

**Stock Code: 2006**



# **Tung Ho Steel Enterprise Corporation**

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## **2023 Annual Report**

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



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## Chapter 1. Letter to Shareholders

The global economy has experienced significant turbulence and impact over the past three years due to the COVID-19 pandemic and two years of interest rate hikes. In 2023, the global economic situation has been impacted by aggressive interest rate hikes by the Federal Reserve, leading to a crisis of bankruptcies among regional and small-to-medium-sized banks and downgrades in sovereign credit ratings. The risk of an economic hard landing remains a constant concern. Mainland China is facing the largest real estate bubble crisis in history, which is severely impacting the entire East Asia region due to its sluggish economy. The European economy has experienced a significant rebound after the end of the pandemic, with prices also rising sharply. However, demand remains sluggish and the job market is weak. The military conflict between Israel and Palestine has once again cast a shadow of geopolitical risk over the world. Due to the rapid increase in interest rates by central banks around the world and the escalation of geopolitical conflicts, economic growth in various countries has slowed down.

Taiwan's economy is facing the challenge of strong domestic demand but weak investment and exports. In terms of domestic demand, there is strong momentum in private consumption after the pandemic, with people returning to normal life. Particularly, the food and beverage, leisure and entertainment, and domestic and international tourism sectors are thriving. International flights and domestic rail and bus passenger volumes have also shown significant growth. In addition, the stock market is performing well, insurance claims related to epidemic prevention are creating funds, and both online and offline retail industries are flourishing. In terms of private investment, the rising cost of investment funds is attributed to the impact of monetary tightening policies. Against the backdrop of weak global economic demand, corporate investment has been relatively sluggish. In terms of exports, the performance has been weak due to insufficient terminal demand, deferred inventory destocking, and the impact of China's sluggish economy.

The main challenges facing the global steel industry include the energy crisis, the Russo-Ukrainian War, a high interest rate environment, inflation, and high inventory levels. Overall, the negative factors have decreased compared to last year. At the beginning of the year, it was believed that the global steel demand had passed its trough, with hopes that the economic recovery after the lifting of restrictions in mainland China would drive steel demand. However, due to the global rise in interest rates and the successive financial crises in leading real estate groups in mainland China, the real estate demand remained weak, and China's steel industry was also impacted. Due to the sluggish demand for steel in China, the steel industry in neighboring countries has also been affected. The influx of discounted steel materials into countries worldwide has led to a downturn in the global steel market.

Taiwan's domestic steel market is affected by continuous weak demand in European and American markets; China's economic recovery after the lockdown measures were lifted is less than expected, and the deterioration of the real estate market. It has also caused a significant increase in China's steel exports, affecting international prices. Taiwan's measures to curb the overheating of the housing market before the government election continue, and the floor area has declined significantly in 2023. The domestic construction market has been relatively affected.

The Company's steel bar market continues to benefit from the demand for public projects and large factory and commercial office building construction projects. At the same time, the Daye Plant was put into operation, and with the sales team's sales strategy, we have further improved the overall operating performance, and many indicators, such as production and sales, have reached record highs. Both operations and profit performed well, and we delivered outstanding results that were better than expected. 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 even in unfavorable economic conditions and in the context of sharp price fluctuations. In addition, the investee, Tung Kang Steel Structure Corporation has continued to receive a high volume of orders, achieving record-breaking levels of shipments and profits. Although our Vietnamese subsidiary has been affected by the local housing crisis this year, the situation has gradually stabilized due to the local government's stimulus policies and interest rate reduction. As a result, the demand for steel has recovered steadily. Furthermore, the local steel market in Vietnam continued to improve in the fourth quarter, and the appreciation of the Vietnamese dong has

significantly reduced our exchange losses, effectively controlling the losses for this year. The performance of other investees in 2023 has also been impressive, providing a considerable boost to the Company's profit for this year.

The consolidated operations and results of the Company and its main investees in 2023 are as follows:

#### I. Results of Production and Sales

Unit: NT\$ thousand

	Production value			Sales value		
	2023	2022	Growth rate	2023	2022	Growth rate
Billet	41,873,923	41,464,939	0.99%	256,670	1,046,771	-75.48%
Rebar	32,135,590	27,874,635	15.29%	35,282,556	32,392,188	8.92%
H-beam	10,739,922	10,769,651	-0.28%	12,510,762	13,753,965	-9.04%
Steel plate (self-made)	2,148,766	2,431,847	-11.64%	1,081,823	1,409,283	-23.24%
Steel plate (transaction)	0	0	0.00%	3,198	49,837	-93.58%
Channel	991,574	726,440	36.50%	1,053,035	971,708	8.37%
I-beam	54,115	31,217	73.35%	83,215	43,701	90.42%
Steel structure	8,348,389	7,983,386	4.57%	10,002,880	9,084,196	10.11%
Environmental protection processing	320,527	238,074	34.63%	320,527	238,074	34.63%
Steel sheet piles	16,477	127,886	-87.12%	30,345	186,102	-83.69%
Construction revenues	547,006	313,545	74.46%	511,364	251,812	103.07%
Others	446,623	712,388	-37.31%	369,274	544,484	-32.18%
Total	97,622,912	92,674,008	5.34%	61,505,649	59,972,121	2.56%

Note: It includes continuing operations and discontinued operations in 2023.

#### II. Profitability Analysis

Unit: NT\$ thousand

	2023			2022			Growth rate
	Continuing operations	Discontinued operations	Subtotal	Continuing operations	Discontinued operations	Subtotal	
Operating revenue	60,961,908	543,741	61,505,649	59,217,013	755,108	59,972,121	2.56%
Operating costs	52,315,715	428,296	52,744,011	51,767,274	691,821	52,459,095	0.54%
Gross profit	8,646,193	115,445	8,761,638	7,449,739	63,287	7,513,026	16.62%
Operating expenses	2,647,493	38,934	2,686,427	2,331,958	-5,481 (Note)	2,326,477	15.47%
Net operating profit	5,998,700	76,511	6,075,211	5,117,781	68,768	5,186,549	17.13%
Net profit before tax	6,002,021	75,680	6,077,701	5,236,932	83,229	5,320,161	14.24%
Net profit after tax	4,709,125	50,695	4,759,820	3,943,619	67,150	4,010,769	18.68%

Note: Gain on expected credit reversal as a deduction in operating expenses.

#### III. Financial Structure and Profitability Analysis

Analysis item		Year	
		2023	2022
Financial structure	Debt-to-assets ratio (%)	44.73	47.20
	Long-term fund to fixed assets ratio (%)	174.43	160.50
Profitability	Return on assets (%)	9.19	7.72
	Return on shareholder's equity (%)	15.85	13.68
	Paid-in capital ratio (%)	Operating income	82.15
		Income before tax	71.03
	Net profit margin (%)	82.20	72.86
	Earnings per share (NT\$)	7.81	6.69
		6.48	5.47

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

The Company's research and development expenses for 2023 was NT\$39,510,316, equivalent to 0.06% of the revenue. The research and development (R&D) achievements in steel refining included the development of high purity and high toughness billets and 50mm SM570 steel plates for billet refining, continuous development of ultra-high strength steel materials and high-grade shipbuilding steel varieties, testing of various consumables and refractory materials, and R&D of electric furnace (waste gas detection, furnace combustion and carbon injection dynamic control, waste gas and waste heat recovery ORC power generation, low-carbon green process, and scrap steel preheating and continuous feeding). The R&D achievements of steel rolling included 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; as well as the development of intelligent combustion control system for heating furnaces, the rolling of round bars using the serial reciprocating universal rolling mill, the production of small-scale steel materials domestically, and the development of ultra-high strength steel materials. Other R&D achievements included the development of AI technology applications and AI chemical plant technology, comprehensive and innovative solutions for the steel industry's circular economy, 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 main R&D projects of the Company in 2024 include: 1. adoption of oxygen-enriched combustion technology for the preheater of the steel drum., 2. development of closed-loop carbon reduction technology for by-products of electric furnaces., 3. development of high-temperature multi-function thermal interface design and material technology., 4. development of automated equipment for billet identification and tracking., 5. development of automated equipment for automatic arm of continuous casting machine and LD sliding gate maintenance., 6. development of automated equipment for finished product labeling, 7. establishment of industrial big data energy management system., 8. development of integrated software for steel plate production., 9. development of automation enhancement plan for finished product warehouse entry and management.

The Company's business development strategy is to constantly improve technical capabilities, enhance management efficiency, lower production costs, and 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 ahead to 2024, the weak Chinese economy, slowing US economy, recession in Europe, adjustments to the yield curve by Japanese banks, global interest rate cuts, escalating geopolitical conflicts, intensifying US-China technology war, potential reoccurrence of supply chain crises under extreme weather conditions, and the development of AI, among other factors, may indirectly impact the economic growth and industrial development of Taiwan and the world, either positively or negatively. Although the demand for construction steel in the domestic market has been suppressed by the government to cool down the overheated housing market and reduce the floor area approved for buildings, Taiwan's fundamentals remain strong. The cumulative construction areas approved

over the past three years is still high, the labor shortage issue continues, and there is still demand for factory buildings and large commercial office buildings. Therefore, the Company remains cautiously optimistic about the outlook for 2024. Global net-zero emissions have become a trend, and Taiwan has also passed the Climate Change Response Act in January of 2023 and will officially implement carbon fees in 2025. The Company has actively initiated programs, such as carbon footprint inventory and energy conservation to reduce carbon emissions. Although the standards for carbon fee collection and other related measures have not been finalized, the Company is aware of the potential impact on costs. In addition, the main risks and concerns in the Company's operations lie in the fluctuations of raw material costs and steel prices, which, if not properly managed, can lead to potential losses. In the face of rapid changes in the global political and economic landscape and Taiwan's steel market, the Company's management remains cautious and vigilant, ready to adapt at any time. 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.
July 2002	The Miaoli Plant started the production of narrow steel plates.
October 2005	The No. 2 caster in the Miaoli Plant started mass production.
June 2006	The Taoyuan Bade Plant successfully developed and started producing D43 steel bars.
April 2007	The committee on Taoyuan Plant expansion was formed to take charge of the preparation for the expansion of the plant.
November 2007	The Miaoli plant officially launched the opening of its crushed iron plant.
November 2008	The Taichung Office and Delivery Center was moved to Taichung Port, forming the Logistics Center at Taichung Port.
October 2009	The construction of the Taoyuan Plant officially commenced.
May 2010	The Board appointed Mr. Jieteng Hou as General Manager.
June 2010	The Taoyuan Plant completed trial run tests on furnaces and continuous casting equipments of the steel-refining mill.
July 2010	The committee on Taoyuan Plant expansion was dismissed. Construction of the new Taoyuan plant was completed.
June 2011	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.
November 2011	The Taoyuan Plant officially started production of steel wire rods and bars.
May 2012	The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of beam and steel plate products.
June 2013	The Company hosted a press conference on the launch of steel rebar and coupler products.
September 2013	The Tung Ho Steel Cultural Foundation was established.
December 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.
June 2014	The Taoyuan and Miaoli Plants were authorized by the Ministry of Economic Affairs to use the MIT Smile Label.
July 2014	The Kaohsiung Plant purchased the rebar mesh welding machine, completed trial tests on the machine, and officially started production using the machine.
November 2014	The Board elected Mr. Jieteng Hou as the succeeding chairman and general manager and Mr. Zhenxiong Hou as the honorary chairman.
	Construction for the expansion of the Taoyuan Plant Steel Rolling Line 2 officially began.
	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.

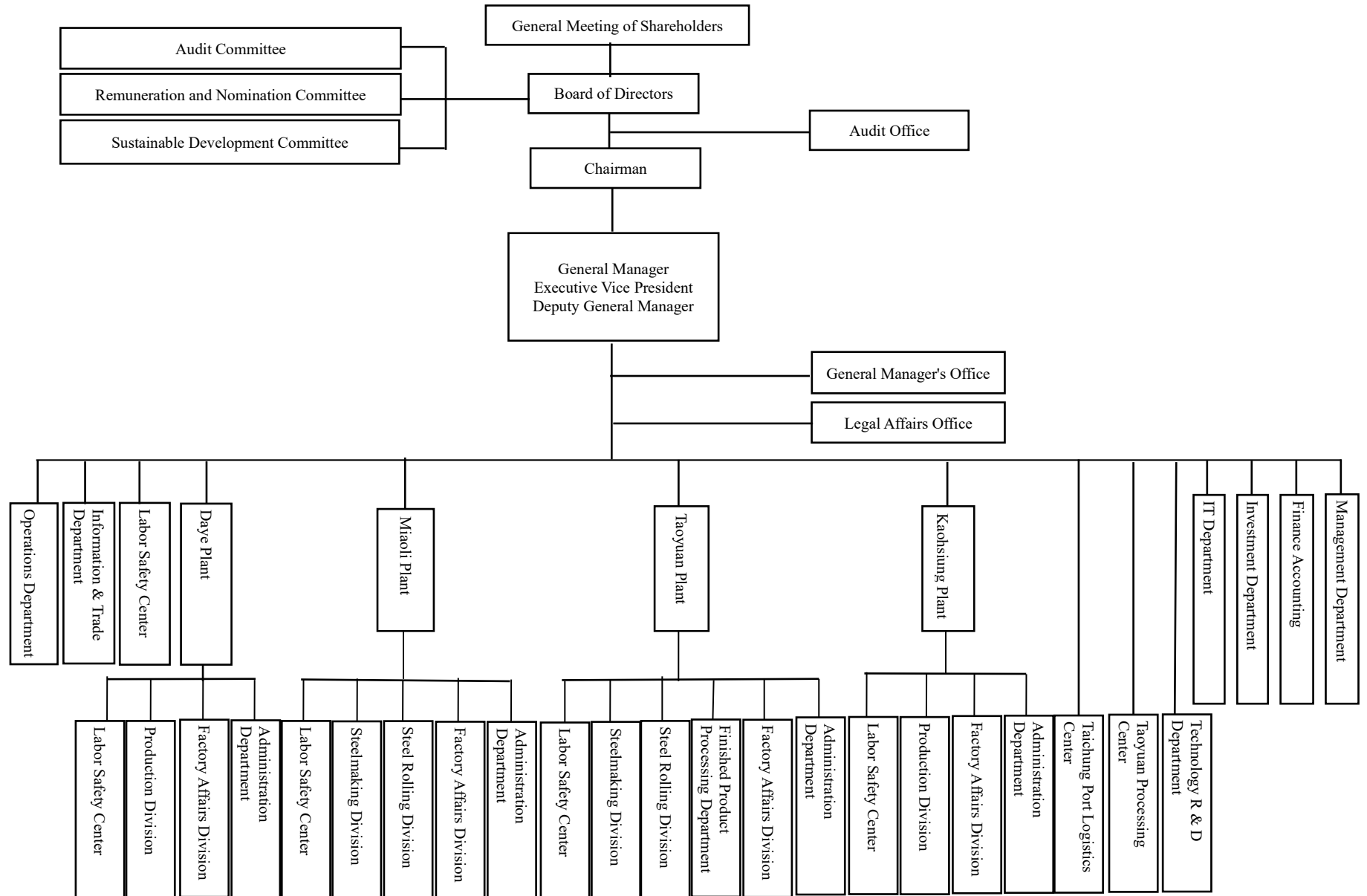
November 2019	The Taoyuan plant obtained the "Carbon Footprint Verification Declaration" for the product. Awarded "2019 TCSA Taiwan Corporate Sustainability Award", Gold Award of Corporate Sustainability Report Award [Traditional Manufacturing Industry].
November 2020	Awarded "2020 TCSA Taiwan Corporate 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	In June 2021, the Company in Taipei passed and obtained ISO 14064-1:2006 declaration on greenhouse gas inventory.
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	Obtained land, factory buildings and equipment of Kaohsiung Daye Plant.
September 2022	Established 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 Plant has completed factory registration and started the production.
February 2023	The Board of Directors approved the Company's "2050 Net Zero Carbon Emission" 2030 milestone: 30% carbon reduction + RE30.
July 2023	The 2023 Task Force on Climate-related Financial Disclosures (TCFD) report has been verified by the British Standards Institution (BSI) and is classified as [Level 5+: Excellent] according to the Disclosure Maturity Model.
October 2023	Awarded the 2023 "Net Zero Industrial Competitiveness" Steel Industry's Highest Honor Award of Excellence.
October 2023	Won the 4th Taiwan Circular Economy Award (Enterprise Award - Outstanding Award).
January 2024	Awarded a Sustainable Fitch ESG rating of "2".
February 2024	The Company's 2023 CDP questionnaire was honored with a "Leadership Level (A-)" for Climate Change and a "Management Level (B)" for Water Management.

