risk management teams, of which the risk management team is in charge of implementing risk management, coordinating



relevant departments in risk identification, evaluation, management and supervision, and regularly reporting the implementation status to the Corporate Governance Committee. The Corporate Governance Committee is responsible for reporting the overall risk management implementation status to the board of directors at least once a year. The Company has established risk management policies and operating procedures, according to which the risk management process in 2022 was carried out. Through the risk management meeting, potential risks related to various departments were identified in four major areas: operation, finance, operation, and environment, and there are a total of 23 risk factors.

Each department assesses the possibility of various risk factors and degree of impact based on their functions, taking necessary measures, and assuring proper management of various risks. "Climate change risk" and "natural disaster risk" in the environmental field are high-risk items, and relevant departments have formulated management measures. The Audit Office is responsible for preparing annual audit plans based on the risk management policies and risk evaluation results, conducting systems auditing based on the plan, and assisting the board of directors in supervision and management of the potential risks in decision-making, in order to ensure effective control of operational risks, and timely provide suggestions for improvement. The relevant promotion status has been reported on the 14th meeting of the 24th board of directors on December 22, 2022.

<b>Risk items and risk management</b>	
<b>Management strategy</b>	
<b>Corporate governance risks</b>	In order to ensure the legal compliance of directors, managers and employees, the Company formulated internal regulations including the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct for Directors and Managers" have been established, and the business precautions are stipulated in the "Ethical Corporate Management Operating Procedures and Code of Conduct" to regulate all employees. In addition, to implement ethical corporate management policy, the "Commitment to Ethical Conduct" shall be signed by directors, managers and employees, with advocacies on ethical concepts and the prohibition of unethical behaviors via internal publications and meetings. The board members were recused for conflict of interests from board meetings in order to prevent unethical behaviors. The Company also provides liability insurance for directors, in order to reduce potential liability risks that arise from the directors' execution of duties.
<b>Reputational risks</b>	The Company's Corporate Governance Committee is responsible for the formulation, supervision and review of the ethical corporate management policies and prevention programs, and upholds the spirit of "trustworthiness in relation to all stakeholders" as moral guidelines for business activities in the pursuit of positive value and quality assurance.
<b>Strategic risks</b>	The Company's president and senior managers attend group meetings several times a week for detailed research and analysis on aspects such

	as business, finance, production and procurement, and make appropriate decisions with consideration of the Company's competitive advantages, current and future market conditions, and environmental conditions. To ensure operational stability and mitigate risks, the decisions will be revised in response to environmental changes.
<b>Operating risks</b>	The inter-departmental meetings for management by objectives review the production and sales performance, and establish objectives to achieve the Company's business goals. Production and Marketing Meetings enables smooth coordination on production, procurement, and sales, and thereby ensure smooth supply and lower inventory risks. The procurement of raw materials, materials matches the volume and price of orders, which will enable stable operations and avoid losses that arise from transaction price. Except for economic performance, the Company also understands community concerns through community participation and care, and conducts regular environmental monitoring to build harmonious relationship and recognition.
<b>Human resource risks</b>	The Company has formulated human rights policies, compensation policies, and internal regulations such as: Work rules and regulations on employee performance appraisal, education and training, and employee job rotation, with inventory of company documentations on a regular basis, and reviewing the legality of operating procedures to comply with the amendment of relevant laws and regulations. In order for smooth communication channels, the Company's plants held employer-employee meetings, occupational safety committee meetings, and employee welfare committee meetings on a regular basis. Employees are allowed to express their opinions according to procedures stipulated in the Regulations Governing Employee Complaints and Grievances. In order to meet industrial development needs, the Company regularly review its staffing capacity, and recruit new employees, and cultivate professional talents.
<b>The impact of major domestic and foreign policies and legal changes on corporate sustainability.</b>	In response to major domestic and foreign policies and laws, the Company pays attention to daily newspapers and the media, conduct annual or monthly meetings with analysis and discussions on future policy and legal changes, and formulate necessary countermeasures in order to reduce negative impact on the Company's future operations.
<b>Finance</b>	
<b>Financing risks</b>	The Accounting Department is responsible for evaluating the flow of funds that arise from the operation process, adoption of financing measures based on future changes and ending balance, negotiating financing plans with domestic and foreign financial institutions, and diversifying financing partners to avoid concentrated borrowing. The Company's various financing is carried out within the scope of Board authorization.
<b>Investment risks</b>	The Company formulated management procedures suitable for different investment types, including the Procedures for Acquisition and Disposal of Assets and Rules for Management of Investee Companies, which are controlled by different authority levels.
<b>Liquidity risks</b>	The Company regularly controls the percentage between assets including current and non-current assets, as well as current and non-current liabilities, and regulates the solvency to meet maturing obligations to reduce liquidity risks.
<b>Foreign exchange risks</b>	Collect exchange rate movement related information daily to have a full grasp on the exchange rate, and convert currency or retain foreign currency loans at the optimal time. In terms of FX budgeting, the Company's rights and obligations were offset given natural hedging between foreign exchange income from current imports and exports.

	The Company also consult with the bank's foreign exchange department for hedging strategies, and decide on foreign currency positions according to the actual funding needs and foreign exchange rates.
<b>Interest rate risks</b>	Margin trading with financial institutions is performed within the scope of authorization of the board of directors, and the Company's financing costs are controlled by negotiating favorable funds rate with reference to market interest rates. In addition to transactions with financial institutions, the Company will also carefully assess other financing tools with lower cost in case of major capital expenditures.
<b>Risks of loaning of funds to others</b>	The Company has established the Procedures for Extending Loans to Others, with limitations on borrowers and loan conditions. It also set standards for the total guarantee amount and individual credit limits, and investigate and evaluate the borrower's operating conditions, financial status, solvency, credit status, profitability and the purpose of borrowing, which shall be reported to the board of directors as the basis for risk evaluation. The Company and requires appropriate terms of guarantee, and the extending of loans shall be approved by resolution of the board of directors.
<b>Endorsement/ guarantee risks</b>	The Company has established the Procedures for Extending Loans to Others, with limitations on borrowers and loan conditions. It also set standards for the total guarantee amount and individual credit limits, which shall be reviewed in advance by the Finance and Accounting Division, and the credit limit shall be approved and signed by the Chairman, and submitted for resolution by the board of directors. Subsequently, the Company's internal auditors perform regular auditing on the Procedures for Endorsements and Guarantees with regard to the endorsement/ guarantee items, borrowers, amount and other relevant information.
<b>Derivatives trading risks</b>	The Company has established the Procedures for Engaging in Financial Derivative Transactions and the principles and types of transactions, while the authorized managers of the board of directors is in charge for handling relevant matters in consideration of financial trends and business needs. Set standards for the total guarantee amount and individual credit limits. The Finance and Accounting Division is responsible for collection and provision of relevant information, transaction instructions, evaluating the position of derivatives, creating the evaluation cycle, and submitting the evaluation report to the Chairman or authorized manager as reference for management, while the transaction status and profit/ loss assessment are reported to the board of directors.
<b>Financial decision-making risks</b>	The Company's financial decision-making includes acquisitions and disposals, loaning of funds, endorsements/ guarantees, derivatives transactions, and reinvestment business management. Related regulations have been established in compliance with laws and regulations, and are authorized according to different authority levels, while the audit unit performs regular audits on related operating procedures, in order to minimize the possibility of risks.
<b>Operations</b>	
<b>Compliance Risk</b>	Ethical management and legal compliance are the basic guidelines and requirements for company operations. As such, the management department and accounting department timely revise the labor, operational, and financial regulations to comply with the laws and regulations issued by the competent authority. The plant's responsible units conduct monthly inspections related to safety and health, and the environment (air pollution, water pollution, soil pollution, waste disposal, and greenhouse gas emissions), and revise any deficiencies or

	formulate relevant operating procedures in order to reduce the risk of violation.
<b>Information security risks</b>	<p>In order to implement information security management, the Company has formulated "Guidance for Information Security Management" and enforcement rules, and the information work plans are implemented accordingly. It also formulated the "Regulations Governing the Security and Maintenance of Personal Data" for stringent management of data usage and security maintenance, and established the firewall, encrypting file system, and electronic personal data storage platform to control employees' access rights and access records. Meanwhile, the Company improved its endpoint security for servers and privileged account management, in order to prevent the occurrence of information security incidents. The Company established the system backup mechanism, with annual disaster recovery drills to ensure data preservation and that systems will resume normal operations, lowering the risk of system interruption caused by unexpected natural disasters and human negligence.</p> <p>To enhance information security management, the "Information Security Management System" was built in accordance with the ISO 27001 international security standard and verified in February, 2023. We will continue to review and improve our information security laws, technologies, organizations and operations to meet the latest trends and protect the confidentiality, integrity and availability of the Company's information assets from the risk of improper use, leakage, alteration or destruction.</p>
<b>Occupational safety and health management risks</b>	<p>The Company has set up a Safety Protection Center in the head office and each plant for health and safety coordination. In response to the new Occupational Safety and Health Management System (ISO/CNS 45001: 2018), each plant amended the "Safety and Health Management Manual" and other relevant regulations, and obtained certification to ensure the effectiveness and compliance of the system. To ensure employee safety and health, we continue to implement safety and health management, improve manufacturing processes and equipment, identify risks, and eliminate or mitigate hazards. Since 2020, we conducted regularly joint audits on inter-plant safety and health, improvement of deficiencies, zero-disaster activities, while the major occupational accident unit conducts project audits every year to increase the frequency and intensity of audit coverage, in the aim to reduce various risks that arise from occupational safety and health management.</p>
<b>Fraud risks</b>	<p>Based on the annual evaluation plan for the Company's internal control system, each department conducts self-assessment on its implementation status of the current systems, rules and regulations, and suggest improvements on internal control deficiencies discovered by the internal audit, with amendments to procedures or regulations in order to reduce fraud risks. In addition, the Company strengthened the legal education for employees, and established effective communication channels to reduce the occurrence of fraud risks.</p>
<b>Environment</b>	
<b>Climate change risks</b>	<p>The Company has started to understand the sustainability and climate change content of various international initiatives/ organizations, with the aim to cover the international initiatives and evaluation criteria in formulating environmental and GHG policies, keep in line with international development trends, and strengthen the Company's ability to respond to climate change. Since the Company's Corporate Governance Committee is responsible for environmental management, it shall identify and evaluate the impact of transformation risks,</p>

	physical risks, and opportunities on business operations, as well as the probability of occurrence according to TCFD's framework of climate-related risks and opportunities. Please refer to "Tung Ho Steel Enterprise Corporation 2022 Climate-related Financial Disclosure Report" for details.
<b>Environmental pollution liability risks</b>	The Company has set up a dedicated unit to effectively manage waste gas, wastewater and waste by use of the ISO 14001 environmental management system, with continual investment for better pollution prevention equipment. It also adopt the Best Available Control Technology (BACT) to implement pollution prevention, reduce industrial waste, and strengthen water saving, wastewater recycling and reuse in compliance with environmental protection laws and regulations. Strictly control waste production, storage and disposal processes, and establish an independent waste audit system.
<b>Natural disaster risks</b>	The Company has formulated emergency response measures to prevent natural disasters, so that effective response measures can be immediately taken when natural disasters occur, which thereby reduce worker injuries, equipment and property losses. In addition, the Company purchased property insurance for offices, factories, instruments, and furniture and fixtures, while the additional electronic equipment all risks insurance covers precision instruments and equipment to mitigate damages caused by disasters.
<b>Major external hazard risks</b>	In addition to changes in global trends, industrial policies or laws and regulations, the major external hazard risk is the recent spread of COVID-19 pandemic and Ukrainian-Russian War around the world. With that, the Company assesses the possible impact based on the COVID-19 pandemic, and formulate emergency response measures and business continuity management plans in advance. The Company has set up the emergency response team and network for advanced preparation of business continuity management plans (including human resource, equipment, information systems, raw materials, transportation, finance, and backup plans) for key businesses.

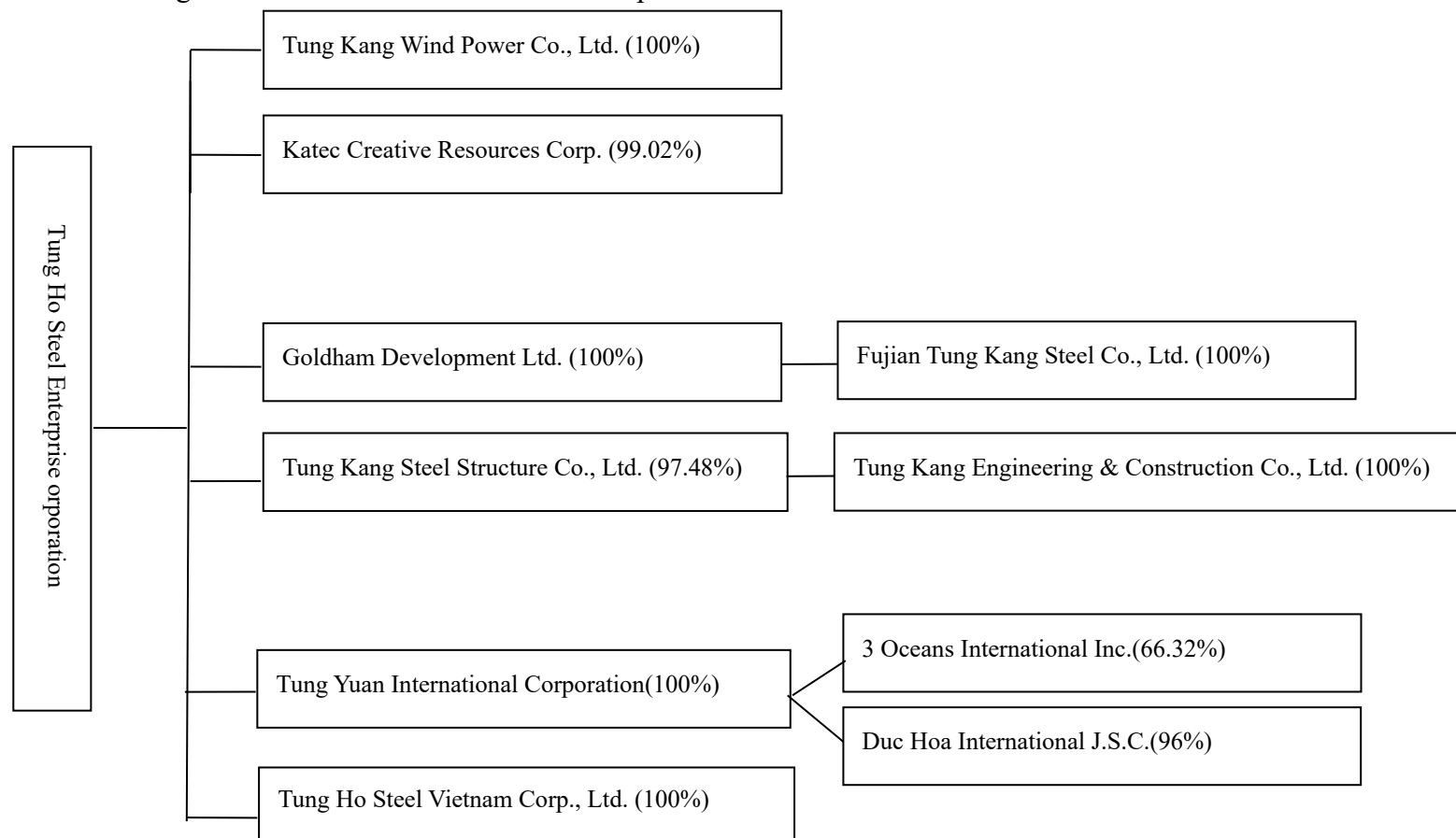
**VII. Other critical matters: None.**

## Chapter 8. Special note items

### I. Relevant information for the affiliated enterprises

#### (I) Consolidated business reports form the affiliated enterprises

##### 1. Organization chart for the affiliated enterprises



## 2. Basic information of the various affiliated enterprises

December 31, 2022

Enterprise name	Date of Establishment	Address	Paid-in capital (Unit: Thousands of New Taiwan Dollars)	The main businesses or production items
Tung Yuan International Corporation	November 1992	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	2,518	Foreign investments
3 Oceans International Inc.	March 2004	Pillar 9 House, Suite 5, Saleufi Street, Apia, Samoa.	41,766	Foreign investments
Tung Kang Steel Structure Co., Ltd.	July 1993	6F, No. 9, Sec. 1, Chang'an East Road, Taipei City	2,063,105	Steel Structure Engineering Professional Construction
Tung Kang Engineering & Construction Co., Ltd.	September 1991	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	250,000	Civil Engineering and Construction
Katec Creative Resources Corp.	August 1995	No. 231, Huanke Rd., Guanyin District, Datan Vil, Taoyuan City, Taiwan	966,852	General waste clearance and disposal operations
Tung Kang Wind Power Co., Ltd.	October 2009	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	655,000	Electric Power Supply
Goldham Development Ltd.	November 1997	1st Floor, Lake Building, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.	460,650	Foreign investments
Fujian Tung Kang Steel Co., Ltd.	January 1998	No. 5, Yanxi Rd., Hongkuan Industrial Village, Yangxia Town, Fuqing City, Fujian, China	460,650	Steel Profile and Steel Structure Processing
Tung Ho Steel Vietnam Corp., Ltd.(Note)	April 2007	Phu My 2 Industrial Zone, Tan Thanh District, Ba Ria-Vung Tau Province, Vietnam.	6,244,967	Steel Industry
Duc Hoa International J.S.C.	October 2009	Bach Dang Hamlet – Luu Ky Commune – Thuy Nguyen District – Hai Phong City – VietNam.	138,195	Quicklime plant

(Note 1): The date of incorporation of Fuco Steel.

## 3. Information on the same shareholders who are presumed to be in a controlling or subordinate relationship: None.

4. Information on directors, supervisors and general managers of affiliated companies

Enterprise name	Title	Name or representative	December 31, 2022	
			Shareholding	
			Number of shares (Shares)	Shareholding percentage (%)
Tung Yuan International Corporation	Directors Directors Directors	Henry C. T. Ho Qixie Lin Bing-Hua Huang	82	100.00
3 Oceans International Inc.	Directors Directors	Henry C. T. Ho Arthur C. Lin	1,840,000	66.32
Tung Kang Steel Structure Co., Ltd.	Chairman Directors Directors Directors Directors Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Bing-Hua Huang Representative of Tung Ho Steel Enterprise Corporation: J. B. Chiu Representative of Tung Ho Steel Enterprise Corporation: Flora Fan Representative of Tung Ho Steel Enterprise Corporation: Jay Chiang Earle Ho and Sons, Ltd. J. B. Chiu	201,121,339	97.48
Tung Kang Engineering & Construction Co., Ltd.	Chairman Directors Directors Supervisor President	Representative of Dong Gang Steel Structure Co., Ltd.: Bruce Guu Representative of Dong Gang Steel Structure Co., Ltd.: Henry C. T. Ho Representative of Dong Gang Steel Structure Co., Ltd.: Yong-Zhi Chen Representative of Dong Gang Steel Structure Co., Ltd.: Leo Liu Pi-Tung Chen	25,000,000	100.00
Goldham Development Ltd.	Directors Directors Directors	Henry C. T. Ho Joshua P.H. Tung J. B. Chiu	15,000,000	100.00
Fujian Tung Kang Steel Co., Ltd.	Chairman Supervisor President	J. B. Chiu Bruce Guu Huang-Chi Feng	0	100.00
Katec Creative Resources Corp.	Chairman Directors Directors Directors Directors Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Yong-Zhi Chen Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Ching-Lian Huang Representative of Tung Ho Steel Enterprise Corporation: Zhang-Qing He Representative of Tung Ho Steel Enterprise Corporation: Leo Liu Representative of Katec R&D Corporation: Juyu Ho Yong-Zhi Chen	95,736,860	99.02
Tung Kang Wind Power Co., Ltd.	Chairman Directors Directors Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Bing-Hua Huang Representative of Tung Ho Steel Enterprise Corporation: Leo Liu Representative of Tung Ho Steel Enterprise Corporation: Juyu Ho Min-Ta Hsieh	65,500,000	100.00
Tung Ho Steel Vietnam Corp., Ltd.	Chairman Directors Directors President	Bing-Hua Huang Henry C. T. Ho Arthur C. Lin Yi-Chih Hsu	0	100.00
Duc Hoa International J.S.C.	Chairman Directors Directors Supervisor President	Chun-Sheng Chien Arthur C. Lin Yi-Chih Hsu Leo Liu Chun-Sheng Chien	8,154,419	96.00



5. Status of operation for various affiliated companies

December 31, 2022								
Enterprise name	Paid-in capital (Thousands of New Taiwan Dollars)	Total assets (Thousands of New Taiwan Dollars) (Note 1)	Total liabilities (Thousands of New Taiwan Dollars) (Note 1)	Net worth (Thousands of New Taiwan Dollars) (Note 1)	Operating revenue (Thousands of New Taiwan Dollars) (Note 2)	Operating net (loss) profit (Thousands of New Taiwan Dollars) (Note 2)	Current net (loss) profit (Thousands of New Taiwan Dollars) (Note 2)	Earnings per share
Tung Yuan International Corporation (Note 3)	2,518	703,183	215	702,968	1,228	(126,951)	(126,951)	(1,548,418)
3 Oceans International Inc. (Note 4)	41,766	29,713	138	29,574	5,219	(9,571)	(9,571)	(7.04)
Tung Kang Steel Structure Co., Ltd.	2,063,105	6,057,152	2,401,820	3,655,332	8,436,948	1,041,874	823,711	3.99
Tung Kang Engineering & Construction Co., Ltd.	250,000	552,134	286,322	265,812	489,186	1,140	6,733	0.27
Goldham Development Ltd. (Note 4)	460,650	446,403	0	446,403	0	66,696	65,079	4,339
Fujian Tung Kang Steel Co., Ltd.	460,650	775,998	329,595	446,403	778,265	66,696	65,079	N/A
Katec Creative Resources Corp.	966,852	1,013,334	93,717	919,617	517,417	129,386	131,998	1.37
Tung Kang Wind Power Co., Ltd.	655,000	646,251	52,818	593,433	54,269	4,138	10,998	0.17
Tung Ho Steel Vietnam Corp., Ltd.	6,244,967	7,761,506	4,321,079	3,440,427	5,843,009	(722,794)	(968,172)	N/A
Duc Hoa International J.S.C.	138,195	140,253	15,202	125,051	243,392	6,781	3,668	403.64

Note: 1.December 31, 2022 NTD to US dollar exchange rate USD1: NTD30.71; NTD to RMB exchange rate CNY1 NTD4.408; NTD to VND exchange rate VND1: NTD 0.001343.  
Note: 2.The average exchange rate of the NTD against the US dollar in 2022 USD1: NTD29.80; NTD to RMB exchange rate CNY1: NTD4.422; NTD to VND exchange rate VND1: NTD 0.001327.  
Note: 3.Par value of US\$1,000 per share.  
Note: 4.Par value of US\$1 per share.

**II. Status of private solicitation for marketable securities handling for the recent year up to the publication date of this annual report: None.**

**III. Status of company share holding or handling by a subsidiary company for the recent year up to the publication date of this annual report: None.**

**IV. Other necessary supplemental information: None.**

**Chapter 9. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities Exchange Act in the past year and up to the date of report: None.**

**Tung Ho Steel Enterprise Corporation  
Chairman Henry C. T. Ho**

## **Representation Letter**

The entities that are required to be included in the combined financial statements of Tung Ho Steel Enterprise Corporation as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tung Ho Steel Enterprise Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Tung Ho Steel Enterprise Corporation  
Chairman: Henry Ho  
Date: February 22, 2023



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

To the Board of Directors of Tung Ho Steel Enterprise Corporation:

### Opinion

We have audited the consolidated financial statements of Tung Ho Steel Enterprise Corporation (“the Company”) and its subsidiaries (“the Consolidated Company”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Other Matter

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2022. 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 for the consolidated financial statements are stated as follows:

### 1. Revenue recognition

Please refer to Note 4(o) “Revenue recognition” and Note 6(x) “Revenue from contracts with customers” in the consolidated financial statements.

#### Explanation of the key audit matter:

The Consolidated Company mainly manufactures and sells deformed bars and sections. Revenue recognition is one of the key areas for our audit, and is where on which the report users and receivers pay great concern on. As a result, the test on revenue recognition is one of the key judgmental areas in our audit.

#### Our principal audit procedures included:

- assessing whether appropriate revenue recognition policies were applied and whether sufficient information was disclosed ;
- testing the manual or systems-based controls on its sales and collection cycle, perform reconciliations between the information from sales systems and the general ledger ;
- reading the sales contracts with significant clients and testing the consistency of their accounting policy;
- performing year-to-year analysis on the revenue by product and the revenue from the ten customers with the largest sales volume to determine if there were any abnormalities ;
- taking appropriate samples, verifying the relevant internal and external information, and confirming whether the control of goods has already been transferred to the buyer, as well as assessing the appropriateness of the timing and amount of revenue recognition ;
- vouching internal and external information of sales in the selected period before and after the reporting date (the length of the period was determined based on the sales terms) to determine whether sales revenue were recorded in the appropriate period.

### 2. Valuation of inventories

Please refer to Note 4(h) “Inventories” and Note 6(f) “Inventories” in the consolidated financial statements.

#### Explanation of the key audit matter:

Due to the changes in the international trade environment and the impact of price fluctuations on the raw materials and finished products of the steel industry, the risk that the book value of the inventory to be higher than the net realizable value may arise. Therefore, the valuation of inventories is one of the key judgmental areas in our audit.

#### Our principal audit procedures included:

- assessing the rationality of accounting policies for inventory evaluation ;
- assessing whether the evaluation of inventory has been in accordance with the established accounting policies ;

- understanding the sales price used by management and the changes in market price of futures inventory to assess the rationality of the net realizable value of inventories ;
- taking appropriate samples and verifying the relevant internal and external information to confirm the adequacy and reasonableness of the net realized value basis used by management ;
- assessing whether the management’s disclosure of the inventory allowance is acceptable.

### 3. Construction contracts

Please refer to Note 4(o) “Revenue recognition— Construction contracts” Note 5(c) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty on construction contracts”, and Note 6(w) “Revenue from contracts with customers” of the consolidated financial statements.

#### Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Consolidated Company as it requires a high degree of estimation and judgment of matters, such as the costs of the work required to complete the contract, the stage of completion of the contract, as well as the recognition of onerous contract. Different judgments could lead to different outcomes, leading to different profit or loss and revenue being reported in the consolidated financial statements.

#### Our principal audit procedures included:

- reviewing significant contracts and discussing them with the management to obtain a full understanding of specific terms and risks, to assess whether revenue was appropriately recognized ;
- selecting a sample from the ongoing constructions to verify the costs between the estimation and the contracts, discussing with the management about the estimates for total contract costs and forecasted costs, including taking into account the historical accuracy of such estimates ;
- selecting a sample from the completed constructions to assess the settlement of revenue by examination of external evidence ;
- for warranty under the construction contracts provided to the clients, obtaining the estimated warranty costs, vouching internal and external data to assess the rationality of the estimates and whether there are any abnormalities in the provisions estimated by the management ;
- assessing whether the loss recognized for onerous contracts appropriately reflect the expected contractual position.

### 4. Impairment of property, plant and equipment

Please refer to Note 4(m) “Impairment of non-financial assets”, Note 5(b) “Impairment evaluation of property, plant and equipment ”, and Note 6(j) “Property, plant and equipment” of the consolidated financial statements.

#### Explanation of the key audit matter:

The subsidiary in Vietnam of Tung Ho Steel Enterprise Corporation is facing an assets impairment issue due to the impact of the local market. The subsidiary regularly evaluates whether there is any indication of impairment of non-financial assets such as property, plant and equipment, based on the value in use and industry characteristics to estimate the recoverable amount of property, plant and equipment. The estimation involves numbers of assumptions, including the determination of discount rates and expected growth rates, subject to subjective judgment and uncertainty. Therefore, the assessment of impairment is one of the important evaluation matters in auditing the consolidated financial report of Tung Ho Steel Enterprise Corporation and its subsidiaries.

Our principal audit procedures included:

- obtaining the future cash flow forecast and the evaluation of the discount rate of the Vietnam subsidiary of the Company ;
- discussing with management, and raising professional skepticism of the significant key judgments used in forecasting future cash flows ;
- understanding whether the reference basis of the discount rate used by the Company's management is consistent, and comparing it with relevant internal and external information, evaluating whether the discount rate used by the management is reasonable. In addition, performing verification process on the value-in-use of the assets calculated by the Company's management.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the Consolidated Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Company's internal control.



3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Consolidated Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lee, Tzu Hui and Kuo, Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)  
February 22, 2023

#### **Notes to Readers**

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 2,126,513	4	1,530,394	3	2100	Short-term loans (Note 6(l))	\$ 13,994,974	26	13,325,964	24
1110	Current financial assets at fair value through profit or loss (Note 6(b))	162,736	-	195,744	-	2110	Short-term notes and bills payable (Note 6(m))	599,500	2	99,987	-
1140	Current contract assets (Note 6(w))	3,828,719	7	3,617,001	7	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	14,979	-	5,045	-
1150	Notes receivable, net (Notes 6(d) and (w))	220,725	-	291,913	-	2130	Current contract liabilities (Note 6(w))	2,859,004	5	2,532,606	5
1170	Accounts receivable, net (Notes 6(d), (w) and 7)	3,368,530	6	3,952,400	7	2150	Notes payable	77,748	-	149,471	-
1200	Other receivables, net (Notes 6(e), (i) and 7)	28,234	-	16,708	-	2170	Accounts payable (Note 7)	2,128,721	4	3,023,740	6
1310	Inventories, net (Note 6(f))	18,821,299	35	20,495,166	37	2200	Other payables (Note 7)	2,104,826	4	2,129,262	4
1410	Prepayments	252,390	-	343,546	1	2230	Current tax liabilities	579,559	1	949,307	2
1470	Other current assets (Note 8)	845,902	2	951,297	2	2250	Current provisions	1,909	-	995	-
	<b>Total current assets</b>	<u>29,655,048</u>	<u>54</u>	<u>31,394,169</u>	<u>57</u>	2280	Current lease liabilities (Note 6(p))	41,431	-	40,364	-
<b>Non-current assets:</b>						2322	Long-term loans, current portion (Note 6(n))	192,011	-	724,418	1
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	524,816	1	674,193	1	2399	Other current liabilities, others	<u>10,590</u>	<u>-</u>	<u>12,532</u>	<u>-</u>
1550	Investments accounted for using the equity method, net (Note 6(h))	1,557,111	3	1,490,713	3		<b>Total current liabilities</b>	<u>22,605,252</u>	<u>42</u>	<u>22,993,691</u>	<u>42</u>
1600	Property, plant and equipment (Note 6(i))	20,038,567	37	18,002,034	33	<b>Non-current liabilities:</b>					
1755	Right-of-use assets (Note 6(j))	350,563	1	394,666	1	2540	Long-term loans (Note 6(n))	2,526,032	5	1,817,857	3
1760	Investment property, net (Notes 6(i) and (k))	1,924,962	4	1,928,940	3	2570	Deferred tax liabilities	187,580	-	169,953	-
1780	Intangible assets	179,458	-	185,611	-	2580	Non-current lease liabilities (Note 6(p))	163,840	-	191,522	-
1840	Deferred tax assets	85,542	-	86,431	-	2640	Non-current defined benefit liability, net	260,957	-	403,987	1
1900	Other non-current assets (Note 8)	79,491	-	87,156	-	2645	Guarantee deposits received (Note 7)	9,155	-	12,768	-
1911	Natural resources	11,543	-	23,936	-	2550	Non-current provisions	<u>99,217</u>	<u>-</u>	<u>80,389</u>	<u>-</u>
1915	Prepayments for equipment (Note 6(i))	69,445	-	155,867	-		<b>Total non-current liabilities</b>	<u>3,246,781</u>	<u>5</u>	<u>2,676,476</u>	<u>4</u>
1920	Refundable deposits (Notes 6(i) and 8)	290,001	-	979,036	2		<b>Total liabilities</b>	<u>25,852,033</u>	<u>47</u>	<u>25,670,167</u>	<u>46</u>
	<b>Total non-current assets</b>	<u>25,111,499</u>	<u>46</u>	<u>24,008,583</u>	<u>43</u>	<b>Equity (Note 6(u)):</b>					
<b>Total assets</b>		<u>\$ 54,766,547</u>	<u>100</u>	<u>55,402,752</u>	<u>100</u>	3100	Capital stock	7,302,138	13	7,302,138	13
						3200	Capital surplus	7,684,679	15	7,684,679	14
						Retained earnings:					
						3310	Legal reserve	4,718,218	9	4,128,399	7
						3320	Special reserve	157,889	-	822,363	2
						3350	Unappropriated retained earnings	<u>9,254,928</u>	<u>17</u>	<u>9,762,779</u>	<u>18</u>
							Total retained earnings	<u>14,131,035</u>	<u>26</u>	<u>14,713,541</u>	<u>27</u>
						3400	Other equity interest	<u>(311,887)</u>	<u>(1)</u>	<u>(157,889)</u>	<u>-</u>
							Total equity attributable to owners of the parent	28,805,965	53	29,542,469	54
						36XX	Non-controlling interests	<u>108,549</u>	<u>-</u>	<u>190,116</u>	<u>-</u>
							<b>Total equity</b>	<u>28,914,514</u>	<u>53</u>	<u>29,732,585</u>	<u>54</u>
							<b>Total liabilities and equity</b>	<u>\$ 54,766,547</u>	<u>100</u>	<u>55,402,752</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(w) and 7)	\$ 59,972,121	100	58,795,089	100
5000	Operating costs (Notes 6(f), (s), (x) and 7)	52,459,095	87	49,321,315	84
5900	Gross profit from operations	7,513,026	13	9,473,774	16
6000	Operating expenses:				
6100	Selling expenses (Notes 6(s), (x) and 7)	940,479	2	953,430	2
6200	Administrative expenses (Notes 6(s), (x) and 7)	1,414,641	2	1,454,012	2
6450	Expected credit loss (Note 6(d))	(28,643)	-	6,727	-
6500	Total operating expenses	2,326,477	4	2,414,169	4
6900	Operating income	5,186,549	9	7,059,605	12
7000	Non-operating income and expenses:				
7010	Other income (Notes 6(y) and 7)	115,640	-	95,605	-
7100	Interest income (Note 6(y))	18,934	-	15,410	-
7020	Other gains and losses, net (Notes 6(y) and 7)	188,156	-	129,658	-
7050	Finance costs, net (Notes 6(p) and (y))	(301,608)	-	(149,501)	-
7060	Share of profit of associates accounted for using the equity method, net (Note 6(h))	112,490	-	199,934	-
	Total non-operating income and expenses	133,612	-	291,106	-
7900	Income before income tax	5,320,161	9	7,350,711	12
7950	Less: income tax expenses (Note 6(t))	1,309,392	2	1,429,160	2
	Net income	4,010,769	7	5,921,551	10
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Losses on remeasurements of defined benefit plans (Note 6(v))	99,768	-	18,536	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(153,646)	-	208,795	-
8320	Share of other comprehensive income of associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	1,973	-	(11)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	3,707	-
	Total items that will not be reclassified subsequently to profit or loss	(51,905)	-	223,613	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(11,347)	-	416,918	1
8399	Less: income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(11,347)	-	416,918	1
8300	Other comprehensive income for the period	(63,252)	-	640,531	1
8500	Total comprehensive income for the period	\$ 3,947,517	7	6,562,082	11
8600	Net income attributable to:				
8610	Owners of the parent	\$ 3,994,004	7	5,906,247	10
8620	Non-controlling interests	16,765	-	15,304	-
		\$ 4,010,769	7	5,921,551	10
8700	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 3,936,864	7	6,556,297	11
8720	Non-controlling interests	10,653	-	5,785	-
		\$ 3,947,517	7	6,562,082	11
9750	Basic earnings per share (in dollars) (Note 6(v))	\$ 5.47		\$ 5.95	
9850	Diluted earnings per share (in dollars) (Note 6(v))	\$ 5.45		\$ 5.92	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Retained earnings								Total other equity interest					
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Total stock capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2021	\$ 10,167,902	419,697	10,587,599	7,287,920	3,775,123	706,221	5,968,807	10,450,151	(941,368)	119,005	(822,363)	27,503,307	204,518	27,707,825
Net income for the period	-	-	-	-	-	-	5,906,247	5,906,247	-	-	-	5,906,247	15,304	5,921,551
Other comprehensive income for the period	-	-	-	-	-	-	14,312	14,312	426,466	209,272	635,738	650,050	(9,519)	640,531
Total comprehensive income for the period	-	-	-	-	-	-	5,920,559	5,920,559	426,466	209,272	635,738	6,556,297	5,785	6,562,082
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	353,276	-	(353,276)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	116,142	(116,142)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,634,807)	(1,634,807)	-	-	-	(1,634,807)	-	(1,634,807)
Capital reduction	(3,596,576)	-	(3,596,576)	32	-	-	-	-	-	-	-	(3,596,544)	-	(3,596,544)
Conversion of convertible bonds	730,812	(419,697)	311,115	396,740	-	-	-	-	-	-	-	707,855	-	707,855
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(11,256)	(11,256)
Changes in ownership interests in subsidiaries	-	-	-	(13)	-	-	-	-	-	-	-	(13)	(79)	(92)
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(22,362)	(22,362)	-	28,736	28,736	6,374	(8,852)	(2,478)
Balance at December 31, 2021	7,302,138	-	7,302,138	7,684,679	4,128,399	822,363	9,762,779	14,713,541	(514,902)	357,013	(157,889)	29,542,469	190,116	29,732,585
Net income for the period	-	-	-	-	-	-	3,994,004	3,994,004	-	-	-	3,994,004	16,765	4,010,769
Other comprehensive income for the period	-	-	-	-	-	-	101,256	101,256	(5,282)	(153,114)	(158,396)	(57,140)	(6,112)	(63,252)
Total comprehensive income for the period	-	-	-	-	-	-	4,095,260	4,095,260	(5,282)	(153,114)	(158,396)	3,936,864	10,653	3,947,517
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	589,819	-	(589,819)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(664,474)	664,474	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(4,673,368)	(4,673,368)	-	-	-	(4,673,368)	-	(4,673,368)
Liquidation returns of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(4,398)	(4,398)	-	4,398	4,398	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(92,220)	(92,220)
Balance as of December 31, 2022	\$ 7,302,138	-	7,302,138	7,684,679	4,718,218	157,889	9,254,928	14,131,035	(520,184)	208,297	(311,887)	28,805,965	108,549	28,914,514