- (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 steel bars, 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 Manager, Managers of Departments and Branches

(I) Director information - 1

March 25, 2024

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	2023.05.30	3 years	2017.06.16	64,918,877	8.89	65,122,877	8.92	N/A	N/A	0	0	N/A	Supervisor, Katec R&D Corporation	N/A	N/A	N/A	None
Chairman	R.O.C.	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	Male 51-60 years old	2023.05.30	3 years	2002.06.27	95,425	0.01	3,678,533	0.50	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 Ho Jao Investment Inc. Director of Shang Fu Industrial Inc. Tung Ho Steel Vietnam Corp. Director of 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. Chairman of THS Foundation Director of Tung Ho Steel Cultural Foundation was established Director of Mingtai Yule Co., Ltd. Chairman of An Yao Interior Decoration Co., Ltd. Chairman of He Chuan Industrial Co., Ltd.	Vice Chairman	George Y. S. Ho	Brother	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	
Director	R.O.C.	Mao Sheng Investment Inc. Representative: Joshua P.H. Tung	Male 61-70 years old	2023.05.30	3 years	2020.05.19	15,665	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 Goldham Development Ltd. Director	None	None	None	None
Corporate director	Taiwan	Ho Jao Investment Inc.	N/A	2023.05.30	3 years	2023.05.30	62,595,750	8.57	62,835,750	8.61	N/A	N/A	0	0	N/A	None	N/A	N/A	N/A	None
Vice Chairman	R.O.C.	Ho Jao Investment Inc. Representative: George Y. S. Ho	Male 51-60 years old	2023.05.30	3 years	1996.05.23	6,700	0	3,589,809	0.49	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 Ho Jao Investment Inc. Director of He Xing Investment Co., Ltd. Director of Eternity Corp. Director of Far East Steel Inc. Director of An Yao Interior Decoration Co., Ltd. Director of He Chuan Industrial Co., Ltd.	Chairman	Henry C. T. Ho	Brother	None
Corporate director	Taiwan	Han Lei Investment Co.	N/A	2023.05.30	3 years	2014.06.18	3,387,285	0.46	3,387,285	0.46	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	None
Director	R.O.C.	Han Lei Investment Co. Representative: Chih-Ming Huang	Male 61-70 years old	2023.05.30	3 years	1988.08.18	324,505	0.04	324,505	0.04	0	0	0	0	MBA, California State University, USA	Head of Han Lei Investment Co. Supervisor of Far East Steel Inc. Head of Yutai Investment Inc. Supervisor of Hsie Ho Refractory Industrial Co. Ltd.	None	None	None	None
Corporate director	Taiwan	Liang Cheng Investment Co., Ltd.	N/A	2023.05.30	3 years	2014.06.18	7,494,602	1.03	7,494,602	1.03	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	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	
Director	R.O.C.	Liang Cheng Investment Co., Ltd. Representative : Pao-He Chen	Male 61-70 years old	2023.05.30	3 years	1988.08.18	719,047	0.10	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 Zhucheng Construction Co., Ltd.	None	None	None	None
Director	R.O.C.	Yen-Liang Ho	Male 51-60 years old	2023.05.30	3 years	1999.05.23	4,434,894	0.61	4,434,894	0.61	4,000	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
Independent Director	R.O.C.	Der-Ming Lieu	Male Over 70 years old	2023.05.30	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
Independent Director	R.O.C.	Jih-Gang Liu	Male Over 70 years old	2023.05.30	3 years	2023.05.30	0	0	0	0	0	0	0	0	Department of Mechanical Engineering, National Taiwan University	None	None	None	None	None
Independent Director	R.O.C.	Chia-Wen Liu	Female 51-60 years old	2023.05.30	3 years	2023.05.30	0	0	0	0	0	0	0	0	Ph.D. in Accounting National Taiwan University	Independent director of Taiwan Power Company	None	None	None	None

Table 1. Major shareholders of corporate shareholders

March 25, 2024

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholder (Note 2)
Mao Sheng Investment Inc.	Henry C. T. Ho 77.86%, George Y. S. Ho 5.76%
Ho Jao Investment Inc.	George Y. S. Ho 77.85%, Earle Ho and Sons, Ltd. 16.39%
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 Island JUSTIN investment management 100%

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 25, 2024

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

## Director information - 2

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

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
Mao Sheng Investment Inc. Representative: Henry C. T. Ho	<p>Henry C. T. Ho graduated from the Department of Economics at Harvard University. Mr. Ho currently serves as the Chairman of Tung Ho Steel Enterprise Corporation. Mr. Ho joined Tung Ho Steel Enterprise Corporation in 1997 and has served in the Finance and Accounting, Materials, and Sales and Production departments. Mr. Ho assumed the role of President in 2009, and has been serving as Chairman since 2014. Mr. Ho 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 has the work experience required by the Company's business operations and the core abilities required by the Board of Directors, including business judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainable management, risk management, and climate change management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0
Ho Jao Investment Inc. Representative: George Y. S. Ho	<p>George Y. S. Ho graduated from the Department of Environment and Visual Arts at Harvard University, USA. Mr. Ho has been serving as a director of the Company since 1996. Mr. Ho has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including business judgment, international market perspective, leadership, decision-making, sustainable management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0
Mao Sheng Investment Inc. Representative: Joshua P. H. Tung	<p>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 &amp; Accounting Division in 2009, and has been serving as the Chairman of the Company since 2020. Mr. Tung has the work experience required by the Company's business operations and the core abilities required by the Board of Directors, including business judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainable management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.</p>	N/A	0

Condition Name	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
Han Lei Investment Co. Representative: Chih-Ming Huang	Chih-Ming Huang has an MBA from California State University, USA. Mr. Huang is the head of Episil Holding Incorporation. Mr. Huang joined the Company's Board of Directors as a director in 1988. Mr. Huang has the work experience required by the Company's business operations and the core abilities required by the Board of Directors, including business judgment, accounting and financial analysis, operational management, international market perspective, crisis management, industry knowledge, leadership, decision-making, sustainable 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. Mr. Chen joined the Company's Board of Directors as a director in 1988, and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including business judgment, accounting and financial analysis, operational management, crisis management, leadership, decision-making, sustainable 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 currently serves as the Chairman of Enzen GS Chemical Co., Ltd. Mr. Ho joined the Company's Board of Directors as a director in 1999, and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including business judgment, accounting and financial analysis, operational management, crisis management, leadership, decision-making, sustainable management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	N/A	0
Independent Director: 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, and serves as an Independent Director of Laser Tek Taiwan CO., Ltd, and Independent Director of CSBC Corporation, Taiwan. Mr. Lieu is currently serving the third term as the Company's Independent Director. Mr. Lieu specializes in international finance, investment, derivative financial products and financial engineering, corporate financial management, and risk measurement and control of investment portfolio, and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including business judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate	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	2

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
	change management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	person within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliate;	
Independent Director: Jih-Gang Liu	Jih-Gang Liu graduated from the Department of Mechanical Engineering at National Taiwan University. Mr. Liu serves as the President of China Steel Corporation and has reached retirement age, and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including business judgment, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainable management, risk management, and climate change management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.	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	0

Name \ Condition	Professional qualifications and experience	Independence	Number of companies the person serves as an independent director
		Independent Director of the Company for more than 3 terms.	
Independent Director: Chia-Wen Liu	Chia-Wen Liu holds a Ph.D. in Accounting from National Taiwan University, and currently works as Professor of Department of Accounting at National Taiwan University, and serves as an Independent Director of Taiwan Power Company. Ms. Liu specializes in auditing and financial accounting, 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, business management, crisis management, leadership, decision-making, sustainable management, and risk management. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.		1

## 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 conditions and values include gender, age, nationality, and culture, among others.

B. Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc.

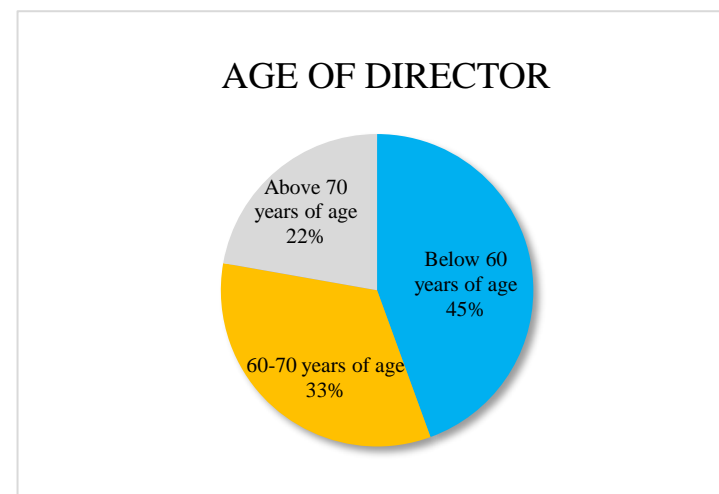
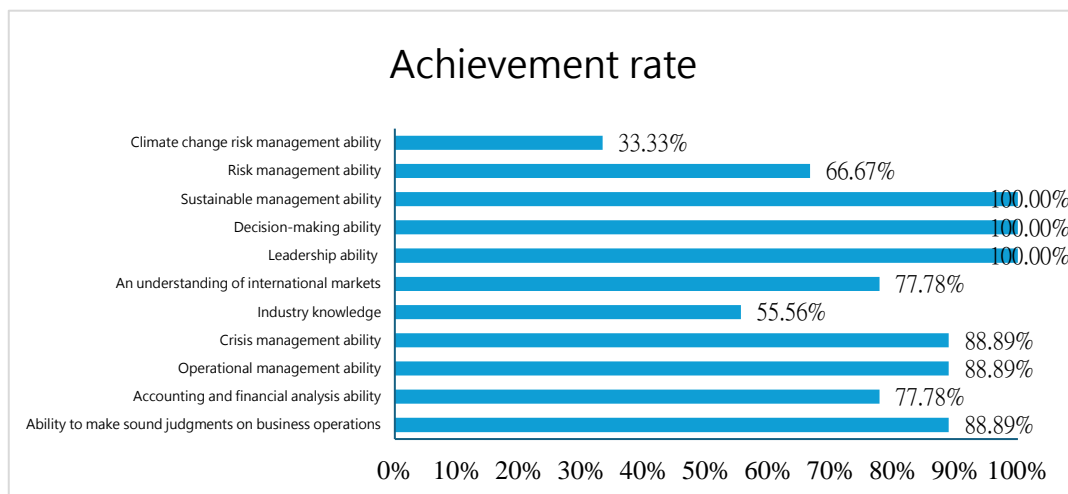
Each board member shall have the necessary knowledge, skill, and ability. To achieve the desired objectives of corporate governance, the board as a whole must have abilities that include: Business judgment, accounting and financial analysis, operational management, crisis management, industry knowledge,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

(2)Board of Directors Diversity Specific Management Objectives and Progress in Diversity:

Management Objectives	Achievement situations
1. The company's board of directors shall include at least one female director	Achieved
2. More than two-thirds of the board members should have core competencies such as business judgment, operation management and crisis management	Achieved
3. Independent director has not served more than three terms	Achieved
4. 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	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	Operational management	Crisis management	Industry knowledge	International markets	Leadership	Decision-making	Sustainable Management	Risk management	Climate change
Henry C. T. Ho	R.O.C.	Male		√				√	√	√	√	√	√	√	√	√	√	√
George Y. S. Ho	R.O.C.	Male		√				√					√	√	√	√		
Joshua P.H. Tung	R.O.C.	Male			√			√	√	√	√	√	√	√	√	√	√	
Chih-Ming Huang	R.O.C.	Male			√			√	√	√	√	√	√	√	√	√	√	
Pao-He Chen	R.O.C.	Male			√			√	√	√	√			√	√	√		
Yen-Liang Ho	R.O.C.	Male		√				√	√	√	√		√	√	√	√		
Der-Ming Lieu	R.O.C.	Male				√	3rd term	√	√	√	√	√	√	√	√	√	√	√
Jih-Gang Liu	R.O.C.	Male				√	1st term	√		√	√	√	√	√	√	√	√	√
Chia-Wen Liu	R.O.C.	Female		√			1st term		√	√	√			√	√	√	√	





## 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 9 directors, including 3 independent directors, which meets the requirement of Corporate Governance 3.0 - Sustainable Development Roadmap that mandates the presence of independent directors to be at least one-third of the total number of directors. 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 (less than half of 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.

## (II) Information of President, Vice President, Assistant Vice President, and Managers of Departments and Divisions

March 25, 2024

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 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
Operations Department Senior Vice President	R.O.C.	Bruce Guu	Male	2023.11.01	56,002	0.01	67	0	0	0	Department of Economics, Chinese Culture University	Chairman of Tung Kang Engineering & Construction Co., Ltd.	None	None	None	None
Assets and Trade Department Senior Vice President	R.O.C.	Arthur C. Lin	Male	2023.11.01	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
Production Vice President and General Manager of Daye Works	R.O.C.	Ming-Tsung Liu	Male	2022.01.01	0	0	0	0	300	0	Master's in Materials Science and Engineering, National Taiwan University	Director of Taiwan Steel United Inc.	None	None	None	None

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	
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
Vice President of IT Department	R.O.C.	Che-Chung Lin	Male	2023.11.01	6,580	0	2,000	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
Investment Division Vice President	R.O.C.	J. B. Chiu	Male	2023.11.01	3,368	0	0	0	0	0	Mechanical Engineering Major, United Engineering Professional School	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
Assets and Trade Department Vice President	R.O.C.	Yi-Chih Hsu	Male	2023.11.01	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.	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	R.O.C.	Shu-chu	Female	2022.04.01	0	0	0	0	0	0	International Trade	None	None	None	None	None

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	
Department Assistant manager		Huang									Major, School of Continuing Education, National Taipei University of Commerce					
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.	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. Supervisor of Duc Hoa International J. S. C.	None	None	None	None
Investment Division Assistant manager	R.O.C.	Wu-Sheng Ho	Male	2023.07.31	20,575	0	0	0	0	0	Department of Mechanical and Electro-Mechanical Engineering, National Sun Yat-sen University	President of Tung Ho Steel Vietnam Corp. 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	Director of Katec Creative Resources Corp. Supervisor of Fujian Sino-Japan Metal Corp.	None	None	None	None
Work safety center Senior Manager	R.O.C.	Frank Wang	Male	2021.11.01	11,367	0	10,892	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

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	
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.	Tseng-Lu Tsai	Male	2023.06.30	0	0	22,546	0	0	0	Department of Mechanical Engineering, National Taiwan University of Science and Technology	None	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	0	0	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, 2023

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	2,750,000	2,750,000	0	0	34,297,415	34,297,415	65,000	83,000	0.78	0.79	0	0	0	0	0	0	0	0	0.78	0.79	0	
Director	Representative of Mao Sheng Investment Inc.: Joshua P.H. Tung	500,000	500,000	0	0	20,006,825	20,006,825	50,000	50,000	0.43	0.43	0	0	0	0	0	0	0	0	0.43	0.43	0	
Vice Chairman	Representative of He Zhao Investment Co., Ltd.: George Y. S. Ho	850,000	850,000	0	0	52,397,066	52,397,066	50,000	50,000	1.13	1.13	0	0	0	0	0	0	0	0	1.13	1.13	0	
Director	Episil Holding Incorporation Representative: Chih-Ming Huang	500,000	500,000	0	0	2,824,567	2,824,567	50,000	50,000	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	0	
Director	Representative of Liang Cheng Investment Co., Ltd.: Pao-He Chen	500,000	500,000	0	0	6,249,550	6,249,550	50,000	50,000	0.14	0.14	0	0	0	0	0	0	0	0	0.14	0.14	0	
Director	Yen-Liang Ho	500,000	500,000	0	0	3,698,140	3,698,140	50,000	50,000	0.09	0.09	0	0	0	0	0	0	0	0	0.09	0.09	0	
Independent Director	Der-Ming Lieu	910,000	910,000	0	0	0	0	105,000	105,000	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	0	
Independent Director	Chi-Kang Liu	560,000	560,000	0	0	0	0	70,000	70,000	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	0	
Independent Director	Chia-Wen Liu	560,000	560,000	0	0	0	0	65,000	65,000	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	0	
Total		7,630,000	7,630,000	0	0	119,473,563	119,473,563	555,000	573,000	2.68	2.69	0	0	0	0	0	0	0	0	2.68	2.69	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 and Nominating 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 2023 was NT\$1,111,174.

## (II) Remuneration Paid to the President and Vice President

December 31, 2023

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	23,631,804	23,631,804	1,934,785	1,934,785	27,871,076	27,871,076	3,737,660	0	3,737,660	0	1.21	1.21	None
Senior Vice President	Bruce Guu													
Senior Vice President	Arthur C. Lin													
Production Vice President	Ming-Tsung Liu													
Vice President	Juyu Ho													
Vice President	J. B. Chiu													
Vice President	Yi-Chih Hsu													
Vice President	Che-Chung Lin													

(Note): Remuneration paid to the driver assigned to the President in 2023 was NT\$966,018.

**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)	None	None
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	Che-Chung Lin	Che-Chung Lin
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Bruce Guu, Arthur C. Lin, Ming-Tsung Liu, Juyu Ho, Yi-Chih Hsu, J. B. Chiu	Bruce Guu, Arthur C. Lin, Ming-Tsung Liu, Juyu Ho, Yi-Chih Hsu, J. B. Chiu
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	8 persons	8 persons

(Note): Mr. Che-Chung Lin was promoted to Vice President of IT Department on November 1, 2023.

**(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.	2023		2022	
	The Company	All companies in the financial report	The Company	All companies in the financial report
	3.91	3.91	3.87	3.87

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 and Nominating 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 2023, 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	4.91
B. Awareness of the duties of a director	5	4.98
C. Participation in the operation of the company	10	4.83
D. Management of internal relationship and communication	4	4.94
E. The director's professionalism and continuing education	3	4.74
F. Internal control	3	4.93
Total/average score	30	4.89

- b. In accordance with Article 22-1 of the Company's Articles of Incorporation, the Remuneration and Nominating 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 and Nominating 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)

#### 1. Board of Directors Operation Status

In the last year, board meetings were held 10 (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	10	0	100	Re-appointed on May 30, 2023.
Vice Chairman	Mao Sheng Investment Inc. Representative: George Y. S. Ho	4	0	100	Re-appointed on May 30, 2023.
	Ho Jao Investment Inc. Representative: George Y. S. Ho	6	0	100	
Director	Earle Ho and Sons, Ltd. Representative: Joshua P.H. Tung	4	0	100	Re-appointed on May 30, 2023.
	Mao Sheng Investment Inc. Representative: Joshua P.H. Tung	6	0	100	
Director	Earle Ho and Sons, Ltd. Representative: Hui-Ming Wu	4	0	100	Former. Re-elected on May 30, 2023.
Director	Han Lei Investment Co. Representative: Chih-Ming Huang	10	0	100	Re-appointed on May 30, 2023.

Title	Name	Number of actual attendee (participant) (B)	Attendance by proxy	Actual attendance (participation) rate (%) [B/A]	Note
Director	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	10	0	100	Re-appointed on May 30, 2023.
Director	Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin	4	0	100	Former. Re-elected on May 30, 2023.
Director	Yen-Liang Ho	10	0	100	Re-appointed on May 30, 2023.
Independent Director	I-Chi Liu	4	0	100	Former. Re-elected on May 30, 2023.
Independent Director	Chuang-Hsi Chang	4		100	Former. Re-elected on May 30, 2023.
Independent Director	Der-Ming Lieu	10		100	Re-appointed on May 30, 2023.
Independent Director	Jih-Gang Liu	6		100	Newly appointed on May 30, 2023.
Independent Director	Chia-Wen Liu	6		100	Newly appointed on May 30, 2023.

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
2023.01.05 24th meeting of the 24th board	Tung Kang Wind Power Corporation (the subsidiary) intends to apply for a lease of the rooftop of Taoyuan Machining Center of the Company	The Chairman of the Board, Henry C. T. Ho, is the Chairman of the Tung Kang Wind Power Corporation 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.
2023.02.22 25th meeting of the 24th board	Awarding the construction of the Taoyuan Machining Center of the Company and its surrounding facilities to our 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, Henry C. T. 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.
2023.06.19 2nd meeting of the 25th board	Proposal to appoint members to the 5th term of the Remuneration and Nomination Committee.	The independent directors of the Company, Jih-Gang Liu and Chia-Wen Liu, are parties to this motion.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2023.06.19 2nd meeting of the 25th board	Proposal to appoint members to the 3rd term of the Sustainable Development Committee.	The Chairman of the Board, Henry C. T. Ho, the Independent Director, Der-Ming Lieu, and the Independent Director, Jih-Gang Liu, are parties to this motion, 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.
2023.07.04 3rd meeting of the 25th board	Awarding the construction project of the Taoyuan Machining Center to our 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, Henry C. T. 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.
2023.07.04 3rd meeting of the 25th board	The Tung Ho Steel Cultural Foundation is responsible for	The Chairman of the Board, Henry C. T. Ho, is a director of the	The case was discussed and voted on by Joshua P.H. Tun, the acting

	organizing refining programs and related activities as well as the allocation of funds for association affairs.	Foundation and the Vice Chairman, George Y. S. Ho, is a second degree relative of the Chairman, Henry C. T. Ho.	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.
2023.07.04 3rd meeting of the 25th board	Proposed remuneration for the Chairman and Vice Chairman of the Board of Directors	Chairman Henry C. T. Ho and Vice Chairman George Y. S. Ho are the parties to this motion.	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.
2023.07.04 3rd meeting of the 25th board	Proposed remuneration for Independent Directors and members of the Audit Committee	The independent directors of the Company, Der-Ming Lieu, Jih-Gang Liu, and Chia-Wen Liu are parties to this motion.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2023.07.04 3rd meeting of the 25th board	Proposed remuneration for members of the Remuneration and Nomination Committee	The independent directors of the Company, Jih-Gang Liu and Chia-Wen Liu, are parties to this motion.	Except for the above mentioned directors who were recused due to their interest involvement, all other directors passed the motion without objection.
2023.07.04 3rd meeting of the 25th board	Proposed remuneration for members of the Sustainable Development Committee	The Chairman of the Board, Henry C. T. Ho, the Independent Director, Der-Ming Lieu, and the Independent Director, Jih-Gang Liu, are parties to this motion, 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.
2023.07.31 4th meeting of the 25th board	Subscription of ordinary shares in Tung Kang Wind Power Corporation's general capital increase	The Chairman of the Board, Henry C. T. Ho, is the Chairman of the Tung Kang Wind Power Corporation 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.

- 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. Please see Chapter 2 for more information 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 2023, in addition to arranging relevant education courses according to the needs of individual directors, two further education courses for directors are planned, namely, "Reconstructing Cybersecurity from a Digital Forensics Perspective" and "New Challenges in the Era of Carbon Reduction: Corporate Carbon Reduction Strategies". The information on the directors' training is disclosed on the Company's website and the Market Observation Post System.

(III) 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 5th meeting of 25th Board of Directors' Meeting on October 30, 2023.

(IV) 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 was carried out on 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 comprehensive consideration by the Corporate Governance and Nomination Committee (renamed as the Remuneration and Nomination Committee starting from the 25th term of the board), the following matters were reviewed and approved on February 14, 2023. The proposed candidates for directors were submitted for resolution at the 25th meeting of the 24th term of the board 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) Regularly hold "Business Expansion Management Meeting" and "Tung Ho Steel Growth Camp." 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 2023 Business Expansion Management Meeting was held on October 12 and 13, with a total of 185 attendees.
- (3) 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.
- (4) Conduct intermediate supervisor training courses, covering topics such as problem-solving, workflow improvement, and communication skills. Through methods like case studies and role-playing, participants gain insights into handling procedures, enhancing overall management efficiency, and leadership skills.
- (5) Participate in internal and external related training to develop decision making and judgment ability according to annual individual development needs. In 2023, the total training hours amounted to 41,621 hours, with a total of 13,381 participants. On average, each participant received 20 hours of training.
- (6) Establish a comprehensive training record and regularly review the talent development plan in order to implement adjustments according to the organization's operational needs.
- (7) 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 Company regularly handles promotion assessments to select excellent talents. In 2023, a total of 46 individuals were promoted. After deliberation by the Remuneration and Nomination Committee, 6 promotions were recommended to the board for approval. These promotions include 2 Senior Vice Presidents, 3 Vice Presidents, and 1 Work General Manager. Additionally, 1 Assistant Manager, 3 Deputy Work Managers, 13 Managers, and 23 Section Managers were promoted.



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

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Performed once a year	January 1, 2023 to December 31, 2023	Including board of directors, individual board members, and functional committees (Remuneration and Nomination Committee, Audit Committee, and Sustainable Development 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 and Nomination Committee for review on February 20, 2024, and the review results will be submitted to the 7th meeting of the 25th board of directors' meeting report on February 26, 2024, 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. <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 8 (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	4	0	100	Former. Re-elected on May 30, 2023.
Convener Independent Director	Chia-Wen Liu	4	0	100	Newly appointed on May 30, 2023.
Independent Director	Chuang-Hsi Chang	4	0	100	Former. Re-elected on May 30, 2023.
Independent Director	Der-Ming Lieu	8	0	100	Re-appointed on May 30, 2023.
Independent Director	Jih-Gang Liu	4	0	100	Newly appointed on May 30, 2023.