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 5,320,161	7,350,711
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	1,545,426	1,574,119
Amortization expense	59,808	56,275
Expected credit (gain) loss	(28,643)	6,727
Net gain on financial assets or liabilities at fair value through profit or loss	(180,590)	(49,410)
Interest expense	301,608	149,501
Interest income	(18,934)	(15,410)
Dividend income	(45,386)	(31,111)
Share of profit of associates accounted for using the equity method	(112,490)	(199,934)
Loss on disposal of property, plant and equipment	3,073	109
Gain on lease modification	-	(2,017)
Gain from disposal of subsidiaries	-	(2,490)
Impairment loss on non-financial assets	12,332	2,994
Unrealized foreign exchange (gain) loss	(7,813)	435
Loss on bond redemption	-	14
Property, plant and equipment transferred to expense	-	939
Prepayments for equipment transferred to expense	243	-
<b>Total adjustments to reconcile profit or loss</b>	<b>1,528,634</b>	<b>1,490,741</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets mandatorily measured at fair value through profit or loss	223,579	14,478
Increase in contract assets	(211,718)	(822,085)
Decrease in notes receivable	71,354	224,478
Decrease (increase) in accounts receivable	611,093	(1,212,276)
(Increase) decrease in other receivable	(10,000)	1,385
Decrease (increase) in inventories	1,674,463	(8,267,169)
Decrease (increase) in prepayments	90,784	(163,226)
Decrease (increase) in other current assets	110,025	(356,559)
Increase in other operating assets	(44,710)	(43,028)
Increase in contract liabilities	326,398	949,348
(Decrease) increase in notes payable	(71,723)	58,631
(Decrease) increase in accounts payable	(895,019)	761,762
(Decrease) increase in other payables	(37,977)	273,911
Increase in provisions	19,742	18,565
Decrease in other current liabilities	(1,942)	(3,975)
Decrease in net defined benefit liability	(43,395)	(136,703)
<b>Total adjustments</b>	<b>3,339,588</b>	<b>(7,211,722)</b>
Cash inflow from operations	8,659,749	138,989
Interest received	17,973	15,474
Dividends received	154,112	115,009
Interest paid	(285,081)	(146,918)
Income taxes paid	(1,681,314)	(1,175,024)
<b>Net cash flows from (used in) operating activities</b>	<b>6,865,439</b>	<b>(1,052,470)</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(5,269)	(4,601)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,024	3,413
Proceeds from disposal of subsidiaries (exclude cash of subsidiaries)	-	9,732
Increase in restricted assets	(4,130)	-
Acquisition of property, plant and equipment	(3,080,124)	(443,797)
Proceeds from disposal of property, plant and equipment	650	14
Decrease (increase) in refundable deposits	262,247	(808,067)
Acquisition of investment properties	(1,414)	(248)
Decrease in other current and non-current assets	-	32,353
Increase in prepayments for equipment and land	(45,981)	(146,877)
<b>Net cash flows used in investing activities</b>	<b>(2,872,997)</b>	<b>(1,358,078)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	106,674,122	55,565,565
Decrease in short-term loans	(106,014,861)	(48,004,185)
Increase in short-term notes and bills payable	3,015,000	2,345,000
Decrease in short-term notes and bills payable	(2,515,000)	(2,805,000)
Proceeds from long-term loans	3,267,688	1,332,143
Repayments of long-term loans	(3,163,451)	(1,489,552)
Decrease in guarantee deposits received	(3,613)	(3,816)
Payment of lease liabilities	(48,119)	(69,626)
Cash dividends paid	(4,673,368)	(1,634,807)
Capital reduction payments to shareholders	-	(3,596,544)
Acquisition of ownership interests in subsidiaries by non-controlling interest	-	(92)
Repayment of bonds	-	(600)
Change in non-controlling interests	(6,111)	(18,371)
<b>Net cash flows (used in) from financing activities</b>	<b>(3,467,713)</b>	<b>1,620,115</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>71,390</b>	<b>387,659</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>596,119</b>	<b>(402,774)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,530,394</b>	<b>1,933,168</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,126,513</b>	<b>1,530,394</b>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Tung Ho Steel Enterprise Corporation (the “Company”) was incorporated in May, 1962, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 6F., No. 9, Sec. 1, Chang An E. Rd., Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (the “Consolidated Company”) are primarily involved in manufacturing and selling deformed bars, H-beams, and steel plates.

**(2) Approval date and procedures of the consolidated financial statements**

The consolidated financial statements as of and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors on February 22, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Consolidated Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Consolidated Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.  Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Consolidated Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Consolidated Company completes its evaluation.

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## **TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The Consolidated Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### **(4) Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

##### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

##### **(b) Basis of preparation**

###### **(i) Basis of measurement**

The consolidated financial statements have been prepared on historical cost basis, except for the following material items in the consolidated balance sheet :

- 1) Financial instruments measured at fair value through profit or loss ;
- 2) Financial assets measured at fair value through other comprehensive income ;
- 3) The defined benefit liabilities (or assets) are measured as the fair value of plan assets, less the present value of defined benefit obligation.

###### **(ii) Functional and presentation currency**

The functional currency of the Consolidated Company is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

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## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparing consolidated financial statements

The Consolidated Company comprise of the Company and the entities over which it possessed control (its subsidiaries). When the Company is exposed to variable rewards and the right to such rewards of an entity, the Company possesses control over such entities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Balances, transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements. Attributable comprehensive income to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The financial statements of the subsidiaries have been adjusted so that they align with the accounting policies of the Consolidated Company.

Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments or differences between purchase consideration and fair value of non-controlling interest are recognized as equity attributable to the owners of the Company.

(ii) A list of subsidiaries included in the consolidated financial statements is as follows:

Investor	The name of subsidiaries	Business activity	Percentage of ownership		Note
			December 31, 2022	December 31, 2021	
The Company	Tung Yuan International Corp.	Investment activities	100.00 %	100.00 %	
The Company	Tung Kang Steel Structure Corp.	Steel structure engineering construction	97.48 %	97.48 %	
The Company	Goldham Development Ltd.	Investment activities	100.00 %	100.00 %	
The Company	Katec Creative Resources Corporation	Waste recycling	99.02 %	99.02 %	
The Company	Tung Kang Wind Power Corp.	Electric power generation	100.00 %	100.00 %	
The Company	Fa Da Enterprise Corp.	Waste recycling	- %	100.00 %	Note2
The Company	Tung Ho Steel Vietnam Corp., Ltd. (THSVC)	Steel industry	100.00 %	100.00 %	
The Company	Tung Sugar Energy Service Co., Ltd.	Fertilizer producing and self-used equipment of renewable electric power	- %	36.00 %	Note 3
Tung Yuan International Corp.	3 Oceans International Inc.	Investment activities	66.32 %	66.67 %	
Tung Yuan International Corp.	Duc Hoa International Joint Stock Company	Quicklime manufacturing	96.00 %	96.00 %	
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Civil engineering	100.00 %	100.00 %	
Goldham Development Ltd.	Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	100.00 %	100.00 %	
Fujian Tung Kang Steel Co., Ltd.	Fujian Dong Sheng Metal Processing Co., Ltd.	Metal processing	- %	51.00 %	Note1

Note 1: The Consolidated Company sold its entire shares in Fujian Dong Sheng Metal Processing Co., Ltd. and lost control over it in November 2021.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Note 2: Fa Da Enterprise Corp. was dissolved by a resolution made during the shareholders' meeting and was approved for deregistration in August 2021. In February 2022, the liquidation procedures had been completed.

Note 3: Tung Sugar Energy Service Co., Ltd was lost control in November 2022, so it was not a subsidiary.

(iii) All of the subsidiaries above were included in consolidation.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Consolidated Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the Company's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an investment in an associate of joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

- (i) The asset is expected to be realized, or sold or consumed, during the Consolidated Company's normal operating cycle ;
- (ii) The asset is held primarily for the purpose of trading ;
- (iii) The asset is expected to be realized within twelve months after the reporting date ; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

- (i) The liability is expected to be settled during the Consolidated Company's normal operating cycle ;
- (ii) The liability is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting date ; or
- (iv) The Consolidated Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits that meet the above requirements and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(g) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at : amortized cost ; Fair value through other comprehensive income (FVOCI) – equity investment ; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Consolidated Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held under a business model whose objective is to hold assets to collect contractual cash flows ; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Consolidated Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Consolidated Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Consolidated Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### 4) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), accounts receivables and debt investments measured at FVOCI and contract assets.

The Consolidated Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL :

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Consolidated Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Consolidated Company's historical experience and informed credit assessment as well as forwardlooking information.

The Consolidated Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Consolidated Company considers a financial asset to be in default when the financial asset is more than one year past due or the debtor is unlikely to pay its credit obligations to the Consolidated Company in full.

The Consolidated Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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## **TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The maximum period considered when estimating ECLs is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Consolidated Company assesses whether the credit of financial assets carried at amortized cost are impaired. The credit of a financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that the credit of a financial assets is impaired includes the following observable information :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

The gross carrying amount of a financial asset is written off when the Consolidated Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Consolidated Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Consolidated Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Consolidated Company's procedures for recovery of amounts due.

#### **5) Derecognition of financial assets**

The Consolidated Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Consolidated Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Consolidated Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt issued by the Consolidated Company are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

2) Compound financial instruments

Compound financial instruments issued by the Consolidated Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Consolidated Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Consolidated Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to the location and condition ready for sale or production. The allocation of fixed production overheads to the finished goods and work in process is based on the normal capacity of the production facilities. However, in the case where the practical capacity is larger than the normal capacity, the allocation is based on the practical capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are subsequently measured at the lower of cost or net realizable value. The cost of inventories is based on the monthly weighted-average cost. Net realizable value is the estimated as the selling price in the ordinary course of business at the reporting date, less the estimated costs until completion and selling expenses. If the inventory is reserved for a contract, its net realizable value shall be based on the price of the contract.

(i) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control or joint control, over the financial and operating policies.

The Consolidated Company's investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill resulted from the acquisition less any accumulated impairment losses.

The financial statements include the Consolidated Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Consolidated Company, from the date on which significant influence commences until the date on which significant influence ceases. The Consolidated Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from the transactions between the Consolidated Company and an associate are recognized only to the extent of unrelated Consolidated Company's interests in the associate. When the Consolidated Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Consolidated Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Consolidated Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss ( or retained earnings) on the disposal of the related assets or liabilities, the Consolidated Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) ( or retained earnings) when the equity method is discontinued. If the Consolidated Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Consolidated Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Consolidated Company continues to apply the equity method without remeasuring the retained interest.

When the Consolidated Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Consolidated Company's proportionate interest in the net assets of the associate. The Consolidated Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Consolidated Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Rental income from investment property is recognized as non-operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows :

- 1) Buildings : 3 to 60 years
- 2) Machinery and equipment : 1.25 to 25 years
- 3) Miscellaneous equipment : 2 to 30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Leases

(i) Identifying a lease

At inception of a contract, the Consolidated Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) As a lessee

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Consolidated Company's incremental borrowing rate. Generally, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Consolidated Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Consolidated Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Consolidated Company presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the statement of financial position.

The Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery office equipment and transportation equipment that have a lease term of 12 months or less and leases of low-value assets. The Consolidated Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Consolidated Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Consolidated Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Consolidated Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Consolidated Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Impairment of non-financial assets

The Consolidated Company assesses whether impairment has occurred on its non-financial assets other than inventories, contract assets, and deferred tax assets at every reporting date, and estimates the recoverable amounts of assets with indication of impairment. If it is not able to estimate the recoverable amounts of the individual assets, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an assets or CGU is the greater of its fair value less costs of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized immediately in profit or loss.

(n) Provision

A provision is recognized if, as a result of a past event, the Consolidated Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for warranties is recognized based on the estimated expenditures that may incur during the warranty period of the contracted projects. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. Provisions are reversed when actual expenditures incur. If the expenditures exceed the balance of the provisions, they are recognized as expenses for the period.

(o) Revenue recognition

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Consolidated Company's main types of revenue are explained below :

(i) Sale of goods

The Consolidated Company recognizes revenue when control of the products has transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Construction contracts

The Consolidated Company engages in construction contracts. Because its customer controls the asset as it is constructed, the Consolidated Company recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The customer pays the fixed amount based on a payment schedule. If the Consolidated Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Consolidated Company cannot reasonably measure its progress towards the completion of a construction contract, the Consolidated Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Consolidated Company expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs, or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Consolidated Company recognizes provisions for its warranty for the agreed specifications of the construction contracts.

(iii) Deformed bars Processing Services

The Consolidated Company provides deformed bars processing services, and the related income is recognized during the financial reporting period of the provision of labor services.

If the situation changes, under a fixed price contract, the customer pays a fixed amount according to the agreed schedule. A contract liability is recognized when the payment exceeds the service rendered.

The Consolidated company can only request the customer for payment according to the degree of completion, wherein the amount can be collected after the invoice is issued.

(iv) Rendering of services

The Consolidated Company is engaged in the collection and disposal services of electric arc furnace dusts (EAF dusts). The revenue is recognized when the services are completed. The total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The Consolidated Company does not expect significant differences in the timing of revenue recognition for these services.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Financing components

The Consolidated Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Consolidated Company does not adjust any of the transaction prices for the time value of money.

(p) Contract costs

(i) Incremental costs of obtaining a contract

The Consolidated Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Consolidated Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Consolidated Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Consolidated Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of other standards (for example, IAS 2 “Inventories”, IAS 16 “Property, Plant and Equipment” or IAS 38 “Intangible Assets”), the Consolidated Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Consolidated Company can specifically identify;
- the costs generate or enhance resources of the Consolidated Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Consolidated Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Consolidated Company recognizes these costs as expenses when incurred.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as expense for the period in which services are rendered by employees.

(ii) Defined benefit plans

The Consolidated Company's net obligation in respect of a defined benefit pension plan is calculated separately by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Consolidated Company, an asset is recognized but the recognized asset is limited to the total of present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, comprising actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Consolidated Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Consolidated Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Consolidated Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprises current tax expense and deferred tax expense. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)



## **TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

- (i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss) ; or
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met :

- (i) the Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
  - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either :
    - 1) the same taxable entity ; or
    - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) Business combination

The Consolidated Company measures goodwill as the fair value of the consideration transferred on the acquisition date, including the amount of any non-controlling interest of the acquiree , net of the amounts of identifiable assets acquired and liabilities assumed (generally at fair value as of the date of acquisition). If the residual balance is negative, the Consolidated Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase through profit or loss.

(Continued)



## **TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

All transaction costs incurred for the business combination are recognized immediately as the Consolidated Company's expenses when incurred, except for the issuance of debt or equity instruments.

The Consolidated Company selects whether to measure non-controlling interest at fair value as of the date of acquisition or at the amount of identifiable net assets in proportion to the shareholding percentage of the non-controlling interest, based on each of the basis of transaction.

In a business combination achieved in stages, the Consolidated Company shall re-measure its previously-held equity interest in the acquiree at fair value as of the date of acquisition and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Consolidated Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Consolidated Company had disposed directly of the previously held equity interest. If the disposal of the equity interest requires a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Consolidated Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that exists as of the date of acquisition. The measurement period shall not exceed one year from the date of acquisition.

(t) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustments for the effects of all potentially dilutive ordinary shares, including convertible bonds.

(u) Natural resource

Natural resource is the mining right acquired for a specific area and the necessary cost incurred to acquire the mining right, including developing costs. It is measured at costs less accumulated amortization and accumulated impairment. Natural resource is amortized after the mining license is acquired by production life (20 years) using the straight-line method, with the amortized amount recognized through profit or loss.

Salvage value, amortization period, and amortization method should be inspected at least at every fiscal year-end. If any changes occur, changes should be recognized as changes in accounting estimate.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

(a) Judgment of whether the Consolidated Company has substantive control over its investees

The Consolidated Company holds 46.19% and 35% outstanding voting shares of its associates, Katec R & D Corp. and Fujian Sino-Japan Metal Corp., respectively, and is the single largest shareholder of both investees. Although the remaining shares are not concentrated within specific shareholders, the Consolidated Company still failed to obtain more than half of their directors and the voting rights at their shareholders' meeting. Therefore, it is determined that the Consolidated Company has significant influence but not control over both associates.

(b) Impairment evaluation of property, plant and equipment

In the process of evaluating impairment, the Consolidated Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

(c) Revenue recognition of construction contracts

Contract revenue are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

The Consolidated Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Consolidated Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows :

Level 1 : quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3 : inputs for the assets or liability that are not based on observable market data.

For any transfers between the fair value hierarchies, the impact of the transfer is recognized on the reporting date.

Please refer to the notes listed as below for related information on assumptions used in measuring fair value :

Note 6(k), Investment property

Note 6(z), Financial instruments

**(6) Explanation of significant accounts**

**(a) Cash and cash equivalents**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 2,478	2,491
Checking and demand deposits	886,458	1,073,764
Term deposits	823,447	384,151
Repurchase agreement	414,130	69,988
Cash and cash equivalents on the statement of cash flows	<b>\$ 2,126,513</b>	<b>1,530,394</b>

- (i) Please refer to Note 6(z) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Consolidated Company.
- (ii) As of December 31, 2022 and 2021, certain term deposits were pledged as collateral of performance guarantee, and such term deposits were reclassified to refundable deposits and other current or non current assets. Please refer to Note 8 for details.

**(b) Financial assets and liabilities at fair value through profit or loss**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial assets at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	<b>\$ 162,736</b>	<b>195,744</b>
Financial liabilities at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	<b>\$ 14,979</b>	<b>5,045</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company uses derivative financial instruments to hedge certain foreign exchange and interest rate risks that the Consolidated Company is exposed to arising from its operating, financing, and investing activities. The Consolidated Company held the following derivative financial instruments, which did not meet the criteria for hedge accounting, under financial assets held for trading:

<b>December 31, 2022</b>			
	<b>Nominal amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
Foreign exchange forward	USD <u>58,215</u>	Sell USD/buy TWD	2023.01.03~2023.03.31

<b>December 31, 2021</b>			
	<b>Nominal amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
Foreign exchange forward	USD <u>58,801</u>	Sell USD/buy TWD	2022.01.04~2022.03.10

None of the financial assets were pledged as collateral as of December 31, 2022 and 2021, respectively.

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic markets	\$ 366,344	498,821
Unlisted stocks	<u>158,472</u>	<u>175,372</u>
Total	<u>\$ 524,816</u>	<u>674,193</u>

- (i) The Consolidated Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Consolidated Company intends to hold for long-term for strategic purposes.
- (ii) Katec Creative Resources Corp. reduced its preferred stock for year ended December 31, 2021, resulting in a loss of \$17,630 thousand, which was reclassified from other comprehensive income to retained earnings.
- (iii) Tech Alliance Corp. reduced its capital and refunded the entire amount its stockholders for the year ended December 31, 2021, resulting in a loss of \$4,732 thousand, which was reclassified from other comprehensive income to retained earnings.
- (iv) For credit risk and market risk, please refer to Note 6(z).
- (v) None of the financial assets were pledged.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Notes and accounts receivable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable from operating activities	\$ 221,246	292,600
Accounts receivable from amortised cost	3,400,134	4,044,014
Accounts receivable from related parties	1,921	4,709
Overdue receivables	63,628	63,178
Less: loss allowance	(97,674)	(160,188)
	<b><u>\$ 3,589,255</u></b>	<b><u>4,244,313</u></b>

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision in the Steel Structure Department in China, in Vietnam Department and the other Departments was determined as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 395,431	0%	-
With financial difficulties	6,629	100%	6,629
	<b><u>\$ 402,060</u></b>		<b><u>6,629</u></b>

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 190,949	0%	-
With financial difficulties	70,979	100%	70,979
	<b><u>\$ 261,928</u></b>		<b><u>70,979</u></b>

The analysis of expected credit loss of the notes and accounts receivable of the Consolidated Company, except for the Steel Structure Department in China, the Vietnam Department, and the Other Departments, was as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 646,047	0.61%	3,923
With moderate risk	2,575,187	0.86%	22,074
With financial difficulties	63,635	100%	63,635
	<b><u>\$ 3,284,869</u></b>		<b><u>89,632</u></b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 1,629,168	0.24%	3,923
With moderate risk	2,450,220	0.90%	22,075
With financial difficulties	63,184	100%	63,184
	<b><u>\$ 4,142,572</u></b>		<b><u>89,182</u></b>

The aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
1 to 60 days past due	\$ 1,111	15,955
61 to 90 days past due	-	-
91 to 120 days past due	-	-
	<b><u>\$ 1,111</u></b>	<b><u>15,955</u></b>

The changes in the allowance for notes and accounts receivable were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 160,188	105,942
Impairment losses recognized	4,888	7,871
Reversal of impairment losses	(33,531)	(1,144)
Amounts written off	(35,124)	-
Additional overdue receivables	-	47,993
Foreign exchange losses (gains)	1,253	(474)
Balance at December 31	<b><u>\$ 97,674</u></b>	<b><u>160,188</u></b>

(e) Other receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Tax refund receivables	\$ -	575
Other receivables from related parties	165	3,939
Others	28,069	12,194
	<b><u>\$ 28,234</u></b>	<b><u>16,708</u></b>

For the years ended December 31, 2022 and 2021, no other receivables were impaired resulted from overdue.

For credit risk, please refer to Note 6(z).

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Finished goods (including consigned goods)	\$ 2,255,746	2,857,227
Work in process (including consigned goods and goods in transit )	4,221,001	3,910,858
Raw materials (including goods in transit)	9,148,353	11,025,264
Material supplies (including consigned goods and goods in transit)	<u>3,196,199</u>	<u>2,701,817</u>
Inventories, net	<u><b>\$ 18,821,299</b></u>	<u><b>20,495,166</b></u>

(i) None of the inventory was pledged as collateral as of December 31, 2022 and 2021.

(ii) For the years ended December 31, 2022 and 2021, cost of sales recognized was as follows:

	<b>For the years ended December 31, 2022</b>	<b>2021</b>
Cost of goods sold	\$ 46,026,541	41,730,343
Loss on the decline (gain from recovery) of inventory market price	157,549	(5,399)
Unallocated fixed overheads — capacity variance	193,055	89,600
Revenue from sale of materials and scrap	<u>(298,722)</u>	<u>(176,026)</u>
Total	<u><b>\$ 46,078,423</b></u>	<u><b>41,638,518</b></u>

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Any changes of competitors' reactions and market condition would impact the estimation which is based on the current market condition and past experience. The management of the Consolidated Company makes such evaluation on every reporting date.

(iii) The Consolidated Company's processing costs recognized for providing services for the years ended December 31, 2022 and 2021, consisted of the following:

	<b>For the years ended December 31, 2022</b>	<b>2021</b>
Processing costs	<u><b>\$ 239,617</b></u>	<u><b>449,257</b></u>

(g) Loss control of subsidiaries

(i) Its 51% shares in Fujian Dong Sheng Metal Processing Co., Ltd. at a disposal price of \$14,207 thousand, resulting in a gain on disposal of \$2,490 thousand, recognized under "other gains or losses" in the statement of comprehensive income. On November 18, 2021, the Consolidated Company lost control over Fujian Dong Sheng Metal Processing Co., Ltd.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The fair values of assets and liabilities due to the disposal of Fujian Dong Sheng Metal Processing Co., Ltd. are as follows:

Cash and cash equivalents	\$ 4,475
Inventory	2,767
Other receivable	3
Other current assets	16
Property, plant and equipment	15,811
Accounts payable and other payable	<u>(101)</u>
Par value of previous subsidiary's net assets	<u><u>\$ 22,971</u></u>

- (ii) The Consolidated Company consider factors such as hold a stock and construction, lost control of Tung Sugar Energy Service Co., Ltd and the book amount is 51,874 thousand transfer in Investments accounted for using the equity method.

(h) Investments accounted for using the equity method

- (i) The Consolidated Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 1,557,111</u>	<u>1,490,713</u>
	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Attributable to the Consolidated Company:		
Net income from continuing operations	\$ 112,490	199,934
Other comprehensive income	<u>1,973</u>	<u>(11)</u>
Total	<u>\$ 114,463</u>	<u>199,923</u>

- (ii) The details of cash dividends paid by the Consolidated Company's associates recognized as deductions of investment accounted for using equity method were as follows :

	<u>For the years ended December 31, 2022</u>	<u>2021</u>
Katec Research & Development Corp.	\$ 9,411	9,411
Taiwan Steel Union Co., Ltd.	<u>99,316</u>	<u>74,487</u>
Total	<u>\$ 108,727</u>	<u>83,898</u>

- (iii) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2022 and 2021.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Property, plant and equipment

The details of the changes in the property, plant and equipment of the Consolidated Company for the years ended December 31, 2022 and 2021 were as follows:

	Land	Buildings	Machinery equipment	Miscellaneous equipment	Other assets	Construction in progress	Total
<b>Cost or deemed cost:</b>							
Balance as of January 1, 2022	\$ 3,075,671	9,621,557	29,678,658	448,081	367,207	214,105	43,405,279
Loss of control over subsidiary	-	-	-	-	-	(92,087)	(92,087)
Additions	2,000,653	342,000	540,786	29,918	22,425	140,556	3,076,338
Reclassification in	426,788	119,442	68,341	-	-	(51,066)	563,505
Disposals	-	(11,399)	(44,317)	(7,416)	-	-	(63,132)
Effects of exchange rate and others	-	(2,473)	(9,484)	200	-	(354)	(12,111)
Balance as of December 31, 2022	<u>\$ 5,503,112</u>	<u>10,069,127</u>	<u>30,233,984</u>	<u>470,783</u>	<u>389,632</u>	<u>211,154</u>	<u>46,877,792</u>
Balance as of January 1, 2021	\$ 2,790,635	9,358,869	28,901,286	401,562	613,002	103,978	42,169,332
Additions	39,240	10,465	170,139	51,816	-	163,536	435,196
Reclassification in (out)	245,796	5,290	104,579	1,941	(245,795)	(67,385)	44,426
Disposals	-	-	(13,872)	(9,213)	-	-	(23,085)
Effects of exchange rate and others	-	246,933	516,526	1,975	-	13,976	779,410
Balance as of December 31, 2021	<u>\$ 3,075,671</u>	<u>9,621,557</u>	<u>29,678,658</u>	<u>448,081</u>	<u>367,207</u>	<u>214,105</u>	<u>43,405,279</u>
<b>Depreciation and impairment:</b>							
Balance as of January 1, 2022	\$ -	4,308,168	20,815,813	279,264	-	-	25,403,245
Depreciation for the period	-	272,660	1,174,609	39,162	-	-	1,486,431
Reclassification in (out)	-	4,613	-	-	-	-	4,613
Disposals	-	(11,263)	(41,211)	(6,935)	-	-	(59,409)
Effects of exchange rate and others	-	1,115	2,920	310	-	-	4,345
Balance as of December 31, 2022	<u>\$ -</u>	<u>4,575,293</u>	<u>21,952,131</u>	<u>311,801</u>	<u>-</u>	<u>-</u>	<u>26,839,225</u>
Balance as of January 1, 2021	\$ -	4,019,390	19,509,418	250,118	-	-	23,778,926
Depreciation for the period	-	261,783	1,209,079	37,310	-	-	1,508,172
Disposals	-	-	(13,872)	(9,090)	-	-	(22,962)
Effects of exchange rate and others	-	26,995	111,188	926	-	-	139,109
Balance as of December 31, 2021	<u>\$ -</u>	<u>4,308,168</u>	<u>20,815,813</u>	<u>279,264</u>	<u>-</u>	<u>-</u>	<u>25,403,245</u>
<b>Carrying value</b>							
Balance as of December 31, 2022	<u>\$ 5,503,112</u>	<u>5,493,834</u>	<u>8,281,853</u>	<u>158,982</u>	<u>389,632</u>	<u>211,154</u>	<u>20,038,567</u>
Balance as of December 31, 2021	<u>\$ 3,075,671</u>	<u>5,313,389</u>	<u>8,862,845</u>	<u>168,817</u>	<u>367,207</u>	<u>214,105</u>	<u>18,002,034</u>

- (i) Because some of the Consolidated Company's property, plant and equipment and investment property are agricultural lands, the transfer registration could not be undertaken using the Consolidated Company's own title; therefore, the Consolidated Company was temporarily registered them under the name of a trust registration agreement, which stipulates the rights and obligations of both parties to preserve the ownership of the land. With details as follows:

Accounts	December 31, 2022	December 31, 2021
Property, plant and equipment	\$ 389,632	367,207
Investment property	499,124	499,124
	<u>\$ 888,756</u>	<u>866,331</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Impairment

For the years ended December 31, 2022 and 2021, the Consolidated Company performed an assessment on the property, plant and equipment that indicated impairment. The recoverable amount was calculated using the value in use. For the years ended December 31, 2022 and 2021, the carrying value was higher than the value in use. The Consolidated Company recorded an impairment loss which amounted to \$7,540 thousand.

(iii) In response to the establishment and overall operational considerations of the "Taoyuan City Guanyin Industrial Park Development Project", the Company applied to the "National Property Administration" for the purchase of national land at the amount of \$423,897 thousand, accounted for as "Land", in accordance with National Non-public Use Real Estate Sales Procedures, with the valuation process having been completed by acquiring the property rights transfer certification in March 2022.

(iv) In consideration of the overall operation, the Company acquired 36,639.37 square meters of land, 25,303 square meters of plant and buildings, and a complete set of single rolling production line and a batch of equipment related to steel bar processing in Xiaogang District, Kaohsiung City through a court auction for \$2,430,000 thousand on August 30, 2022. The land, buildings and equipment amount to \$2,000,000 thousand, \$154,000 thousand and \$276,000 thousand, respectively, and the above have been transferred and handed over. The above payment has been fully paid.

(v) The assessment of the useful life and the residual value  
Property, plant and equipment is depreciated using the straight-line method. The Company periodically evaluates the useful life and the residual value of property, plant, and equipment; if there is any significant change in relevant estimates, adjustments will be made in the period the change occurs and in the future periods.

(vi) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2022 and 2021.

(j) Right-of-use assets

The Consolidated Company leases assets including land, buildings, machinery equipment, transportation equipment, and office equipment. Information about leases for which the Consolidated Company as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	\$ 350,422	49,593	91,825	17,770	5,412	515,022
Loss of control over subsidiary	(23,442)	-	-	-	-	(23,442)
Additions	15,821	4,400	-	11,659	1,062	32,942
Disposal	(11,464)	(4,400)	-	(4,790)	(672)	(21,326)
Effect of changes in foreign exchange rates	(537)	(23)	(342)	-	-	(902)
Balance at December 31, 2022	<u>\$ 330,800</u>	<u>49,570</u>	<u>91,483</u>	<u>24,639</u>	<u>5,802</u>	<u>502,294</u>

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# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	<b>Land</b>	<b>Buildings</b>	<b>Machinery equipment</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Total</b>
Balance at January 1, 2021	\$ 324,939	85,736	78,951	19,351	5,093	514,070
Additions	2,947	4,395	-	6,199	574	14,115
Disposal	(1,134)	(41,086)	-	(7,780)	(255)	(50,255)
Effect of changes in foreign exchange rates	23,670	548	12,874	-	-	37,092
Balance at December 31, 2021	<u>\$ 350,422</u>	<u>49,593</u>	<u>91,825</u>	<u>17,770</u>	<u>5,412</u>	<u>515,022</u>
Accumulated depreciation:						
Balance at January 1, 2022	\$ 58,525	18,273	31,927	8,881	2,750	120,356
Loss of control over subsidiary	(1,856)	-	-	-	-	(1,856)
Depreciation for the period	19,873	15,066	10,522	7,151	991	53,603
Disposal	(10,663)	(4,400)	-	(4,790)	(672)	(20,525)
Effect of changes in foreign exchange rates	45	29	79	-	-	153
Balance at December 31, 2022	<u>\$ 65,924</u>	<u>28,968</u>	<u>42,528</u>	<u>11,242</u>	<u>3,069</u>	<u>151,731</u>
Balance at January 1, 2021	\$ 36,032	23,952	18,199	10,019	2,020	90,222
Depreciation for the period	21,152	19,021	10,593	6,642	985	58,393
Disposal	-	(24,644)	-	(7,780)	(255)	(32,679)
Effect of changes in foreign exchange rates	1,341	(56)	3,135	-	-	4,420
Balance at December 31, 2021	<u>\$ 58,525</u>	<u>18,273</u>	<u>31,927</u>	<u>8,881</u>	<u>2,750</u>	<u>120,356</u>
Carrying amount:						
Balance at December 31, 2022	<u>\$ 264,876</u>	<u>20,602</u>	<u>48,955</u>	<u>13,397</u>	<u>2,733</u>	<u>350,563</u>
Balance at December 31, 2021	<u>\$ 291,897</u>	<u>31,320</u>	<u>59,898</u>	<u>8,889</u>	<u>2,662</u>	<u>394,666</u>

(k) Investment property

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost or deemed cost:</b>			
Balance as of January 1, 2022	\$ 1,863,525	269,585	2,133,110
Additions	1,414	-	1,414
Balance as of December 31, 2022	<u>\$ 1,864,939</u>	<u>269,585</u>	<u>2,134,524</u>
Balance as of January 1, 2021	\$ 1,863,277	269,585	2,132,862
Additions	248	-	248
Balance as of December 31, 2021	<u>\$ 1,863,525</u>	<u>269,585</u>	<u>2,133,110</u>
<b>Depreciation and impairment:</b>			
Balance as of January 1, 2022	\$ -	204,170	204,170
Depreciation for the period	-	5,392	5,392
Balance as of December 31, 2022	<u>\$ -</u>	<u>209,562</u>	<u>209,562</u>
Balance as of January 1, 2021	\$ -	196,616	196,616
Depreciation for the period	-	7,554	7,554
Balance as of December 31, 2021	<u>\$ -</u>	<u>204,170</u>	<u>204,170</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
<b>Carrying amount:</b>			
Balance as of December 31, 2022	\$ <u>1,864,939</u>	<u>60,023</u>	<u>1,924,962</u>
Balance as of December 31, 2021	\$ <u>1,863,525</u>	<u>65,415</u>	<u>1,928,940</u>
<b>Fair value:</b>			
Balance as of December 31, 2022			\$ <u>7,019,293</u>
Balance as of December 31, 2021			\$ <u>7,125,300</u>

- (i) Investment property includes the investment in Kuo Kong Section, Houlong town, Miaoli County, and several construction sites and factories leased to others; leased objects mentioned above are the factory in Cianjhen District of Kaohsiung, the factory in Bade City of Taoyuan, the building in Taichung, and the office in Taipei.
- (ii) The investment in Kuo Kong Section, Houlong Town, Miaoli County is within the general industrial zone. The Consolidated Company has established five wind turbines sets to improve the efficiency of the use of the land. On December 17, 2015, the 3.161KV line was merged into Tung Kang Wind Power transformer station. Works of parallel connection started on December 21, 2015, and the electricity license was obtained on August 19, 2016. Also, the continuous increase of investments from world renowned manufacturers and the backflow of Taiwanese investors resulted in an inflation of the land within the industrial zone. Currently, the purpose of usage and owning the land is to obtain the capital appreciation in the future. As of December 31, 2022 and 2021, the carrying value is \$969,553 thousand and 968,139 thousand.
- (iii) Please refer to Note 6(i) for relevant information on investment property acquired under the ownership of others.
- (iv) None of the investment property was for pledged for collateral as of December 31, 2022 and 2021.
- (v) The fair value of investment property is in reference to the appraisal report done by independent professionals (with certificated qualification and recent experience in appraisals of items that are within the same area or of similar items). The valuation technique used is classified as the second and the third hierarchy of input value.
- (l) Short-term loans
- (i) Details of the Consolidated Company's short-term loans were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Letters of credits	\$ 367,774	950,897
Unsecured bank loans	<u>13,627,200</u>	<u>12,375,067</u>
	<u>\$ 13,994,974</u>	<u>13,325,964</u>
Unused credit lines (including notes and bills payable)	<u>\$ 22,566,658</u>	<u>20,387,453</u>
Range of interest rates	<u>0.42%~7.8%</u>	<u>0.40%~5.22%</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Short-term notes and bills payable

(i) Details of the Consolidated Company's short-term bills payable were as follows:

		<b>December 31, 2022</b>	
		<b>Interest rate</b>	<b>Amount</b>
Commercial papers payable	IBFC、DCBF、 ETFC	1.95%~2.288%	\$ 600,000
Less : discount on short-term bills payable			(500)
Total			<u><u>\$ 599,500</u></u>

		<b>December 31, 2021</b>	
		<b>Interest rate</b>	<b>Amount</b>
Commercial papers payable	MegaBills、 DCBF	0.8%~0.858%	\$ 100,000
Less : discount on short-term bills payable			(13)
Total			<u><u>\$ 99,987</u></u>

Please refer to Note 6(l) for unused credit lines.

(n) Long-term loans

Details of the Consolidated Company's long-term loans were as follows:

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.45%~1.95%	2024.04.27 ~2025.07.18	\$ 1,950,000
Unsecured bank loans	USD	5.48%	2023.01.17 ~2025.01.17	768,043
Less : current portion				(192,011)
Total				<u><u>\$ 2,526,032</u></u>
Unused credit lines				<u><u>\$ 1,100,000</u></u>

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.58%~1.45%	2023.04.27 ~2025.04.10	\$ 1,825,000
Unsecured bank loans	USD	1.305%	2022.03.11 ~2022.12.11	717,275
Less : current portion				(724,418)
Total				<u><u>\$ 1,817,857</u></u>
Unused credit lines				<u><u>\$ 2,090,000</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Bonds payable

(i) Major conditions of the issuance of unsecured bonds payable were as follows :

Item	The seventh unsecured domestic convertible bond
1. Principal amount	\$2,000,000 thousand
2. Par value	\$100 thousand
3. Original issuance date	2018.05.14~2023.05.14
4. Maturity	5 years
5. Coupon rate	0%
6. Redemption method	(1) Three months after the issuance date and 40 days prior to maturity, the bonds may be redeemed if the closing price of the ordinary shares, for a period of 30 consecutive trading days, is at least 30% of the conversion price then in effect. 30 trading days prior to maturity, the Company may redeem all bonds for cash. (2) If at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled, or converted.
7. Redemption option of bondholders	The bondholders could request the Company to redeem the bond at face value plus the interest premium of 0.75% and 1% three and four years after the issue date, respectively (actual yield: 0.25% and 0.25%, respectively).
8. Conversion price and adjustment	The conversion price was NT27.8 dollars at the original issuance date. Since the Company paid cash dividend on July 7, 2018, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT26.2 dollars according the conversion method. Since the Company paid cash dividend on July 22, 2019, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT24.8 dollars according the conversion method. Since the Company paid cash dividend on June 20, 2020, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT23.3 dollars according the conversion method.

(ii) Bonds payable as of December 31, 2021 were as follows:

	December 31, 2021
Originally issued amount of unsecured domestic convertible bonds	\$ 2,000,000
Accumulated redeemed and executed convertible bonds	(600)
Accumulated converted convertible bonds	(1,999,400)
Adjustment on the equity and liability component from repurchases and conversions	(49,760)
Accumulated interest expenses	49,760
Total	\$ -
Interest expense	\$ 781

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
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- (iii) On March 16, 2021, the outstanding balance of the bonds were lower than 10% of the originally issued amount. Therefore, the Company redeemed the remaining 6 issued bonds in cash, at par value, amounting to \$600 thousand, resulting in a loss of \$14 thousand to be recognized, and a capital-surplus-stock option of \$25 thousand to be reclassified to capital surplus-others.
- (iv) As of December 31, 2021 the accumulated repurchase and conversion of the seventh unsecured domestic convertible bonds were as follows :

	<b>Face value of the seventh Domestic Unsecured Convertible Bonds (in thousands of NTD)</b>
Accumulated redemption	
December 31, 2021	\$ <u><u>600</u></u>
Accumulated conversion	
December 31, 2021	\$ <u><u>1,999,400</u></u>

(p) Lease liabilities

The details of the Consolidated Company's lease liabilities were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	\$ <u><u>41,431</u></u>	<u><u>40,364</u></u>
Non-current	\$ <u><u>163,840</u></u>	<u><u>191,522</u></u>

The details of maturity , please refer to note 6(z).

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ <u><u>3,029</u></u>	<u><u>3,932</u></u>
Expenses relating to short-term leases	\$ <u><u>32,392</u></u>	<u><u>28,506</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u><u>3,840</u></u>	<u><u>3,868</u></u>
Covid-19-related rent concessions(recognized as other income)	\$ <u><u>-</u></u>	<u><u>123</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in the statement of cash flows was as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<b>\$ 87,380</b>	<b>105,809</b>

(i) Real estate leases

The Consolidated Company leases land and buildings for its office space and storage locations. The leases for office space and storage locations typically run for a period of 2 to 3 years ; and for land in Vietnam and China is 50 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Certain leases contain extension or cancellation options exercisable by the Consolidated Company. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Consolidated Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Consolidated Company leases machinery equipment and transportation equipment, with lease terms of two to five years. In some cases, the Consolidated Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Consolidated Company also leases transportation 、IT equipment and machinery with contract terms of one to three years. These leases are short-term or leases of low-value items. The Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(q) Operating lease

The Consolidated Company leases out its investment property and has classified these lease as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(k) sets out information about the operating leases of investment property.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Less than one year	\$ 52,022	51,119
One to two years	34,024	33,093
Two to three years	2,879	34,024
Three to four years	2,951	2,879
Four to five years	1,065	2,951
Over five years	<u>6,922</u>	<u>7,987</u>
	<b><u>\$ 99,863</u></b>	<b><u>132,053</u></b>

The operating lease revenues for the December 31, 2022 and 2021, were \$51,159 thousand and \$49,710 thousand.

(r) Other payables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 743,157	871,609
Freight payable	236,025	254,041
Utilities payable	237,311	252,691
Sales bonuses payable	294,356	310,451
Waste disposal payable (including to related parties)	95,934	102,786
Cash dividends payable (including from prior years)	44,132	44,526
Taxes payable	140,138	10,575
Repair and Maintenance payable	114,086	69,752
Equipment payable	11,460	15,246
Other operating and manufacturing overhead payable	<u>188,227</u>	<u>197,584</u>
	<b><u>\$ 2,104,826</u></b>	<b><u>2,129,262</u></b>

The above payables are planned to be paid within one year. Please refer Note 6(z) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Employee benefits

(i) Defined benefit plan

Reconciliation between the present value of the Company's defined benefit obligation and the fair value of the plan assets were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of the defined benefit obligation	\$ 1,507,094	1,571,887
Fair value of the plan assets	<u>(1,246,137)</u>	<u>(1,167,900)</u>
Net defined benefit liabilities	<b><u>\$ 260,957</u></b>	<b><u>403,987</u></b>

Reconciliation between the present value of the subsidiaries's defined benefit obligation and the fair value of plan assets were as follows :

	<b>December 31, 2021</b>
Present value of defined benefit obligation	\$ (1,828)
Fair value of plan assets	<u>13,402</u>
Net defined benefit assets	<b><u>\$ 11,574</u></b>

1) Composition of the plan assets

The Labor Pension Fund Supervisory Committee manages the Consolidated Company's pension fund which is being funded according to the Labor Standards Act. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute income of not less than the interest income derived from two-year time deposit with the local banks.

As of December 31, 2022 and 2021, the balance of the Consolidated Company's pension fund at Bank of Taiwan amounted to \$1,246,137 thousand and \$1,181,302 thousand, respectively. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization off the labor pension fund, related yield rate and its asset allocation.

2) Changes in the present value of the defined benefit obligation

Changes in the present value of the Company's defined benefit obligation were as follows :

	<b>For the years ended December 31, 2022</b>	<b>2021</b>
Balance as of January 1	\$ 1,571,887	1,608,336
Service cost and interest expense for the period	22,360	25,339
Remeasurements of the net defined benefit liabilities :		
— Experience adjustments	(9,257)	(2,430)
Benefits paid	<u>(77,896)</u>	<u>(59,358)</u>
Balance as of December 31	<b><u>\$ 1,507,094</u></b>	<b><u>1,571,887</u></b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Changes in the present value of the subsidiaries' defined benefit obligation were as follows :

	<b>For the year ended December 31, 2021</b>
Balance as of January 1	\$ (1,881)
Service cost and interest expense for the period	(167)
Remeasurements of the net defined benefit assets :	
— Experience adjustments	103
— Actuarial losses arising from changes in financial assumptions	117
Balance as of December 31	<u><u>\$ (1,828)</u></u>

3) Changes in the fair value of the plan assets

Changes in the Company's fair value of the plan assets were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance as of January 1	\$ 1,167,900	1,049,511
Interest income	5,994	3,115
Remeasurements of the net defined benefit liabilities :		
— Return on plan assets (excluding interests for the period)	90,378	15,705
Contributions from employer	59,761	158,927
Benefits paid	(77,896)	(59,358)
Balance at December 31	<u><u>\$ 1,246,137</u></u>	<u><u>1,167,900</u></u>

Changes in the subsidiaries' fair value of the plan assets were as follows :

	<b>For the year ended December 31, 2021</b>
Balance as of January 1	\$ 13,167
Interest income	53
Remeasurements of the net defined benefit assets:	
— Return on plan assets (excluding interests for the period)	182
Balance as of December 31	<u><u>\$ 13,402</u></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Expenses recognized as profit or loss

The Consolidated Company's expenses recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Service cost for the period	\$ 14,501	20,608
Net interest expense of net defined benefit liabilities	1,865	1,616
	<b>\$ 16,366</b>	<b>22,224</b>
	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 12,899	18,036
Selling expenses	564	767
Administrative expenses	2,903	3,421
	<b>\$ 16,366</b>	<b>22,224</b>

The subsidiaries' expense recognized in profit or loss were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Service cost for the period	\$ 71	159
Net interest expense of net defined benefit liabilities	-	(45)
	<b>\$ 71</b>	<b>114</b>
Reduction of administrative expenses	<b>\$ 71</b>	<b>114</b>

5) Changes in the remeasurement of the net defined benefit (assets) liabilities recognized in other comprehensive income

The Company's cumulated remeasurement of the net defined benefit liabilities recognized in other comprehensive income was as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 362,951	344,817
Recognized in the current period	99,635	18,134
Balance at December 31	<b>\$ 462,586</b>	<b>362,951</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The subsidiaries' cumulated remeasurement of the net defined benefit liabilities recognized in other comprehensive income was as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance as of January 1	\$ 117	(196)
Recognized in the current period	(117)	313
Balance as of December 31	<u>\$ -</u>	<u>117</u>

6) Actuarial assumptions

The principal assumptions of the Company's actuarial valuation were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.00 %	0.50 %
Rates of increase in future salary	2.00 %	2.00 %

The Company expects to make a contribution of NT\$59,761 thousand to its defined benefit plans in the following year, beginning December 31, 2022. The weighted average duration of the defined benefit obligation is 6.3 years.

The principal assumptions of the subsidiaries' actuarial valuation were as follows :

	<b>For the year ended December 31, 2021</b>
Discount rates	0.70 %
Rates of increase in future salary	2.00 %

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows :

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2022		
Discount rate	\$ (14,746)	15,162
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Rate of increase in future salary	\$ 61,684	(56,378)

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>Effects on the Company's defined benefit obligations</b>	
		<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2021			
Discount rate	\$	(19,297)	19,902
		<b>Effects on the subsidiaries' defined benefit obligations</b>	
		<b>Increase by 1%</b>	<b>Decrease by 1%</b>
December 31, 2022			
Discount rate	\$	80,920	(73,111)
		<b>Effects on the subsidiaries' defined benefit obligations</b>	
		<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2021			
Discount rate	\$	(90)	97
		<b>Effects on the subsidiaries' defined benefit obligations</b>	
		<b>Increase by 1%</b>	<b>Decrease by 1%</b>
December 31, 2021			
Rate of increase in future salary		419	(326)

The above sensitivity analysis was based on the changes of a single assumption while holding other assumptions constant. In practicality, it is reasonably possible that the changes in different assumptions are linked to one another. The sensitivity analysis adopts the same method for determining the defined benefit assets at the reporting date.

There was no change of method and assumptions used in the sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plan

The Consolidated Company allocates 6% of each employee's monthly wages to the Labor Pension Personal Accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Consolidated Company does not bear any additional legal or constructive obligations other than the allocation of a fixed amount to the Bureau of the Labor Insurance. The China subsidiaries allocates 18% of each employee's monthly wages to retirement pension fund in accordance with the local government regulations, the retirement payment obligations will be exempted after the implementation of the responsibilities.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company's pension costs under the defined contribution plan were \$75,600 thousand and \$70,938 thousand for 2022 and 2021, respectively. The payment was made to the Bureau of the Labor Insurance.

(t) Income tax

(i) The details of income tax expense were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 1,276,838	1,419,109
Adjustments for prior years	14,436	(13,175)
	<u>1,291,274</u>	<u>1,405,934</u>
Deferred tax expense		
The origination and reversal of temporary differences	18,118	23,226
Income tax expense for continuing operations	<u><b>\$ 1,309,392</b></u>	<u><b>1,429,160</b></u>

The income tax (expense) benefit related to components of other comprehensive income for the years ended December 31, 2022 and 2021, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Remeasurement of the defined benefit plans	<u><b>\$ -</b></u>	<u><b>(3,707)</b></u>

The reconciliation of income tax expense and income before income tax for the years ended December 31, 2022 and 2021, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Income before income tax	<u><b>\$ 5,320,164</b></u>	<u><b>7,350,711</b></u>
Income tax using the Company's domestic tax rate	\$ 1,064,033	1,470,142
Effect of difference in income tax rates between foreign investees	125,371	(28,544)
Permanent difference	(170,881)	95,312
Current investment tax credits used	(7,414)	(6,422)
Changes of unrecognized temporary difference	184,693	(126,058)
Overdue of previously loss carryforward	-	379
Losses from current periods of unrecognized deferred tax assets	61,062	375
Recognition of carryforward losses not recognized in prior periods	(7,309)	-
Over-estimation from prior periods	(1,428)	(16,758)
Surtax on unappropriated earnings	77,455	60,332
Difference between administrative remedy and assessment by the tax authority	15,864	3,583
Use carryforward losses on unrecognized deferred tax assets	(27,135)	(25,379)
Other adjustments	(4,919)	2,198
Total	<u><b>\$ 1,309,392</b></u>	<u><b>1,429,160</b></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liabilities as of December 31, 2022 and 2021.

2) Unrecognized deferred tax assets

The items of unrecognized deferred tax assets were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Tax effect of deductible temporary differences	\$ 78,940	37,357
Temporary differences related to investment in subsidiary	635,306	492,196
Loss carry-forward	<u>306,503</u>	<u>284,120</u>
	<b><u>\$ 1,020,749</u></b>	<b><u>813,673</u></b>

The Consolidated Company has no intention to dispose or reduce the equity of its subsidiaries; therefore, the temporary differences incurred from its subsidiaries' investments will not to be recognized.

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five to ten years for local tax reporting purposes. No deferred tax assets have been recognized in respect of the losses due to the uncertainty about whether there will be sufficient taxable gains in the future to utilize the taxable losses.

As of December 31, 2022 and 2021, the Consolidated Company's unused loss carry-forwards that were not recognized as deferred tax assets were \$2,684,531 thousand and \$2,267,303 thousand, the deductible deadline were December 31, 2021 and 2030.

3) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows :

	<b>Reserve for land appreciation tax</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities:			
Balance as of January 1, 2022	\$ 167,174	2,779	169,953
Recognized in profit or loss	-	17,755	17,755
Recognized in other comprehensive income	-	(136)	(136)
Exchange difference on translation of financial statements of foreign operating institutions	<u>-</u>	<u>8</u>	<u>8</u>
Balance as of December 31, 2022	<b><u>\$ 167,174</u></b>	<b><u>20,406</u></b>	<b><u>187,580</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Reserve for land appreciation tax</b>		<b>Others</b>	<b>Total</b>
Balance as of January 1, 2021	\$	167,174	5,006	172,180
Recognized in profit or loss		-	(2,307)	(2,307)
Recognized in other comprehensive income		-	80	80
Balance as of December 31, 2021	\$	<u>167,174</u>	<u>2,779</u>	<u>169,953</u>

	<b>Defined benefit plans</b>	<b>Unrealized loss on financial assets</b>	<b>Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts</b>	<b>Loss carry-forward</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets:						
Balance as of January 1, 2022	\$ 19,794	1,009	14,957	6,414	44,257	86,431
Recognized in profit or loss	(8,679)	1,926	(1,905)	7,309	986	(363)
Loss of control over subsidiary	-	-	-	(526)	-	(526)
Balance as of December 31, 2022	<u>\$ 11,115</u>	<u>2,935</u>	<u>13,052</u>	<u>13,197</u>	<u>45,243</u>	<u>85,542</u>
Balance as of January 1, 2021	\$ 50,761		16,862	6,124	41,844	115,591
Recognized in profit or loss	(27,340)	1,009	(1,905)	290	2,413	(25,533)
Recognized in other comprehensive income	(3,627)	-	-	-	-	(3,627)
Balance as of December 31, 2021	<u>\$ 19,794</u>	<u>1,009</u>	<u>14,957</u>	<u>6,414</u>	<u>44,257</u>	<u>86,431</u>

As of December 31, 2022, the Consolidated Company's unused loss carry-forwards that were recognized as deferred tax assets were as follows:

<b>Year of occurrence</b>	<b>Remaining creditable amount</b>	<b>Expiry year</b>
2013 (assessment)	\$ 15,490	2023
2014 (assessment)	16,511	2024
2015 (assessment)	16,194	2025
2016 (assessment)	4,740	2026
2017 (assessment)	3,176	2027
2018 (assessment)	4,889	2028
2020 (assessment)	47	2030
2021 (projection)	5,143	2031
	<u>\$ 66,190</u>	

- (iii) The Company's income tax returns have been examined by the ROC tax authorities through 2020.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Capital and other equity

(i) Capital

As of December 31, 2022 and 2021, the Company's government-registered total authorized capital amounted to \$15,000,000 thousand, with par value per share of \$10 (dollars), and total issued ordinary shares amounted to 730,214 thousand shares. All issued shares were paid up upon issuance.

At the shareholders' meeting held on July 15, 2021, the Company approved a capital reduction of \$3,596,576 thousand and the cancellation of 359,658 thousand shares of common stock, resulting in a paid-in capital of \$7,302,138 thousand. The capital reduction was approved by the Taiwan Stock Exchange Co., Ltd. on October 21, 2021, by letter No. 11001185940, and the base date for the capital reduction was September 27, 2021, and the base date of the capital exchange was December 3, 2021.

The holders of convertible bonds exercised certain conversion rights; therefore, the Company issued 31,112 thousand certificates of entitlements for the new shares amounting to \$311,115 thousand, at par value. All related registration procedures had been completed as of December 31, 2021.

On September 22, 1994, the Consolidated Company issued 6,000 thousand Global Depositary Receipts (GDRs), in the Multilateral Trading Facility (MTF) market of the Luxembourg Stock Exchange (LSE)(one GDRs represents 10 ordinary shares). The details were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
(in shares)		
Total issued shares	<b><u>66,187,923</u></b>	<b><u>66,187,923</u></b>
Outstanding shares	<b><u>4,919,192</u></b>	<b><u>4,919,192</u></b>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	5,014,194	5,014,194
Treasury stock transactions	59,036	59,036
Difference between the acquiring value and the carrying value of subsidiaries	21,511	21,511
Changes in equity of associates accounted for using the equity method	190,445	190,445
Others	<u>109,759</u>	<u>109,759</u>
	<b><u>\$ 7,684,679</u></b>	<b><u>7,684,679</u></b>

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## **TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

According to the Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

#### **(iii) Retained earnings**

Based on the Company's articles of incorporation, the Company's annual earnings should first be used to provide for income tax and to cover accumulated deficits, before being set aside 10% as a legal reserve, or if necessary, a special reserve. The remainder, along with accumulated earnings, are distributed in cash under the authorized resolution by the Board of Directors attended by two-thirds of the directors and more than half of the attended directors agree, and then report to the board of shareholders. However, if they are distributed not only in cash, then they should be distributed as dividends and earnings distribution under the stockholders' resolution.

The Company is at a stable and mature stage, so the dividend plan is that the percentages of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

#### **1) Legal reserve**

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

#### **2) Special reserve**

By choosing to apply exemptions granted under IFRSs 1 First-time Adoption of IFRSs during the Company's first-time adoption of the IFRSs as approved by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, retained earnings would be increased by \$333,057 thousand, by recognizing the fair value on the adoption date as deemed cost. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs amounted to \$149,309 thousand. In accordance with Ruling by the FSC, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$149,309 thousand on December 31, 2022.

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# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

In accordance with Ruling by the FSC, a portion of current-period earnings and unappropriated prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of unappropriated prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

### 3) Earnings distribution

On March 10, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. On March 23, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriate as follows:

	2021		2020	
	Amount per share (in dollars)	Total amount	Amount per share (in dollars)	Total amount
Cash dividend appropriated for ordinary shareholders	\$ 6.40	<u>4,673,368</u>	1.50	<u>1,634,807</u>

On February 22, 2023, the Company's Board of directors resolved to appropriate the 2022 earnings. These earnings were appropriate as follows:

	2022	
	Amount per share (in dollars)	Total amount
Dividends per ordinary share (in dollars)		
Cash dividend appropriated for ordinary shareholders	\$ 3.50	<u>2,555,748</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through OCI	Total
Balance as of January 1, 2022	\$ (514,902)	357,013	(157,889)
Exchange differences on translation of foreign operations :			
The Consolidated Company	(5,282)	-	(5,282)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Consolidated Company	-	(153,114)	(153,114)
Others :			
The Consolidated Company	-	4,398	4,398
Balance as of December 31, 2022	<u>\$ (520,184)</u>	<u>208,297</u>	<u>(311,887)</u>
Balance as of January 1, 2021	\$ (941,368)	119,005	(822,363)
Exchange differences on translation of foreign operations :			
The Consolidated Company	426,466	-	426,466
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Consolidated Company	-	214,608	214,608
Other :			
The Consolidated Company	-	23,400	23,400
Balance as of December 31, 2021	<u>\$ (514,902)</u>	<u>357,013</u>	<u>(157,889)</u>

(v) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2022 and 2021, were calculated on the basis of profit attributable to common shareholders, which were \$3,994,004 thousand and \$5,906,247 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 730,214 thousand and 991,957 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (basic)

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to the Company	\$ 3,994,004	5,906,247
Profit attributable to the ordinary shareholders	<u>\$ 3,994,004</u>	<u>5,906,247</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) Weighted-average number of outstanding ordinary shares (basic) (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Number of outstanding shares	<u><b>730,214</b></u>	<u><b>991,957</b></u>

- (ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2022 and 2021, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,994,004 thousand and \$5,907,027 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 733,222 thousand and 998,575 thousand, respectively. Calculations were as follows :

- 1) Profit attributable to ordinary shareholders of the Company (diluted) :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 3,994,004	5,906,247
Interest expense after tax and valuation of convertible bonds	-	780
Profit attributable to the ordinary shareholders of the Company (dilutive)	<u><b>\$ 3,994,004</b></u>	<u><b>5,907,027</b></u>

- 2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Weighted-average number of outstanding ordinary shares (basic)	730,214	991,957
Effects of convertible bonds	-	3,163
Effects of employee stock bonus	3,008	3,455
Weighted-average number of outstanding ordinary shares (dilutive)	<u><b>733,222</b></u>	<u><b>998,575</b></u>

- (w) Revenue from contracts with customers

- (i) Disaggregation of revenue

<b>For the year ended December 31, 2022</b>				
	<b>Sale of goods</b>	<b>Construction contracts</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:				
Taiwan	\$ 43,735,182	8,632,971	310,619	52,678,772
The United States	31,185	-	-	31,185
Asia	5,074,900	703,037	422	5,778,359
Others	1,478,645	-	5,160	1,483,805
	<u><b>\$ 50,319,912</b></u>	<u><b>9,336,008</b></u>	<u><b>316,201</b></u>	<u><b>59,972,121</b></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>For the year ended December 31, 2022</b>				
	<b>Sale of goods</b>	<b>Construction contracts</b>	<b>Rendering of services</b>	<b>Total</b>
Main product/service line:				
Deformed bars	\$ 32,392,188	-	-	32,392,188
H-beams	16,414,597	-	-	16,414,597
Billets	1,046,771	-	-	1,046,771
Rendering of services	-	-	316,201	316,201
Metal structure	-	9,084,196	-	9,084,196
Civil engineering	-	251,812	-	251,812
Others	466,356	-	-	466,356
	<b>\$ 50,319,912</b>	<b>9,336,008</b>	<b>316,201</b>	<b>59,972,121</b>

<b>For the year ended December 31, 2021</b>				
	<b>Sale of goods</b>	<b>Construction contracts</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:				
Taiwan	\$ 40,815,566	9,353,841	402,006	50,571,413
The United States	14,758	-	-	14,758
Asia	5,256,714	736,065	20,194	6,012,973
Others	2,184,036	-	11,909	2,195,945
	<b>\$ 48,271,074</b>	<b>10,089,906</b>	<b>434,109</b>	<b>58,795,089</b>

Main product/service line:				
Deformed bars	\$ 27,171,078	-	-	27,171,078
H-beams	19,763,771	-	-	19,763,771
Billets	983,192	-	-	983,192
Rendering of services	-	-	434,109	434,109
Metal structure	-	9,622,264	-	9,622,264
Civil engineering	-	467,642	-	467,642
Others	353,033	-	-	353,033
	<b>\$ 48,271,074</b>	<b>10,089,906</b>	<b>434,109</b>	<b>58,795,089</b>

(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes receivable	\$ 221,246	292,600	517,078
Accounts receivable	3,413,472	4,048,723	2,836,447
Overdue receivables	63,628	63,178	15,185
Less: allowance for impairment	(102,021)	(160,188)	(105,942)
Total	<b>\$ 3,596,325</b>	<b>4,244,313</b>	<b>3,262,768</b>
Contract assets — construction contract	<b>\$ 3,828,719</b>	<b>3,617,001</b>	<b>2,794,916</b>
Contract liabilities — advance receipts	\$ 1,385,809	1,381,809	699,067
Contract liabilities — construction contract	1,473,195	1,150,797	884,191
Total	<b>\$ 2,859,004</b>	<b>2,532,606</b>	<b>1,583,258</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For details on accounts receivable and allowance for impairment for, please refer to note 6(d).

The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$1,336,905 thousand and \$699,067 thousand, respectively.

The major changes in the balance of the contract assets and contract liabilities is the difference between the timing in the performance obligation to be satisfied and the payment to be received.

(x) Employee compensation and remuneration of directors

In accordance with the articles of incorporation, the Company should contribute no less than 2.5% of the profit as employee compensation and less than 2% as remuneration of directors when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the Company's estimated employee compensation amounted to \$132,352 thousand and \$188,534 thousand, and the remuneration of directors amounted to \$105,881 thousand and \$150,827 thousand, respectively. The estimated amounts mentioned above were calculated based on the net income before tax, excluding the compensation to employees and the remuneration to directors of each period, multiplied by the percentage of compensation employees and remuneration to directors as specified in the Company's articles. These compensation and remuneration were expensed under operating costs or operating expenses for the years ended December 31, 2022 and 2021. Related information is available at the Market Observation Post System website. These amounts, as stated in the financial statements for the years ended December 31, 2022 and 2021, are identical to those of the actual distributions.

(y) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	\$ 15,598	13,662
Other interest income	3,336	1,748
Total Interest income	<b>\$ 18,934</b>	<b>15,410</b>

(ii) Other income

	<b>2022</b>	<b>2021</b>
Rental income	\$ 61,290	52,747
Dividend income	45,386	31,111
Scrap income	8,964	11,747
Total other income	<b>\$ 115,640</b>	<b>95,605</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

	<b>2022</b>	<b>2021</b>
Net loss on disposal of property, plant and equipment	\$ (3,073)	(109)
Foreign exchange (loss) gain	(23,408)	67,828
Gain on financial assets (liabilities) at fair value through profit or loss	180,590	49,410
Gain on disposal of subsidiary	-	2,490
Impairment loss on non-financial assets (Note)	(12,332)	(2,994)
Gain on lease modification	-	2,017
Compensation income	3,437	(15,544)
Loss on bond repurchase	-	(14)
Others	42,942	26,574
Other gains and losses	<b>\$ 188,156</b>	<b>129,658</b>

Note: The Consolidated Company performed an impairment assessment on the investment value of its natural resources using the Monte Carlo method to measure its investment value. The recoverable amount was calculated using the value-in-use approach by professionals. Since the carrying value was higher than the value-in-use, the Consolidated Company recognized an impairment loss amounting to \$12,332 thousand and \$2,994 thousand as other gains and losses under non-operating income for the years ended December 31, 2022 and 2021. The input value used in its fair value evaluation belongs to level 3 of the fair value hierarchy.