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
2023.01.05 22nd meeting of the 2nd board	Tung Kang Wind Power Corporation (the subsidiary) intends to apply for a lease of the rooftop of Taoyuan Machining Center of the Company	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.
2023.02.22 23rd meeting of the 2nd board	1. The 2022 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 2022		
	3. Issuance of the "Statement of Internal Control" for the year 2022		
	4. Formulated the "financial business related operating procedures between related parties"		
	5. The Company's Taoyuan Processing Center C workshop		

		construction project and surrounding related facilities project contract			
		6. The short term credit obligation case of US\$35 million for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.			
		7. The endorsement/ guarantee short term credit obligation renewal case with the Cathay United Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.			
	2023.04.11 24th meeting of the 2nd board	The construction of a 100MW grid-connected E-dReg energy storage system at the Longgang Industrial Park area by our subsidiary, Tung Kang Wind Power Corporation.	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.	
	2023.05.09 25th meeting of the 2nd board	1. Quarter 1 consolidated financial reports for 2023	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. The endorsement/ guarantee short term credit obligation renewal case with the Taipei Fubon Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.			
		3. The endorsement/ guarantee short term credit obligation renewal case with the Yuanta Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.			
	2023.07.04 1st meeting of the 3rd board	1. The Company's Taoyuan Machining Center construction project.	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. Contribution to the organization of the refining programs and related activities as well as the allocation of funds for association affairs of the Tung Ho Steel Cultural Foundation			
		3. The issuance of convertible bonds to increase capital for our subsidiary, Tung Ho Steel Vietnam Corp., Ltd.			
		4. The endorsement/ guarantee short term credit obligation renewal case with Taishin International Bank for the subsidiary Fujian Dong Gang Steel Co, Ltd.			

		5. The endorsement/ guarantee short term credit obligation renewal case with Cathay United Bank Shenzhen Branch for the subsidiary Fujian Dong Gang Steel Co, Ltd.		
		6. The endorsement/ guarantee short term credit obligation renewal case with the Fubon Bank (China) Co., Ltd. Suzhou Branch for the subsidiary Fujian Tung Kang Steel Co., Ltd.		
	2023.07.31 2nd meeting of the 3rd board	1. Quarter 2 consolidated financial reports for 2023	This proposal, after the Chairman obtained all attending committee members' unanimous consent, revised certain content in the notes to the consolidated financial statements before submitting it to the board for resolution.	The Board of Directors agreed to proceed in accordance with the suggestion of the Audit Committee by resolution.
		2. The Company plans to engage in over-the-counter scrap steel exchange trading in derivative products.	This proposal, after the Chairman obtained all attending committee members' unanimous consent, suggests revising certain content in the annex before submitting it to the board for resolution.	The Board of Directors agreed to proceed in accordance with the suggestion of the Audit Committee by resolution.
		3. Subscription of ordinary shares in our subsidiary, Tung Kang Wind Power Corporation's general capital increase	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.
		4. The endorsement/ guarantee credit obligation renewal case with the CTBC Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.		
		5. The endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in Hua Nan Commercial Bank.		
		6. The endorsement/ guarantee short term credit obligation renewal case with Taishin International Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.		
		7. The endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in Mizuho Bank.		

2023.10.30 3rd meeting of the 3rd board	1. Quarter 3 consolidated financial reports for 2023	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. Accountant public expenses review proposal for 2023		
	3. The endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in First Commercial Bank, Hanoi Branch		
	4. The endorsement/ guarantee short term credit obligation renewal case with Mega International Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.		
	5. The endorsement/ guarantee short term credit obligation renewal case with BNP Paribas, Ho Chi Minh City Branch, Vietnam and BNP Paribas, Hanoi Branch, Vietnam for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.		
	6. The endorsement/ guarantee short term credit obligation renewal case with the Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.		
2023.12.26 4th meeting of the 3rd board	1. Non-conviction services is expected to be provided by KPMG International Cooperative in 2024	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. Amendments to the Internal Control System and Guidelines for the Implementation of Internal Audits	This proposal, after the Chairman obtained all attending committee members' unanimous consent, proposes revisions to certain clauses and wording before submitting it to the board for resolution.	The Board of Directors agreed to proceed in accordance with the suggestion of the Audit Committee by resolution.
	3. The endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in E.SUN Bank.	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 2023:

Date	Communication content	Handling and implementation results
2023.01.05 Audit Committee	Pre-audit discussion and communication regarding the scope of audit, audit approach, and key audit issues for the 2022 financial report.	1. In addition to cash flow forecasting, the impairment assessment method for non-financial assets may also utilize the market approach valuation method. 2. Regarding the adoption of the equity method by the subsidiary, the accountant will seek the opinion of the dedicated department at the accounting firm based on the actual situation before proceeding with the matter.
2023.02.22 Audit Committee	To communicate and discuss the results of the 2022 individual and consolidated financial report audit.	No inconsistency of opinion.
2023.05.09 Audit Committee	To communicate and discuss the results of the 2023 Quarter 1 individual and consolidated financial report audit.	No inconsistency of opinion.
2023.07.31 Audit Committee	To communicate and discuss the results of the 2023 Quarter 2 individual and consolidated financial report audit.	No inconsistency of opinion.
2023.10.30 Audit Committee	To communicate and discuss the results of the 2023 Quarter 3 individual and consolidated financial report audit.	No inconsistency of opinion.
2023.10.30 Separate Communication Symposium (After the board meeting)	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.

(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 2023:

Date	Communication content	Communicate situation and results	The Company's handling of the independent directors' opinions
2023.01.05 Audit Committee	Audit of business execution and missing items tracking improvement report in December 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.	Acknowledged by the Board of Directors
2023.02.22 Audit Committee	1. Audit Report for January 2023.	All attending committee members have no objections and it is hereby submitted to the Board of Directors.	Acknowledged by the Board of Directors
	2. Issuance of the Company of "Statement of Internal Control" for the year 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.
2023.04.11 Audit Committee	Audit of business execution and missing items tracking improvement report from February to March 2023, as well as communication and discussion on related issues.	All attending committee members have no objections and it is hereby submitted to the Board of Directors.	Acknowledged by the Board of Directors
2023.05.09 Audit Committee	Audit Report for April 2023.	All independent directors present agreed to approve the proposal and submit it to the board of directors.	Acknowledged by the Board of Directors
2023.06.19 Board of Directors	Audit Report for May 2023.	All attending committee members have no objections and it is hereby submitted to the Board of Directors.	Acknowledged by the Board of Directors

	2023.07.31 Audit Committee	Audit Report for June 2023.	<p>The Audit Committee has been informed and has made the following suggestions for submission to the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. It is suggested that the Company establish relevant management mechanisms for long-term stored materials.</li> <li>2. Please review the reexamination results of the defects in the THSVC report presented by the Auditing Office to the Audit Committee in October.</li> <li>3. The Auditing Office is requested to provide an audit report to CPAs for reference on a monthly basis.</li> </ol>	The Board of Directors agreed to proceed in accordance with the suggestions of the Audit Committee.
	2023.10.30 Audit Committee	Audit Report for July-October 2023.	All attending committee members have no objections and it is hereby submitted to the Board of Directors.	Acknowledged by the Board of Directors
	2023.10.30 Separate Communication Symposium (After the board meeting)	The Audit Supervisor communicated separately with the independent directors on the formulation of the 2024 Annual Audit Plan and related matters.	The independent directors provided guidance on the direction for the annual audit plan for the Auditing Office's reference.	The Auditing Office will formulate the audit plan for 2024 based on the guidance and suggestions of the independent directors and submit it for discussion by the Board of Directors.
	2023.12.26 Audit Committee	Audit Report for October-November 2023.	All attending committee members have no objections and it is hereby submitted to the Board of Directors.	Acknowledged by the Board of Directors
		Proposal for 2024 Audit Plan.	The Audit Committee suggested adding R&D operations to the audit plan and submitted it to the Board of Directors for resolution.	The Board of Directors agreed to proceed in accordance with the suggestion of the Audit Committee by resolution.
		Amendments to the Internal Control System and Guidelines for the Implementation of Internal Audits.	Upon discussion, it was agreed to amend some articles and submit them to the Board of Directors for resolution.	The Board of Directors agreed to proceed in accordance with the suggestion of the Audit Committee by resolution.



	<p>2023.12.26 Internal Control Seminar (After the board meeting)</p>	<p>The Audit Office held a discussion on internal control system review with directors (including independent directors) after the board meeting. The contents of the discussion were as follows:</p> <ol style="list-style-type: none"> <li>1. Auditing Office's work report.</li> <li>2. Report on annual audit performance.</li> <li>3. Report on deficiencies found during the audit and improvement implementation.</li> <li>4. Endorsements/guarantees, loan of funds and circumstances.</li> </ol>	<p>The independent directors present at the meeting communicated with and provided guidance to the Audit Office on relevant issues.</p>	<p>The directors present at the meeting communicated with and provided guidance to the Audit Office on relevant issues.</p>
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#### IV. Audit Committee 2023 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 ( <a href="https://www.tunghosteel.com/investors/norm">https://www.tunghosteel.com/investors/norm</a> ).	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?	✓		(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.	No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
<p>(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?</p> <p>(III) Did the company establish and execute risk control mechanism for affiliates, and firewall methods?</p> <p>(IV) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?</p>			<p>(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.</p> <p>(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.</p> <p>(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.</p>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons										
	Yes	No	Summary											
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 conditions and values include gender, age, nationality, and culture, among others. (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: Business 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 and Progress in Diversity: <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 business 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>	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 business 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 business 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													

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(II) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee?	✓		<div><div><p>Achievement rate</p><table><thead><tr><th>Capability</th><th>Achievement rate</th></tr></thead><tbody><tr><td>Climate change risk management ability</td><td>33.33%</td></tr><tr><td>Risk management ability</td><td>66.67%</td></tr><tr><td>Sustainable management ability</td><td>100.00%</td></tr><tr><td>Decision-making ability</td><td>100.00%</td></tr><tr><td>Leadership ability</td><td>100.00%</td></tr><tr><td>An understanding of international markets</td><td>77.78%</td></tr><tr><td>Industry knowledge</td><td>55.56%</td></tr><tr><td>Crisis management ability</td><td>88.89%</td></tr><tr><td>Operational management ability</td><td>88.89%</td></tr><tr><td>Accounting and financial analysis ability</td><td>77.78%</td></tr><tr><td>Ability to make sound judgments on business operations</td><td>88.89%</td></tr></tbody></table></div><div><p>AGE OF DIRECTOR</p><table><thead><tr><th>Age Group</th><th>Percentage</th></tr></thead><tbody><tr><td>Below 60 years of age</td><td>45%</td></tr><tr><td>60-70 years of age</td><td>33%</td></tr><tr><td>Above 70 years of age</td><td>22%</td></tr></tbody></table></div></div> <div>(II) The Company also has a Sustainable Development Committee, in addition to the Remuneration and Nomination Committee and Audit Committee.</div>	Capability	Achievement rate	Climate change risk management ability	33.33%	Risk management ability	66.67%	Sustainable management ability	100.00%	Decision-making ability	100.00%	Leadership ability	100.00%	An understanding of international markets	77.78%	Industry knowledge	55.56%	Crisis management ability	88.89%	Operational management ability	88.89%	Accounting and financial analysis ability	77.78%	Ability to make sound judgments on business operations	88.89%	Age Group	Percentage	Below 60 years of age	45%	60-70 years of age	33%	Above 70 years of age	22%	
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(III) Does the Company have a set of board of directors performance evaluation guidelines and its evaluation method, conduct performance evaluation annually and regularly, and report the results of performance evaluation to the board of directors to serve as reference of individual director's remuneration and nomination for reappointment?	✓		<p>(III) Our company develops a performance evaluation method for the board of directors, and reviews and revises it in a rolling manner year after year, and conducts regular performance evaluation for the board of directors every year.</p> <p>1. External evaluation: 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. The external performance evaluation of the Board of Directors was conducted in 2022.</p> <p>2. 2023 Board of Directors Performance Evaluation Results:</p> <table><tr><th>Evaluation Target</th><th>The Overall Board of Directors</th><th>Board Member</th><th>Functional Committees</th></tr><tr><td>Aspect</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><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></tr><tr><td>Evaluation Items</td><td>47</td><td>30</td><td>20-23</td></tr><tr><td>Average score</td><td>4.81</td><td>4.89</td><td>4.89</td></tr><tr><td>Evaluation results</td><td>Excellent</td><td>Excellent</td><td>Excellent</td></tr></table>	Evaluation Target	The Overall Board of Directors	Board Member	Functional Committees	Aspect	<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>	<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>	Evaluation Items	47	30	20-23	Average score	4.81	4.89	4.89	Evaluation results	Excellent	Excellent	Excellent	
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			<p>The self-assessment scores of each Director were between 5 “Strongly Agree” and 4 “Agree”, indicating that the Directors had positive feedback on the efficiency and effectiveness of the indicators. The self-assessment results of each Director are rated as "excellent above standard".</p> <p>The results of the performance evaluation of the previous Board of Directors' meeting have been submitted to the 5th session (4th meeting) Remuneration and Nomination Committee on February 20, 2024, and then presented to the 25th session Board of Directors' 7th meeting on February 26, 2024; 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: <a href="https://www.tunghosteel.com/investors/resolution">https://www.tunghosteel.com/investors/resolution</a>) and in the annual report (the implementation status of the relevant board evaluation for 2023 is also listed in the Table 2 of the annual report under the section "Board of Directors Operation Status").</p> <p>3. 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 = Amount of distributable directors' remuneration x The ratio of shares held by some directors to shares held by all directors x The distribution ratio based on director performance evaluation.</p>	



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(IV) Does the company evaluate the independence of CPAs on a regular basis?	✓		<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. The audit certification work for the financial statements of our company for the fiscal year 2024 was undertaken by CPAs Tzuhui Lee and Huichih Ko from the KPMG International Cooperative. The assessment of the independence and suitability of the appointed accountants in 2024, based on the Audit Quality Indicators (AQIs), was reviewed by the Audit Committee during its 6th meeting of the 3rd term on February 26, 2024. It was subsequently submitted and approved by the 7th meeting of the 25th term of the board on February 26, 2024. 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</th><th>Thirteen Indicators</th><th>Evaluation</th></tr><tr><td rowspan="4">Professionalism</td><td>1-1 Apricot Kernel experience</td><td>Good</td></tr><tr><td>1-2 Training hours</td><td>Good</td></tr><tr><td>1-3 Mobility Rate</td><td>Fair</td></tr><tr><td>1-4 Professional Support</td><td>Good</td></tr><tr><td rowspan="4">Quality Control</td><td>2-1 Accountant's Load</td><td>Fair</td></tr><tr><td>2-2 Audit Input</td><td>Fair</td></tr><tr><td>2-3 Case Quality Control Review Situation</td><td>Good</td></tr><tr><td>2-4 Quality Control Support Capability</td><td>Fair</td></tr><tr><td rowspan="2">Independence</td><td>3-1 Non-audit Service</td><td>Good</td></tr><tr><td>3-2 Customer Awareness</td><td>Good</td></tr><tr><td rowspan="2">Supervision</td><td>4-1 External Inspection Failur and Magic Score</td><td>Good</td></tr><tr><td>4-2 Improvement by letter from the competent authority</td><td>Fair</td></tr><tr><td>Innovation</td><td>5-1 Innovation plan or initiative</td><td>Good</td></tr></table>	Five Major	Thirteen Indicators	Evaluation	Professionalism	1-1 Apricot Kernel experience	Good	1-2 Training hours	Good	1-3 Mobility Rate	Fair	1-4 Professional Support	Good	Quality Control	2-1 Accountant's Load	Fair	2-2 Audit Input	Fair	2-3 Case Quality Control Review Situation	Good	2-4 Quality Control Support Capability	Fair	Independence	3-1 Non-audit Service	Good	3-2 Customer Awareness	Good	Supervision	4-1 External Inspection Failur and Magic Score	Good	4-2 Improvement by letter from the competent authority	Fair	Innovation	5-1 Innovation plan or initiative	Good	
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IV. 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. Handle matters related to board meetings and shareholders' meetings according to law.</li> <li>2. Prepare minutes for board meetings and shareholders' meetings.</li> <li>3. Assist directors and supervisors in their appointment and continuing education.</li> <li>4. Provide directors and supervisors with the information necessary to execute their duties.</li> <li>5. Assist directors and supervisors in complying with decrees.</li> <li>6. Report to the Board of Directors the review results on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and tenure.</li> <li>7. Handle matters related to the change of directors.</li> <li>8. Other matters set out in the Articles of Incorporation or contracts. .</li> </ol> <p>(II) Business execution in 2023:</p> <ol style="list-style-type: none"> <li>1. Handle matters related to the convention of board meetings and shareholders' meetings according to law.</li> <li>2. Assisted in the review and submission of the Board of Directors performance evaluation.</li> </ol>	No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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			<p>3. Regarding the re-elections of the 25th term of Board of Directors, the compliance of the qualifications of independent directors in terms of nomination and appointment with relevant laws and regulations was reported to the Board of Directors.</p> <p>4. The election of 25th term of Board of Directors was conducted in accordance with the law, and subsequently processed the registration of company changes after the director's re-election.</p> <p>5. Actively promoted corporate governance and assisted the Board of Directors in revising the "Articles of Incorporation", "Corporate Governance Best Practice Principles", "Sustainable Development Best Practice Principles", "Remuneration and Nomination Committee Charter", and "Sustainable Development Committee Charter" in order to strengthen the functions of the Board of Directors and improve the management mechanism.</p> <p>6. Arranged board members to participate in continuing education courses.</p> <p>7. Confirmed the progress of the completion schedule for greenhouse gas inventory and verification, and reporting to the Board of Directors.</p> <p>(III) Training of Cooperate Governance Managers: The total number of continuing professional training hours in 2023 was 15 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.</p>	

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			<table><thead><tr><th>Date of continuing education</th><th>Organizer</th><th>Course name</th><th>Training hours</th></tr></thead><tbody><tr><td>2023.04.28</td><td>Chinese Corporate Governance Association</td><td>Board Members' Response to Information Technology Trends</td><td>3</td></tr><tr><td>2023.06.09</td><td>Chinese Corporate Governance Association</td><td>Promoting Sustainable Development through Risk Management - Risk Management Best Practice Principles for TWSE/TPEX Listed Companies</td><td>3</td></tr><tr><td>2023.06.19</td><td>Independent Director Association Taiwan</td><td>Reconstructing Cybersecurity from a Digital Forensics Perspective</td><td>3</td></tr><tr><td>2023.07.13</td><td>Taiwan Stock Exchange Corporation</td><td>The Sustainable Development Action Plan for TWSE/TPEX Listed Companies</td><td>3</td></tr><tr><td>2023.07.31</td><td>Taipei Foundation of Finance</td><td>New Challenges in the Era of Carbon Reduction: Corporate Carbon Reduction Strategies</td><td>3</td></tr></tbody></table> <p>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 (<a href="https://www.tunghosteel.com/investors/member">https://www.tunghosteel.com/investors/member</a>).</p>	Date of continuing education	Organizer	Course name	Training hours	2023.04.28	Chinese Corporate Governance Association	Board Members' Response to Information Technology Trends	3	2023.06.09	Chinese Corporate Governance Association	Promoting Sustainable Development through Risk Management - Risk Management Best Practice Principles for TWSE/TPEX Listed Companies	3	2023.06.19	Independent Director Association Taiwan	Reconstructing Cybersecurity from a Digital Forensics Perspective	3	2023.07.13	Taiwan Stock Exchange Corporation	The Sustainable Development Action Plan for TWSE/TPEX Listed Companies	3	2023.07.31	Taipei Foundation of Finance	New Challenges in the Era of Carbon Reduction: Corporate Carbon Reduction Strategies	3	
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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	
V. 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?	✓		<p>Tung Ho Steel values the rights and opinions of its stakeholders, establishes an open and direct communication channel with them, and publishes an annual Sustainability 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.</p> <p>(I) Shareholder communication channel:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. The annual report of the shareholders' meeting is issued annually for investors.</li> <li>3. The Company holds corporate meetings on an irregular basis. Two corporate meetings were held in 2023.</li> <li>4. The Shareholder Services section of the Company website (English version: <a href="https://www.tunghosteel.com/shareowner/shareholders">https://www.tunghosteel.com/shareowner/shareholders</a>) 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.</li> </ol> <p>(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 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>	No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<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; Sustainability Management &gt; Stakeholders, English website: <a href="https://www.tunghosteel.com/CSR/mp_investment.html">https://www.tunghosteel.com/CSR/mp_investment.html</a>), providing a contact window for each stakeholder and a complaint mailbox at:</p> <p>1. Tungho mailbox: <a href="mailto:tungho@tunghosteel.com">tungho@tunghosteel.com</a></p> <p>(1) Employees: Ms. Yu-Chen Ding (02) 2551-1100 Ext. 531 / <a href="mailto:dingyuj@tunghosteel.com">dingyuj@tunghosteel.com</a></p> <p>(2) Customers: Mr. Rui-Hong Weng (02) 2551-1100 Ext. 538 / <a href="mailto:rhweng@tunghosteel.com">rhweng@tunghosteel.com</a></p> <p>(3) Shareholder and media: Mr. Chun-Liang Chen (02) 2551-1100 Ext. 588 / <a href="mailto:i00kcc@tunghosteel.com">i00kcc@tunghosteel.com</a></p> <p>(4) Suppliers: Mr. Zhong-Ming Pan (02) 2551-1100 Ext. 604 / <a href="mailto:pcm@tunghosteel.com">pcm@tunghosteel.com</a></p> <p>2. Email addresses of Independent Directors</p> <p>Der-Ming Lieu: <a href="mailto:dmlieu@hotmail.com">dmlieu@hotmail.com</a></p> <p>Jih-Gang Liu: <a href="mailto:csc.039958@gmail.com">csc.039958@gmail.com</a></p> <p>Chia-Wen Liu: <a href="mailto:acliu@ntu.edu.tw">acliu@ntu.edu.tw</a></p>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		The Company's shareholders' meeting will be handled by Yuanta Securities Co., Ltd's stock agent department. Address: B1, No. 210, Sec. 3, Chengde Rd, Taipei City. Tel: (02)2586-5859 (Representative code) Website: <a href="https://www.yuanta.com">https://www.yuanta.com</a>	No difference.
VII. Information disclosure (I) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?  (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	✓		(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.  (II) The Company's information is disclosed in the following manner: 1. We have set up a website in English and Chinese, and appointed dedicated staff to collect and disclose relevant information. 2. Designated a spokesperson and an acting spokesperson. 3. The Company's financial information is disclosed to public investors through the Company's website and the Market Observation Post System. 4. Information and presentation materials related to the corporate meeting are announced on the Company's website for investors' reference.	No difference.

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
<p>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>(III) The financial reports for the first, second and third quarters of 2023 as well as the operating results for each month were announced and reported within the prescribed time limits. The financial report in 2023 has been announced and reported on February 26, 2024.</p>	
<p>VIII. 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</p>	✓		<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. The Company provides diversified communication mechanisms and platforms to ensure harmonious win-win labor relations. 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</li> </ol>	No difference.



Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
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>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.</p> <p>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.</p> <p>5. The Miaoli Branch and its enterprise union have signed a collective agreement.</p> <p>(II) Employee care:</p> <p>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 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 has implemented an occupational health and safety management system, regularly conducting employee safety-related education and training to ensure the health and safety of employees.</p> <p>4. 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>5. 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</p>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>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 2023, the hours of continuing education courses for directors have amounted to 63 hours, with an average of 7.0 hours per person. The total director training hours fully met 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="https://www.tunghosteel.com/investors/resolution">https://www.tunghosteel.com/investors/resolution</a>).</p>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>(VII) The implementation of risk management policies and risk evaluation standard: The risk management in 2023 has been processed in accordance with the Risk Management Policy and Procedure established by the Company. Through risk management meetings, potential risks related to various departments have been identified, including 25 risk factors in four major categories: operational, financial, processing, and environmental (added community risk factors in 2023). Each department assess the possibility of various risk factors and degree of impact based on their functions, taking necessary measures, assuring proper management of various risks, and evaluating the likelihood and impact level. Analyses of the urgency and financial impact level of each risk factor reveal that the most significant risk factors are "carbon tax imposition," "labor shortage," and "talent gap." Other factors with moderate impact levels are currently under appropriate control or have less urgency, requiring only continued monitoring. The Audit Office will prepare annual audit plans based on the risk evaluation results to ensure the effective implementation of relevant control procedures. The implementation details have been reported to the 25th session (6th meeting) Board of Directors Meeting on December 26, 2023.</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>	

Assessed areas	Operations			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			(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 2023, it was submitted to the 25th session (5th meeting) Board of Directors on October 30, 2023.	
<p>(IV) 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. The following is a description of the evaluation indicators based on the results of the Company's 10th Corporate Governance Review, for which the Company did not achieve the required scores but has made improvements:</p> <p>(I) (Indicator 1.2): Has the Company established written regulations regarding financial transactions between related parties? The content should include procedures for the management of transactions such as purchases and sales, acquisition or disposal of assets, and the relevant material transactions shall be approved by the Board of Directors and reported to or approved by the shareholders' meeting. Improvement progress: The Company has revised the written regulations concerning financial transactions between related parties.</p> <p>(II) (Indicator 1.3): Whether the Company has a majority of directors and the convener of the audit committee attending the shareholders' meetings in person, with their attendance disclosed in the minutes of the meeting? Improvement progress: The convener of the audit committee of the Company personally attended the shareholders' meeting this year.</p>				

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

**1. Remuneration and Nomination Committee Member Information**

<div> <div>Identity</div> <div>Condition</div> <div>Name</div> </div>		Professional qualifications and experience	Independence	Also served as a member of remuneration committees for how many other companies
Convener Independent Director	Jih-Gang Liu	Please refer to (I) the Director Information - 2 Table on Page 20 for more details of the Directors.	Please refer to (I) the Director Information - 2 Table on Page 20 for more details of the Directors.	0
Independent Director	Chia-Wen Liu	Please refer to (I) the Director Information - 2 Table on Page 21 for more details of the Directors.	Please refer to (I) the Director Information - 2 Table on Page 21 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 and Nomination Committee Operation Status**

- (1) The Company's Remuneration Committee was renamed as the "Remuneration and Nomination Committee" on May 30, 2023.
- (2) The Remuneration and Nomination Committee comprised 3 members.
- (3) Current term for the members: From June 19, 2023, when the Board of Directors passed this appointment, until the expiration of the 25th term of the Board of Directors, the latest Remuneration and Nomination Committee has held 4 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
Convener Independent Director	Chuang-Hsi Chang	1	0	100	Former
Convener Independent Director	Jih-Gang Liu	3	0	100%	Newly appointed on June 19, 2023
Committee Member Independent Director	I-Chi Liu	1	0	100	Former
Committee Member Independent Director	Chia-Wen Liu	3	0	100%	Newly appointed on June 19, 2023
Committee Member	Chengming Zhu	4	0	100%	Re-appointed on June 19, 2023.

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
2023.02.21 7th meeting of the 4th board	1. 2022 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. 2022 Board of Directors Performance Evaluation Results	All members present agreed to approve the proposal and submit it to the board of directors for resolution.	Acknowledged by the Board of Directors
2023.06.27 1st meeting of the 5th board	1. The remuneration for the 25th term of the Board of 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. The remuneration for members of various functional committees.	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.
	3. The salary adjustment for the newly appointed General Manager of Taoyuan Works.	The entire committee adopted without objection.	Implemented in accordance with the contents of the resolution.
2023.10.17 2nd meeting of the 5th board	1. Promotion for senior managers of the Company.	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. Remuneration review for company managers	The entire committee adopted without objection.	Implemented in accordance with the contents of the resolution.

2023.12.19 3rd meeting of the 5th board	1. The amendment to the "Board of Directors' Performance Evaluation Guidelines".	Upon discussion, it was agreed to amend some articles and submit them to the Board of Directors for resolution.	The Board of Directors agreed to proceed in accordance with the suggestion of the Remuneration and Nomination Committee by resolution.
	2. The percentage of directors' and employees' remuneration in 2023.	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.
	3. Review the performance evaluation standards for professional managers in 2023.	The entire committee adopted without objection.	Implemented in accordance with the contents of the resolution.
	4. Year-end bonus distribution in 2023	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. Sustainable Development (formerly Corporate Governance and Nominating) Committee Information and Operation Status

#### (1) Specify the qualifications and responsibilities of the Corporate Governance and Nominating Committee Information members.