(iv) Finance costs

	<b>2022</b>	<b>2021</b>
Interest Expense		
Bank loans	\$ 298,864	137,920
Amortized interest of domestic corporate bond	-	781
Interest on domestic commercial paper	2,176	3,283
Lease payments	3,029	3,932
Preferred stock interest	-	5,389
Less: Interest capitalization	(2,461)	(1,804)
Finance costs(net)	<b>\$ 301,608</b>	<b>149,501</b>

(z) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets excluding cash and cash equivalents represents the Consolidated Company's maximum credit exposure. As of December 31, 2022 and 2021, the maximum exposure to credit risk amounted to \$4,605,453 thousand and \$6,116,275 thousand, respectively.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Concentration of credit risk

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Consolidated Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Consolidated Company has numerous clients and does not make any concentrative transactions with any single client. Therefore, there is no concentration of credit risk for account receivables.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 16,713,016	17,726,058	11,624,940	3,367,035	2,582,453	151,630	-
Commercial papers payable	599,500	600,000	600,000	-	-	-	-
Current financial liabilities at fair value through profit or loss	14,979	14,979	14,979	-	-	-	-
Lease liabilities	205,271	212,110	22,879	19,886	38,256	76,073	55,016
Accounts and notes payable	2,206,469	2,206,469	2,206,469	-	-	-	-
Other payables	2,104,826	2,104,826	2,104,826	-	-	-	-
Guarantee deposits received	9,155	9,155	9,155	-	-	-	-
	<u>\$ 21,853,216</u>	<u>22,873,597</u>	<u>16,583,248</u>	<u>3,386,921</u>	<u>2,620,709</u>	<u>227,703</u>	<u>55,016</u>
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 15,868,239	15,930,306	12,856,277	1,251,472	1,818,885	3,672	-
Commercial paper payable	99,987	100,000	100,000	-	-	-	-
Unsecured corporate bonds	5,045	5,045	5,045	-	-	-	-
Lease liabilities	231,886	245,024	22,507	20,779	38,140	82,345	81,253
Accounts and notes payable	3,173,211	3,173,211	3,173,211	-	-	-	-
Other payables	2,129,262	2,129,262	2,129,262	-	-	-	-
Guarantee deposits received	12,768	12,768	12,768	-	-	-	-
	<u>\$ 21,520,398</u>	<u>21,595,616</u>	<u>18,299,070</u>	<u>1,272,251</u>	<u>1,857,025</u>	<u>86,017</u>	<u>81,253</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Consolidated Company's financial assets and liabilities exposed to significant exchange rate risk were as follows:

	December 31, 2022			December 31, 2021			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	36,645	30.71	1,125,368	20,642	27.68	571,371
EUR		2	32.72	65	2	31.32	63
JPY		736	0.2324	171	472	0.2405	114
CNY		24	4.408	106	24	4.344	104
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		106,533	30.71	3,271,628	161,517	27.68	4,470,791
EUR		1,473	32.72	48,197	95	31.32	2,975
JPY		47,463	0.2324	11,030	11,550	0.2405	2,778

Due to the variety of functional currencies, the Consolidated Company disclosed the aggregated information on foreign exchange gains or losses. The realized and unrealized exchange loss amounted to \$(23,408) thousand and gain amounted to \$67,828 thousand for the years ended December 31, 2022 and 2021, respectively.

2) Sensitivity analysis

The Consolidated Company's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and loans and borrowings, which were denominated in different foreign currencies. The overall effects to net income for the years ended December 31, 2022 and 2021 assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2022 and 2021 were as follows:

	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2022		
USD (appreciation/depreciation of 1%)	\$ (17,170)	17,170
EUR (appreciation/depreciation of 1%)	(385)	385
JPY (appreciation/depreciation of 1%)	(87)	87
CNY (appreciation/depreciation of 1%)	1	(1)
	<u>\$ (17,641)</u>	<u>17,641</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Effect of appreciation on net income after tax</b>	<b>Effect of depreciation on net income after tax</b>
December 31, 2021		
USD (appreciation/depreciation of 1%)	\$ (31,195)	31,195
EUR (appreciation/depreciation of 1%)	(23)	23
JPY (appreciation/depreciation of 1%)	(21)	21
CNY (appreciation/depreciation of 1%)	<u>1</u>	<u>(1)</u>
	<b><u>\$ (31,238)</u></b>	<b><u>31,238</u></b>

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management about interest rate exposure of the Consolidated Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates of the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase in interest rate is assessed by management to be a reasonably possible change in interest rate.

If the interest rate increases by 1%, the Consolidate Company's net income will decrease by \$173,125 thousand and \$159,682 thousand for the years ended December 31, 2022 and 2021 respectively, assuming all other variable factors remain constant.

(v) Other market price risk :

The impact of hypothetical changes in prices of equity securities on other comprehensive income on the reporting date was as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Security price on reporting date</b>	<b>Other comprehensive income (after tax)</b>	<b>Other comprehensive income (after tax)</b>
Increase 1%	\$ <u>3,663</u>	<u>4,988</u>
Decrease 1%	\$ <u>(3,663)</u>	<u>(4,988)</u>

(vi) Information on fair value

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Consolidated Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>December 31, 2022</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Non-derivative financial assets—publicly listed stocks	\$ 162,736	162,736	-	-	162,736
Subtotal	162,736	162,736	-	-	162,736
Financial assets at fair value through other comprehensive income					
Publicly listed stocks	366,344	366,344	-	-	366,344
Equity instruments measured at fair value with no publicly quoted price	158,472	-	-	158,472	158,472
Subtotal	524,816	366,344	-	158,472	524,816
Financial assets measured at amortized cost					
Cash and cash equivalents	2,126,513	-	-	-	-
Notes and accounts receivable	3,589,255	-	-	-	-
Other receivables	28,234	-	-	-	-
Refundable deposits and pledged deposits	300,412	-	-	-	-
Subtotal	6,044,414	-	-	-	-
<b>Total</b>	<b>\$ 6,731,966</b>	<b>529,080</b>	<b>-</b>	<b>158,472</b>	<b>687,552</b>
Derivative financial liabilities—forward foreign exchange contracts	\$ 14,979	-	14,979	-	14,979
Financial liabilities measured at amortized cost					
Short-term loans	13,994,974	-	-	-	-
Long-term loans (including current portion)	2,718,043	-	-	-	-
Short-term notes and bills payable	599,500	-	-	-	-
Notes and accounts payable	2,206,469	-	-	-	-
Other payables	2,104,826	-	-	-	-
Lease liabilities	205,271	-	-	-	-
Deposits received	9,155	-	-	-	-
Subtotal	21,838,238	-	-	-	-
<b>Total</b>	<b>\$ 21,853,217</b>	<b>-</b>	<b>14,979</b>	<b>-</b>	<b>14,979</b>
<b>December 31, 2021</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Non-derivative financial asset—publicly listed stocks	\$ 195,744	195,744	-	-	195,744
Financial assets at fair value through other comprehensive income					
Publicly listed stocks	498,821	498,821	-	-	498,821
Equity instruments measured at fair value with no publicly quoted price	175,372	-	-	175,372	175,372
Subtotal	674,193	498,821	-	175,372	674,193
Financial assets measured at amortized cost					
Cash and cash equivalents	1,530,394	-	-	-	-
Notes and accounts receivable	4,244,313	-	-	-	-
Other receivables	16,708	-	-	-	-
Refundable deposits and pledged deposits	985,317	-	-	-	-
Subtotal	6,776,732	-	-	-	-
<b>Total</b>	<b>\$ 7,646,669</b>	<b>694,565</b>	<b>-</b>	<b>175,372</b>	<b>869,937</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Carrying amount	December 31, 2021			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities—foreign exchangeforward contracts	\$ 5,045	-	5,045	-	5,045
Financial liabilities measured at amortized cost					
Short-term loans	\$ 13,325,964	-	-	-	-
Long-term loans (including current portion)	2,542,275	-	-	-	-
Short-term notes and bills payable	99,987	-	-	-	-
Notes and accounts payable	3,173,211	-	-	-	-
Other payables	2,129,262	-	-	-	-
Lease liabilities	231,886	-	-	-	-
Deposits received	12,768	-	-	-	-
Subtotal	21,515,353	-	-	-	-
Total	\$ 21,520,398	-	5,045	-	5,045

2) Technique for fair value evaluation of financial instruments not measured at fair value

The Consolidated Company's assumption and technique used to evaluate its financial instruments not measured at fair value are as follows:

Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Technique for fair value evaluation of financial instruments measured at fair value

a) Non-derivative financial instrument

If a financial instrument is quoted in an active market, the quoted price is its fair value. Announced prices at major exchanges and market prices of popular government bonds at the Taipei Exchange are bases of fair value for listed equity instruments and other debt investments with an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. If this condition is not met, the market is not active. Generally, if bid-ask spreads are very wide, the spread is increasing, or the transaction volume is low, the market is not active.

Fair value of the Consolidated Company's financial instruments that have an active market is displayed by category and attributed as follows:

Listed stocks are financial assets and liabilities with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Except for the abovementioned financial instruments with an active market price, the fair value of other financial instruments is measured using the valuation techniques. The fair value obtained through valuation techniques can be used as a reference to the current fair value, discounted cash flow, or other valuation techniques for other financial instruments with substantially similar properties and conditions. Fair value calculated using the valuation models and the available market information on the balance sheet date are also accepted by the market.

The fair value and the attributes of a financial instrument without an active market held by the Consolidated Company is listed as follows:

- Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

b) Derivative financial instruments

Such items are valued using the valuation models which are widely accepted by the market. Foreign exchange forward contracts normally are valued using the current forward exchange rates.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction in the years ended December 31, 2022 and 2021.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Consolidated Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income – equity investments".

Multiple unobservable inputs exist with the fair value of the Consolidated Company's investments in equity instruments. Since the significant unobservable inputs are independent of each other, no interrelationship exists.

Quantified information of significant unobservable inputs was as follow:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	· Comparative Method · Net Asset Value Method	· Multiplier of P/E ratio (0.73~7.09, 0.38~5.63 as of December 31, 2022 and 2021) · Discount rate for lack of market circulation (8.50%~34.83%, 5.09%~36.40%, as of December 31, 2022 and 2021)	· The higher the multiplier and the control premium, the higher the fair value · The higher the discount rate, the lower the fair value

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The measurement of fair value by the Consolidated Company is considerably reasonable. However, if a different valuation model or assumption is adopted, the result can differ. For fair value measurements in Level 3, changes in the assumptions would have the following effects:

			Changes in fair value reflected in OCI	
	Input	Changes in assumptions	Favorable	Unfavorable
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 8.50%~34.83%	5%	\$ 10,556	(10,556)
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 5.09%~36.40%	5%	11,587	(11,587)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(aa) Financial risk management

(i) Summary

The Consolidated Company is exposed to the following risks by using financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Consolidated Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements

(ii) The structure of risk management

The risk management policies are established to identify and analyze the Consolidated Company's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and Consolidated Company's activities. The Consolidated Company, through its training and management standards and procedures, aim to develop a discipline and constructive control environment, in which all employees understand their roles and obligation.

(Continued)



## **TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The audit committee of the Company oversees how the management complies in monitoring the Consolidated Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The internal audit sector of the Consolidated Company reviews the risk management controls and procedures on a scheduled and non-scheduled basis, and reports the results to the audit committee.

#### **(iii) Credit risk**

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Company's receivables from customers and investment securities.

##### **1) Accounts receivable and other receivables**

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer's financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer's payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

##### **2) Investments**

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Consolidated Company's finance department. The Consolidated Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Consolidated Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

##### **3) Guarantees**

The parties whom the Consolidated Company endorses and guarantees are its subsidiaries and affiliated companies; the items that the Consolidated Company endorses and guarantees are mostly financing and import duties commodity tax. Because the affiliated companies are financially sound and operate stably, the Consolidated Company has never suffered from losses due to endorsements and guarantees.

#### **(iv) Liquidity risk**

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Consolidated Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity, and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation. Therefore, the Consolidated Company believes the liquidity risk is low.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Consolidated Company not only analyzes its debt structure and deadline periodically to maintain sufficient capital, but also consults with financial institutions to maintain its credit lines, thereby, mitigating liquidity risk. The Consolidated Company obtains its credit lines from certain financial institutions, of which the unused credit lines amounted to \$22,477,453 thousand as of December 31, 2022. The borrowings that had been used within the credit lines were listed separately in short-term and long-term loans.

(v) Market risk

Market risk is the risk of changes in market prices, such as exchange rates, interest rates and equity prices that will affect the Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

Exchange rate risks are the risks generated from the fluctuation of fair value or the future cash flows of the financial instruments. The Consolidated Company's exchange rate risks arise from transactions such as sales, purchases and borrowings that are not recognized at the Consolidated Company's functional currency.

Steel bars and sections are the two main products of the Consolidated Company. Sales of steel bars mainly go to domestic clients and are recognized in New Taiwan dollar. The ratio of domestic sales to external sales for sections was about 92 to 8 for the year ended December 31, 2022. The external sales for the year ended December 31, 2022 was about \$1,578,000 thousand, which was 3% of the total revenue. Because the functional currency for import and export sales are all recognized in United States dollar ("USD"), sales revenue in USD and payments in USD can offset each other. The Consolidated Company uses foreign exchange forward contracts to avoid the risk of exchange rate fluctuation, recognizing the fluctuation of the fair value of the derivatives in profit or loss and takes the following steps to avoid exchange risk :

- a) Collect relevant information about the daily fluctuation in exchange rate in order to know its trend. Decide whether to convert one currency into another specific currency at a proper time or retain foreign currency borrowings.
- b) On dispatching foreign funds, the creditor's rights and debts in foreign currency offset each other through regular external sales and imports, causing the effect of natural hedge.
- c) Consult with foreign exchange departments of banks about hedging strategies and decide the foreign position that depends on the actual need of capital and the fluctuation of the exchange rate.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Interest rate risk

Interest rate risks are the risks that arise due to fluctuations in fair value or future cash flows of financial instruments because of changes in interest rate.

The Consolidated Company will obtain a more beneficial capital according to the compatibility of corresponding banks and the actual interest rate trends. The ratio of net interest revenue to the net operating revenue is not material; therefore, interest rate fluctuation does not cause any significant impact on the Consolidated Company. Besides, the Consolidated Company maintains a close relationship with certain corresponding banks and is well informed of any changes in the market in order to obtain a much more beneficial borrowing rate. The Consolidated Company continues to observe changes of interest rate on the market and issues convertible bonds to raise capital at proper time, and to fix and reduce interest cost for the Consolidated Company. Material capital expenditure will be evaluated with prudence and will be compared to different fund-raising instruments in order to raise capital with the least cost.

(ab) Capital management

Although business operated by the Consolidated Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment. The Consolidated Company's policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

The Consolidated Company uses the debt-to-capital ratio to manage capital. The debt-to-capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derive from deducting cash and cash equivalents from total liabilities. Total capital is the total component of equity (ie, equity, additional paid-in capital, retained earnings and other equity) plus net liabilities.

The Consolidated Company reviews the ratio of debt-to-capital periodically to improve stockholders' value. The debt-to-capital ratios as of December 31, 2022 and 2021, were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 25,852,033	25,670,167
Less: cash and cash equivalents	<u>2,126,513</u>	<u>1,530,394</u>
Net liabilities	27,978,546	27,200,561
Total equity	<u>28,914,514</u>	<u>29,732,585</u>
Total capital	<b><u>\$ 56,893,060</u></b>	<b><u>56,933,146</u></b>
Debt-to-capital ratio	<b><u>49.18 %</u></b>	<b><u>47.78 %</u></b>

As of December 31, 2022, there were no changes in the Consolidated Company's approach to capital management during the period.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ac) The investing and financing activities of non-cash transactions

The cash flow of non-cash investing and financing transactions for the years ended December 31, 2022 and 2021, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Reclassification of refundable deposits to property, plant and equipment	\$ <u>426,788</u>	<u>-</u>
Reclassification of prepayment of land and equipment to property, plant and equipment	\$ <u>129,268</u>	<u>49,947</u>
Changes in unrealized gain or loss on financial instruments	\$ <u>(153,646)</u>	<u>208,795</u>
Foreign exchange differences arising from foreign operations	\$ <u>(5,282)</u>	<u>426,466</u>
Increase in property, plant and equipment	\$ 3,076,338	435,196
Add: Payable for equipment as of January 1	15,246	23,847
Less: Payable for equipment as of December 31	<u>(11,460)</u>	<u>(15,246)</u>
Cash paid	\$ <u>3,080,124</u>	<u>443,797</u>

Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>		<b>Non-cash changes</b>		<b>December 31, 2022</b>
		<b>Acquisition</b>	<b>Repayment</b>	<b>Foreign exchange</b>	<b>Other</b>	
Short-term loans	\$ 13,325,964	106,674,122	(106,015,861)	10,749	-	13,994,974
Long-term loans (including current portion)	2,542,275	3,267,688	(3,163,451)	71,531	-	2,718,043
Short-term notes and bills payable	100,000	3,015,000	(2,515,000)	-	-	600,000
Deposits received	12,768	-	(3,613)	-	-	9,155
Lease liabilities	231,886	-	(48,119)	(11,437)	32,941	205,271
Total liabilities from financing activities	\$ <u>16,212,893</u>	<u>112,956,810</u>	<u>(111,746,044)</u>	<u>70,843</u>	<u>32,941</u>	<u>17,527,443</u>

	<b>January 1, 2021</b>	<b>Cash flows</b>			<b>Non-cash changes</b>		<b>December 31, 2021</b>
		<b>Acquisition</b>	<b>Repayment</b>	<b>Other</b>	<b>Foreign exchange</b>	<b>Other</b>	
Short-term loans	\$ 5,315,701	55,565,565	(48,004,185)	-	448,883	-	13,325,964
Long-term loans (including current portion)	2,508,282	1,332,143	(1,489,552)	-	191,402	-	2,542,275
Short-term notes and bills payable	560,000	2,345,000	(2,805,000)	-	-	-	100,000
Deposits received	16,584	-	-	(3,613)	-	-	12,971
Lease liabilities	278,094	-	(69,626)	-	28,894	(5,476)	231,886
Convertible Bonds	708,893	-	-	(600)	-	(708,293)	-
Total liabilities from financing activities	\$ <u>9,387,554</u>	<u>59,242,708</u>	<u>(52,368,363)</u>	<u>(4,213)</u>	<u>669,179</u>	<u>(713,769)</u>	<u>16,213,096</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(7) Related-party transactions**

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Consolidated Company</u>
Katec R & D Corp.	An associate
Taiwan Steel Union Co., Ltd.	An associate
Fujian Sino-Japan Metal Corp.	An associate
Tung Sugar Energy Service Co., Ltd.	An associate
Far East Steel Enterprise Corp.	The entity's chairman is the same as the Company
Shen Yuan Investment Co., Ltd.	The entity's chairman is the same as the Company
Eternity Corp.	The entity's chairman is the same as the Company
Tung Ho Steel Foundation	The entity's principal is the spouse of the chairman of the Company
Directors, general manager and vice general manager	

(b) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and the balance of outstanding accounts receivable were as follows:

	<u>Sales</u>		<u>Accounts receivable</u>	
	<u>For the year ended December 31,</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Associates	\$ <u>19,615</u>	<u>18,488</u>	<u>1,921</u>	<u>4,709</u>

The selling price and credit terms for sales to related parties are not significantly different from those to other customers.

(ii) Purchase from related parties

Purchase from related parties and the balance of outstanding accounts payable were as follows:

	<u>Purchases</u>	
	<u>For the years ended</u>	
	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 576	1,475
Other related parties	1,474	2,600
	\$ <u>2,050</u>	<u>4,075</u>

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Endorsement/guarantees provided

The details regarding balances of financing endorsement were as follows:

Expressed in thousands of USD

	<b>December 31, 2022</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual amount usage</b>	
Associates	USD\$	5,250	USD	5,250	USD	5,250

	<b>December 31, 2021</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual amount usage</b>	
Associates	USD\$	5,250	USD	5,250	USD	5,250

Note : The credit limit approved by the Board of Directors

(iv) Others

	<b>Rental income</b>	
	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	\$ 3,329	3,306
Other related parties	4,544	4,472
	<b>\$ 7,873</b>	<b>7,778</b>
	<b>Miscellaneous revenue</b>	
	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	\$ 2,035	3,146
Other related parties	974	9,324
	<b>\$ 3,009</b>	<b>12,470</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>Operating expenses</b>	
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2022</b>	<b>2021</b>
Associates	\$	<u>4,196</u>	<u>4,977</u>

		<b>Donations</b>	
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2022</b>	<b>2021</b>
Other related parties-Tung Ho Steel Foundation	\$	<u>2,846</u>	<u>3,724</u>

		<b>Manufacturing Expense</b>	
		<b>For the years ended</b>	
		<b>December 31,</b>	
		<b>2022</b>	<b>2021</b>
Associates	\$	15,170	8,975
Other related parties		755	-
	\$	<u>15,925</u>	<u>8,975</u>

<b>Relationship</b>	<b>Other receivables</b>		<b>Other payables</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	\$ -	36	1,825	955
Other related parties	165	3,903	-	-
	<u>\$ 165</u>	<u>3,939</u>	<u>1,825</u>	<u>955</u>

<b>Relationship</b>	<b>Deposits received</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	<u>\$ 304</u>	<u>304</u>

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Compensation of key management personnel

Compensation of key management personnel consists of:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 45,683	45,038
Post-employment benefits	1,631	1,817
	<b>\$ 47,314</b>	<b>46,855</b>

As of years ended December 31, 2022 and 2021, the Consolidated Company provided two cars and one car that cost \$5,840 thousand and \$2,490 thousand for the key management personnel of the entity.

**(8) Pledged assets**

The details of the Consolidated Company's pledged assets were as follows:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other current and non-current assets	Customs guarantee and performance guarantee	\$ 10,319	6,281
Refundable deposits - term deposits	Performance guarantee	211,847	206,918
		<b>\$ 222,166</b>	<b>213,199</b>

**(9) Commitments and contingencies**

(a) Unrecognized contractual commitments

- (i) The guarantees were mainly for securing loans and gave rise to potential off-balance-sheet credit risk, which represents the risk of loss incurred by the default of counterparties or by the devaluation of collateral provided by the counterparties. The Consolidated Company did not ask counterparties for collateral as secure guarantees. The amounts of the Consolidated Company's guarantees were as following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Guarantees securities amounts	<b>\$ 161,228</b>	<b>145,320</b>

- (ii) The amounts of guaranteed notes issued by the Consolidated Company were as follows:

<b>Nature</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Bank credit limit	\$ 9,603,494	14,906,462
Leases	200	200
Guaranteed payment for purchases of raw materials	72,000	59,980
	<b>\$ 9,675,694</b>	<b>14,966,642</b>

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) The amount of unused outstanding letters of credit was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unused outstanding letters of credit	<b>\$ 1,026,426</b>	<b>2,549,390</b>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events:**

The Company seeks to reduce total carbon emissions year by year and strive towards the goal of "2050 net zero carbon emissions row", and will use two 30s as its 2030 phased goals (1) 30% carbon reduction: The total carbon emissions in 2030 decreased by 30% compared with 2005.(2) RE30 : 30% of the total electricity consumption in 2030 will come from renewable energy, therefore, the Board of Directors of the Company resolved on February 22, 2023, to complete the procurement of 30% of the Company's annual electricity consumption of renewable energy by 2030, and if the target of 30% of renewable energy is achieved, the annual procurement amount will be approximately \$2 billion at current prices.

**(12) Other**

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	<b>For the year ended December 31, 2022</b>			<b>For the year ended December 31, 2021</b>		
	<b>Classified as operating costs</b>	<b>Classified as operating expenses</b>	<b>Total</b>	<b>Classified as operating costs</b>	<b>Classified as operating expenses</b>	<b>Total</b>
Employee benefits						
Salaries	1,839,994	811,556	2,651,550	1,745,306	863,114	2,608,420
Labor and health insurance	161,429	54,968	216,397	148,275	51,452	199,727
Pension expenses	70,351	21,686	92,037	72,083	21,193	93,276
Remuneration of directors	-	105,881	105,881	-	150,827	150,827
Other personnel expenses	61,141	16,130	77,271	57,476	15,520	72,996
Depreciation expenses	1,423,070	122,356	1,545,426	1,449,792	124,327	1,574,119
Amortization expenses	44,590	15,218	59,808	45,215	11,060	56,275

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) As of December 31, 2022 and 2021, the analysis of the liquidity of the company's assets and liabilities was as follow :

	<b>December 31, 2022</b>		
	<b>Receivables / Payables expected to be realized within twelve months</b>	<b>Receivables / Payables expected to be realized after twelve months</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,126,513	-	2,126,513
Current financial assets at fair value through profit or loss	162,736	-	162,736
Notes and accounts receivable	3,589,255	-	3,589,255
Other receivables	28,234	-	28,234
Inventories	18,821,299	-	18,821,299
Contract assets	-	3,828,719	3,828,719
Prepayments and other current assets	1,098,292	-	1,098,292
	<b>\$ 25,826,329</b>	<b>3,828,719</b>	<b>29,655,048</b>
<b>Liabilities</b>			
Short-term loans	\$ 13,994,974	-	13,994,974
Current financial liabilities at fair value through profit or loss	14,979	-	14,979
Short-term notes and bills payable	599,500	-	599,500
Current contract liabilities	1,385,809	1,473,195	2,859,004
Notes and accounts payable	2,206,469	-	2,206,469
Other payables	2,104,826	-	2,104,826
Lease liabilities	41,431	-	41,431
Current tax liabilities	579,559	-	579,559
Provisions and other current liabilities	204,510	-	204,510
	<b>\$ 21,132,057</b>	<b>1,473,195</b>	<b>22,605,252</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2021		
	Receivables / Payables expected to be realized within twelve months	Receivables / Payables expected to be realized after twelve months	Total
Assets			
Cash and cash equivalents	\$ 1,530,394	-	1,530,394
Current financial assets at fair value through profit or loss	195,744	-	195,744
Notes and accounts receivable	4,244,313	-	4,244,313
Other receivables	16,708	-	16,708
Inventories	20,495,166	-	20,495,166
Contract assets	23,971	3,593,030	3,617,001
Prepayments and other current assets	1,294,843	-	1,294,843
	<b>\$ 27,801,139</b>	<b>3,593,030</b>	<b>31,394,169</b>
Liabilities			
Short-term loans	\$ 13,325,964	-	13,325,964
Current financial liabilities at fair value through profit or loss	5,045	-	5,045
Short-term notes and bills payable	99,987	-	99,987
Current contract liabilities	-	2,532,606	2,532,606
Notes and accounts payable	3,173,211	-	3,173,211
Other payables	2,129,262	-	2,129,262
Lease liabilities	40,364	-	40,364
Current tax liabilities	949,307	-	949,307
Provisions and other current liabilities	737,945	-	737,945
	<b>\$ 20,461,085</b>	<b>2,532,606</b>	<b>22,993,691</b>

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (13) Other disclosures

#### (a) Information on significant transactions

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Consolidated Company for year ended December 31, 2022:

#### (i) Financing to other parties:

(in thousands of NTD/USD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 4)	Actual usage amount during the period (Note 5)	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	THSVC	Other receivables	Yes	2,149,700 (USD70,000)	1,074,850 (USD35,000)	921,300 (USD30,000)	0.709%-4.91715%	2	-	Operating capital	-		-	2,880,597	5,761,193

Note 1: Financing to an individual party should not exceed 10% of the net equity on its latest financial statements. The maximum amount allowed for financing should not exceed 20% of the net equity on its latest financial statements.

Note 2: Reasons for short-term financing were as follows:

- (1) Those with business contact
- (2) Those necessary for short-term fund circulation

Note 3: The transactions have already been written off in the consolidated financial statements.

Note 4: The valid quota of financing to other parties as of December 31, 2022.

Note 5: The actual amount of loan within the financing quota.

#### (ii) Guarantees and endorsements for other parties:

(in thousands of NTD/USD/CNY)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note 9)	Balance of guarantees and endorsements as of reporting date of (Note 7 and 9)	Actual usage amount during the period (Note 8)	Property pledged for guarantees and endorsements (amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company	Subsidiary	Endorsements/
		Name	Relationship with the Company										
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd.	2	14,402,983	848,344 (USD10,400) (CNY120,000)	756,214 (USD7,400) (CNY120,000)	92,832 (USD1,000) (CNY14,093)	-	2.63 %	14,402,983	Y	N	Y
0	The Company (Note 2, 3)	THSVC	2	14,402,983	13,804,145 (USD449,500)	10,978,825 (USD357,500)	3,301,413 (USD107,503)	-	38.11 %	14,402,983	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	351,484 (USD11,445)	161,228 (USD5,250)	161,228 (USD5,250)	161,228 (USD5,250)	-	22.93 %	702,968 (USD22,891)	N	N	Y

Note 1: The Company may provide guarantees or endorsements for its receiving parties under the following conditions:

- 1 The Company has business with the receiving parties.
- 2 The Company holds directly more than 50% of the ordinary stock of the subsidiaries.
- 3 The Company and its subsidiaries hold more than 50% of the investee.
- 4 The Company holds, directly or indirectly, through its subsidiaries, more than 50% of the investee.
- 5 The Company is required to make guarantees or endorsements for the construction project based on the contract.
- 6 The stockholders of the Company may provide guarantees or endorsements for the investee in proportion to their stockholding percentage.
- 7 The companies in the same industry provide, among themselves, joint and several securities for a performance guarantee on sales contracts for pre- construction homes pursuant to the Consumer Protection Act for each other.

Note 2: Guarantees and endorsements for an individual company should not exceed 50% of the net equity of the latest financial statements.

Note 3: The total amount of guarantees and endorsements should not exceed 50% of the net equity of the latest financial statements.

Note 4: Guarantees and endorsements for an individual company should not exceed 50% of the total amount of guarantees and endorsements.

Note 5: The total amount of guarantees and endorsements should not exceed the Company's net worth on its latest financial statements. The amount limited for the current period is USD22,891 thousand. Guarantees and endorsements for an individual company should not exceed 50% of the Company's net worth on its latest financial statements.

Note 6: Moreover, according to the Company's policy, the total amount of guarantees and endorsements made by the Company and subsidiaries should not exceed 50% of the Company's latest financial statement (limit for the current period: \$14,402,983 thousand); the total amount of guarantees and endorsements on an individual company should not exceed 50% of the Company's net worth of its latest financial statements (limit for the current period: \$14,402,983 thousand.)

Note 7: The amount approved by the Board of Directors.

Note 8: The actual amount used by the endorsed and guaranteed companies within their limited amount of guarantees and endorsements.

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(in thousands of NTD)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock—Zenitron Corporation	-	(a)	3,825,000	110,734	1.75 %	110,734	1.79 %	None
The Company	Stock—Adlink	-	(a)	966,577	52,002	0.44 %	52,002	0.44 %	"
The Company	Stock—Shiao Kang Warehousing Corp.	One of its directors	(b)	2,384,060	17,707	19.87 %	17,707	19.87 %	"
The Company	Stock—Hexawave Photonic System, Inc.	-	(b)	2,564,023	23,511	6.41 %	23,511	6.41 %	"
The Company	Stock—Overseas Investment & Development Corp.	-	(b)	1,000,000	8,526	1.11 %	8,526	1.11 %	"
The Company	Stock—Power World Fund, Inc.	One of its directors	(b)	677,245	8,862	5.68 %	8,862	5.68 %	"
The Company	Stock—Universal Venture Fund, Inc.	One of its directors	(b)	558,255	7,050	4.76 %	7,050	4.76 %	"
The Company	Stock—Tung Jiang Investment Corp.	One of its directors	(b)	-	33,166	9.11 %	33,166	9.12 %	"
The Company	Stock—Taiwan Aerospace Corp.	-	(b)	1,621,441	25,564	1.19 %	25,564	1.19 %	"
The Company	Stock—Universal Venture Capital Investment Corp.	-	(b)	2,800,000	21,980	2.33 %	21,980	2.33 %	"
The Company	Stock—IBT	-	(b)	1,312,993	10,118	4.17 %	10,118	4.17 %	"
The Company	Stock—Chien Shing Harbour Service Co., Ltd	One of its directors	(b)	8,203,800	311,334	9.35 %	311,334	9.35 %	"
The Company	Stock—Taiwan High Speed Rail Corporation	-	(b)	1,913,376	55,010	0.03 %	55,010	0.03 %	"
Tung Yuan International Corp.	Chinese Products Promotion Center	-	(b)	2,500	212	0.66 %	212	0.66 %	"
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	1,776	3.75 %	1,776	3.75 %	"

Note: (a) Financial assets at fair value through profit or loss — current

(b) Financial assets at fair value through other comprehensive income — non-current

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	2022.03.10	423,897	paid	National Property Administration, MOF	-	-	-	-	-	Note 1	Established a complex for steel bars processing	-
The Company	Land, buildings and property	2022.08.30	2,430,000	paid	Taiwan Kaohsiung District Court executing the auction	-	-	-	-	-	Note 2	Considering the overall operation development for manufacturing and office	-

Note 1: The Company engaged a real estate appraiser to examine the rationality of valuation from the Ministry of Finance in accordance with the Operating Procedures for the Assessment of National Properties.

Note 2: By referring to the real estate market in neighboring areas and the lowest court auction price.

(vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tung Kang Steel Structure Corp.	Subsidiary	Sale	(1,844,595)	(3.92)%	OA60	-	-	24,333	0.77%	
The Company	Tung Kang Steel Structure Corp.	"	Purchase	130,740	0.38%	OA10/OA60	-	-	(5,109)	(0.34)%	
The Company	Tung Kang Engineering & Construction Corp.	"	Purchase	156,336	0.45%	Received the payment within 15 from the date of payment	-	-	-	-%	
The Company	THSVC	"	Sale	(176,785)	(0.38)%	120 days after B/L	-	-	-	-%	
The Company	THSVC	"	Purchase	839,476	2.44%	Received the payment at the end of the month	-	-	-	-%	
Tung Kang Steel Structure Corp.	The Company	"	Purchase	1,844,595	51.71%	OA60	-	-	24,333	(5.22)%	
Tung Kang Steel Structure Corp.	The Company	"	Sale	(130,740)	(1.55)%	OA10/OA60	-	-	5,109	6.67%	
Tung Kang Engineering & Construction Corp.	The Company	"	Sale	(156,336)	(31.96)%	Received the payment within 15 from the date of payment	-	-	-	-%	
THSVC	The Company	"	Sale	(839,476)	(14.37)%	Received the payment at the end of the month	-	-	-	-%	
THSVC	The Company	"	Purchase	176,785	1.59%	120 days after B/L	-	-	-	-%	

Note : The transactions have already been written off in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	THSVC	Subsidiary	925,148(Other receivables—related parties)	-	-		604,505	-

Note : The transactions have already been written off in the consolidated financial statements.

- (ix) Trading in derivative instruments: Please refer to Note 6(b).

- (x) Business relationships and significant intercompany transactions:

(in thousands of NTD)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Tung Kang Steel Structure Corp. and its subsidiaries	1	Sales	1,927,633	General conditions	3.21%
0	The Company	Tung Kang Steel Structure Corp. and its subsidiaries	1	Accounts receivable	58,938	OA60	0.11%
0	The Company	THSVC	1	Sales	176,785	General conditions	0.29%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Sales	158,906	General conditions	0.26%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Accounts receivable	22,412	Receive within 30 days	0.04%
2	THSVC	The Company	2	Sales	839,476	General conditions	1.40%

Note 1: The numbers represent the following:

1. 0 represents the parent company.
2. Subsidiaries are numbered from 1.

Note 2: Transactions are categorized as follows :

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

For significant intercompany transactions, only information regarding sales, funding and finances, and accounts receivables were disclosed; the opposing items of the transactions were not disclosed.

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China) :

(in thousands of NTD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	834,790 (USD27,183)	834,790 (USD27,183)	82	100.00 %	702,968	82	(126,951)	(126,951)	Subsidiary (Note 1)
"	Tung Kang Steel Structure Corp.	Taiwan	Steel structure engineering construction	1,775,138	1,775,138	201,121,339	97.48 %	3,364,664	201,121,339	823,711	812,131	Subsidiary (Note 1)
"	Katec R & D Corp.	Taiwan	Waste recycling	35,352	35,352	5,646,398	46.19 %	87,481	5,646,398	38,281	17,682	Associate
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	460,650 (USD15,000)	460,650 (USD15,000)	15,000,000	100.00 %	394,759	15,000,000	65,079	67,150	Subsidiary (Note 1)
The Company	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	966,020	24,829,009	984,155	219,583	Associate
"	Katec Creative Resources Corporation	Taiwan	Waste recycling	1,211,535	1,211,535	95,736,860	99.02 %	910,604	95,736,860	131,998	130,704	Subsidiary (Note 1)
"	Fa Da Enterprise Corp.	Taiwan	Waste recycling	-	1,000	-	- %	-	100,000	-	(16,413)	Subsidiary (Notes 1 and 2)
"	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	655,000	655,000	65,500,000	100.00 %	593,752	65,500,000	10,998	11,067	Subsidiary (Note 1)
"	THSVC	Vietnam	Steel industry	6,244,967	5,016,935	-	100.00 %	3,440,427	-	(968,172)	(968,172)	Subsidiary (Note 1)
"	Tung Sugar Energy Service Co., Ltd.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power	54,000	54,000	5,400,000	36.00 %	52,030	5,400,000	(3,221)	(1,160)	Associate
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	56,506 (USD1,840)	56,506 (USD1,840)	902,000	66.32 %	19,614	1,840,000	(9,571)	(6,481)	Subsidiary (Note 1)
Tung Yuan International Corp.	Duc Hoa International Joint Stock Company	Vietnam	Quicklime factory	115,746 (USD3,769)	115,746 (USD3,769)	8,154,419	96.00 %	118,526	8,154,419	3,668	3,521	Subsidiary (Note 1)
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	265,812	25,000,000	6,773	6,773	Subsidiary (Note 1)

1 USD = 30.71 NTD

Note1: The transactions were written off in the consolidated financial statements.

Note2: Fa Da Enterprise Corp. was dissolved by a resolution made during the shareholders' meeting and was approved for deregistration in August 2021. In February 2022, the liquidation procedures had been completed.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of NTD/USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,596,920 (USD52,000)	( 2 )	564,051 (USD18,367)	-	-	564,051 (USD18,367)	(356,946)	35.00%	35.00 %	(124,931)	451,580	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	460,650 (USD15,000)	( 2 )	409,364 (USD13,330)	-	-	409,364 (USD13,330)	65,079	100.00%	100.00 %	67,150	394,759	-

Note 1: List of the method of investment

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2022, 1 USD = 30.71 NTD, 1 CNY = 4.408 NTD.

Note 3: For the year ended December 31, 2022, 1 USD = 29.80 NTD, 1 CNY = 4.422 NTD.

(ii) Limitation on investment in Mainland China:

(in thousands of NTD/USD)

Accumulated Investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Noted)
1,034,835 (USD33,697)	1,034,835 (USD33,697)	17,283,579

Note: 60% of net equity.

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Significant transactions:

For direct or indirect significant transactions between the Company and its investees in Mainland China, please refer to the illustrations in “Related information on Significant Transactions.”

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Shen Yuan Investment Co., Ltd.		108,715,999	14.88 %
Mao Sheng Investment Co., Ltd.		64,417,877	8.82 %
He Zhao Investment Co., Ltd.		62,089,750	8.50 %

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

**(14) Segment information**

(a) General information

There are six reportable segments in the Consolidated Company, namely, Kaohsiung, Taoyuan, Miaoli, Taipei, Vietnam, and Steel Structure. The Kaohsiung Department manufactures steel bars for construction and civil engineering, and H-beams for steel-structured buildings and basic civil engineering, universal plates, and tapered and parallel flange channel; the Taoyuan Department only produces steels for building structures and steel bars for construction and civil engineering; the Miaoli Department manufactures H-beams, universal plates, and tapered and parallel flange channel for steel-structured buildings and basic civil engineering; the Taipei Department manages the Consolidated Company and evaluates investment activities; the Vietnam Department manufactures and sells various types of billets and steel bars for construction and civil engineering; the Steel Structure department exclusively assembles H-beams and others.

(Continued)



# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(b) Information about reportable segments and their measurement and reconciliations

The reportable segments are the strategic divisions in the Consolidated Company. The resources and management of each professional strategic division are independent and have separate financial information.

Tax expenses are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 “Significant Accounting Policies.” The Consolidated Company treated intersegment sales and transfers as third-party transactions. They are measured at market price

The operating segments of the Consolidated Company for the years ended December 31, 2022 and 2021, were as follows:

		For the year ended December 31, 2022								
		Kaohsiung	Taoyuan	Miaoli	Taipei	Steel Structure	Vietnam	Others	Adjustments and eliminations	Total
Revenue:										
Net revenue from external customers		6,549,379	22,098,440	12,272,465	1,136,103	9,416,417	5,003,533	3,495,784	-	59,972,121
Inter-segment revenue		19,223	83,110	1,825,372	176,785	287,994	839,476	165,222	(3,397,182)	-
<b>Total revenues</b>		<b>\$ 6,568,602</b>	<b>22,181,550</b>	<b>14,097,837</b>	<b>1,312,888</b>	<b>9,704,411</b>	<b>5,843,009</b>	<b>3,661,006</b>	<b>(3,397,182)</b>	<b>59,972,121</b>
Interest expense	\$	-	-	-	(125,809)	(13,652)	(182,057)	(1,722)	21,632	(301,608)
Interest revenue		-	-	-	22,547	4,633	10,707	2,452	(21,405)	18,934
<b>Reportable segment profit or loss</b>		<b>\$ 426,805</b>	<b>1,206,188</b>	<b>2,851,962</b>	<b>491,158</b>	<b>1,130,235</b>	<b>(956,146)</b>	<b>83,259</b>	<b>86,700</b>	<b>5,320,161</b>
<b>Reportable segment assets</b>		<b>\$ 1,808,277</b>	<b>15,703,900</b>	<b>7,784,662</b>	<b>20,459,854</b>	<b>7,119,472</b>	<b>7,761,506</b>	<b>4,743,479</b>	<b>(10,614,603)</b>	<b>54,766,547</b>
<b>Reportable segment liabilities</b>		<b>\$ 371,437</b>	<b>1,492,758</b>	<b>939,244</b>	<b>16,449,242</b>	<b>3,104,441</b>	<b>4,321,079</b>	<b>210,579</b>	<b>(1,036,747)</b>	<b>25,852,033</b>
		For the year ended December 31, 2021								
		Kaohsiung	Taoyuan	Miaoli	Taipei	Steel Structure	Vietnam	Others	Adjustments and eliminations	Total
Revenue:										
Net revenue from external customers		8,520,992	18,615,783	13,286,152	851,399	10,387,045	4,711,716	2,422,002	-	58,795,089
Inter-segment revenue		45,452	77,880	1,888,660	389,445	317,843	916,874	146,067	(3,782,221)	-
<b>Total revenues</b>		<b>\$ 8,566,444</b>	<b>18,693,663</b>	<b>15,174,812</b>	<b>1,240,844</b>	<b>10,704,888</b>	<b>5,628,590</b>	<b>2,568,069</b>	<b>(3,782,221)</b>	<b>58,795,089</b>
Interest expense	\$	-	-	-	(34,189)	(12,160)	(93,462)	(20,112)	10,422	(149,501)
Interest revenue		-	-	-	10,247	1,463	12,962	825	(10,087)	15,410
<b>Reportable segment profit or loss</b>		<b>\$ 1,240,817</b>	<b>1,375,545</b>	<b>3,198,007</b>	<b>1,270,282</b>	<b>726,212</b>	<b>123,265</b>	<b>269,443</b>	<b>(852,860)</b>	<b>7,350,711</b>
<b>Reportable segment assets</b>		<b>\$ 1,731,897</b>	<b>15,693,849</b>	<b>8,197,971</b>	<b>19,320,839</b>	<b>6,752,743</b>	<b>9,532,351</b>	<b>3,655,321</b>	<b>(9,482,219)</b>	<b>55,402,752</b>
<b>Reportable segment liabilities</b>		<b>\$ 421,747</b>	<b>1,541,182</b>	<b>1,114,208</b>	<b>13,449,918</b>	<b>3,320,680</b>	<b>6,311,296</b>	<b>195,371</b>	<b>(684,235)</b>	<b>25,670,167</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Products information

Revenue from the external customers of the Consolidated Company was as follows :

<b>Product Name</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Deformed bars	\$ 32,392,188	27,171,078
H-beams	16,414,597	19,763,771
Billets	1,046,771	983,192
Construction Contracts	9,336,008	10,089,906
Others	782,557	787,142
	<b>\$ 59,972,121</b>	<b>58,795,089</b>

(d) Geographic information

The Consolidated Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location were as follows :

<b>Geographic information</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net revenue from external customers :		
Taiwan	\$ 52,678,482	50,571,413
China	732,556	1,000,776
Vietnam	5,006,771	4,718,881
Others	1,554,312	2,504,019
	<b>\$ 59,972,121</b>	<b>58,795,089</b>

<b>Geographic information</b>	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Non-current assets :		
Taiwan	\$ 18,349,848	16,740,086
China	104,583	112,490
Vietnam	4,478,056	4,869,160
Others	11,543	23,936
	<b>\$ 22,944,030</b>	<b>21,745,672</b>

Non-current assets include property, plant and equipment, investment property, and other non-current assets, not including financial instruments, investments accounted for using the equity method, deferred tax assets, and post-employment benefit assets.

(e) Information about major customers

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Customer A from H-beams	<b>\$ 3,474,604</b>	<b>4,343,696</b>

## **Independent Auditors' Report**

To the Board of Directors of Tung Ho Steel Enterprise Corporation:

### **Opinion**

We have audited the financial statements of Tung Ho Steel Enterprise Corporation (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, the statements of changes in equity, and the statements of cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements as of and for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company’s financial statements are stated as follows:

#### **1. Revenue recognition**

Please refer to Note 4(n) “Revenue recognition” and Note 6(v) “Revenue from contracts with customers” in the parent company only financial statements.

#### Explanation of the key audit matter:

The Company mainly manufactures and sells deformed bars and sections. Revenue recognition is one of the key areas for our audit, and is where on which the report users and receivers pay great concern on. As a result, the test on revenue recognition is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing whether appropriate revenue recognition policies were applied and whether sufficient information was disclosed ;
- testing the manual or systems-based controls on its sales and collection cycle, perform reconciliations between the information from sales systems and the general ledger ;
- reading the sales contracts with significant clients and testing the consistency of their accounting policy ;
- performing year-to-year analysis on the revenue by product and the revenue from the ten customers with the largest sales volume to determine if there were any abnormalities ;
- taking appropriate samples, verifying the relevant internal and external information, and confirming whether the control of goods has already been transferred to the buyer, as well as assessing the appropriateness of the timing and amount of revenue recognition ;
- vouching internal and external information of sales in the selected period before and after the reporting date (the length of the period was determined based on the sales terms) to determine whether sales revenue were recorded in the appropriate period.

2. Valuation of inventories

Please refer to Note 4(g) “Inventories”, and Note 6(f) “Inventories” in the parent company only financial statements.

Explanation of the key audit matter:

Due to the changes in the international trade environment and the impact of price fluctuations on the raw materials and finished products of the steel industry, the risk that the book value of the inventory to be higher than the net realizable value may arise. Therefore, the valuation of inventories is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing the rationality of accounting policies for inventory evaluation ;
- assessing whether the evaluation of inventory has been in accordance with the established accounting policies ;
- understanding the sales price used by management and the changes in market price of futures inventory to assess the rationality of the net realizable value of inventories ;
- taking appropriate samples and verifying the relevant internal and external information to confirm the adequacy and reasonableness of the net realized value basis used by management ;
- assessing whether the management’s disclosure of the inventory allowance is acceptable.

3. Investments accounted for using the equity method (construction contracts in subsidiaries)

Please refer to Note 4(i) “Investment in subsidiaries” and Note 6(g) “Investment accounted for using the equity method” of the parent company only financial statements.

Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Company's subsidiary as it requires a high degree of estimation and judgment of matters such as the costs of the work required to complete the contract, the stage of completion of the contract, as well as the recognition of onerous contract. Different judgments could lead to different outcomes, which may have an impact on the Company's shares of gain or loss on investments accounted for using the equity method on its financial statements.

Our principal audit procedures included:

- reviewing significant contracts and discussing them with the management to obtain a full understanding of the specific terms and risks, to assess whether revenue was appropriately recognized ;
- selecting a sample from the ongoing constructions to verify the costs between the estimation and the contracts, discussing with the management about the estimates for total contract costs and forecasted costs, including taking into account the historical accuracy of such estimates ;
- selecting a sample from the completed constructions to assess the settlement of revenue by examination of external evidence ;
- for warranty under the construction contracts provided to the clients by the subsidiaries, obtaining the estimated warranty costs, vouching internal and external data to assess the rationality of the estimates and whether there are any abnormalities in the provisions estimated by the management ;
- assessing whether the loss recognized for onerous contracts appropriately reflect the expected contractual position.

4. Investments accounted for using the equity method (Impairment of property, plant and equipment in subsidiaries)

Please refer to Note 4(i) "Investment in subsidiaries" and Note 6(g) " Investment accounted for using the equity method" of the parent company only financial statements.

Explanation of the key audit matter:

Assets impairment accounting is considered to be an audit risk to the Company's subsidiary as it requires a high degree of estimation and judgment of matters such as determination of discount rates and expected growth rates. Different judgments could lead to different outcomes, which may have an impact on the Company's shares of gain or loss on investments accounted for using the equity method on its financial statements.

Our principal audit procedures included:

- obtaining the future cash flow forecast and the evaluation of the discount rate of the Vietnam subsidiary of the Company ;
- discussing with the management and raising professional skepticism of the significant key judgments used in forecasting future cash flows ;
- understanding whether the reference basis of the discount rate used by the Company's management is consistent, and comparing it with relevant internal and external information, evaluating whether the discount rate used by the management is reasonable. In addition, performing verification process on the value in use of the assets calculated by the Company's management.

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment accounted for using the equity method 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.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lee, Tzu Hui and Kuo, Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)  
February 22, 2023

#### **Notes to Readers**

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION**

**Balance Sheets**

**December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 518,048	1	472,689	1	2100	Short-term loans (Note 6(k))	\$ 11,027,774	23	7,650,897	17
1110	Current financial assets at fair value through profit or loss (Note 6(b))	162,736	-	195,744	-	2111	Short-term notes and bills payable (Note 6(l))	599,500	1	-	-
1150	Notes receivable, net (Notes 6(d) and (v))	164,768	-	180,274	-	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	14,674	-	5,045	-
1170	Accounts receivable, net (Notes 6(d), (v) and 7)	3,014,900	7	4,090,559	9	2130	Current contract liabilities (Note 6(v))	1,338,529	3	1,336,905	3
1200	Other receivables (Notes 6(e) and 7)	935,744	2	13,904	-	2150	Notes payable	77,267	-	142,704	-
1310	Inventories (Note 6(f))	15,957,042	33	16,330,054	36	2170	Accounts payable (Note 7)	1,442,537	3	2,160,870	5
1410	Prepayments	189,402	-	181,008	1	2200	Other payables (Notes 6(q) and 7)	1,818,561	4	1,867,142	4
1470	Other current assets (Note 8)	<u>127</u>	<u>-</u>	<u>39,504</u>	<u>-</u>	2230	Current tax liabilities	421,637	1	849,368	2
<b>Total current assets</b>		<u>20,942,767</u>	<u>43</u>	<u>21,503,736</u>	<u>47</u>	2280	Current lease liabilities (Note 6(o))	25,292	-	21,645	-
<b>Non-current assets:</b>						2300	Other current liabilities	<u>10,176</u>	<u>-</u>	<u>9,497</u>	<u>-</u>
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	522,828	1	669,355	1	<b>Total current liabilities</b>		<u>16,775,947</u>	<u>35</u>	<u>14,044,073</u>	<u>31</u>
1550	Investments accounted for using the equity method (Notes 6(g) and 7)	10,512,705	23	9,523,761	21	<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (Notes 6(h) and 7)	13,824,070	29	11,319,898	25	2540	Long-term loans (Note 6(m))	1,950,000	4	1,800,000	4
1755	Right-of-use assets (Note 6(i))	139,402	-	140,529	-	2570	Deferred tax liabilities (Note 6(s))	187,095	-	169,814	-
1760	Investment property (Notes 6(h) and (j))	1,924,962	4	1,991,799	4	2580	Non-current lease liabilities (Note 6(o))	118,137	-	122,001	-
1840	Deferred tax assets (Note 6(s))	52,177	-	63,837	-	2640	Non-current defined benefit liability, net (Note 6(r))	260,957	1	403,987	1
1990	Other non-current assets	54,376	-	57,849	-	2645	Guarantee deposits received (Note 7)	<u>9,111</u>	<u>-</u>	<u>12,707</u>	<u>-</u>
1915	Prepayments for equipment	61,514	-	53,444	-	<b>Total non-current liabilities</b>		<u>2,525,300</u>	<u>5</u>	<u>2,508,509</u>	<u>5</u>
1920	Refundable deposits (Note 8)	<u>72,411</u>	<u>-</u>	<u>770,843</u>	<u>2</u>	<b>Total liabilities</b>		<u>19,301,247</u>	<u>40</u>	<u>16,552,582</u>	<u>36</u>
<b>Total non-current assets</b>		<u>27,164,445</u>	<u>57</u>	<u>24,591,315</u>	<u>53</u>	<b>Equity (Note 6(t))</b>					
<b>Total assets</b>		<u>\$ 48,107,212</u>	<u>100</u>	<u>46,095,051</u>	<u>100</u>	3100	Capital stock	7,302,138	15	7,302,138	16
						3200	Capital surplus	7,684,679	16	7,684,679	16
						Retained earnings:					
						3310	Legal reserve	4,718,218	10	4,128,399	9
						3320	Special reserve	157,889	-	822,363	2
						3350	Unappropriated retained earnings	<u>9,254,928</u>	<u>19</u>	<u>9,762,779</u>	<u>21</u>
						Total retained earnings		<u>14,131,035</u>	<u>29</u>	<u>14,713,541</u>	<u>32</u>
						3400	Other equity interest	<u>(311,887)</u>	<u>-</u>	<u>(157,889)</u>	<u>-</u>
						<b>Total equity</b>		<u>28,805,965</u>	<u>60</u>	<u>29,542,469</u>	<u>64</u>
						<b>Total liabilities and equity</b>		<u>\$ 48,107,212</u>	<u>100</u>	<u>46,095,051</u>	<u>100</u>



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		For the years ended December 31,			
		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue (Notes 6(v) and 7)</b>	\$ 47,003,192	100	45,569,308	100
5000	<b>Operating costs (Notes 6(f), (r) and 7)</b>	<u>40,527,363</u>	<u>86</u>	<u>37,582,832</u>	<u>82</u>
5900	<b>Gross profit from operations</b>	6,475,829	14	7,986,476	18
5910	Less: Unrealized profit (loss) from sales (Note 7)	64,907	-	96,349	-
5920	Add: Realized profit (loss) from sales (Note 7)	<u>96,349</u>	<u>-</u>	<u>82,953</u>	<u>-</u>
5950	<b>Gross profit, net</b>	<u>6,507,271</u>	<u>14</u>	<u>7,973,080</u>	<u>18</u>
6000	<b>Operating expenses:</b>				
6100	Selling expenses (Notes 6(r), (w) and 7)	791,436	2	815,440	2
6200	Administrative expenses (Notes 6(r), (w) and 7)	1,066,436	2	1,150,838	3
6450	Expected credit loss (Note 6(d))	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
6500	<b>Total operating expenses</b>	<u>1,858,322</u>	<u>4</u>	<u>1,966,278</u>	<u>5</u>
6900	<b>Operating income</b>	<u>4,648,949</u>	<u>10</u>	<u>6,006,802</u>	<u>13</u>
7000	<b>Non-operating income and expenses:</b>				
7010	Other income (Notes 6(x) and 7)	114,646	-	99,217	-
7100	Interest income (Notes 6(x) and 7)	22,547	-	10,247	-
7020	Other gains and losses, net (Notes 6(g), (n) and (x))	249,878	1	118,696	1
7050	Finance costs, net(Note 6(x))	(125,809)	-	(34,189)	-
7060	Share of profit of subsidiaries and associates accounted for using the equity method, net	<u>145,621</u>	<u>-</u>	<u>1,001,232</u>	<u>2</u>
	<b>Total non-operating income and expenses</b>	<u>406,883</u>	<u>1</u>	<u>1,195,203</u>	<u>3</u>
7900	<b>Income before income tax</b>	5,055,832	11	7,202,005	16
7950	Less: Income tax expenses (Note 6(s))	<u>1,061,828</u>	<u>2</u>	<u>1,295,758</u>	<u>3</u>
	<b>Net income</b>	<u>3,994,004</u>	<u>9</u>	<u>5,906,247</u>	<u>13</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss:</b>				
8311	Losses on remeasurements of defined benefit plans (Note 6(r))	99,635	-	18,134	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(151,796)	-	207,524	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss (Note 6(h))	303	-	1,553	-
8349	Less : income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(s))	<u>-</u>	<u>-</u>	<u>3,627</u>	<u>-</u>
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>(51,858)</u>	<u>-</u>	<u>223,584</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign financial statements	(5,282)	-	426,466	1
8399	Less : income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>(5,282)</u>	<u>-</u>	<u>426,466</u>	<u>1</u>
8300	<b>Other comprehensive income</b>	<u>(57,140)</u>	<u>-</u>	<u>650,050</u>	<u>1</u>
8500	<b>Total comprehensive income for the period</b>	<u>\$ 3,936,864</u>	<u>9</u>	<u>6,556,297</u>	<u>14</u>
9750	<b>Basic earnings per share (in dollars) (Note 6(u))</b>	<u>\$ 5.47</u>		<u>5.95</u>	
9850	<b>Diluted earnings per share(in dollars) (Note 6(u))</b>	<u>\$ 5.45</u>		<u>5.92</u>	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION**

**Statements of Changes in Equity**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	Capital stock			Retained earnings					Total other equity interest			
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Total capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
<b>Balance at January 1, 2021</b>	\$ 10,167,902	419,697	10,587,599	7,287,920	3,775,123	706,221	5,968,807	10,450,151	(941,368)	119,005	(822,363)	27,503,307
Net income for the period	-	-	-	-	-	-	5,906,247	5,906,247	-	-	-	5,906,247
Other comprehensive income for the period	-	-	-	-	-	-	14,312	14,312	426,466	209,272	635,738	650,050
Total comprehensive income for the period	-	-	-	-	-	-	5,920,559	5,920,559	426,466	209,272	635,738	6,556,297
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	353,276	-	(353,276)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	116,142	(116,142)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,634,807)	(1,634,807)	-	-	-	(1,634,807)
Capital reduction	(3,596,576)	-	(3,596,576)	32	-	-	-	-	-	-	-	(3,596,544)
Conversion of convertible bonds	730,812	(419,697)	311,115	396,740	-	-	-	-	-	-	-	707,855
Changes in ownership interests in subsidiaries	-	-	-	(13)	-	-	-	-	-	-	-	(13)
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(22,362)	(22,362)	-	28,736	28,736	6,374
<b>Balance at December 31, 2021</b>	7,302,138	-	7,302,138	7,684,679	4,128,399	822,363	9,762,779	14,713,541	(514,902)	357,013	(157,889)	29,542,469
Net income for the period	-	-	-	-	-	-	3,994,004	3,994,004	-	-	-	3,994,004
Other comprehensive income for the period	-	-	-	-	-	-	101,256	101,256	(5,282)	(153,114)	(158,396)	(57,140)
Total comprehensive income for the period	-	-	-	-	-	-	4,095,260	4,095,260	(5,282)	(153,114)	(158,396)	3,936,864
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	589,819	-	(589,819)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	(664,474)	664,474	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(4,673,368)	(4,673,368)	-	-	-	(4,673,368)
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(4,398)	(4,398)	-	4,398	4,398	-
<b>Balance as of December 31, 2022</b>	<u>\$ 7,302,138</u>	<u>-</u>	<u>7,302,138</u>	<u>7,684,679</u>	<u>4,718,218</u>	<u>157,889</u>	<u>9,254,928</u>	<u>14,131,035</u>	<u>(520,184)</u>	<u>208,297</u>	<u>(311,887)</u>	<u>28,805,965</u>

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
TUNG HO STEEL ENTERPRISE CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 5,055,832	7,202,005
<b>Adjustments:</b>		
Adjustments to reconcile profit or loss:		
Depreciation expense	961,101	983,876
Amortization expense	7,877	10,262
Expected credit loss	450	-
Net gain on financial assets or liabilities at fair value through profit or loss	(177,928)	(50,675)
Interest expense	125,809	34,189
Interest income	(22,547)	(10,247)
Dividend income	(45,032)	(30,889)
Share of gain of subsidiaries and associates accounted for using the equity method	(145,621)	(1,001,232)
Loss on disposal of property, plant and equipment	2,797	8
Unrealized profit from sales	64,907	96,349
Realized profit from sales	(96,349)	(82,953)
Unrealized foreign currency exchange (gain) loss	(87,373)	435
Loss on bond redemption	-	14
<b>Total adjustments to reconcile profit or loss</b>	<b>588,091</b>	<b>(50,863)</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets mandatorily measured at fair value through profit or loss	220,566	15,771
Decrease in notes receivable	15,506	108,219
Decrease (increase) in accounts receivable	536,769	(1,288,345)
Decrease (increase) in accounts receivable from related parties	538,496	(225,616)
Increase in other receivable	(549)	(7,971)
Decrease (increase) in inventories	373,362	(6,002,918)
Increase in prepayments	(8,894)	(47,246)
Decrease (increase) in other current assets	42,049	(39,403)
Increase in other operating assets	(4,405)	-
<b>Total changes in operating assets</b>	<b>1,712,900</b>	<b>(7,487,509)</b>
Increase in contract liabilities	1,624	548,537
(Decrease) increase in notes payable	(65,437)	81,880
(Decrease) increase in accounts payable	(718,333)	664,739
Decrease in accounts payable to related parties	-	(8,619)
(Decrease) increase in other payables	(50,386)	234,044
Increase in other current liabilities	679	998
Decrease in net defined benefit liability	(43,395)	(136,703)
<b>Total changes in operating liabilities</b>	<b>(875,248)</b>	<b>1,384,876</b>
<b>Net changes in operating assets and liabilities</b>	<b>837,652</b>	<b>(6,102,633)</b>
<b>Total adjustments</b>	<b>1,425,743</b>	<b>(6,153,496)</b>
Cash inflow generated from operations	6,481,575	1,048,509
Interest received	22,553	10,252
Dividends received	455,441	442,745
Interest paid	(120,051)	(31,675)
Income taxes paid	(1,460,618)	(1,009,688)
<b>Net cash flows from operating activities</b>	<b>5,378,900</b>	<b>460,143</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(5,269)	(4,601)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	5,770
Acquisition of investments accounted for using equity method	(1,228,032)	(500,092)
Proceeds from capital reduction of investments accounted for using equity method	765	-
Acquisition of property, plant and equipment	(2,920,114)	(286,859)
Increase in refundable deposits	-	(614,429)
Decrease in refundable deposits	271,644	-
Increase in other receivables	(840,900)	-
Acquisition of investment properties	(1,414)	(248)
Decrease in other non-current assets	220	-
Increase in prepayments for equipment and land	(37,936)	(47,485)
<b>Net cash flows used in investing activities</b>	<b>(4,761,036)</b>	<b>(1,447,944)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	86,033,347	39,791,892
Decrease in short-term loans	(82,657,366)	(34,146,451)
Increase in short-term notes and bills payable	2,185,000	540,000
Decrease in short-term notes and bills payable	(1,585,000)	(880,000)
Proceeds from long-term loans	2,550,000	1,310,000
Repayments of long-term loans	(2,400,000)	(710,000)
(Decrease) increase in guarantee deposits received	(3,596)	(1,627)
Payment of lease liabilities	(29,335)	(29,114)
Cash dividends paid	(4,673,368)	(1,634,807)
Capital reduction payments to shareholders	-	(3,596,544)
Repayment of bonds	-	(600)
<b>Net cash flows (used in) from financing activities</b>	<b>(580,318)</b>	<b>642,749</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>7,813</b>	<b>(435)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>45,359</b>	<b>(345,487)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>472,689</b>	<b>818,176</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 518,048</b>	<b>472,689</b>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**TUNG HO STEEL ENTERPRISE CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Tung Ho Steel Enterprise Corporation (the “Company”) was incorporated in May, 1962, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 9, Sec. 1, Chang An E. Rd., Taipei City, Taiwan (R.O.C.). The Company is primarily involved in manufacturing and selling deformed bars, H-beams, and steel plates.

**(2) Approval date and procedures of the financial statements**

The parent company only financial statements as of and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors on February 22, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.  Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### **(4) Summary of significant accounting policies**

A summary of the significant accounting policies adopted in the accompanying financial statements is as follows. The accounting policies have been applied consistently to all the reporting periods presented in the parent company only financial statements.

##### **(a) Statement of compliance**

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

##### **(b) Basis of preparation**

###### **(i) Basis of measurement**

The parent company only financial statements have been prepared on historical cost basis, except for the following material items in the balance sheet:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Net defined benefit liabilities are measured at the fair value of plan assets less the present value of defined benefit obligation.

###### **(ii) Functional and presentation currency**

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate on that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for that arising from fair value through other comprehensive income non-monetary securities, which is recognized through other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the Company's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an investment in an associate of joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

- (i) The asset is expected to be realized, or sold or consumed, during the Company's normal operating cycle ;
- (ii) The asset is held primarily for the purpose of trading ;

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (iii) The asset is expected to be realized within twelve months after the reporting date ; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) The liability is expected to be settled during the Company's normal operating cycle ;
- (ii) The liability is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting date ; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Term deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost ; fair value through other comprehensive income (FVOCI) – equity investment ; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), trade receivables and debt investments measured at FVOCI and contract assets.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than one year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### **5) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

2) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

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

#### **5) Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **(g) Inventories**

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to the location and condition ready for sale or production. The allocation of fixed production overheads to the finished goods and work in process is based on the normal capacity of the production facilities. However, in the case where the practical capacity is larger than the normal capacity, the allocation is based on the practical capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are subsequently measured at the lower of cost or net realizable value. The cost of inventories is based on the monthly weighted-average cost. Net realizable value is the estimated as the selling price in the ordinary course of business at the reporting date, less the estimated costs until completion and selling expenses. If the inventory is reserved for a contract, its net realizable value shall be based on the price of the contract.

#### **(h) Investment in associates**

Associates are those entities on which the Company has significant influence, but not control or joint control, over their financial and operating policies.

The Company's investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill resulted from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss ( or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) ( or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investments in subsidiaries

When preparing the parent company only financial statements, the Company accounts for the investee companies on which it possesses control using the equity method. Net income, other comprehensive income, and shareholder's equity in the parent company only financial reports of the Company should be the same with the net income, other comprehensive income, and shareholder's equity attributable to the parent in the consolidated financial reports should be the same.

The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as non-operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings : 3 to 60 years
- 2) Machinery and equipment : 1.25 to 25 years
- 3) Miscellaneous equipment : 2 to 30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, adjusted it as necessary.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery, office equipment and vehicles that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

From January 1, 2022, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an individual assets or a CGU is the greater of its fair value less costs of disposal and its value in use. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount, and which should be recognized immediately in profit or loss.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(n) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company recognizes revenue when control of the products has transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Rebar Processing Services

The Company provides rebar processing services, and the related income is recognized during the financial reporting period of the provision of labor services. If the situation changes, under a fixed price contract, the customer pays a fixed amount according to the agreed schedule. A contract liability is recognized when the payment exceeds the service rendered.