1. To enhance the functionality of the Board of Directors, the 25th term, 2nd meeting of the board on June 19, 2023, passed the amendment to the "Corporate Governance and Nominating Committee Charter," renaming it as the "Sustainable Development Committee Charter." The Corporate Governance and Nominating Committee was renamed as the Sustainable Development Committee.
2. Before the renaming, 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.

3. After the renaming, the Sustainable Development 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 establish, monitor, and review environmental sustainability (climate change management, water stewardship) systems and objectives.
  - To formulate, monitor, and review sustainable development policies, systems, or management policies related to Corporate Social Responsibility.
  - To establish, monitor and review relevant policies and management mechanisms related to corporate governance, integrity management, and risk management.
  - 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 Sustainable Development Committee consists of 3 members.
2. Current term for the members: The 2nd term of the Corporate Governance and Nominating Committee lasted from May 19, 2020 to May 18, 2023, while the 3rd term of the Sustainable Development Committee will last from June 19, 2023, until the expiry of the 25th Board of Directors as resolved by the Board on the date of approval of this appointment. The latest Sustainable Development 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 Chairman	Henry C. T. Ho	Please refer to (I) the Director Information - 2 Table on Page 18 for more details of the Directors.	3	0	100.00	Re-appointed on June 19, 2023.
Committee Member Independent Director	Chuang-Hsi Chang	PhD in Law, Political Science and Sociology from Pantheon-Assas University and currently works as an Associate Professor at Huafan University. Specializes in global political and economic trends, corporate governance, and administrative management.served as the Secretary General of Office of Secretariat at Huafan University, Director and President of Huashan Creative Industrial Co., Ltd., Associate Professor of National Central University, and Associate Professor of Huafan University. Possessing qualifications equivalent to an associate professor at a college or university and professional abilities including operational judgment, operational management, crisis management, industry knowledge, international market perspective, leadership, decision-making, sustainability management, risk management, and climate change management as part of the diversified core abilities required by the Board of Directors.	2	0	100.00	Former



Title	Name	Professional qualifications and experience	Actual attendance number (B)	Attendance by proxy	Actual attendance rate (%) (B / A) (Note)	Note
Committee Member Independent Director	Der-Ming Lieu	Please refer to (I) the Director Information - 2 Table on Page 20 for more details of the Directors.	3	0	100.00	Re-appointed on June 19, 2023.
Committee Member Independent Director	Jih-Gang Liu	Please refer to (I) the Director Information - 2 Table on Page 20 for more details of the Directors.	1	0	100.00	Newly appointed on June 19, 2023
Other matters that should be recorded: The Sustainable Development 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	Sustainable Development (formerly Corporate Governance and Nominating) Committee resolution results	The Company's handling of the Sustainable Development (formerly Corporate Governance and Nominating) Committee opinions			
2023.02.14 7th meeting of the 2nd board	Nomination for the 25th term of directors (including independent directors) of the 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.			
2023.05.02 8th meeting of the 2nd board	The publication of the 2023 Climate Change-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.			
	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.			
2023.12.12 1st meeting of the 3rd board	Amendments to human rights 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.			
	The amendment to the Risk Management Policy and Procedure	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.			

(Note):

- (1) If any member of the Nomination Committee has resigned before the end of the fiscal year, the resignation date should be noted in the note column. The actual attendance rate (%) should be calculated based on the number of Nomination Committee meetings during their tenure and the number of meetings they attended.
- (2) If there have been changes in the members of the Nomination Committee due to re-elections before the end of the fiscal year, both the incoming and outgoing members of the committee should be listed. In the note column, indicate whether the member is outgoing, incoming, or re-appointed, along with the re-election date. The actual attendance rate (%) should be calculated based on the number of Nomination Committee meetings during their tenure and the number of meetings they attended.

(V)

# **1. 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?	✓		<p>1. Governance structure to promote sustainable development</p> <p>In order to improve the functions of the Board of Directors and strengthen the management mechanism, the Company has established relevant functional committees in accordance with the Company's Articles of Incorporation. The Sustainable Development Committee is a non-statutory functional committee. It consists of units such as environmental sustainability, corporate social responsibility, and corporate governance, being respectively responsible for:</p> <p>(1) To establish, monitor, and review environmental sustainability (climate change management, water stewardship) systems and objectives.</p> <p>(2) To formulate, monitor, and review sustainable development policies, systems, or management policies related to Corporate Social Responsibility.</p> <p>(3) To establish, monitor and review relevant policies and management mechanisms related to corporate governance, integrity management, and risk management.</p> <p>2. Sustainable Development Unit Operation Status</p> <p>(1) <u>Professional Unit</u>: The Company's Sustainable Development 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. On June 19, 2023, the 2nd meeting of the 25th board of directors passed the amendment to the "Corporate Governance and Nominating Committee Charter," renaming it as the "Sustainable Development Committee Charter." The Corporate Governance and Nominating Committee was renamed as the Sustainable Development Committee.</p> <p>(2) <u>Operations and annual execution of the current year</u>: The Sustainable Development Committee holds at least two meetings a year, with a total of three members and the Chairman of the board serving as the convener, and more than half of the members are independent directors with relevant professional capabilities.</p>	No difference.

Title	Name	Gender	Education	Professional competence
Convener Chairman	Henry C. T. Ho	Male	Department of Economics, Harvard University	Business judgment capabilities, accounting and financial analysis, operational management, crisis management, industry knowledge, international market, leadership, decision-making, sustainable management, risk management, and climate change management.
Committee member Independent Director	Der-Ming Lieu	Male	Ph.D. in Economics, The Ohio State University, USA	Mr. Lieu specializes in international finance, investment, derivative financial products and financial engineering, corporate financial management, and risk measurement and control of investment portfolio, and has the work experience required for the Company's business operations and the core abilities required by the Board of Directors, including business judgment, accounting and financial analysis, operational management, crisis handling, industry knowledge, international market understanding, leadership skills, decision-making, sustainability management, risk management, and climate change management.
Committee member Independent Director	Jih-Gang Liu	Male	Department of Mechanical Engineering, National Taiwan University	Business judgment capabilities, operational management, crisis management, industry knowledge, international market, leadership, decision-making, sustainable management, risk management, and climate change management.

(3) Responsibilities include:

- To establish, monitor, and review environmental sustainability (climate change management, water stewardship) systems and objectives.
- To formulate, monitor, and review sustainable development policies, systems, or management policies related to Corporate Social Responsibility.
- To establish, monitor and review relevant policies and management mechanisms related to corporate governance, integrity management, and risk management.
- Other matters as directed by the Board of Directors.

(4) The execution of the Sustainable Development Committee in the current year:  
The committee convenes meetings at least twice a year, with resolutions and decisions regularly reported to the Board of Directors. Reports are submitted to the board at least

twice annually. The Sustainable Development Committee held three meetings in 2023, with a member attendance rate (excluding proxy attendance) of 100%. Reports were submitted to the Board of Directors three times.

Date / Term	Summary	Date / Term of reporting to the Board of Directors
2023.02.14 7th meeting of the 2nd board	<ul style="list-style-type: none"> <li>Report on the inventory and schedule planning of greenhouse gas</li> <li>Nomination for the 25th term of directors (including independent directors) of the Company</li> </ul>	2023.02.22 25th meeting of the 24th board of directors
2023.05.02 8th meeting of the 2nd board	<ul style="list-style-type: none"> <li>Corporate governance and execution and review report</li> <li>Report on the implementation of sustainable development               <ol style="list-style-type: none"> <li>Report on communication with the stakeholders</li> <li>Report on the issuance of sustainable development reports for 2022</li> </ol> </li> <li>Report on the inventory and schedule planning of greenhouse gas</li> <li>Report on the performance of environmental sustainability team</li> <li>The publication of the 2023 Climate Change-related Financial Disclosures (TCFD) Report.</li> <li>Formulation of greenhouse gas management strategies, reduction targets and plans               <ol style="list-style-type: none"> <li>Information on inventory and reduction of greenhouse gas in 2022</li> <li>Greenhouse gas management strategies, reduction targets and plans</li> </ol> </li> </ul>	2023.05.09 27th meeting of the 24th board of directors
2023.12.12 1st meeting of the 3rd board	<ul style="list-style-type: none"> <li>The promotion of corporate governance:               <ol style="list-style-type: none"> <li>Develop intellectual property management plans that are linked to operational objectives</li> <li>Program to prevent dishonest behavior and insider trading</li> <li>Risk management</li> <li>Information security management</li> <li>Environmental sustainability</li> </ol> </li> <li>Report on the inventory and schedule planning of greenhouse gas</li> <li>Amendments to human rights policy</li> <li>The amendment to the Risk Management Policy and Procedure</li> </ul>	2023.12.26 6th meeting of the 25th board of directors

3. 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 2023 is as follows:

			Date / Term of board meeting	Content of motion	
			2023.01.05 24th meeting of the 24th board	<ul style="list-style-type: none"> <li>Tung Kang Wind Power Corporation's (the subsidiary) application for a lease of the rooftop of Taoyuan Machining Center of the Company was approved.</li> </ul>	
			2023.02.22 25th meeting of the 24th board	<ul style="list-style-type: none"> <li>Report on the inventory and schedule planning of greenhouse gas.</li> <li>Amendments to the "Corporate Governance Best Practice Principles" were approved.</li> <li>Amendments to the "Sustainable Development Best Practice Principles" were approved.</li> <li>The 2030 interim goal-setting for achieving "Net Zero Carbon Emissions by 2050" was approved, with two targets using "30" for 2030: (1) Carbon Reduction by 30%: Reduce total carbon emissions by 30% compared to 2005 levels by 2030. (2) RE30: By 2030, 30% of the total electricity consumption will be sourced from renewable energy, and the procurement of renewable energy to cover 30% of the Company's annual electricity consumption will be completed by 2030.</li> </ul>	
			2023.04.11 26th meeting of the 24th board	<ul style="list-style-type: none"> <li>The construction of a 100MW grid-connected E-dReg energy storage system at the Longgang Industrial Park area by our subsidiary, Tung Kang Wind Power Corporation, was approved.</li> </ul>	
			2023.05.09 27th meeting of the 24th board	<ul style="list-style-type: none"> <li>Report on the implementation of sustainable development:               <ol style="list-style-type: none"> <li>Report on communication with the stakeholders.</li> <li>Report on the issuance of sustainable development reports for 2022.</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 2023.</li> <li>Formulation of greenhouse gas management strategies, reduction targets and plans was approved.</li> </ul>	
			2023.06.19 2nd meeting of the 25th board	<ul style="list-style-type: none"> <li>Amendments to the "Corporate Governance and Nominating Committee Charter" and the renaming of it to the "Sustainable Development Committee Charter" were approved.</li> </ul>	
			2023.07.04 3rd meeting of the 25th board	<ul style="list-style-type: none"> <li>Approved the donation to the "Tung Ho Steel Cultural Foundation" for organizing refining projects and related activities, along with operational expenses, amounts to NT\$4.5 million, 40 tons of steel, and 30 tons of scrap steel. The sponsorship funds will be disbursed in installments from 2023 to 2024 based on the progress of the activity plans.</li> </ul>	
			2023.07.31 4th meeting of the 25th board	<ul style="list-style-type: none"> <li>Report on the inventory and schedule planning of greenhouse gas.</li> </ul>	
			2023.12.26 6th meeting of the 25th board	<ul style="list-style-type: none"> <li>The promotion of corporate governance:               <ol style="list-style-type: none"> <li>Develop intellectual property management plans that are linked to operational objectives</li> <li>Program to prevent dishonest behavior and insider trading</li> <li>Risk management</li> <li>Information security management</li> <li>Environmental sustainability</li> </ol> </li> <li>Report on the inventory and schedule planning of greenhouse gas.</li> <li>Amendments to human rights policy were approved.</li> <li>Amendments to the "Measures for Special Surplus Reserve Allocation and Application for Climate Change Adaptation and Mitigation" were approved.</li> <li>Amendments to the "Risk Management Policy and Procedure" were approved.</li> </ul>	

<p>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?</p>	<p>✓</p>	<ol style="list-style-type: none"> <li>1. The Sustainable Development Committee is chaired by the Chairman of the Board, with over half of its members being independent directors. It includes a Corporate Governance Unit responsible for establishing, monitoring, and reviewing policies and management mechanisms related to risk management. The committee reports on the overall execution of risk management to the Board of Directors at least once a year. The committee consists of three members, all of whom possess relevant professional expertise.</li> <li>2. 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 Sustainable Development Committee for discussion and implementation, and regularly reviewed annually. Through risk management meetings, potential risks related to various departments have been identified, including 25 risk factors in four major categories: operational, financial, processing, and environmental (added community risk factors in 2023). Each department assess the possibility of various risk factors and degree of impact based on their functions, taking necessary measures, assuring proper management of various risks, and evaluating the likelihood and impact level. Analyses of the urgency and financial impact level of each risk factor in 2023 reveal that the most significant risk factors are "carbon tax imposition," "labor shortage," and "talent gap." Other factors with moderate impact levels are currently under appropriate control or have less urgency, requiring only continued monitoring. The Audit Office will prepare annual audit plans based on the risk evaluation results to ensure the effective implementation of relevant control procedures. The committee reports on the overall execution of risk management to the board of directors at least once a year, and the related implementation was reported to the 6th meeting of the 25th Board of Directors Meeting on December 26, 2023.</li> <li>3. Information security management 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. Furthermore, the Information Security Representative appointed by the President establishes the "Information Security Task Force," responsible for implementing the Company's information security management system. Our company has imported the ISO 27001 information security management system. The scope of verification covers the relevant information security management activities of our company's information department, including system development, and the management, maintenance and operation of information rooms and network service. The certificate is valid from April 3, 2023 to October 31, 2025. The implementation of the ISO 27001 Information Security Management System is aimed at realizing and strengthening information security management efforts. Furthermore, to enhance the Company's information security, we have joined the TWCERT/CC as a member. This allows for the sharing of information security intelligence to expedite security protection and reduce risks. Specific management plan and resource allocation for information security in 2023 are as follows: (1) Replaced outdated (End Of Service) firewalls used in all external communication lines throughout the Company to reduce the risk of cyberattacks.</li> </ol>	<p>No difference.</p>
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			<p>(2) Created an online educational training video titled "Phishing Email Prevention Awareness" to enhance colleagues' awareness of phishing emails, available for viewing by all staff members.</p> <p>(3) In October 2023, the implementation of an online education platform was initiated to overcome the limitations of physical classroom locations and schedules. 6 information security courses and 5 information security awareness documents were uploaded to facilitate the enhancement of colleagues' awareness of information security.</p> <p>(4) The information security personnel attended the Cybersecurity Leadership Workshop and the Cyber Defense Technology Course organized by the Information Service Industry Association of R.O.C. Three personnel participated, totaling 9 person-hours. The implementation details have been reported to the 25th session (6th meeting) Board of Directors Meeting on December 26, 2023.</p> <p>4. Develop intellectual property management plans that are linked to operational objectives 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 it's supervision level to that of the Board of Directors. The company conducted the inventory of intellectual property on November 1, 2023, 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. The intellectual property management plans that are linked to operational objectives shall be presented to the Board of Directors at least once a year, and the report was submitted at the 6th meeting of the 25th Board of Directors on December 26, 2023.</p>	
<p>III. Environmental issues</p> <p>(I) Did the company establish an appropriate environmental management system based on its industry characteristics?</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 2023, the Daye plant was established, and the implementation of greenhouse gas inventory (ISO 14064-1) and environmental management systems (ISO 14001) will gradually be completed. In addition, special units have been set up by each plant 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 effectively managed waste gas, wastewater, and waste, with continual investment for better pollution prevention equipment. It also adopts 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:</p> <p>(1) ISO 9001 Quality Management System Certification (Valid till: December 7, 2024)</p> <p>(2) ISO 14001 Environment Management System Certification (Valid till: June 15, 2024)</p> <p>(3) ISO 50001 Energy Management System Certification (Valid till: November 30, 2026)</p> <p>(4) Type III Product Environmental Declaration (EPD) Certificate Certification (Valid till: January 1, 2026)</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, conducting reviews of implementation results and target. 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. Furthermore, the Company set targets for using low-carbon materials. Starting from 2023, we will no longer procure cast iron with higher carbon emissions. By 2027, we aim to use 100% scrap steel and discontinue the use of cast iron as a raw material for electric furnace steelmaking.</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, ISO 14067 product carbon footprint certification, and Type III Product Environmental Declaration (EPD) Certificate 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 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 2023 was approximately 42,320.9 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 in 2023 as well as the 2023 Climate-related Financial Disclosures (TCFD) Report have been reported to the 24th session (27th meeting) Board of Directors Meeting on May 9, 2023. 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 Sustainable Development 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. Seven risks and four opportunities were identified in 2023. The risks include cap and trade, renewable energy regulations, new technology investment, tropical cyclone, change in customer behavior, change in average precipitation, and extreme changes in temperature; the opportunities include use of more efficient production, recycling, financial institution incentives, and transition to decentralized energy sources. 2023 climate change-related risks, opportunities, necessary measures, and targets of related issues are disclosed in the 2023 Tung Ho Steel TCFD Report. <a href="https://www.tunghosteel.com/CSR/report">https://www.tunghosteel.com/CSR/report</a> )</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</p>	No difference.



		<p>turbines and has started selling energy in bulk. Starting from 2023, the renewable energy electricity and certificates will be supplied to Tung Ho Steel Enterprise Corp. In addition, solar photovoltaic (PV) generation equipment with a capacity of approximately 16.986 MW will be installed on the rooftops of various plant buildings. This is expected to generate an annual average of about 21.23 million kWh of electricity, contributing to a reduction of approximately 10,509 metric tons of carbon emissions per year. Furthermore, the green electricity and certificates will be sold to Tung Ho Steel to comply with the requirements of the Ministry of Economic Affairs' Energy Bureau for large electricity consumers. The surplus electricity after meeting the requirements of the large electricity user terms will be sold to Taiwan Power Company. The investment amount is approximately NT\$538 million, and it is expected to start generating electricity gradually after completion in 2024. Up to 2023, the capital expenditure for setting up solar power generation has amounted to about NT\$271 million.</p> <p>Additionally, in 2019, 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. It is anticipated that the operation will commence and begin generating income in the second half of 2024. As of 2023, the capital expenditure invested amounts to approximately NT\$245 million.</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>																			
(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>1. The statistics on greenhouse gases, water consumption, and waste in the past two years are as follows:</p> <p>(1) Greenhouse gases (ISO 14064:2018):</p> <table><tr><td>Item</td><td>2022</td><td>2023</td></tr><tr><td>Category I</td><td>188,592</td><td>222,355</td></tr><tr><td>Category II</td><td>621,505</td><td>602,455</td></tr><tr><td>Category I + Category II</td><td>810,098</td><td>824,810</td></tr><tr><td>Category I + Category II Intensity (total greenhouse gas emissions/total billet production)</td><td>0.424</td><td>0.434</td></tr><tr><td>Categories III to VI (The scope of the inventory covers a total of 15 items, such as transportation, products of an organization, use of products of an organization, etc.)</td><td>1,441,998</td><td>1,658,629</td></tr></table> <p>(Note: The data for the year 2022 includes the head office, Taoyuan Plant, Miaoli Plant, and Kaohsiung Plant. Starting from the year 2023, it also includes the Daye Plant, Logistics Center at Taichung Port, and Taoyuan Machining Center. In 2022, the greenhouse gas emissions of the Company's head office and three plants were verified by Taiwan Wesley International Quality Assurance (BV). In 2023, the data were presented as internal inventory data because the verification was not completed when the annual report was issued.)</p>	Item	2022	2023	Category I	188,592	222,355	Category II	621,505	602,455	Category I + Category II	810,098	824,810	Category I + Category II Intensity (total greenhouse gas emissions/total billet production)	0.424	0.434	Categories III to VI (The scope of the inventory covers a total of 15 items, such as transportation, products of an organization, use of products of an organization, etc.)	1,441,998	1,658,629	No difference.
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			<div>(2) Water consumption:</div> <table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>Total Company Water Consumption (Unit: million liters)</td><td>2,108.753</td><td>2,222.456</td></tr><tr><td>Intensity (total water consumption/total billet production)</td><td>0.001168</td><td>0.001046</td></tr></table> <div>(Note: The data of 2022 covers the headquarters, Taoyuan Plant, Miaoli Plant, and Kaohsiung Plant. Starting from 2023, the data includes the newly added Daye Plant. This information will be concurrently disclosed in the Sustainability Report. The 2022 sustainability report has been verified. The data of 2023 is planned to be verified by BSI (British Standards Institution) in April 2024. The data will primarily be based on the Sustainability Report for publication. )</div> <div>(3) Waste Disposal Volume (Unit: metric tons):</div> <table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>Hazardous business waste</td><td>33,601</td><td>33,507</td></tr><tr><td>Non-hazardous business waste</td><td>332,186</td><td>299,267</td></tr><tr><td>Total weight of company waste</td><td>353,787</td><td>332,774</td></tr></table> <div>(Note: The data of 2022 covers the Taoyuan Plant, Miaoli Plant, and Kaohsiung Plant. Starting from 2023, the data includes the newly added Daye Plant. This information will be concurrently disclosed in the Sustainability Report. The 2022 sustainability report has been verified. The data of 2023 is planned to be verified by BSI (British Standards Institution) in April 2024. The data will primarily be based on the Sustainability Report for publication. )</div> <div>Since 2003, we have been conducting greenhouse gas emission inventories, participating in voluntary reduction programs, and proactively disclosing greenhouse gas management information. 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).</div> <div>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.</div>	Item	2022	2023	Total Company Water Consumption (Unit: million liters)	2,108.753	2,222.456	Intensity (total water consumption/total billet production)	0.001168	0.001046	Item	2022	2023	Hazardous business waste	33,601	33,507	Non-hazardous business waste	332,186	299,267	Total weight of company waste	353,787	332,774	
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			<p>The Company has established an independent waste inspection and audit system at each of the 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>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 workplace diversity and human rights 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. Workplace Diversity and Human Rights Policy are as follows:</p> <ol style="list-style-type: none"> <li>1. Diversity, Inclusion, and Equal Opportunity <ol style="list-style-type: none"> <li>(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, coexistence, and harassment-free work environment and provides an effective and appropriate grievance system to protect the rights and interests of its employees.</li> <li>(2) Employment is based on professional abilities and experience, and discrimination based on race, nationality, class, language, ideology, religion, party affiliation, place of origin, place of birth, gender, sexual orientation, gender identity and expression, age, marriage, pregnancy, appearance, facial features, disability, zodiac sign, blood type, or previous union membership is prohibited in recruitment, selection, assignment, training, assessment, promotion, remuneration, and benefits; where otherwise provided for in other laws, such provisions shall prevail.</li> </ol> </li> <li>2. Safe and Healthy Work Environment <ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> </ol> </li> <li>3. Freedom of Assembly <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</p> </li> </ol>	No difference.

			<p>harmonious and win-win labor-management relationship.</p> <p>The Company takes all complaints seriously and investigates with due diligence. In 2023, the Company did not receive any complaint about gender or racial discrimination or violation of human rights. In 2023, various human rights education courses were held, including "Sexual Harassment Prevention Education and Training," "A Diverse and Inclusive Friendly Workplace," and "Human Rights and Occupational Health and Safety Education and Training for Security Personnel." A total of 232 employees attended these courses, representing 19% of the total workforce. The total number of hours was 388 person-hours.</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>1. Employee welfare</p> <p>The Company aims to create a harmonious, friendly, and healthy work environment. 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.</p> <p>As of the end of 2023, the total number of employees in our company was 2,075, consisting of 1,604 full-time employees (1,894 males, 91.3%; 181 females, 8.7%) and 290 male temporary employees. We have employed 62 indigenous employees (3.0% of the total workforce) and 26 employees with disabilities (1.3% of the total workforce), which exceeds the government's quota requirement of 1% for employing people with disabilities, as stipulated in the "People with Disabilities Rights Protection Act." This demonstrates our commitment to establishing a harmonious, friendly, diverse, and equal work environment. Due to the nature of the steel industry, there is a higher proportion of male employees compared to female employees, resulting in a significant gender disparity.</p> <p>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 formulated remuneration policies, paying 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. The Company links the remuneration of top-level executives such as the President and Vice President to ESG (Environmental, Social, and Governance) performance. ESG participation and promotion initiatives constitute 10% of the overall performance evaluation, aiming to continually drive sustainable objectives.</p> <p>Through the establishment of joint employee welfare committees in each factory, the Company organizes various employee welfare activities and subsidies, such as: gifts for festivals, birthday gifts, labor day bonuses, wedding and funeral subsidies, maternity subsidies, education scholarships for employees' children, employee travel opportunities, community subsidies and retirement subsidies, etc.</p> <p>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.</p> <p>The Company has established labor unions at its business offices, and held employer-</p>	No difference.

			<p>employee meetings on a regular basis. Union members can participate in labor-management meetings through enterprise union elections to elect labor representatives, facilitating communication between labor and management, coordinating labor-management relations, and promoting cooperation. Additionally, representatives elected by the enterprise union serve as members of the "employee welfare committees" and the "retirement reserve fund supervisory committee" to oversee and safeguard the rights and interests of employees.</p> <p>In accordance with the Collective Agreement Act, the Company commenced collective agreement negotiations with the Enterprise Union of the Miaoli Plant in September 2019. These negotiations covered various matters such as labor conditions, welfare measures, occupational safety, employee complaint mechanisms, union organization and activities, and the utilization of corporate facilities. After nine rounds of negotiation meetings, both parties signed the collective agreement on December 17, 2020. The collective agreement is valid from the signing date until December 16, 2023, totaling three years. Negotiations for the renewal of the collective agreement with the Enterprise Union of the Miaoli Plant began in September 2023, and it is scheduled to sign a new collective agreement in May 2024.</p> <p>2. Operational Performance and Employee Remuneration</p> <p>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.</p> <p>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 2023 was approved at the 7th meeting of the 25th Board of Directors on February 26, 2024.</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>1. Measures for safe and healthy work environment, education policies, and their implementation:</p> <p>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.</p> <p>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 2023, there were 1,683 general health check-ups and 1,743 special health check-ups, with examination</p>	No difference.

			<p>fees totaling approximately NT\$3.34 million, representing a 15% increase compared to the previous fiscal year. In 2023, each plant arranged on-the-job education and training related to safety and health, with an investment of about NT\$2.3 million and a total of 24,427 participant hours, representing an increase of approximately 6.6% compared to 2022 (22,909 person-hours).</p> <p>2. 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 (valid til August 2025). 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 45001:2018 and TOSHMS are covered.</p> <p>3. Number and ratio of work accidents and improvement</p> <p>In 2023, a total of 11 injuries occurred at the three plants, a decrease of 1 injury compared with 2022, accounting for 0.5% of the total number of employees. The employees who were injured were all male employees, and no female employees were involved in any work-related injuries. All plants have implemented remedial preventive measures, including reorganizing work areas, installing additional safety protection measures, enhancing or revising safety operation standards for the relevant tasks, conducting safety awareness training for employees, and implementing a three-month safety observation period. The observation records are submitted to the Labor and Safety Center for record-keeping. Additionally, hazard identification and risk assessments are carried out again for tasks where injuries have occurred.</p> <p>A fire occurred in 2023, which was caused by a malfunction of the dust collector coupling of the windmill at the Miaoli plant. Friction generated heat, resulting in internal combustion. The high temperature caused the filter pipeline to rupture, leading to the spraying of lubricating oil onto the ground, causing a minor fire. Fortunately, no injuries were reported. Improvement measures: (1) Clean the lubricating oil stains of the dust collector windmill once a month. (2) Install high-temperature alarms and high-temperature trip devices for the dust collector windmill.</p> <p>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>	
(IV) Has the Company established effective career and competence development and training plans?	✓		<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. In 2023, a total of 197 relevant managers from Tung Ho Steel and its consolidated subsidiaries participated.</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</p>	No difference.

			<p>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. In 2023, the Company's total number of education and training hours was 41,621 hours, an average of 20 training hours per person; the number of training hours for high-level managers was 456 hours, an average of 24 hours per person; the number of training hours for division heads was 1,001 hours, an average of 28 hours per person; the number of training hours for section chiefs was 2,471 hours, an average of 26 hours per person; the number of training hours for other personnel was 37,693 hours, an average of 20 hours per person.</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>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 2023, 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> <li>15. EU Construction Product Regulation (CPR)</li> </ol> <p>Others</p>	No difference.