The merged company can only request the customer for payment according to the degree of completion, wherein the amount can be collected after the invoice is issued.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the period in which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of a defined benefit pension plan is calculated separately by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, an asset is recognized but the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **(iii) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **(p) Income taxes**

Income taxes comprises current tax expense and deferred tax expense. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

- (i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss) ; or
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future ; or

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Deferred tax assets and liabilities are offset if the following criteria are met :

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either :
  - 1) the same taxable entity ; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized ; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds.

(r) Operating segments

The Company has disclosed related information of its operating segments in the consolidated financial statements of the Company and its subsidiaries as of December 31, 2022 and 2021, thus no additional information will be disclosed herein.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. Any impact from the changes in accounting estimates are recorded in the period in which the changes occur and in future periods.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

The accounting policies related to material judgments that have certain significant impact on the amounts recognized in the financial statements were whether the Company has substantive control over its investees, please refer to the consolidated financial statements for the year ended December 31, 2022.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows :

Level 1 : quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : inputs for the assets or liabilities that are not based on observable market data.

For any transfers within the fair value hierarchies, the impact of the transfer is recognized on the reporting date.

Please refer to the notes listed as below for related information on assumptions used in measuring fair value :

Note 6(j), investment property

Note 6(y), financial instruments

#### (6) Explanation of significant accounts

##### (a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 564	1,114
Checking and demand deposits	517,484	471,575
Cash and cash equivalents on the statement of cash flows	<u><u>\$ 518,048</u></u>	<u><u>472,689</u></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (i) Please refer to Note 6(y) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.
- (ii) As of December 31, 2022 and 2021, certain term deposits were pledged as collateral of performance guarantee and such term deposits were reclassified to other current assets or refundable deposits. Please refer to Note 8 for details.
- (b) Financial assets and liabilities at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Publicly listed stocks	\$ <u>162,736</u>	<u>195,744</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ <u>14,674</u>	<u>5,045</u>

The Company uses derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as held-for-trading financial instruments at December 31, 2022 and 2021 :

Forward exchange contracts :

	<u>December 31, 2022</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange purchased	USD <u>56,999</u>	Sell USD/buy TWD	2023.01.03~2023.03.31
	<u>December 31, 2021</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange purchased	USD <u>58,801</u>	Sell USD/buy TWD	2022.01.04~2022.03.10

None of the financial assets were pledged as collateral as of December 31, 2022 and 2021.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity investments at fair value through other comprehensive income :		
Publicly listed domestic stocks	\$ 366,344	498,821
Unlisted domestic stocks	<u>156,484</u>	<u>170,534</u>
Total	<b><u>\$ 522,828</u></b>	<b><u>669,355</u></b>

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.
- (ii) Katec Creative Resources Corp. reduced capital to refunded of shares in 2021, where it realized a loss of \$17,630 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iii) Tung Jing Investment Corp. reduced capital to refunded of shares in 2021, where it realized a loss of \$4,732 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iv) For credit risk and market risk; please refer to note 6(y).
- (v) None of the financial assets were pledged as collateral as of December 31, 2022 and 2021.

(d) Notes and accounts receivable and overdue receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable from operating activities	\$ 165,191	180,697
Accounts receivable—measured as amortized cost	2,977,496	3,514,659
Accounts receivable from related parties	58,938	597,434
Overdue receivables	63,628	63,178
Less : loss allowance	<u>(85,585)</u>	<u>(85,135)</u>
	<b><u>\$ 3,179,668</u></b>	<b><u>4,270,833</u></b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The analysis of expected credit loss of the notes and accounts receivable of the Company as of December 31, 2022 and 2021, was as follows :

<b>December 31, 2022</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 568,561	-	-
With moderate risk	2,633,064	0.83%	21,957
With financial difficulties	<u>63,628</u>	100%	<u>63,628</u>
	<u><u>\$ 3,265,253</u></u>		<u><u>85,585</u></u>

<b>December 31, 2021</b>			
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average rate of expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
With low risk	\$ 1,406,036	-	-
With moderate risk	2,886,754	0.76%	21,957
With financial difficulties	<u>63,178</u>	100%	<u>63,178</u>
	<u><u>\$ 4,355,968</u></u>		<u><u>85,135</u></u>

The aging analysis of notes and accounts receivable as of December 31, 2022 and 2021, which were past due but not impaired, were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
1 to 60 days past due	<u><u>\$ 1,111</u></u>	<u><u>15,955</u></u>

The movement in the allowance for notes and accounts receivable were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 85,135	85,135
Impairment losses recognized	<u>450</u>	<u>-</u>
Balance at December 31	<u><u>\$ 85,585</u></u>	<u><u>85,135</u></u>

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(e) Other receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables from related parties	\$ 1,561	6,600
Other receivables - loans to associates	925,147	-
Others	9,036	7,304
Less : loss allowance	-	-
	<b><u>\$ 935,744</u></b>	<b><u>13,904</u></b>

No other receivables were impaired resulted from overdue as of December 31, 2022 and 2021. For credit risk, please refer to note 6(y).

(f) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Finished goods (including consigned goods)	\$ 1,968,067	1,977,011
Work in process (including goods in transit and consigned goods)	4,164,142	3,702,655
Raw materials (including goods in transit)	7,641,036	8,960,386
Material supplies (including goods in transit and consigned goods)	2,183,797	1,690,002
Inventories, net	<b><u>\$ 15,957,042</u></b>	<b><u>16,330,054</u></b>

For the years ended December 31, 2022 and 2021, cost of sales and services provided recognized was as follows :

	<b>For the years ended December 31, 2022</b>	<b>2021</b>
Cost of goods sold	\$ 40,559,044	37,619,892
Cost of services	31,302	21,089
Unallocated production overheads — capacity variance	108,186	28,211
Revenue from sale of materials and scrap	(171,169)	(86,360)
Total	<b><u>\$ 40,527,363</u></b>	<b><u>37,582,832</u></b>

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Any changes of competitors' reactions and market condition would impact the estimation which is based on the current market condition and past experience. The management of the Company makes such evaluation on every reporting date.

None of the inventory was pledged as collateral as of December 31, 2022 and 2021.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(g) Investments accounted for using the equity method

- (i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries		
Tung Yuan International Corp.	\$ 702,968	800,070
Tung Kang Steel Structure Corp.	3,364,664	2,824,418
Goldham Development Ltd.	394,759	322,275
Katec Creative Resources Corp.	910,604	779,900
Tung Kang Wind Power Corp.	593,752	582,685
Fa Da Enterprise Corp.	-	17,178
Tung Sugar Energy Service Co., Ltd.	-	53,190
Tung Ho Steel Vietnam Corp., Ltd.	<u>3,440,427</u>	<u>3,221,055</u>
Subtotal	<u>9,407,174</u>	<u>8,600,771</u>
Associates		
Katec Research & Development Corp.	87,481	77,623
Taiwan Steel Union Co., Ltd.	966,020	845,367
Tung Sugar Energy Service Co., Ltd.	<u>52,030</u>	<u>-</u>
Subtotal	<u>1,105,531</u>	<u>922,990</u>
Total	<u><b>\$ 10,512,705</b></u>	<u><b>9,523,761</b></u>

(ii) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

- (iii) The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Carrying amount of individually insignificant associates' equity	<u><b>\$ 1,105,531</b></u>	<u><b>922,990</b></u>
	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Attributable to the Company :		
Net income from continuing operations	\$ 237,421	146,475
Other comprehensive income	<u>1,973</u>	<u>497</u>
Comprehensive income	<u><b>\$ 239,394</b></u>	<u><b>146,972</b></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

- (iv) Cash dividends paid by the Company's associates were recognized as deductions of investment accounted for using the equity method. The details were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Tung Kang Steel Structure Corp.	\$ 301,682	327,958
Katec Research & Development Corp.	9,411	9,411
Taiwan Steel Union Co., Ltd.	99,316	74,487
<b>Total</b>	<b>\$ 410,409</b>	<b>411,856</b>

- (v) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2022 and 2021.

The Company neither undertook any contingent liabilities of associates with other investors nor had any contingent liabilities generated from individual responsibility of associates' liabilities.

There is no any significant restriction on transferring the funds from associates to the Company.

- (h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows :

	<b>Land</b>	<b>Buildings</b>	<b>Machinery equipment</b>	<b>Miscellaneous equipment</b>	<b>Other assets</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance as of January 1, 2022	\$ 2,664,661	6,378,394	23,616,373	304,274	287,620	117,877	33,369,199
Additions	2,000,653	274,819	523,748	27,230	-	89,711	2,916,161
Reclassification	426,788	177,398	26,624	-	-	(111,080)	519,730
Disposals	-	(10,367)	(29,726)	(5,103)	-	-	(45,196)
Balance as of December 31, 2022	<b>\$ 5,092,102</b>	<b>6,820,244</b>	<b>24,137,019</b>	<b>326,401</b>	<b>287,620</b>	<b>96,508</b>	<b>36,759,894</b>
Balance as of January 1, 2021	\$ 2,379,625	6,377,184	23,473,880	297,749	533,416	9,543	33,071,397
Additions	39,240	1,210	120,165	10,987	-	109,868	281,470
Reclassification	245,796	-	22,328	1,534	(245,796)	(1,534)	22,328
Disposals	-	-	-	(5,996)	-	-	(5,996)
Balance as of December 31, 2021	<b>\$ 2,664,661</b>	<b>6,378,394</b>	<b>23,616,373</b>	<b>304,274</b>	<b>287,620</b>	<b>117,877</b>	<b>33,369,199</b>
<b>Depreciation :</b>							
Balance as of January 1, 2022	\$ -	3,480,616	18,366,648	202,037	-	-	22,049,301
Depreciation for the period	-	127,387	770,205	26,717	-	-	924,309
Reclassification	-	4,613	-	-	-	-	4,613
Disposals	-	(10,251)	(27,382)	(4,766)	-	-	(42,399)
Balance as of December 31, 2022	<b>\$ -</b>	<b>3,602,365</b>	<b>19,109,471</b>	<b>223,988</b>	<b>-</b>	<b>-</b>	<b>22,935,824</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Miscellaneous equipment</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
Balance as of January 1, 2021	\$ -	3,355,675	17,572,411	182,922	-	-	21,111,008
Depreciation for the period	-	124,941	794,237	25,103	-	-	944,281
Disposals	-	-	-	(5,988)	-	-	(5,988)
Balance as of December 31, 2021	<u>\$ -</u>	<u>3,480,616</u>	<u>18,366,648</u>	<u>202,037</u>	<u>-</u>	<u>-</u>	<u>22,049,301</u>
<b>Carrying value</b>							
Balance as of December 31, 2022	<u>\$ 5,092,102</u>	<u>3,217,879</u>	<u>5,027,548</u>	<u>102,413</u>	<u>287,620</u>	<u>96,508</u>	<u>13,824,070</u>
Balance as of December 31, 2021	<u>\$ 2,664,661</u>	<u>2,897,778</u>	<u>5,249,725</u>	<u>102,237</u>	<u>287,620</u>	<u>117,877</u>	<u>11,319,898</u>

- (i) Because some of the Company's property, plant and equipment and investment property are agricultural lands, transfer registration could not be undertaken using the Company's own title ; therefore, the Company was registered as a trust registrant temporarily and signed the real estate trust registration contract, which stipulates the rights and obligations of both parties to preserve the ownership of the land. The Company is applying successively for registration of change in the category of land from relevant authorities. The details of the abovementioned land was as follows :

<u>Accounts</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ 287,620	287,620
Investment property	499,124	499,124
	<u>\$ 786,744</u>	<u>786,744</u>

- (ii) The assessment of the useful life and the residual value

Property, plant and equipment is depreciated using the straight-line method. The Company periodically evaluates the useful life and the residual value of property, plant, and equipment; if there is any significant change in relevant estimates, adjustments will be made in the period the change occurs and in the future periods.

- (iii) In response to the establishment and overall operational considerations of the "Taoyuan City Guanyin Industrial Park Development Project", the Company applied to the " National Property Administration" for the purchase of national land at the amount of \$423,897 thousand, accounted for as "Land", in accordance with National Non-public Use Real Estate Sales Procedures, with the valuation process having been completed by acquiring the property rights transfer certification in March 2022.
- (iv) In consideration of the overall operation, the Company acquired 36,639.37 square meters of land, 25,303 square meters of plant and buildings, and a complete set of single rolling production line and a batch of equipment related` to steel bar processing in Xiaogang District, Kaohsiung City through a court auction for \$2,430,060 thousand on August 30, 2022. The land, buildings and equipment amount to \$2,000,000 thousand, \$154,000 thousand and \$276,000 thousand, respectively. The transfer was completed in October 2022, and are shown as "land" and "buildings" under "property, plant and equipment", respectively. The above payment has been fully paid.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(v) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2022 and 2021.

(i) Right-of-use assets

The Company leases assets including land, buildings, machinery equipment, vehicles, and office equipment. Information about leases for which the Company as a lessee was presented below :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Cost :						
Balance at January 1, 2022	\$ 145,811	41,075	2,941	7,427	2,678	199,932
Additions	15,068	4,400	-	9,651	-	29,119
Disposal	(10,467)	(4,400)	-	(2,715)	-	(17,582)
Balance at December 31, 2022	<u>\$ 150,412</u>	<u>41,075</u>	<u>2,941</u>	<u>14,363</u>	<u>2,678</u>	<u>211,469</u>
Balance at January 1, 2021	\$ 146,534	41,075	2,941	11,157	2,678	204,385
Additions	411	4,395	-	2,715	-	7,521
Disposal	(1,134)	(4,395)	-	(6,445)	-	(11,974)
Balance at December 31, 2021	<u>\$ 145,811</u>	<u>41,075</u>	<u>2,941</u>	<u>7,427</u>	<u>2,678</u>	<u>199,932</u>
Accumulated depreciation :						
Balance at January 1, 2022	\$ 38,512	14,376	1,160	4,123	1,232	59,403
Depreciation for the period	12,765	12,615	504	3,959	403	30,246
Disposal	(10,467)	(4,400)	-	(2,715)	-	(17,582)
Balance at December 31, 2022	<u>\$ 40,810</u>	<u>22,591</u>	<u>1,664</u>	<u>5,367</u>	<u>1,635</u>	<u>72,067</u>
Balance at January 1, 2021	\$ 25,603	6,162	657	6,683	828	39,933
Depreciation for the period	12,909	12,610	503	3,885	404	30,311
Disposal	-	(4,396)	-	(6,445)	-	(10,841)
Balance at December 31, 2021	<u>\$ 38,512</u>	<u>14,376</u>	<u>1,160</u>	<u>4,123</u>	<u>1,232</u>	<u>59,403</u>
Carrying amount :						
Balance at December 31, 2022	<u>\$ 109,602</u>	<u>18,484</u>	<u>1,277</u>	<u>8,996</u>	<u>1,043</u>	<u>139,402</u>
Balance at December 31, 2021	<u>\$ 107,299</u>	<u>26,699</u>	<u>1,781</u>	<u>3,304</u>	<u>1,446</u>	<u>140,529</u>

(j) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost :			
Balance as of January 1, 2022	\$ 1,863,525	335,903	2,199,428
Additions	1,414	-	1,414
Reclassification (out) in	-	(66,318)	(66,318)
Balance as of December 31, 2022	<u>\$ 1,864,939</u>	<u>269,585</u>	<u>2,134,524</u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
Balance as of January 1, 2021	\$ 1,863,277	335,903	2,199,180
Additions	<u>248</u>	<u>-</u>	<u>248</u>
Balance as of December 31, 2021	<u><b>\$ 1,863,525</b></u>	<u><b>335,903</b></u>	<u><b>2,199,428</b></u>
<b>Depreciation :</b>			
Balance as of January 1, 2022	\$ -	207,629	207,629
Depreciation for the period	-	6,546	6,546
Reclassification in	<u>-</u>	<u>(4,613)</u>	<u>(4,613)</u>
Balance as of December 31, 2022	<u><b>\$ -</b></u>	<u><b>209,562</b></u>	<u><b>209,562</b></u>
Balance as of January 1, 2021	\$ -	198,345	198,345
Depreciation for the period	<u>-</u>	<u>9,284</u>	<u>9,284</u>
Balance as of December 31, 2021	<u><b>\$ -</b></u>	<u><b>207,629</b></u>	<u><b>207,629</b></u>
<b>Carrying amounts :</b>			
Balance as of December 31, 2022	<u><b>\$ 1,864,939</b></u>	<u><b>60,023</b></u>	<u><b>1,924,962</b></u>
Balance as of December 31, 2021	<u><b>\$ 1,863,525</b></u>	<u><b>128,274</b></u>	<u><b>1,991,799</b></u>
<b>Fair value :</b>			
Balance as of December 31, 2022			<u><b>\$ 7,019,293</b></u>
Balance as of December 31, 2021			<u><b>\$ 7,125,300</b></u>

- (i) Investment property includes the investment in Kuo Kong Section, Houlong town, Miaoli County, and several construction sites and factories leased to others; leased objects mentioned above are the factory in Chienchen District of Kaohsiung, the factory in Bade City of Taoyuan, the building in Taichung, and the office in Taipei.
- (ii) The investment in Kuo Kong Section, Houlong Town, Miaoli County is within the general industrial zone. The Consolidated Company has established five wind turbines sets to improve the efficiency of the use of the land. On December 17, 2015, the 3.161KV line was merged into Tung Kang Wind Power transformer station. Works of parallel connection started on December 21, 2015, and the electricity license was obtained on August 19, 2016. Also, the continuous increase of investments from world renowned manufacturers and the backflow of Taiwanese investors resulted in an inflation of the land within the industrial zone. Currently, the purpose of usage and owning the land is to obtain the capital appreciation in the future. As of December 31, 2022 and 2021, the carrying value is \$969,553 thousand and \$968,139 thousand.
- (iii) The fair value of investment property is in reference to the appraisal report, done by independent professionals (with certificated qualification and recent experience in appraisals of items that are within the same area or of similar items). The valuation technique used is classified as the second hierarchy of input value.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(iv) Please refer to Note 6(h) for relevant information on investment property acquired under the ownership of others.

(v) None of the investment property was for pledged for collateral as of December 31, 2022 and 2021.

(k) Short-term loans

Details of the Company's short-term loans were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unsecured credit loans	\$ 10,660,000	6,700,000
Letters of credit	367,774	950,897
Total	<u><u>\$ 11,027,774</u></u>	<u><u>7,650,897</u></u>
Unused credit lines	<u><u>\$ 11,918,330</u></u>	<u><u>13,672,155</u></u>
Range of interest rates	<u><u>0.42%~6.12%</u></u>	<u><u>0.40% ~ 0.95%</u></u>

(l) Short-term notes and bills payable

Details of the Company's short-term notes and bills payable were as follows :

	<b>December 31, 2022</b>	
	<b>Bank of acceptance</b>	<b>Interest rate</b>
		<b>Amount</b>
Commercial paper payable	IBFC、DCBF 、ETFC	\$ 600,000
Less : discount on short-term bills payable		(500)
Total		<u><u>\$ 599,500</u></u>

Please refer to Note 6(k) for unused credit lines.

(m) Long-term loans

Details of the Company's long-term loans were as follows :

	<b>December 31, 2022</b>	
	<b>Currency</b>	<b>Interest rate</b>
		<b>Maturity</b>
		<b>Amount</b>
Unsecured bank loans	TWD	1.62%~1.95%
		2024.04.27~2025.07.18
		\$ 1,950,000
Less: current portion		-
Total		<u><u>\$ 1,950,000</u></u>
Unused credit lines		<u><u>\$ 1,100,000</u></u>

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**Notes to the Financial Statements**

**December 31, 2021**

	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.58%	2023.04.27	\$ 1,800,000
Less: current portion				-
Total				<u>\$ 1,800,000</u>
Unused credit lines				<u>\$ 2,090,000</u>

(n) Bonds payable

(i) Major conditions of the issuance of unsecured bonds payable were as follows :

<b>Item</b>	<b>The seventh unsecured domestic convertible bond</b>
1. Principal amount	\$2,000,000 thousand
2. Par value	\$100 thousand
3. Original issuance date	2018.05.14~2023.05.14
4. Maturity	5 years
5. Coupon rate	0%
6. Redemption method	(1) Three months after the issuance date and 40 days prior to maturity, the bonds may be redeemed if the closing price of the ordinary shares, for a period of 30 consecutive trading days, is at least 30% of the conversion price then in effect. 30 trading days prior to maturity, the Company may redeem all bonds for cash. (2) If at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled, or converted.
7. Redemption option of bondholders	The bondholders could request the Company to redeem the bond at face value plus the interest premium of 0.75% and 1% three and four years after the issue date, respectively (actual yield: 0.25% and 0.25%, respectively).
8. Conversion price and adjustment	The conversion price was NT27.8 dollars at the original issuance date. Since the Company paid cash dividend on July 7, 2018, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT26.2 dollars according the conversion method. Since the Company paid cash dividend on July 22, 2019, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT24.8 dollars according the conversion method. Since the Company paid cash dividend on June 20, 2020, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT23.3 dollars according the conversion method.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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- (ii) Bonds payable as of December 31, 2021, were as follows :

	<b>December 31, 2021</b>
Originally issued amount of unsecured domestic convertible bonds	\$ 2,000,000
Accumulated redeemed and executed convertible bonds	(600)
Accumulated converted convertible bonds	(1,999,400)
Adjustment on the equity and liability component from repurchases and conversions	(49,760)
Accumulated interest expenses	<u>49,760</u>
Total	<u>\$ -</u>

	<b>For the years ended December 31, 2021</b>
Interest expense	<u>\$ 781</u>

- (iii) As of December 31, 2021, accumulated repurchase and conversion of the seventh unsecured domestic convertible bonds were as follows:

	<b>Face value of the seventh domestic unsecured convertible bonds</b>
Accumulated redemption	
December 31, 2021	<u>\$ 600</u>

	<b>Face value of the seventh domestic unsecured convertible bonds</b>
Accumulated conversion	
December 31, 2021	<u>\$ 1,999,400</u>

- (iv) On March 16, 2021, the outstanding balance of the bonds were lower than 10% of the originally issued amount. Therefore, the Company redeemed the remaining 6 issued bonds in cash, at par value, amounting to \$600 thousand, resulting in a loss of \$14 thousand to be recognized, and a capital surplus-stock options of \$25 thousand to be reclassified to capital surplus-others.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(o) Lease liabilities

The details of the Company's lease liabilities were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	\$ <u>25,292</u>	<u>21,645</u>
Non-current	\$ <u>118,137</u>	<u>122,001</u>

The amounts recognized in profit or loss were as follows :

	<b>For the years ended December 31 2022</b>	<b>2021</b>
Interest on lease liabilities	\$ <u>1,249</u>	<u>1,363</u>
Expenses relating to short-term leases	\$ <u>8,042</u>	<u>5,906</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,870</u>	<u>1,839</u>

The amounts recognized in the statement of cash flows was as follows:

	<b>For the year ended December 31, 2022</b>	<b>2021</b>
Total cash outflow for leases	\$ <u>40,496</u>	<u>38,222</u>

(i) Real estate leases

As of December 31, 2022, the Company leases land and buildings for its office space and storage locations. The leases for office space and storage locations typically run for a period of 2 to 3 years. Some lessee include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Certain leases contain extension or cancellation options exercisable by the Company. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Company leases machinery equipment and vehicles, with lease terms of two to five years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The Company also leases IT equipment with contract terms of one to three years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(j) sets out information about the operating leases of investment property.

As of December 31, 2022 and 2021, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Less than one year	\$ 52,022	51,119
One to two years	34,024	33,093
Two to three years	2,879	34,024
Three to four years	2,951	2,879
Four to five years	1,065	2,951
More than five years	<u>6,922</u>	<u>7,987</u>
Total undiscounted lease payments	<b><u>\$ 99,863</u></b>	<b><u>132,053</u></b>

The operating lease revenues for the years ended December 31, 2022 and 2021 were \$51,119 and \$49,710 thousand.

(q) Other payables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 593,251	730,562
Utilities payable	224,820	245,299
Freight payable	232,315	252,566
Sales bonuses payable	294,356	310,451
Waste disposal payable (including to related parties)	95,934	102,786
Cash dividends payable (including from prior years)	44,132	44,526
Equipment payable	11,255	15,208
Repair and maintenance fees payable	114,086	69,752
Tax payable	94,377	-
Other operating and manufacturing overhead payables(including to related parties)	<u>114,035</u>	<u>95,992</u>
	<b><u>\$ 1,818,561</u></b>	<b><u>1,867,142</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The above payables are planned to be paid within one year. Please refer to Note 6(y) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

(r) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of the defined benefit obligations	\$ 1,507,094	1,571,887
Fair value of plan assets	<u>(1,246,137)</u>	<u>(1,167,900)</u>
Net defined benefit liabilities	<b><u>\$ 260,957</u></b>	<b><u>403,987</u></b>

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2022 and 2021, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,246,137 thousand and \$1,167,900 thousand, respectively. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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

Changes in the present value of the Company's defined benefit obligations were as follows :

	<b>For the years ended December 31, 2022</b>	<b>2021</b>
Defined benefit obligations at January 1	\$ 1,571,887	1,608,336
Service cost and interest expense for the period	22,360	25,339
Remeasurements of the net defined benefit liability (asset)		
— Experience adjustments	(9,257)	(2,430)
Benefits paid	<u>(77,896)</u>	<u>(59,358)</u>
Defined benefit obligations at December 31	<b><u>\$ 1,507,094</u></b>	<b><u>1,571,887</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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3) Changes in the fair value of the plan assets

Changes in the Company's fair value of the plan assets were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets at January 1	\$ 1,167,900	1,049,511
Interest income	5,994	3,115
Remeasurements of the net defined benefit liability(assets):		
Return on plan assets (excluding interests for the period)	90,378	15,705
Contributions from employer	59,761	158,927
Benefits paid	(77,896)	(59,358)
Fair value of plan assets at December 31	<u><u>\$ 1,246,137</u></u>	<u><u>1,167,900</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Service costs for the period	\$ 14,501	20,608
Net interest expense of net defined benefit liabilities	1,865	1,616
	<u><u>\$ 16,366</u></u>	<u><u>22,224</u></u>

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 12,899	18,036
Selling expenses	564	767
Administrative expenses	2,903	3,421
	<u><u>\$ 16,366</u></u>	<u><u>22,224</u></u>

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Accumulated amount at January 1	\$ 362,951	344,817
Recognized during the period	99,635	18,134
Accumulated amount at December 31	<u><u>\$ 462,586</u></u>	<u><u>362,951</u></u>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	1.00 %	0.50 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is NT\$59,761 thousand.

The weighted average lifetime of the defined benefits plans is 6.3 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows :

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by</b>	<b>Decrease by</b>
	<b>0.25%</b>	<b>0.25%</b>
December 31, 2022		
Discount rate	\$ (14,746)	15,162

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by</b>	<b>Decrease by</b>
	<b>1%</b>	<b>1%</b>
Future salary increasing rate	61,684	(56,378)

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by</b>	<b>Decrease by</b>
	<b>0.25%</b>	<b>0.25%</b>
December 31, 2021		
Discount rate	\$ (19,297)	19,902

	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by</b>	<b>Decrease by</b>
	<b>1%</b>	<b>1%</b>
Future salary increasing rate	80,920	(73,111)

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company does not bear any additional legal or constructive obligations other than the allocation of a fixed amount to the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$50,432 thousand and \$46,289 thousand for the years ended December 31, 2022 and 2021, respectively.

(s) Income taxes

(i) The details of income tax expense for the years ended December 31, 2022 and 2021, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 1,027,874	1,264,722
Adjustments for prior years	<u>5,013</u>	<u>3,774</u>
	<u>1,032,887</u>	<u>1,268,496</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>28,941</u>	<u>27,262</u>
Income tax expense for continuing operations	<b><u>\$ 1,061,828</u></b>	<b><u>1,295,758</u></b>

The income tax benefit (expense) related to components of other comprehensive income for the years ended December 31, 2022 and 2021, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Remeasurement from defined benefit plans	<u>\$ -</u>	<u>(3,627)</u>

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The reconciliation of income tax expense and income before income tax for the years ended December 31, 2022 and 2021, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Income before income tax	<b>\$ 5,055,832</b>	<b>7,202,005</b>
Income tax using the Company's domestic tax rate	\$ 1,011,166	1,440,401
Assessed levied tax on unappropriated earnings of terminated companies in business combination	66,092	60,253
Permanent difference	(191,562)	(78,267)
Changes of unrecognized temporary difference	178,533	(123,981)
Current investment tax credits used	(7,414)	(6,422)
Difference between administrative remedy and assessment by the tax authority	3,838	3,583
(High)under-estimation from prior periods	1,175	191
Total	<b>\$ 1,061,828</b>	<b>1,295,758</b>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liability as of December 31, 2022 and 2021.

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Tax effect of deductible temporary differences	\$ 24,707	24,707
Temporary differences related to investment subsidiaries	670,729	492,196
Tax effect of deductible temporary differences	<b>\$ 695,436</b>	<b>516,903</b>

The Company has no intention to dispose or reduce the equity of its subsidiaries; therefore, the temporary differences incurred from its subsidiaries' investments are not be recognized.

3) Recognized deferred tax assets and liabilities

Changes in the deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, were as follows :

	<b>Reserve for land appreciation tax</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities :			
Balance as of January 1, 2022	\$ 167,174	2,640	169,814
Recognized in profit or loss	-	17,281	17,281
Balance as of December 31, 2022	<b>\$ 167,174</b>	<b>19,921</b>	<b>187,095</b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
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	<b>Reserve for land appreciation tax</b>	<b>Others</b>	<b>Total</b>
Balance as of January 1, 2021	\$ 167,174	4,945	172,119
Recognized in profit or loss	-	(2,305)	(2,305)
Balance as of December 31, 2021	<u>\$ 167,174</u>	<u>2,640</u>	<u>169,814</u>

	<b>Defined benefit plans</b>	<b>Unrealized loss on financial assets and liabilities</b>	<b>Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets :					
Balance as of January 1, 2022	\$ 19,794	1,009	14,957	28,077	63,837
Recognized in profit or loss	(8,679)	1,926	(1,905)	(3,002)	(11,660)
Balance as of December 31, 2022	<u>\$ 11,115</u>	<u>2,935</u>	<u>13,052</u>	<u>25,075</u>	<u>52,177</u>
Balance as of January 1, 2021	\$ 50,761		16,862	29,408	97,031
Recognized in profit or loss	(27,340)	1,009	(1,905)	(1,331)	(29,567)
Recognized in other comprehensive income	(3,627)	-	-	-	(3,627)
Balance as of December 31, 2021	<u>\$ 19,794</u>	<u>1,009</u>	<u>14,957</u>	<u>28,077</u>	<u>63,837</u>

(iii) The Company's income tax returns have been examined by the ROC tax authorities through 2020.

(t) Capital and other equity

(i) Capital stock

As of December 31, 2022 and 2021, the Company's government-registered total authorized capital amounted to \$15,000,000 thousand, with par value per share of \$10 (dollars), and total issued ordinary shares amounted to 730,214 thousand and 0 thousand shares, respectively. All issued shares were paid up upon issuance.

The capital reduction amounting to \$3,596,576 thousand and the cancelation of the total number of issued common shares of 359,658 thousand shares were based on the resolution approved during the shareholders' meeting held on July 15, 2021. Thereafter, the paid-in capital amounted to \$7,302,138 thousand, with the approval of the Taiwan Stock Exchange Co., Ltd. on September 22, 2021, with Letter No. 1101805121, as well as the Ministry of Economic Affairs on October 21, 2021, with Letter No. 11001185940. The base date for the above capital reduction was set on September 27, 2021, and the Consolidated Company determined to refund the amount, accounted for as other accounts payable, to its shareholders on December 3, 2021.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The holders of convertible bonds exercised certain conversion rights; therefore, the Company issued 31,112 thousand certificates of entitlements for the new shares amounting to \$311,115 thousand, at par value. All related registration procedures had been completed as of December 31, 2022.

Reconciliation of shares outstanding for 2022 and 2021 was as follows :

(in thousands of shares)	<b>2022</b>	<b>2021</b>
Balance as of January 1	730,214	1,058,760
Conversion of convertible bonds	-	31,112
Cash reduction	-	(359,658)
Balance as of December 31	<b>730,214</b>	<b>730,214</b>

On September 22, 1994, the Company issued 6,000 thousand Global Depositary Receipts (GDRs), in the Multilateral Trading Facility (MTF) market of the Luxembourg Stock Exchange (LSE), one GDRs represents 10 ordinary shares. The details were as follows :

(in shares)	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total issued shares	<b>66,187,923</b>	<b>66,187,923</b>
Outstanding shares	<b>4,919,192</b>	<b>4,919,192</b>

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	5,014,194	5,014,194
Treasury stock transactions	59,036	59,036
Difference arising from subsidiary's share price and its carrying value	21,511	21,511
Changes in equity of associates accounted for using the equity method	190,445	190,445
Others	109,759	109,759
	<b>\$ 7,684,679</b>	<b>7,684,679</b>

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

According to the Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

#### **(iii) Retained earnings**

Based on the Company's articles of incorporation, the Company's annual earnings should first be used to provide for income tax and to cover accumulated deficits, before being set aside 10% as a legal reserve, or if necessary, a special reserve. The remainder, along with accumulated earnings, are distributed in cash under the authorized resolution by the Board of Directors attended by two-thirds of the directors and more than half of the attended directors agree, and then report to the board of shareholders. However, if they are distributed not only in cash, then they should be distributed as dividends and earnings distribution under the stockholders' resolution.

The Company is at a stable and mature stage, so the dividend plan is that the percentages of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

#### **1) Legal reserve**

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

#### **2) Special reserve**

By choosing to apply exemptions granted under IFRSs 1 First-time Adoption of IFRSs during the Company's first-time adoption of the IFRSs as approved by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, retained earnings would be increased by \$333,057 thousand, by recognizing the fair value on the adoption date as deemed cost. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs amounted to \$149,309 thousand. In accordance with Ruling by the FSC, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$149,309 thousand on December 31, 2022.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

In accordance with Ruling by the FSC, a portion of current-period earnings and unappropriated prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of unappropriated prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

#### 3) Earnings distribution

Earnings distribution for 2022 and 2021 was decided by the resolution adopted, at the Company's Board of Directors on March 10, 2022 and March 23, 2021, respectively. The relevant dividend distributions to shareholders were as follows :

	<b>2021</b>		<b>2020</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividend appropriated for ordinary shareholders	\$ 6.40	<u><b>4,673,368</b></u>	1.50	<u><b>1,634,807</b></u>

On February 22, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. The relevant dividend distributions to shareholders was as follows:

	<b>2022</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividend appropriated for ordinary shareholders	\$ 3.50	<u><b>2,555,748</b></u>

The abovementioned distribution approved by the shareholders' meeting is consistent with that approved by the Board of Directors. Related information can be found through the Market Observation Post System website.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

4) Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through OCI	Total
Balance as of January 1, 2022	\$ (514,902)	357,013	(157,889)
Exchange differences on translation of foreign operations :			
The Company	(35,155)	-	(35,155)
Subsidiaries	29,873	-	29,873
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Company	-	(151,796)	(151,796)
Associates and subsidiaries	-	(1,318)	(1,318)
Others :			
The Company	-	4,398	4,398
Balance as of December 31, 2022	<u>\$ (520,184)</u>	<u>208,297</u>	<u>(311,887)</u>
Balance as of January 1, 2021	\$ (941,368)	119,005	(822,363)
Exchange differences on translation of foreign operations :			
The Company	449,795	-	449,795
Subsidiaries	(23,329)	-	(23,329)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Company	-	207,524	207,524
Associates and subsidiaries	-	1,748	1,748
Others :			
The Company	-	28,736	28,736
Balance as of December 31, 2021	<u>\$ (514,902)</u>	<u>357,013</u>	<u>(157,889)</u>

(u) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2022 and 2021, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,994,004 thousand and \$5,906,247 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 730,214 thousand and 991,957 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Profit attributable to the Company	\$ 3,994,004	5,906,247
Profit attributable to the ordinary shareholders	<u>\$ 3,994,004</u>	<u>5,906,247</u>

2) Weighted-average number of ordinary shares (in thousands of shares)

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Number of outstanding shares	<u>730,214</u>	<u>991,957</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2022 and 2021, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,994,004 thousand and \$5,907,027 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 733,222 thousand and 998,575 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (diluted) :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 3,994,004	5,906,247
Interest expense after tax and valuation of convertible bonds	-	780
Profit attributable to the ordinary shareholders of the Company (diluted)	<u>\$ 3,994,004</u>	<u>5,907,027</u>

2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Weighted-average number of outstanding ordinary shares (basic)	730,214	991,957
Effects of convertible bonds	-	3,163
Effects of employee stock bonus	3,008	3,455
Weighted-average number of outstanding ordinary shares (diluted)	<u>733,222</u>	<u>998,575</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the year ended December 31, 2022</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ 45,218,769	30,046	45,248,815
The United States	31,185	-	31,185
Asia	245,336	-	245,336
Others	1,477,856	-	1,477,856
	<u>\$ 46,973,146</u>	<u>30,046</u>	<u>47,003,192</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>For the year ended December 31, 2022</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
Main products/services lines:			
Deformed bars	\$ 27,455,682	-	27,455,682
Sections	18,237,366	-	18,237,366
Billets	1,046,771	-	1,046,771
Rendering of services	-	30,046	30,046
Others	233,327	-	233,327
	<b>\$ 46,973,146</b>	<b>30,046</b>	<b>47,003,192</b>

	<b>For the year ended December 31, 2021</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ 42,387,944	26,932	42,414,876
The United States	14,758	-	14,758
Asia	955,637	-	955,637
Others	2,184,037	-	2,184,037
	<b>\$ 45,542,376</b>	<b>26,932</b>	<b>45,569,308</b>

Main products/services lines:			
Deformed bars	\$ 22,758,734	-	22,758,734
Sections	21,560,836	-	21,560,836
Billets	764,380	-	764,380
Rendering of services	-	26,932	26,932
Others	458,426	-	458,426
	<b>\$ 45,542,376</b>	<b>26,932</b>	<b>45,569,308</b>

(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes receivable	\$ 165,191	180,697	288,916
Accounts receivable	3,036,434	4,112,093	2,598,132
Overdue receivables	63,628	63,178	63,178
Less: allowance for impairment	(85,585)	(85,135)	(85,135)
Total	<b>\$ 3,179,668</b>	<b>4,270,833</b>	<b>2,865,091</b>
	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Contract liabilities — advance receipts	<b>\$ 1,338,529</b>	<b>1,336,905</b>	<b>788,368</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$1,336,905 thousand and \$699,067 thousand, respectively.

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The major changes in the balance of the contract assets and contract liabilities is the difference between the timing in the performance obligation to be satisfied and the payment to be received.

(w) Employee compensation and remuneration of directors

In accordance with the articles of incorporation, the Company should contribute no less than 2.5% of the profit as employee compensation and less than 2% as remuneration of directors when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the Company's estimated employee compensation amounted to \$132,352 thousand and \$188,534 thousand, respectively, and the remuneration of directors amounted to \$105,881 thousand and \$150,827 thousand, respectively. The estimated amounts mentioned above were calculated based on the net income before tax, excluding the compensation to employees and the remuneration of directors of each period, multiplied by the percentage of compensation to employees and the remuneration of directors as specified in the Company's articles. These compensation and remuneration were expensed under operating costs or operating expenses for the years ended December 31, 2022 and 2021. Related information is available at the Market Observation Post System website. The amounts, as stated in the financial statements for the years ended December 31, 2022 and 2021, are identical to those of the actual distributions.

(x) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	\$ 689	92
Other interest income	21,858	10,155
Total Interest income	<b>\$ 22,547</b>	<b>10,247</b>

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Other income

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Rental income	\$ 66,389	59,969
Dividend income	45,032	30,889
Scrap income	3,225	8,359
Total other income	<u><u>\$ 114,646</u></u>	<u><u>99,217</u></u>

(iii) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net loss on disposal of property, plant and equipment	\$ (2,797)	(8)
Foreign exchange gain	30,533	34,823
Gain on financial assets at fair value through profit or loss	177,928	50,675
Others	44,214	33,206
Other gains and losses(net)	<u><u>\$ 249,878</u></u>	<u><u>118,696</u></u>

(iv) Finance costs

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest Expense		
Bank loans	\$ 123,840	31,561
Amortized interest of domestic corporate bond	-	781
Interest on domestic commercial paper	1,843	811
Lease payments	1,249	1,363
Less: Interest capitalization	(1,123)	(327)
Finance costs(net)	<u><u>\$ 125,809</u></u>	<u><u>34,189</u></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets excluding cash and cash equivalents represents the Company's maximum credit exposure. As of December 31, 2022 and 2021, the maximum exposure to credit risk amounted to \$4,873,381 thousand and \$5,920,899 thousand, respectively.

2) Concentration of credit risk

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Company has numerous clients and does not make any concentrative transactions with any single client. Therefore, there is no concentration of credit risk for account receivables.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 12,977,774	13,066,601	11,082,523	18,037	1,814,411	151,630	-
Unsecured commercial papers payable	599,500	600,000	600,000	-	-	-	-
Current financial liabilities at fairvalue through profit or loss	14,674	14,674	14,674	-	-	-	-
Lease liabilities	143,429	150,068	13,602	12,952	25,683	44,375	53,456
Accounts payable	1,519,804	1,519,804	1,519,804	-	-	-	-
Other payables	1,818,561	1,818,561	1,818,561	-	-	-	-
Guarantee deposits received	9,111	9,111	9,111	-	-	-	-
	<u>\$ 17,082,853</u>	<u>17,178,819</u>	<u>15,058,275</u>	<u>30,989</u>	<u>1,840,094</u>	<u>196,005</u>	<u>53,456</u>
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 9,450,897	9,474,119	7,664,954	5,291	1,803,874	-	-
Current financial liabilities at fairvalue through profit or loss	5,045	5,045	5,045	-	-	-	-
Lease liabilities	143,646	150,605	12,222	10,543	20,731	43,605	63,504
Accounts payable	2,303,574	2,303,574	2,303,574	-	-	-	-
Other payables	1,867,142	1,867,142	1,867,142	-	-	-	-
Guarantee deposits received	12,707	12,707	12,707	-	-	-	-
	<u>\$ 13,783,011</u>	<u>13,813,192</u>	<u>11,865,644</u>	<u>15,834</u>	<u>1,824,605</u>	<u>43,605</u>	<u>63,504</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Company's financial assets and liabilities exposed to significant exchange rate risk were as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate (in dollars)	TWD	Foreign currency	Exchange rate (in dollars)	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 33,117	30.71	1,017,023	19,630	27.68	543,358
EUR	2	32.72	65	2	31.32	63
JPY	736	0.2324	171	472	0.2405	114
CNY	24	4.408	106	24	4.344	104
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	10,048	30.71	308,574	34,148	27.68	945,217
EUR	1,473	32.72	48,197	92	31.32	2,881
JPY	47,463	0.2324	11,030	11,550	0.2405	2,778

2) Sensitivity analysis

The Company's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, loans and accounts receivable, which were denominated in different foreign currencies. The overall effects to net income after tax for the years ended December 31, 2022 and 2021, assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2022 and 2021, were as follows :

	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2022		
USD (appreciation/depreciation of 1%)	\$ 5,668	(5,668)
EUR (appreciation/depreciation of 1%)	(385)	385
JPY (appreciation/depreciation of 1%)	(87)	87
CNY (appreciation/depreciation of 1%)	1	(1)
	<u>\$ 5,197</u>	<u>(5,197)</u>
	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2021		
USD (appreciation/depreciation of 1%)	\$ (3,215)	3,215
EUR (appreciation/depreciation of 1%)	(23)	23
JPY (appreciation/depreciation of 1%)	(21)	21
CNY (appreciation/depreciation of 1%)	1	(1)
	<u>\$ (3,258)</u>	<u>3,258</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

3) Exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gain (including realized and unrealized portions) amounted to \$30,533 thousand and \$34,823 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase in interest rate is assessed by management to be a reasonably possible interest rate change.

If the interest rate had increased by 1%, the Company's net income would have decreased by \$135,773 thousand and \$94,509 thousand for the years ended December 31, 2022 and 2021 respectively, assuming all other variable factors remaining constant.

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Securities price at reporting date</b>	<b>Other comprehensive income after tax</b>	<b>Other comprehensive income after tax</b>
Increasing 1%	\$ <u>3,663</u>	<u>4,988</u>
Decreasing 1%	\$ <u>(3,663)</u>	<u>(4,988)</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(vi) Information on fair value

1) Types and fair value of financial instruments

The carrying and fair value of the Company's financial assets and liabilities, including fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, were listed as follows :

	December 31, 2022				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Non-derivative financial asset mandatorily measured at fair value through profit or loss - publicly listed domestic stocks	\$ 162,730	162,730	-	-	162,730
Financial assets at fair value through other comprehensive income					
Publicly listed domestic stocks	366,344	366,344	-	-	366,344
Equity instruments measured at fair value with no publicly quoted price	156,484	-	-	156,484	156,484
Subtotal	522,828	366,344	-	156,484	522,828
Financial assets measured at amortized cost					
Cash and cash equivalents	518,048	-	-	-	-
Notes and accounts receivable	3,179,668	-	-	-	-
Other receivables	935,744	-	-	-	-
Refundable deposits	72,411	-	-	-	-
Subtotal	4,705,871	-	-	-	-
Total	\$ 5,391,429	529,074	-	156,484	685,558
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities— foreign exchange forward contract	\$ 14,674	-	14,674	-	14,674
Financial liabilities measured at amortized cost					
Short-term loans	11,027,774	-	-	-	-
Short-term bills payable	599,500	-	-	-	-
Long-term loans	1,950,000	-	-	-	-
Notes and accounts payable	1,519,804	-	-	-	-
Other payables	1,818,561	-	-	-	-
Lease liabilities	143,429	-	-	-	-
Subtotal	17,059,068	-	-	-	-
Total	\$ 17,073,742	-	14,674	-	14,674

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to the Financial Statements

	December 31, 2021				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Non-derivative financial asset mandatorily measured at fair value through profit or loss - publicly listed domestic stocks	\$ 195,744	195,744	-	-	195,744
Financial assets at fair value through other comprehensive income					
Publicly listed domestic stocks	498,821	498,821	-	-	498,821
Equity instruments measured at fair value with no publicly quoted price	170,534	-	-	170,534	170,534
Subtotal	669,355	498,821	-	170,534	669,355
Financial assets measured at amortized cost					
Cash and cash equivalents	472,689	-	-	-	-
Notes and accounts receivable	4,270,833	-	-	-	-
Other receivables	13,904	-	-	-	-
Other current assets	220	-	-	-	-
Refundable deposits	770,843	-	-	-	-
Subtotal	5,528,489	-	-	-	-
Total	\$ 6,393,588	694,565	-	170,534	865,099
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities – foreign exchange forward contract	\$ 5,045	-	5,045	-	5,045
Financial liabilities measured at amortized cost					
Short-term loans	7,650,897	-	-	-	-
Long-term loans	1,800,000	-	-	-	-
Notes and accounts payable	2,303,574	-	-	-	-
Other payables	1,867,142	-	-	-	-
Lease liabilities	143,646	-	-	-	-
Subtotal	13,765,259	-	-	-	-
Total	\$ 13,770,304	-	5,045	-	5,045

### 2) Technique for fair value evaluation of financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows :

#### Financial assets and financial liabilities measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the discounted cash flows are used to estimate fair values.

### 3) Technique for fair value evaluation of financial instruments measured at fair value

#### a) Non- derivative financial instruments

If a financial instrument is quoted in an active market, the quoted price is its fair value. Announced prices at major exchanges and market prices of popular government bonds at the Taipei Exchange are bases of fair value for listed equity instruments and other debt investments with an active market.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. If this condition is not met, the market is not active. Generally, if bid-ask spreads are very wide, the spread is increasing, or the transaction volume is low, the market is not active.

Fair value of the Company's financial instruments that have an active market is displayed by category and attributed as follows :

Listed stocks are financial assets and liabilities with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

Except for the abovementioned financial instruments with an active market price, the fair value of other financial instruments is measured using the valuation techniques. The fair value obtained through valuation techniques can be used as a reference to the current fair value, discounted cash flow, or other valuation techniques for other financial instruments with substantially similar properties and conditions. Fair value calculated using the valuation models and the available market information on the balance sheet date are also accepted by the market.

The fair value and the attributes of a financial instrument without an active market held by the Company is listed as follows :

- Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

b) Derivative financial instruments

Such items are valued using the valuation models which are widely accepted by the market. Foreign exchange forward contracts normally are valued using the current forward exchange rates.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2022 and 2021.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income – equity investments".

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Multiple unobservable inputs exist with the fair value of the Company's investments in equity instruments. Since the significant unobservable inputs are independent of each other, no interrelationship exists.

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income — investment in equity instrument without an active market	Comparative method	·Multiplier of P/E ratio (0.73~3.06 and 0.86~5.63 as of December 31, 2022 and 2021)	·The higher the multiplier and the control premium, the higher the fair value ·The higher the discount rate, the lower the fair value
	Value Method	·Discount rate for lack of market circulation (8.5%~34.83% and 7.65%~36.40% as of December 31, 2022 and 2021)	

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The measurement of fair value by the Company is considerably reasonable. However, if a different valuation model or assumption is adopted, the result can differ. For fair value measurements in Level 3, changes in the assumptions would have the following effects:

		Changes in assumptions	Changes in fair value reflected in OCI	
	Input		Favorable	Unfavorable
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 8.5%~34.83%	5%	10,422	(10,422)
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 7.65%~36.40%	5%	11,276	(11,276)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(z) Financial risk management

(i) Summary

The Company have exposures to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the exposure risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a discipline and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Company oversees how the management monitors compliance with the Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit committee is assisted in its oversight role by Internal Audit. The internal audit sector of the Company reviews the risk management controls and procedures on a scheduled and non-scheduled basis, and reports the results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in securities.

1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer's financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer's payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Endorsements and guarantees

The parties whom the Company endorses and guarantees are its subsidiaries and affiliated companies; the items that the Company endorses and guarantees are mostly financing and import duties commodity tax. Because the affiliated companies are financially sound and operate stably, the Company has never suffered from losses due to endorsements and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity, and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Therefore, the Company believes the liquidity risk is low.

The Company not only analyzes its debt structure and deadline periodically to maintain sufficient capital, but also consults with financial institutions to maintain its credit lines, thereby, mitigating liquidity risk. The Company obtains its credit lines from certain financial institutions, of which the unused credit lines amounted to \$13,018,329 thousand as of December 31, 2022. The borrowings that had been used within the credit lines were listed separately in short-term and long-term loans.

(v) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

Exchange rate risks are the risks generated from the fluctuation of fair value or the future cash flows of the financial instruments. The Company's exchange rate risks arise from transactions such as sales, purchases and loans that are not recognized at the Company's functional currency.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

Steel bars and sections are the two main products of the Company. Sales of steel bars mainly go to domestic clients and are recognized in New Taiwan dollar. The ratio of domestic sales to external sales for sections was about 89 to 11 for the year ended December 31, 2022. The external sales for the year ended December 31, 2022 was about \$2,350,000 thousand, which was 5% of the total revenue. Because the functional currency for import and export sales are all recognized in United States dollar ( "USD"), sales revenue in USD and payments in USD can offset each other. The Company uses foreign exchange forward contracts to avoid the risk of exchange rate fluctuation, recognizing the fluctuation of the fair value of the derivatives in profit or loss and takes the following steps to avoid exchange risk :

Collect relevant information about the daily fluctuation in exchange rate in order to know its trend. Decide whether to convert one currency into another specific currency at a proper time or retain foreign currency borrowings.

On dispatching foreign funds, the creditor's rights and debts in foreign currency offset each other through regular external sales and imports, causing the effect of natural hedge.

Consult with foreign exchange departments of banks about hedging strategies and decide the foreign position that depends on the actual need of capital and the fluctuation of the exchange rate.

#### **2) Interest rate risk**

Interest rate risks are the risks that arise due to fluctuations in fair value or future cash flows of financial instruments because of changes in interest rate.

The Company will obtain a more beneficial capital according to the compatibility of corresponding banks and the actual interest rate trends. The ratio of net interest revenue to the net operating revenue is not material; therefore, interest rate fluctuation does not cause any significant impact on the Company. Besides, the Company maintains a close relationship with certain corresponding banks and is well informed of any changes in the market in order to obtain a much more beneficial borrowing rate. The Company continues to observe changes of interest rate on the market and issues convertible bonds to raise capital at proper time, and to fix and reduce interest cost for the Company. Material capital expenditure will be evaluated with prudence and will be compared to different fund-raising instruments in order to raise capital with the least cost.

#### **(aa) Capital management**

Although business operated by the Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment. The Company's policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The Company uses the debt-to-capital ratio to manage capital. The debt-to-capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derive from deducting cash and cash equivalents from total liabilities.

The Company reviews the ratio of debt-to-capital periodically to improve stockholders' value. The debt-to-capital ratios as of December 31, 2022 and 2021, were as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 19,301,247	16,552,582
Less : cash and cash equivalents	<u>(518,048)</u>	<u>(472,689)</u>
Net liabilities	18,783,199	16,079,893
Total equity	<u>28,805,965</u>	<u>29,542,469</u>
Total capital	<b><u>\$ 47,589,164</u></b>	<b><u>45,622,362</u></b>
Debt-to-capital ratio	<b><u>39.47 %</u></b>	<b><u>35.25 %</u></b>

As of December 31, 2022, there were no changes in the Company's approach to capital management during the period.

(ab) The investing and financing activities of non-cash transactions

Cash flow of non-cash investing and financing transactions for the years ended December 31, 2022 and 2021, were as follows :

	<b>For the years ended December 31, 2022</b>	<b>2021</b>
Reclassification of refundable deposit to property, plant and equipment	<b><u>\$ 423,897</u></b>	<u>-</u>
Reclassification of prepayment of land and equipment to property, plant and equipment	<b><u>\$ 93,292</u></b>	<u>22,328</u>
Changes in unrealized gain or loss on financial instruments	<b><u>\$ (153,114)</u></b>	<u>209,272</u>
Exchange differences arising from foreign operation	<b><u>\$ (5,282)</u></b>	<u>426,466</u>
Increase in property, plant and equipment	\$ 2,916,161	281,470
Add: payable for equipment as of January 1	15,208	20,597
Less: payable for equipment as of December 31	<u>(11,255)</u>	<u>(15,208)</u>
Cash paid	<b><u>\$ 2,920,114</u></b>	<b><u>286,859</u></b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

Reconciliation of liabilities arising from financing activities were as follows:

		<b>Cash flows</b>		<b>Non-cash changes</b>	
	<b>January 1, 2022</b>	<b>Proceeds</b>	<b>Repayment</b>	<b>Other</b>	<b>December 31, 2022</b>
Short-term loans	\$ 7,650,897	86,033,347	(82,656,470)	-	11,027,774
Long-term loans	1,800,000	2,550,000	(2,400,000)	-	1,950,000
Short-term notes and bills payable	-	2,185,000	(1,585,000)	-	600,000
Refundable deposits	12,707	-	(3,596)	-	9,111
Lease liabilities	143,646	-	(29,335)	29,118	143,429
Total liabilities from financing activities	<b>\$ 9,607,250</b>	<b>90,768,347</b>	<b>(86,674,401)</b>	<b>29,118</b>	<b>13,730,314</b>

		<b>Cash flows</b>		<b>Non-cash changes</b>	
	<b>January 1, 2021</b>	<b>Proceeds</b>	<b>Repayment</b>	<b>Other</b>	<b>December 31, 2021</b>
Short-term loans	\$ 2,005,457	39,791,892	(34,146,452)	-	7,650,897
Long-term loans	1,200,000	1,310,000	(710,000)	-	1,800,000
Short-term notes and bills payable	340,000	540,000	(880,000)	-	-
Bonds payable	708,893	-	-	(708,893)	-
Refundable deposits	14,334	-	(1,627)	-	12,707
Lease liabilities	166,373	-	(29,114)	6,387	143,646
Total liabilities from financing activities	<b>\$ 4,435,057</b>	<b>41,641,892</b>	<b>(35,767,193)</b>	<b>(702,506)</b>	<b>9,607,250</b>

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

<b>Name of related party</b>	<b>Relationship with the Company</b>
Tung Yuan International Corp.	A subsidiary
Tung Kang Steel Structure Corp.	A subsidiary
Goldham Development Ltd.	A subsidiary
Katec Creative Resources Corp.	A subsidiary
Tung Kang Wind Power Corp.	A subsidiary
Fa Da Enterprise Corp.	A subsidiary (Liquidation completed in February 2022)
Tung Ho Steel Vietnam Corp., Ltd.	A subsidiary
3 Oceans International Inc.	A subsidiary
Tung Kang Engineering and Construction Corp.	A subsidiary
Fujian Tung Kang Steel Co., Ltd.	A subsidiary
Tung Sugar Energy Service Co., Ltd.	An associate
Duc Hoa International Joint Stock Company	A subsidiary

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

<b>Name of related party</b>	<b>Relationship with the Company</b>
Fujian Dong Sheng Metal Processing Co., Ltd.	A subsidiary (Sale of holdings and loss of control in November 2021)
Katec R & D Corp.	An associate
Taiwan Steel Union Co., Ltd.	An associate
Fujian Sino-Japan Metal Corp.	An associate
Shen Yuan Investment Co., Ltd.	Same chairman with the Company
Far East Steel Enterprise Corp.	Same chairman with the Company
Eternity Corp.	Same chairman with the Company
Tung Ho Steel Foundation ("THSF")	The entity's principal is the spouse of the chairman of the Company
Directors, general manager and vice general manager	

(b) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and the balance of outstanding accounts receivable were as follows :

<b>Relationship</b>	<b>Sales</b>		<b>Accounts receivable</b>	
	<b>For the years ended December 31,</b>		<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	2,104,490	2,401,437	58,938	597,434
Associates	408	-	-	-
	<b>\$ 2,104,898</b>	<b>2,401,437</b>	<b>58,938</b>	<b>597,434</b>

Except for the credit term for sales to Tung Ho Steel Vietnam Corp., Ltd., which is within 120 days, the selling price and credit terms for sales to related parties are not significantly different from those of the other customers.

(ii) Purchases from related parties

<b>Relationship</b>	<b>Purchases</b>		<b>Accounts payable</b>	
	<b>For the years ended December 31,</b>		<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Other related parties	\$ 1,474	2,600	-	-
Associates	576	1,475	-	-
Subsidiaries	1,256,711	1,366,044	12,410	24,017
	<b>\$ 1,258,761</b>	<b>1,370,119</b>	<b>12,410</b>	<b>24,017</b>

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

- (iii) The unrealized profit resulting from the Company's downstream sales to its subsidiaries has been directly deducted from its operating gross profit. The realized profit has been added to its operating gross profit.

Significant unrealized (realized) profits from downstream sales for the years ended December 31, 2022 and 2021, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Downstream unrealized profit from sales	\$ (64,907)	(96,349)
Downstream realized profit from sales	96,349	82,953
	<b>\$ 31,442</b>	<b>(13,396)</b>

As of December 31, 2022 and 2021, the balances of unrealized profits from downstream sale transactions were \$64,907 thousand and \$96,349 thousand, respectively, and were recognized as a reduction to investment accounted for using the equity method.

- (iv) Property transactions
- 1) In 2020, the Company entered into an agreement with Tung Kang Steel Structure Corp. for its "Warehouse of Tung Kang Taichung Distribution Center Expansion Project", at an amount of \$95,503 thousand. The ongoing construction amounting to \$85,755 thousand for the year ended December 31, 2021 was accounted for as construction in progress, with the amount of \$10,234 thousand that has yet to be paid as of the reporting date and were completed and transferred to property, plant and equipment \$95,503 thousand in November 2022.
  - 2) In August 2022, the Company signed the "Real Estate Sales Contract" with Tung Kang Engineering and Construction Corp. due to the expansion of the plant development plan of "Taoyuan City Guanyin Industrial Park". The transaction includes Taoyuan City the factory building in Baoli and the inseparable auxiliary equipment related to steel bar processing and production, the total contract price is \$107,970 thousand, which has been paid.
  - 3) In 2022, the Company signed contracts "New Construction Project of Donghe Taoyuan Processing Center" and "Taoyuan City factory dormitory construction project", "New construction of iron and steel industry research and development center", with Tung Kang Engineering and Construction Corp., the total price of the contracts was \$331,007 thousand. As of December 31, 2022, these contracts had not been completed, and were recorded as outstanding work and other payables of \$24,705 thousand and \$17,304 thousand, respectively.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(v) Endorsement/guarantees provided

The details regarding balances of financing endorsement were as follows :

Expressed in thousands

	<b>December 31, 2022</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual usage amount</b>	
Subsidiaries	USD\$	459,900	USD	364,900	USD	108,503
Subsidiaries	USD\$	120,000	USD	120,000	USD	14,093

	<b>December 31, 2021</b>					
	<b>Highest balance for current period</b>		<b>Ending amount (Note)</b>		<b>Actual usage amount</b>	
Subsidiaries	USD\$	372,500	USD	290,900	USD	209,449
Subsidiaries	CNY\$	125,000	CNY	70,000	CNY	12,411

Note : The credit limit approved by the Board of Directors

(vi) Financing to related parties

The details of financing to related parties (listed as other receivables – loans to subsidiaries) were as follows :

<b>Relationship</b>	<b>Actual usage amount</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	<b>\$ 921,300</b>	<b>-</b>

The Company financing to related parties was interest based on the average interest rate of the Company's short-term loans from financial institutions in the year of appropriation, and all of unsecured loan. After assessment, no impairment loss is required.

Financing transactions with related parties were as follows :

<b>Relationship</b>	<b>For the year ended December 31, 2022</b>		<b>December 31, 2022</b>
	<b>Interest income</b>	<b>Interest rate</b>	<b>Interest receivable</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	<b>\$ 21,404</b>	0.71%~4.92%	<b>3,847</b>

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(vii) Others

Relationship	Rental income		Miscellaneous revenue		Sales of scrap (Reduced operating costs)	
	For the years ended December 31,		For the years ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021	2022	2021
Subsidiaries	\$ 6,027	7,788	21,468	20,127	17,176	3,456
Associates	3,269	3,246	1,970	3,000	-	-
Other related parties	4,544	4,472	974	4,301	-	5,024
	<u>\$ 13,840</u>	<u>15,506</u>	<u>24,412</u>	<u>27,428</u>	<u>17,176</u>	<u>8,480</u>

Relationship	Other operating expenses		Donations		Manufacturing expenses	
	For the years ended December 31,		For the years ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021	2022	2021
Subsidiaries	\$ 3,234	4,949	-	-	364	-
Associates	4,196	4,977	-	-	7,753	8,541
Other related parties	-	-	2,846	3,724	755	-
	<u>\$ 7,430</u>	<u>9,926</u>	<u>2,846</u>	<u>3,724</u>	<u>8,872</u>	<u>8,541</u>

Relationship	Other receivables		Other payables	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Subsidiaries	\$ 1,396	2,697	129	776
Associates	-	-	1,825	499
Other related parties	165	3,903	-	-
	<u>\$ 1,561</u>	<u>6,600</u>	<u>1,954</u>	<u>1,275</u>

Relationship	Deposits received	
	December 31, 2022	December 31, 2021
Associates	<u>\$ 304</u>	<u>304</u>

(c) Compensation of key management personnel

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 38,578	40,330
Post-employment benefits	1,595	1,709
	<u>\$ 40,173</u>	<u>42,039</u>

As of years ended December 31, 2022 and 2021, the Consolidated Company provided two cars and one car that cost \$5,840 thousand and \$2,490 thousand for the key management personnel of the entity.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets**

The details of the Company's pledged assets were as follows :

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other current assets - term deposits	Leases guarantee	\$ -	220
Refundable deposits - term deposits	Leases guarantee	7,279	8,917
		<b>\$ 7,279</b>	<b>9,137</b>

**(9) Commitments and contingencies**

**(a) Unrecognized contractual commitments**

- (i) The guarantees were mainly for securing loans and gave rise to potential off-balance-sheet credit risk, which represents the risk of loss incurred by the default of counterparties or by the devaluation of collateral provided by the counterparties. The Company did not ask counterparties for collateral as secure guarantees. The amounts of the Company's guarantees were as following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Guarantees securities amounts	<b>\$ 11,735,039</b>	<b>8,356,192</b>

- (ii) The amounts of guaranteed notes issued by the Company were as follows :

<b>Nature</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Bank credit limit	\$ 1,000,000	1,000,000
Leases	1,200	200
Guaranteed payment for purchases of raw materials	72,000	59,980
	<b>\$ 1,073,200</b>	<b>1,060,180</b>

- (iii) The amount of unused outstanding letters of credit was as follows :

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unused outstanding letters of credit	<b>\$ 836,086</b>	<b>2,117,048</b>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events:**

The Company seeks to reduce total carbon emissions year by year and strive towards the goal of "2050 net zero carbon emissions row", and will use two 30s as its 2030 phased goals (1) 30% carbon reduction: The total carbon emissions in 2030 decreased by 30% compared with 2005.(2) RE30 : 30% of the total electricity consumption in 2030 will come from renewable energy, therefore, the Board of Directors of the Company resolved on February 22, 2023, to complete the procurement of 30% of the Company's annual electricity consumption of renewable energy by 2030, and if the target of 30% of renewable energy is achieved, the annual procurement amount will be approximately \$2 billion at current prices.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

**(12) Other**

A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,399,563	645,687	2,045,250	1,309,069	718,203	2,027,272
Labor and health insurance	121,678	44,681	166,359	113,123	42,443	155,566
Pension expenses	50,696	16,102	66,798	53,126	15,387	68,513
Remuneration of directors	-	105,881	105,881	-	150,827	150,827
Other personnel expenses	42,005	11,237	53,242	38,999	10,732	49,731
Depreciation expenses	889,228	71,873	961,101	910,545	73,331	983,876
Amortization expenses	7,393	484	7,877	9,191	1,071	10,262

For the years ended December 31, 2022 and 2021, the Company's additional information of number of employees and employee benefit expenses were as follows :

	For the years ended December 31,	
	2022	2021
Number of employees	<u>1,938</u>	<u>1,780</u>
Number of directors who were not employees	<u>11</u>	<u>9</u>
The average employee benefit	<u>\$ 1,210</u>	<u>1,299</u>
The average salaries and wages	<u>\$ 1,061</u>	<u>1,145</u>
Adjustment of average employee salary expenses	<u>(7.34)%</u>	<u>16.03 %</u>
Remuneration of the supervisors	<u>\$ -</u>	<u>-</u>

The company's remuneration policy for its employees (including directors, supervisors, managers and employees) were as follows:

The Company provides rational and competitive remuneration to attract, hold and inspire talented people for long term development and achieving its business objectives. In addition to fixed payment, the Company also takes the position held, responsibilities assumed, contribution and personal working performance of an individual into consideration for bonus distribution. Also, the Company upholds the principle of profit sharing to formulate the remuneration policy.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

### **Notes to the Financial Statements**

(a) Employees remuneration policy :

Standard of remuneration payment is based on the Company's salary structure standard for each position. It also refers to the salary market and the state of operation, which involved the individual's responsibility, learning and working experience, professional skill, job tenure and personal working performance.

(b) Managers remuneration policy :

Managers remuneration payment depends on the entire market positioning, result of industry investigation, and degree of goals achieving and contribution. The Salary and Remuneration Committee will regularly evaluate the payment with rationality.

(c) Directors remuneration policy :

- (i) Based on the Company's articles, the total allocation for directors' remuneration should not exceed 2% of the Company's earnings for the year and should be distributed by performance evaluation of each director.
- (ii) Salary and Remuneration Committee proposes that the Company pays a monthly fixed amount for directors' remuneration by referring to the payment level of other listed companies in the same industry and the responsibility of each director. Thereafter, the above proposal will be evaluated and approved by the board of directors.
- (iii) Besides the monthly fixed remuneration for directors, an allowance for their attendance will also be provided based on the actual frequency of their participation in the board meeting.
- (iv) If the directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Board meeting.

(d) Independent Director remuneration policy

- (i) Independent directors get a monthly fixed payment. In addition, an allowance for their attendance will also be provided based on the actual frequency of their participation in the Committee meeting. However, they cannot participate in the distribution of earnings.
- (ii) The fixed payment mentioned above is based on the degree of the participation and contribution of an individual in the Company's operation and refers to the payment situation of other listed companies in the same industry. It is submitted to the remuneration committee for discussion, then proposed in the Board of Directors for evaluation and approval.
- (iii) If the independent directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Committee meeting.

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to Financial Statements

### (13) Other disclosures

#### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

#### (i) Financing to other parties:

(in thousands of NTD/USD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Tung Ho Steel Vietnam Corp., Ltd.	Other receivables	Yes	2,149,700 (USD70,000)	1,074,850 (USD35,000)	921,300 (USD30,000)	0.709%-4.91715%	2	-	Operating capital	-		-	2,880,597	5,761,193

Note 1: Financing to an individual party should not exceed 10% of the net equity on its latest financial statements. The maximum amount allowed for financing should not exceed 20% of the net equity on its latest financial statements.

Note 2: Reasons for short-term financing were as follows:

- (1) Those with business contact
- (2) Those necessary for short-term fund circulation

Note 3: The valid quota of financing to other parties as of December 31, 2022.

Note 4: The actual amount of loan within the financing quota.

#### (ii) Guarantees and endorsements for other parties:

(in thousands of NTD/USD)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd.	2	14,402,983	848,344 (USD10,400)	756,214 (USD7,400)	92,832 (USD1,000)	-	2.63 %	14,402,983	Y	N	Y
0	The Company (Note 2, 3)	Tung Ho Steel Vietnam Corp., Ltd.	2	14,402,983	13,804,145 (USD449,500)	10,978,825 (USD357,500)	3,301,413 (USD107,503)	-	38.11 %	14,402,983	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	351,484 (USD11,445)	161,228 (USD5,250)	161,228 (USD5,250)	161,228 (USD5,250)	-	22.93 %	702,968 (USD22,891)	N	N	Y

Note 1: There are seven kinds of conditions in which the Company may have guarantees or endorsements for the receiving parties.

- (1) The Company has business with the receiving parties.
- (2) The Company holds directly more than 50% of the ordinary stock of the subsidiaries.
- (3) The Company and its subsidiaries hold more than 50% of the investee.
- (4) The Company holds directly or indirectly through its subsidiaries more than 50% of the investee.
- (5) The Company is required to make guarantees or endorsements for the construction project based on the contract.
- (6) The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.
- (7) The companies in the same industry provide among themselves, joint and several security for a performance guarantee on sales contracts for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: Guarantees and endorsements for an individual company should not exceed 50% of the net equity of the latest financial statements.

Note 3: The total amount of guarantees and endorsements should not exceed 50% of the net equity of the latest financial statements.

Note 4: Guarantees and endorsements for an individual company should not exceed 50% of the total amount of guarantees and endorsements.

Note 5: The total amount of guarantees and endorsements should not exceed the Company's net worth on its latest financial statements. The amount limited for the current period is USD22,891 thousand.

Note 6: Guarantees and endorsements for an individual company should not exceed 50% of the Company's net worth on its latest financial statements. Moreover, according to the Company's policy, the total amount of guarantees and endorsements made by the Company and subsidiaries should not exceed 50% of the Company's latest financial statement (limit for the current period: \$限 14,402,983 thousand); the total amount of guarantees and endorsements on an individual company should not exceed 50% of the Company's net worth of its latest financial statements (limit for the current period: \$14,402,983 thousand.)

Note 7: The amount approved by the board of directors.

Note 8: The actual amount used by the endorsed and guaranteed companies within their limited amount of guarantees and endorsement.

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(in thousands of NTD)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock – Zenitron Corporation	-	(a)	3,825,000	110,734	1.75 %	110,734	None
The Company	Stock – Adlink	-	(a)	966,577	52,002	0.44 %	52,002	"
The Company	Stock – Shiao Kang Warehousing Corp.	One of its directors	(b)	2,384,060	17,707	19.87 %	17,707	"
The Company	Stock – Hexawave Photonic System, Inc.	-	(b)	2,564,023	23,511	6.41 %	23,511	"
The Company	Stock – Overseas Investment & Development Corp.	-	(b)	1,000,000	8,526	1.11 %	8,526	"
The Company	Stock – Power World Fund, Inc.	One of its directors	(b)	677,245	8,862	5.68 %	8,862	"
The Company	Stock – Universal Venture Fund, Inc.	One of its directors	(b)	558,255	7,050	4.76 %	7,050	"
The Company	Stock – Tung Jiang Investment Corp.	One of its directors	(b)	-	33,166	9.11 %	33,166	"
The Company	Stock – Taiwan Aerospace Corp.	-	(b)	1,621,441	25,564	1.19 %	25,564	"
The Company	Stock – Universal Venture Capital Investment Corp.	-	(b)	2,800,000	21,980	2.33 %	21,980	"
The Company	Stock – IBT	-	(b)	1,312,993	10,118	4.17 %	10,118	"
The Company	Stock – Chien Shing Harbour Service Co., Ltd.	One of its directors	(b)	8,203,800	311,334	9.35 %	311,334	"
The Company	Stock – Taiwan High Speed Rail Corporation	-	(b)	1,913,376	55,010	0.03 %	55,010	"
Tung Yuan International Corp.	Chinese Products Promotion Center	-	(b)	2,500	212	0.66 %	212	"
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	1,776	3.75 %	1,776	"

Note : (a) Financial assets at fair value through profit or loss – current

(b) Financial assets at fair value through other comprehensive income – non-current

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	2022.03.10	423,897	paid	National Property Administration, MOF					-	Note 1	Established a complex for steel bars processing	
The Company	Land, buildings and property	2022.08.30	2,430,000	paid	Taiwan Kaohsiung District Court executing the auction					-	Note 2	Considering the overall operation development for manufacturing and office	

Note 1: The Company engaged a real estate appraiser to examine the rationality of valuation from the Ministry of Finance in accordance with the Operating Procedures for the Assessment of National Properties.

Note 2: By referring to the real estate market in neighboring areas and the lowest court auction price.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	Sale	(1,844,595)	(3.92)%	Payable within 60 days	-	-	24,333	0.77%	
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	Purchase	130,740	0.38%	OA10/OA30	-	-	(5,109)	(0.34)%	
The Company	Tung Kang Engineering and Construction Corp.	Subsidiary of the Company	Purchase	156,336	0.45%	Within 15 days of request date	-	-	-	-%	
The Company	THSVC	Subsidiary of the Company	Sale	(176,785)	(0.38)%	120 days after B/L	-	-	-	-%	
The Company	THSVC	Parent company	Purchase	839,476	2.44%	Payment at the end of the month	-	-	-	-%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary of the Company	Purchase	1,844,595	51.71%	Payable within 60 days	-	-	(24,333)	(5.22)%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary of the Company	Sale	(130,740)	(1.55)%	OA10/OA30	-	-	5,109	6.67%	
Tung Kang Engineering and Construction Corp.	The Company	Subsidiary of the Company	Sale	(156,336)	(31.96)%	Within 15 days of request date	-	-	-	-%	
THSVC	The Company	Subsidiary of the Company	Sale	(839,476)	(14.37)%	Payment at the end of the month	-	-	-	-%	
THSVC	The Company	Subsidiary of the Company	Purchase	176,785	1.59%	120 days after B/L	-	-	-	-%	

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	THSVC	Subsidiary of the Company	925,148 (Accounts receivable—related parties)	-	-		604,505	-

(ix) Trading in derivative instruments: Please refer to Notes 6(b).

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(in thousands of NTD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	834,790 (USD27,183)	834,790 (USD27,183)	82	100.00 %	702,968	(126,951)	(126,951)	Subsidiary
"	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction	1,775,138	1,775,138	201,121,339	97.48 %	3,364,664	823,711	812,131	Subsidiary
"	Katec R & D Corp.	Taiwan	Waste recycling	35,352	35,352	5,646,398	46.19 %	87,481	38,281	17,682	Associate
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	460,650 (USD15,000)	460,650 (USD15,000)	15,000,000	100.00 %	394,759	65,079	67,150	Subsidiary
"	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	966,020	984,155	219,583	Associate
"	Katec Creative Resources Corporation	Taiwan	Waste recycling	1,211,535	1,211,535	95,736,860	99.02 %	910,604	131,998	130,704	Subsidiary
"	Fa Da Enterprise Corp.	Taiwan	Waste recycling	-	1,000	-	- %	-	-	(16,413)	Subsidiary
"	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	655,000	655,000	65,500,000	100.00 %	593,752	10,998	11,067	Subsidiary
"	Tung Ho Steel Vietnam Corp., Ltd.	Vietnam	Steel industry	6,244,967	5,016,935	-	100.00 %	3,440,427	(968,172)	(968,172)	Subsidiary
"	Tung Sugar Energy Service Co., Ltd.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power	54,000	54,000	5,400,000	36.00 %	52,030	(3,221)	(1,160)	Associate
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	56,506 (USD1,840)	56,506 (USD1,840)	902,000	66.32 %	19,614	(9,571)	(6,481)	Subsidiary
Tung Yuan International Corp.	Duc Hoa International J.S.C	Vietnam	Quicklime factory	115,746 (USD3,769)	115,746 (USD3,769)	8,154,419	96.00 %	118,526	3,668	3,521	Subsidiary
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	265,812	6,773	6,773	Subsidiary

1 USD = 30.71 NTD

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of New Taiwan Dollars and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,596,920 (USD52,000)	( 2 )	564,051 (USD18,367)	-	-	564,051 (USD18,367)	(356,946)	35.00%	(124,931)	451,580	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	460,650 (USD15,000)	( 2 )	409,364 (USD13,330)	-	-	409,364 (USD13,330)	65,079	100.00%	67,150	394,759	-

Note 1: List of the method of investments

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2022, 1 USD = 30.71 NTD, 1 CNY = 4.408NTD.

Note 3: For the year ended December 31, 2022, 1 USD = 29.80 NTD, 1 CNY = 4.422 NTD.

(ii) Limitation on investment in Mainland China:

(in thousands of New Taiwan Dollars and USD)

Accumulated investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note)
1,034,835 (USD33,697)	1,034,835 (USD33,697)	17,283,579

Note: 60% of net equity.

(iii) Significant transactions:

For direct or indirect significant transactions between the Company and its investees in Mainland China, please refer to the illustrations in "Related information on Significant Transactions."

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Shen Yuan Investment Co., Ltd.		108,715,999	14.88 %
Mao sheng Investment Co., Ltd.		64,417,877	8.82 %
He Zhao Investment Co., Ltd.		6,208,975	8.50 %

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

#### (14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2022.



**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF CASH AND CASH EQUIVALENTS**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Cash	Cash on hand	\$ 296	
	Revolving funds	268	
	Subtotal	564	
Cash in banks	Checking accounts	165,616	
	Demand deposits accounts	272,457	
	Foreign currency demand deposits	79,411	Note 1
	Subtotal	517,484	
Total		<u>\$ 518,048</u>	

Note 1: Total amount of foreign currency	USD 2,577,544(dollars)
	JPY 734,754(dollars)
	EUR 636 (dollars)
	CNY 14,426(dollars)
Exchange rate	USD →NT @30.71
	JPY →NT @0.2324
	EUR →NT @32.72
	CNY →NT @4.408

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars/USD)**

Name of financial instruments—current	Description	Number of shares or unit	Book value	Total amount/ Nominal amount	Interest rate %	Acquisition costs	Fair value	
							Unit price	Amount
Financial assets held for trading:								
Stock:								
Zenitron	Publicly List	3,825,000	\$ 10	38,250	-	92,166	28.95	110,734
Adlink	Publicly List	966,577	10	9,666	-	<u>30,957</u>	53.80	<u>52,002</u>
Total						<u>\$ 123,123</u>		<u>162,736</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF NOTES RECEIVABLE**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Kung Sing Engineering	Payment for goods	\$ 39,769
Weishun Construction	Payment for goods	35,429
S.T.Y STEELS	Payment for goods	30,265
Fu tsu Construction	Payment for goods	10,946
Yuanmao Construction	Payment for goods	9,572
Hongbin Construction	Payment for goods	9,251
Others (Note)	Payment for goods	<u>29,959</u>
Total notes receivable		165,191
Less: Allowance for impairment		<u>(423)</u>
Total		<u><u>\$ 164,768</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF ACCOUNTS RECEIVABLE**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Steel Structure	Payment for goods	\$ 24,332
Tung Kang Engineering and Construction	Payment for goods	<u>34,606</u>
Subtotal		<u>58,938</u>
Non-related parties:		
Ruentex Engineering & Const.Co	Payment for goods	114,568
Others (Note)	Payment for goods	<u>2,862,928</u>
Subtotal		<u>2,977,496</u>
Total accounts receivable		3,036,434
Less: Allowance for impairment		<u>(21,534)</u>
Total		<u><u>\$ 3,014,900</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OTHER RECEIVABLES**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>
Revenue of disposing metal shavings	\$ 5,355
Revenue of selling scrap iron and material supplies (related parties included)	831
Financing to related parties( interest receivable included)	925,147
Revenue of technical service (related parties included)	753
Others (related parties included)	<u>3,658</u>
Total	<u><u>\$ 935,744</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF INVENTORIES**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

Items	Description	Amount		Notes
		Cost	Market price	
Finished goods	Deformed bars	\$ 1,329,587	1,300,030	Market price based on net realizable value
	Sections	428,524	465,540	"
	Universal plates	83,970	100,755	"
	Outbound product	<u>125,986</u>	<u>125,986</u>	"
	Subtotal	<u>1,968,067</u>	<u>1,992,311</u>	
Work in process	Billets	2,122,140	2,444,788	"
	Beam blank	1,906,402	2,399,720	"
	Bloom	125,709	169,425	"
	Outbound product(Billets)	<u>9,891</u>	<u>9,890</u>	
	Subtotal	<u>4,164,142</u>	<u>5,023,823</u>	
Raw materials	Scrap iron	6,789,491	8,771,746	"
	In transit raw materials	<u>851,545</u>	<u>851,545</u>	"
	Subtotal	<u>7,641,036</u>	<u>9,623,291</u>	
Material supplies	Electrode rods	338,836	347,529	"
	Silicon iron	77,926	68,452	"
	Manganese iron	47,691	37,718	"
	Silicon manganese	364,813	308,832	"
	Vanadium iron	120,818	137,421	"
	Roller	29,684	29,691	"
	Roller ring	94,230	80,659	"
	Other material	<u>1,109,799</u>	<u>1,111,315</u>	"
	Subtotal	<u>2,183,797</u>	<u>2,121,617</u>	
Inventories, net		<u><u>\$ 15,957,042</u></u>	<u><u>18,761,042</u></u>	

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF PREPAYMENTS**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Description</b>	<b>Amount</b>
Prepaid expenses	Prepaid supplies expenses	\$ 91,789
	Insurance premium and rent expenses	15,160
	Prepaid heavy oil and maintenance expenses	16,716
	Others	<u>6,535</u>
	Subtotal	130,200
Prepayments for goods		48,385
Other prepayments		<u>10,817</u>
Total		<u><u>\$ 189,402</u></u>

Note: Consisting of individual accounts with less than 5% of the total account.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

**For the year ended December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

Name of company	Balance as of January 1, 2022		Increase and reclassification		Decrease and reclassification		Investment income recognized under the equity method (loss)	Balance as December 31, 2022			Net value or market price	Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount		Share	Share-holding percentage	Amount		
Subsidiaries:												
Tung Yuan International Corp.	82	\$ 800,070	-	29,873 (Note 1)	-	24 (Notes 6)	(126,951)	82	100.00 %	702,968	702,968	None
Tung Kang Steel Structure Corp.	201,121,339	2,824,418	-	31,576 (Note 2,3)	-	303,461 (Notes5,6)	812,131	201,121,339	97.48 %	3,364,664	3,478,764	None
Goldham Development Ltd.	15,000,000	322,275	-	5,334 (Note 1)	-	-	67,150	15,000,000	100.00 %	394,759	446,403	None
Katec Creative Resources Corp.	95,736,860	779,900	-	-	-	-	130,704	95,736,860	99.02 %	910,604	910,604	None
Tung Kang Wind Power Corp.	65,500,000	582,685	-	-	-	-	11,067	65,500,000	100.00 %	593,752	593,433	None
Fa Da Enterprise Corp.	100,000	17,178	-	-	100,000	765	(16,413)	-	- %	-	-	None
Tung Sugar Energy Service Corp.	5,400,000	53,190	-	-	5,400,000	51,874	(1,316)	-	- %	-	-	None
Tung Ho Steel Vietnam Corp., Ltd.	-	3,221,055	-	1,228,032 (Note 4)	-	40,488 (Notes 1)	(968,172)	-	100.00 %	3,440,427	3,440,427	None
Subtotal		8,600,771		1,294,815		396,612	(91,800)			9,407,174		
Associates:												
Katec R&D Corp.	4,705,332	77,623	941,066	1,587 (Note3, 6)	-	9,411 (Notes 5)	17,682	5,646,398	46.19 %	87,481	87,481	None
Taiwan Steel Union Co., Ltd.	24,829,009	845,367	-	386 (Note 3)	-	99,316 (Note 5)	219,583	24,829,009	22.31 %	966,020	966,020	None
Tung Sugar Energy Service Corp.	-	-	5,400,000	51,874 (Note 8)	-	-	156		36.00 %	52,030	52,030	None
Subtotal		922,990		53,847		108,727	237,421			1,105,531		
Total		\$ 9,523,761		1,348,662		505,339	145,621			10,512,705		

Note 1: Adjustments of exchange difference on translation of foreign operations.

Note 2: Resulting from downstream unrealized sales profit.

Note 3: From other comprehensive income on defined benefit plans of subsidiaries and associates.

Note 4: Subsidiary capital increase by cash and adjusted capital surplus at a percentage different from its existing ownership percentage.

Note 5: Proceeds from cash dividends.

Note 6: Adjustment of “evaluation of equity instrument at fair value through other comprehensive income ” due to changes in fair value.

Note 7: Capital reduction adjustment of “financial assets at fair value through other comprehensive income ” of subsidiaries.

Note 8: The re-judgment of control, since November 2022, the control is lost, and the subsidiary becomes an affiliate.



TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS—NON-CURRENT

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of company	Balance as of January 1, 2022		Increase and reclassification		Decrease and reclassification		Balance as December 31, 2022		Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount	Share	Amount	
Fair value through other comprehensive income—non current:									
Hsiao Kang Warehousing Corp.	2,384,060	\$ 16,235	-	1,472	-	-	2,384,060	17,707	None
Hexawave Photonic System, Inc.	2,564,023	31,794	-	-	-	8,283	2,564,023	23,511	None
Taiwan Aerospace Corp.	1,621,441	27,029	-	-	-	1,465	1,621,441	25,564	None
Overseas Investment & Development Corp.	1,000,000	8,230	-	296	-	-	1,000,000	8,526	None
Power World Fund, Inc.	677,245	10,680	-	-	-	1,818	677,245	8,862	None
Universal Venture Fund, Inc.	558,255	8,201	-	-	-	1,151	558,255	7,050	None
IBT II Venture Capital Co.	1,312,993	7,484	-	2,634	-	-	1,312,993	10,118	None
Tung Jing Investment Corp.	-	36,269	-	5,269 (Notes 1)	-	8,372	-	33,166	None
Universal Venture Capital Investment Corp.	2,800,000	24,612	-	-	-	2,632	2,800,000	21,980	None
Subtotal		170,534		9,671		23,721		156,484	
Public listed stocks — Taiwan High Speed Rail Corporation	1,913,376	56,636				1,626	1,913,376	55,010	None
Stock listed on emerging markets—Chien Shing Harbour Service Co., Ltd.	8,203,800	442,185	-	-	-	130,851	8,203,800	311,334	None
Subtotal		498,821		-		132,477		366,344	
Total		\$ 669,355		9,671		156,198		522,828	

Note 1 : New acquisition

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF REFUNDABLE DEPOSITS**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Refundable deposits	Golf card deposits	\$ 41,500
	Gas procurement guarantees	19,866
	Lease deposits	10,839
	Performance guarantees	<u>206</u>
Total		<u><u>\$ 72,411</u></u>

Please refer to Note 6(h) for details of property, plant and equipment.

Please refer to Note 6(j) for details of investment property.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OVERDUE RECEIVABLES**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
BEST-STEEL	\$ 47,993
Mingguan Technology	8,929
Haoyu Construction	4,792
Licheng Construction	751
Walden Construction	450
Yutai Construction	373
Jiankai property	245
Zunsheng Enterprise	95
Subtotal	63,628
Less: Allowance for bad debt expense	(63,628)
Total	\$ -

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF SHORT-TERM LOANS**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Bank</b>	<b>Description</b>	<b>Balance as of December 31, 2022</b>	<b>Duration</b>	<b>Interest rate</b>	<b>Amount</b>	<b>Pledge or collateralized</b>
HSBC Bank	Unsecured loans	\$ 1,520,000	November 15, 2022 ~ June 13, 2023	1.72%~1.79%	1,535,000	None
Bank of Taiwan	Unsecured loans	700,000	October 21, 2022 ~ April 19, 2023	1.5%	700,000	None
First Commercial Bank	Unsecured loans	1,000,000	October 31, 2022~ April 28,2023	1.925%	1,000,000	None
Land Bank of Taiwan	Unsecured loans	640,000	October 25, 2022 ~ January 19, 2023	1.26%	800,000	None
Cathay United Bank	Unsecured loans	700,000	December 7, 2022 ~ January 9,2023	1.27%	700,000	None
Agricultural Bank of Taiwan	Unsecured loans	800,000	October 28, 2022 ~ May 10, 2023	1.332%	800,000	None
O Bank	Unsecured loans	150,000	November 21, 2022 ~ February 21, 2023	1.7982%	200,000	None
Hua Nan Commercial Bank	Unsecured loans	1,000,000	October 31, 2022 ~ March 22, 2023	1.68%~1.89%	1,000,000	None
DBS Bank	Unsecured loans	520,000	December 6, 2022 ~ January 6, 2023	1.7%	610,000	None
Yuantan Bank	Unsecured loans	1,400,000	October 25, 2022 ~ March 16, 2023	1.35%~1.5%	1,500,000	None
BOK Bank	Unsecured loans	250,000	October 21, 2022 ~ January 19, 2023	1.63%	450,000	None
E. Sun Bank	Unsecured loans	480,000	December 22, 2022~ February 22,2023	1.9%~1.95%	600,000	None
FEIB Bank	Unsecured loans	500,000	December 22, 2022~February 3, 2023	1.9%	600,000	None
CTBC Bank	Unsecured loans	600,000	November 4, 2022 ~ February 7, 2023	1.8%~1.9%	700,000	None
Taiwan Business Bank	Unsecured loans	400,000	October 31, 2022 ~ April 30, 2023	1.66%	400,000	None
Subtotal		<u>10,660,000</u>				
Bank of Taiwan	Letter of credit	83,092	September 14, 2022 ~ June 12, 2023	0.42%~5.85%	855,000	None
Land Bank of Taiwan	Letter of credit	8,120	December 9, 2022 ~ February 14, 2023	5.16%~5.45%	800,000	None
First Commercial Bank	Letter of credit	10,249	December 26,2022 ~February 17, 2023	5.39%~5.44%	1,500,000	None
Hua Nan Commercial Bank	Letter of credit	29,974	August 2, 2022 ~ February 20, 2023	1.00%~5.72%	2,000,000	None
The Shanghai Commercial & Savings Bank	Letter of credit	34,362	November 29, 2022 ~ February 24, 2023	5.13%~6.12%	295,000	None
CHB Bank	Letter of credit	11,581	December 12, 2022 ~ January 29, 2023	4.99%~5.15%	1,000,000	None
Cathay United Bank	Letter of credit	31,836	November 30, 2022 ~ February 16, 2023	4.85%~4.95%	960,000	None
Bank of Kaohsiung	Letter of credit	10,788	December 9, 2022 ~ June 29, 2023	5.07%~5.19%	450,000	None
Mega International Commercial Bank	Letter of credit	40,238	September 5, 2022 ~ April 26, 2023	0.53%~5.41%	870,000	None
Mizuho Bank	Letter of credit	6,812	December 20, 2022 ~ June 16, 2023	5.41%	199,500	None
O-Bank	Letter of credit	4,569	December 16, 2022~ January 19, 2023	5.05%~5.18%	200,000	None
Taiwan Business Bank	Letter of credit	858	November 16,2022~ February 25, 2023	5.08%~5.16%	427,500	None
Taichung Bank	Letter of credit	13,594	November 24, 2022~ February 7, 2023	4.92%~5.41%	285,000	None
Shin Kong Bank	Letter of credit	14,939	November 14, 2022 ~February 27, 2023	5.27%~5.55%	300,000	None
CTBC Bank	Letter of credit	5,864	December 26, 2022 ~ January 19, 2023	5.5%	700,000	None
DBS Bank	Letter of credit	3,301	December 26, 2022 ~ June 21, 2023	5.4%	610,000	None
Union Bank of Taiwan	Letter of credit	16,532	December 1, 2022 ~ January 30, 2023	5.08%~5.63%	300,000	None
E. Sun Bank	Letter of credit	40,174	November 21, 2022~ January 19, 2023	4.47%~5.07%	712,500	None
KGI Bank	Letter of credit	891	December 9, 2022 ~ June 9, 2023	5.44%	200,000	None
Subtotal		<u>367,774</u>				
Total		<u>\$ 11,027,774</u>				

Note 1: The effective period of the financing contract is two to three years. However, the banks will evaluate the terms of the contract periodically through credit checking every year.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF NOTES PAYABLE**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Objects</b>	<b>Description</b>	<b>Amount</b>
Non-related parties:		
Yabang International	Operating expenses	\$ 6,133
Dahong Machinery	Operating expenses	4,143
Billion Liter Traffic	Operating expenses	4,577
Formosa Plastics Yilan	Operating expenses	3,870
Others (Note)	Operating expenses	<u>58,544</u>
Total		<u><u>\$ 77,267</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF ACCOUNTS PAYABLE**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Objects</b>	<b>Description</b>	<b>Amount</b>
Related parties:		
Tung Kang Steel Structure Corp.	Payment for goods	\$ 6,945
Duc Hou International J.S.C.	Payment for goods	5,109
Katec Creative Resources	Payment for goods	<u>356</u>
Subtotal		<u>12,410</u>
Non-related parties:		
Zhenyu Metal	Payment for goods	179,267
Others (Note)	Payment for goods	<u>1,250,860</u>
Subtotal		<u>1,430,127</u>
Total		<u><u>\$ 1,442,537</u></u>

Note: Consisting of individual accounts of less than 5% of the total amount  
Please refer to Note 6(q) for details of other payables.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF CONTRACT LIABILITIES**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Description</b>	<b>Amount</b>
Non-related parties:		
Dihua Construction	Payment for goods	\$ 115,690
Fuxuan Construction	Payment for goods	85,193
Yidong Construction	Payment for goods	70,789
Huaxiong Construction	Payment for goods	63,895
Others (Note)		<u>1,002,962</u>
Total contract liabilities		<u>\$ 1,338,529</u>

Note: Consisting of individual accounts of less than 5% of the total amount

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF LONG-TERM LOANS**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Bank</b>	<b>Duration</b>	<b>Nature</b>	<b>Interest rate</b>	<b>Amount</b>	<b>Pledged or Collateralized</b>
Mizuho Bank	April 27, 2022 ~ April 27, 2024 Principal repaid at maturity	Repayment of loan and improvement of financial structure	1.62~1.95%	\$ 1,800,000	None
KGI Bank	July 18, 2022~ July 18, 2025 2024.07.18 as a period, thereafter every three months. For one period, a total of five periods	Repayment of loan and improvement of financial structure	1.89744%		None
				150,000	
Total				<b>\$ 1,950,000</b>	



**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF GUARANTEE DEPOSITS**

**December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Client name</b>	<b>Description</b>	<b>Amount</b>
Related parties:		
Katec Research and Development	Rental deposits	\$ <u>304</u>
Non-related parties:		
Chang Jieh Logistics Corp.	Rental deposits	3,779
Chia Mei Construction	Performance guarantee	1,820
Qianzhen Land	Rental deposits	1,630
Kang Shiung Construction	Performance guarantee	1,071
Others (Note)	Rental deposits and performance guarantee	<u>507</u>
Subtotal		<u>8,807</u>
Total		<u><u>\$ 9,111</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING REVENUES**

**For the year ended December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Deformed steel bar	1,213,922 tons	\$ 27,463,784
Billet	52,621 tons	1,046,771
H-beams	523,570 tons	14,966,930
Universal plate	85,958 tons	2,508,892
I-beams	1,330 tons	43,704
Channel steel	33,947 tons	977,587
Raw material and other steel	9,131 tons	233,330
Others	- tons	<u>30,046</u>
Total operating revenue		47,271,044
Less: Sales returns		(970)
Sales allowances		<u>(266,882)</u>
Net operating revenue		<u><u>\$ 47,003,192</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING COSTS**

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	
	Subtotal	Total
Manufacturing:		
(a) Direct raw materials		
Beginning balance of raw materials	\$ 8,960,386	
Self-manufactured transferred in	50,171,917	
Purchases of raw materials	26,106,047	
Sale of raw materials	(15,816)	
Reclassification to manufacturing overhead	(1,217)	
Reclassification to donation expenses	(709)	
Reclassification to other expenses	(311)	
Transfer to material supplies	(698)	
Transfer to finished goods	(14,084)	
R&D scrap transferred in	2,438	
Roller scrap transferred in	12,427	
Ending balance of raw materials	(7,641,036)	
Cost of direct raw materials consumed		77,579,344
(b) Indirect raw materials		
Beginning balance of raw materials	1,679,921	
Purchases of raw materials	5,142,900	
Sale of material supplies	(1,469)	
Reclassification to manufacturing overhead	(1,163,724)	
Reclassification to deferred expenses and prepaid expenses	(238,114)	
Reclassification to construction in progress and equipment	(4,169)	
Transfer to finished goods	(1,167)	
Transfer from material supplies	698	
Ending balance of raw materials	(2,177,872)	
Reclassification to consigned goods	4,156	
Cost of indirect materials consumed		3,241,160
(c) Direct labor, net		982,261
(d) Manufacturing overhead, net		6,216,700
Manufacturing cost		88,019,465
(e) Cost of by-products		(1,291,282)
Cost of finished goods (work in process)		86,728,183
(f) Beginning balance of work in process	3,655,241	
(g) Purchases of work in process	1,409,711	
(i) Consigned goods transferred in	23,101	
(j) Work in process transferred to raw materials	(35,400,369)	
(k) Transfer to consigned goods	(601,900)	
(l) Ending balance of work in process	(4,154,251)	
(m) Reclassification to other expenses	(11,759)	
Subtotal		(35,080,226)
Cost of finished goods		
(n) Beginning balance of finished goods	1,752,960	
(o) Finished goods transferred to raw materials	(13,480,267)	
(p) Material supplies transferred to finished goods	1,167	
(q) Raw materials transferred to finished goods	14,084	
(p) Consigned goods transferred to finished goods	6,071	
(r) Finished goods transferred to construction in progress and prepayment of equipment	(7,489)	
(s) Consigned goods transferred to finished goods	6,419,445	
(t) Transfer to consigned goods	(5,693,712)	
(u) Ending balance of finished goods	(1,842,081)	
(v) Reclassification to donation expenses	(980)	
(v) Reclassification to other expenses	(1,955)	
(w) Reclassification to deferred expenses	(1,106)	
Subtotal		(12,833,863)
Cost of work in process and finished goods		38,814,094
(y) Cost of by-products		
Beginning balance of by-products	-	
By-products manufactured	1,291,282	
By-product transferred to raw materials	(1,291,282)	
Ending balance of by-products	-	
Cost of by-products		-
(z) Cost of consigned goods		
Beginning balance of consigned goods	281,547	
Raw materials transferred in	(4,156)	
Work in process transferred in	601,900	
Finished goods transferred in	5,693,712	
Transfer to cost of equipment	11,345	
Transfer to work in process	(23,101)	
Transfer to finished goods	(6,419,445)	
Ending balance of consigned goods	(141,802)	
Cost of goods sold — manufacturing		
Selling:		
Beginning inventory	-	
Purchases	1,744,950	
Ending inventory	-	
Cost of goods sold — selling		1,744,950
Work in process		31,302
Adjustment for capacity variance		108,186
Revenue from sale of raw materials and scrap		(171,169)
Operating costs		<u><u>\$ 40,527,363</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF MANUFACTURING EXPENSES**

**For the year ended December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>
Indirect labor	\$ 410,863
Utilities expense	2,479,666
Depreciation	889,228
Amortization	7,393
Repair and maintenance	832,415
Labor insurance	121,678
Meal expenses	42,005
Pension	50,696
Fuel expenses	702,207
Cleaning expense	306,257
Professional service fee	112,615
Packaging fee	70,716
Others	190,961
Total	<u>\$ 6,216,700</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING EXPENSES**

**For the year ended December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Total</u>
Salaries	\$ 73,751	571,936	645,687
Freight expense	638,806	142	638,948
Advertisement	28,622	915	29,537
Taxes	1,483	49,296	50,779
Depreciation	1,795	70,078	71,873
Amortizations	-	484	484
Meal expense	1,370	9,867	11,237
Labor pension	2,955	13,147	16,102
Labor insurance	2,234	22,969	25,203
National health insurance	3,223	16,255	19,478
Books and magazines	-	103	103
Others	37,197	311,244	348,441
Total	<u>\$ 791,436</u>	<u>1,066,436</u>	<u>1,857,872</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**DETAILS OF NON-OPERATING INCOME AND EXPENSES**

**For the year ended December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Net gain on financial assets at fair value through profit or loss	\$ (40,868)
Net loss on financial liabilities at fair value through profit or loss	218,796
Net foreign exchange gain	30,533
Directors' remuneration and transportation fee	17,757
Technical service revenue	9,985
Foreign worker board and lodging income	3,487
Gain on disposal of metal shavings	3,811
Net loss on disposal of property, plant, and equipment	(2,797)
Net loss on asset damage compensation	2,538
The refund of previous year's group insurance	3,380
Confirmation that no payment of payable is required, and transfer it to other income	3,249
Others	<u>7</u>
Total	<u><u>\$ 249,878</u></u>