			1. ISO 9001 Quality Management System Certification (Valid till: December 7, 2024) 2. ISO 14001 Environment Management System Certification (Valid till: June 15, 2025) 3. ISO 50001 Energy Management System Certification (Valid till: November 30, 2026) 4. Type III Product Environmental Declaration (EPD) Certificate Certification 5. ISO 14067 carbon footprint of products 6. TAF Physics Laboratory/Laboratory Accreditation 7. Factory Production Control Certification	
(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>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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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 .</p> <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> <p>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 mitigation and adaptation, as well as honest management and ethical standards. By 2023, a total of 712 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.</p>	No difference.



<p>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>	<p>✓</p>	<p>1. International standards or guidelines for the preparation of non-financial information reports The content structure of the Company's "2022 Corporate Social Responsibility Report" issued in 2023 is based on the GRI Standards of the Global Reporting Initiative (GRI) and supplemented with the G4 Sector Disclosures –Mining and Metals, 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 Company's "2022 Sustainability Report" was approved and issued at the 27th meeting of the 24th Board of Directors Meeting on May 9, 2023.</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 for three consecutive years, 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 "2023 Climate Related Financial Disclosure Report" was approved and issued at the 27th meeting of the 24th Board of Directors Meeting on May 9, 2023.</p> <p>2. Third-party assurance or accreditation for non-financial information reports The Company's CSR Report 2022 published in 2023 has been verified by British Standards Institution (BSI), a third-party impartial organization and meets the requirements of AA1000AS Type 1 Medium Assurance Level and the disclosure requirements of the latest version of GRI Standards. The report is publicly disclosed in the Sustainability section of the website on <a href="https://www.tunghosteel.com/CSR/report">https://www.tunghosteel.com/CSR/report</a>.</p> <p>The "2023 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>	<p>No difference.</p>
<p>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.</p>			
<p>VII. Other key information useful for explaining the status of sustainable development implementation:</p> <p>(I) The Company's 2023 CDP questionnaire was honored with a "Leadership Level (A-)" for Climate Change and a "Management Level (B)" for Water Management: CDP is the most iconic rating agency in the global climate arena. The Company completed the CDP Climate Change Questionnaire and achieved the A- scoring, which is better than the average (B-) of the metal smelting, refining, and forming sector, the average (C) of Asian companies, and the average (C) of global enterprises. In 2023, the Company participated in the water questionnaire for the first time and achieved the B scoring, indicating that we have entered the water resource management stage and have taken integrated actions on water-related issues. 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) Won the 4th Taiwan Circular Economy Award (Enterprise Award - Outstanding Award) The 4th Taiwan Circular Economy Award will incorporate criteria such as circular economy management and corporate circularity in the selection process. Over 20 experts from industry, government, and academia have been invited to assess and select winners based on economic and environmental benefits. Won the 4th Taiwan Circular Economy Award (Enterprise Award - Outstanding Award). Tung Ho Steel recycles scrap steel from urban mines to produce construction steel in a more energy-efficient and low-carbon manner, contributing to environmental friendliness and net-zero carbon emissions.</p> <p>(III) Awarded the 2023 "Net Zero Industrial Competitiveness" Award of Excellence The Net Zero Industrial Competitiveness Award is based on publicly available information such as financial reports, annual reports, and sustainability reports. Through various quantitative and qualitative indicators, companies are selected for different awarding levels of the Net Zero Industrial Competitiveness. To achieve net-zero carbon emissions by 2050, the Company has</p>			

proactively invested in renewable energy and formulated a carbon reduction pathway. We have set practical interim targets for 2030, aiming to achieve a 30% reduction in carbon emissions and ensure that 30% of our energy comes from renewable sources. These efforts reflect our commitment to sustainable business practices and our ultimate goal of achieving net-zero carbon emissions and promoting energy conservation and environmental protection. We aspire to maintain our leadership in the electric furnace industry by achieving even lower carbon emissions intensity. We are actively responding to the expectations of all stakeholders to ensure the sustainability of our operations.

- (IV) 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.
- (V) Our company is concerned about social issues and actively participates in public welfare. The Company donated a total amount of NT\$14.86 million to charities in 2023, and an amount of NT\$4.29 million for Community development and neighborhood sponsorship.
- (VI) The Company has won the TCSA Taiwan Corporate Sustainability Award organized by the Taiwan Corporate Sustainability Institute year after year. In 2023, 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.
- (VII) Tung Ho Steel is committed to caring for social welfare and fulfilling its responsibility to thrive along with Taiwan. In 2012, 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 with the focus on promoting the integration of the steel industry with culture. Since its establishment, the foundation has held "Tung Ho Steel International Artist-in-Residence Program", inviting artists to reside in the Miaoli plant area to create steel sculptures, becoming one of the most important cases of collaboration between Taiwanese enterprises and the arts community, and was awarded the "Best Creative Award" at the 10th Arts and Business Awards by the Ministry of Culture. In 2023, Tung Ho Steel sponsored various cultural and artistic events, including the "Refining Projects" and the "2023 Kaohsiung International Steel Sculpture Festival - everything is connected, Kaohsiung Manufacturing," organized by the Tung Ho Steel Foundation, as well as donations to the Asia Culture Council Taiwan Foundation and other cultural activities, totaling approximately NT\$5.7 million. The Company established the Tung Ho Steel Foundation. 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. Since 2022, the "Refining Project - Innovative Design of Steel Structures" has been launched, aiming to develop diverse approaches to facilitate collaboration and exchange among designers, construction teams, and structural engineers. The project aims to explore various possibilities and practical applications of steel materials, maximizing the benefits of steel components, providing feedback and improvement to the built environment, and establishing a database to record the research, development, design, and implementation processes. It aims to accumulate wealth of civilization and wisdom, providing diverse driving forces for creators. Through the application and practice of material science, the project aims to showcase the limitless potential of steel. During the activities in 2023, relevant industries, architects, guests from the arts and cultural sectors, as well as students and faculty from the Department of Architecture at National Cheng Kung University and Shih Chien University were invited to visit the "Refining Project." The total number of visitors exceeded 300.
- (VIII) 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 \$160 million in 2023 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.
- (IX) Solar Power Generation  
Since 2023, Tung Kang Wind Power has redirected the electricity and certificates generated from its existing wind farms to its parent company, Tung Ho Steel. Additionally, Tung Kang Wind Power has installed approximately 20 MW of solar photovoltaic power generation equipment on the roofs of various plant buildings at Tung Ho Steel, with an annual average electricity generation of approximately 22.03 million kWh. This contributes to an annual reduction of carbon emissions by 11,212 metric tons. The green electricity and certificates are sold to Tung Ho Steel to meet the requirements of the Energy Bureau of the Ministry of Economic Affairs for large electricity consumers. The additional investment in 2023 amounted to NT\$141 million.
- (X) Plan the path of carbon reduction in 2050 actively  
Following Taiwan'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, and oxygen-enriched combustion technology for heating furnace, etc.

## 2. Climate-related information for TWSE/TPEX Listed Companies - Implementation of climate related information

Item	Status of implementation																																																								
I. State the Board's managers oversight and governance of climate related risks and opportunities.	<p>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 Sustainable Development 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. Sustainable Development 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 Sustainable Development 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 Sustainable Development Committee on a regular basis. Climate Change Risk Management, Strategy and Target Setting for 2023 was approved by the 25th meeting of the 24th Board of Directors Meeting on May 9, 2023.</p>																																																								
II. Describe how the identified climate risks and opportunities affect the business, strategy, and finance (short-term, medium-term and long-term) of the enterprise.	<p>The Company has identified 7 climate-related significant risks and 4 climate-related significant opportunities in 2023 after conducting a climate change risk and opportunity identification meeting through members of the Environmental Sustainability Team.</p> <p>I. Climate risks</p> <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 Mid-term</td><td>Very huge</td><td>Huge</td></tr><tr><td>2</td><td>Risks and opportunities of Transformation</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>Risks and opportunities of Transformation</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><tr><td>7</td><td>Physical risks</td><td>[Long-term] Extreme changes in temperature</td><td>The Company</td><td>Long-term</td><td>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 Mid-term	Very huge	Huge	2	Risks and opportunities of Transformation	[Technology] Investment in new technology	The Company	Mid-term	Very huge	Huge	3	Risks and opportunities of Transformation	[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	7	Physical risks	[Long-term] Extreme changes in temperature	The Company	Long-term	Huge	Small
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	Recycling and reuse	[Increase in Profits] [Opportunity Cost] The strategy of recycling and reusing waste in the circular economy will become increasingly important, and the recycling and reuse industry can also gain significant financial opportunities.	[Opportunity Timetable: Short-term] Invest in Taiwan Steel Union Co., Ltd and Katec Creative Resources Corporation, providing an opportunity to generate stable income.
	Financial institution awards	[Increase in Costs] [Decrease in Costs] Financial institutions will link their credit and investment decisions to the Company's ESG and climate change management performance. Companies with strong performance in these areas will have the financial opportunity to lower their loan interest costs.	[Opportunity Timetable: Short-term] The Company's investment in TCFD, CDP, and other related climate change management reports and ratings will enhance its ability to obtain credit from financial markets, access low-interest loans, financing, and other financial opportunities.
	Transition to decentralized energy sources	[Increase in Capital Expenditures] [Increase in Costs] [Increase in Revenue] In the future, decentralized energy will be a major trend in both international and Taiwanese net-zero emission management. Government subsidy programs related to energy storage systems can provide financial opportunities for investors.	[Opportunity Timetable: Mid-term] Investing in energy storage systems by subsidiary company Tung Kang Wind Power will bring financial benefits to the Company in terms of increased revenue and profit.
IV. Describe how the climate risk identification, assessment, and management processes are integrated into the overall risk management system.		<p>The Company has established the Sustainable Development Committee under the Board of Directors, covering the environmental sustainability, corporate social responsibility, corporate governance, of which the corporate governance team is in charge of establishing, monitoring and reviewing relevant policies and management mechanisms related to corporate governance, integrity management, and risk management. And responsible for coordinating relevant departments in risk identification, evaluation, management and supervision, and regularly reporting the implementation status to the Sustainable Development Committee. The Sustainable Development Committee is responsible for reporting the overall risk management implementation status to the Board of Directors at least once a year. Each department assess the possibility of various risk factors and degree of impact based on their functions, taking necessary measures, and assuring proper management of various risks. Additionally, 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 implementation of relevant control procedures. The implementation details have been reported to the 25th session (6th meeting) Board of Directors Meeting on December 26, 2023.</p> <p>The environmental sustainability team members hold meetings to identify climate change risks and opportunities. Based on TCFD's transformation risks, physical risks, and opportunities, each department will evaluate the response measures and financial impacts of the main short, medium and long term risks and opportunities identified in the meeting, while considering the impact of products and services, supply chain, adaption and mitigation activities, R&amp;D investment, and business operations (including business types and facility location) on the Company's businesses and strategies. Among them, the identification and evaluation of climate-related transformation risks and physical risks include the impact on business operations, the probability of occurrence, and the vulnerability when it occurs. As for the identification and evaluation of climate-related opportunities, it covers the degree of impact on business operations and the probability of occurrence.</p> <p>After Matrix analysis, ESG members discuss, finally identify significant climate change risks and opportunities, then ESG convenes TCFD risk and opportunity response strategy discussion meeting to decide the future climate change related countermeasures of the Company, then the Sustainable Development Committee reviews climate-related risks and opportunities and their strategies and goals, and finally the Board of Directors is responsible for reviewing and guiding climate change strategies, action plans and annual goals, and regularly supervising the implementation and reviewing greenhouse gas reduction goals and achievements every year.</p>	

V. 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>Climate-related situational applications:</p> <p>Climate-related risks and opportunities affect the Company's strategy and financial planning. Therefore, according to TCFD recommendations, the Company uses the analysis of transformation and entity risk types and The Worst-Case Scenario faced by climate opportunities to assess the resilience of climate strategy.</p> <table><tr><th>Climate-related Types of risks and opportunities</th><th>The context of the Company's evaluation strategy</th><th>Situational content</th></tr><tr><td><ul style="list-style-type: none"><li>Transformation risks</li><li>Opportunity</li></ul></td><td><ul style="list-style-type: none"><li>1.5 degree situation</li><li>Taiwan 2050 Net Zero Emission Path and Strategy</li><li>The National Development Council (NDC) of Taiwan</li><li>Taiwan's Climate Change Response Act</li></ul></td><td>In March 2022, Taiwan announced its "General Description of Net Zero Emission Path and Strategy in 2050," setting out plans and implementing strategies to achieve net-zero transformation goals. In December 2022, Taiwan released stage targets and actions for the 2050 net-zero transformation, with a proposed Nationally Determined Contribution (NDC) emission reduction target of 24% ±1% by 2030. In January 2023, the Legislative Yuan passed the Climate Change Response Act, which stipulates that Taiwan should achieve net-zero greenhouse gas emissions by 2050. This law serves as a primary legal framework for future climate governance and includes the establishment of a carbon tax mechanism.</td></tr><tr><td><ul style="list-style-type: none"><li>Physical risks</li></ul></td><td><ul style="list-style-type: none"><li>Worst Scenarios of Global Warming in the Sixth IPCC Scientific Assessment Report (SSP5-8.5)</li></ul></td><td>Under the context of extremely high greenhouse gas emissions(SSP5-8.5), climate change will aggravate the changes of future average temperature, extremely high temperature, annual total rainfall, annual maximum 1-day rainstorm intensity, annual maximum continuous no-rainfall days and strong station ratio, which may have an operational impacts on the Company and its value chains.</td></tr></table>	Climate-related Types of risks and opportunities	The context of the Company's evaluation strategy	Situational content	<ul style="list-style-type: none"><li>Transformation risks</li><li>Opportunity</li></ul>	<ul style="list-style-type: none"><li>1.5 degree situation</li><li>Taiwan 2050 Net Zero Emission Path and Strategy</li><li>The National Development Council (NDC) of Taiwan</li><li>Taiwan's Climate Change Response Act</li></ul>	In March 2022, Taiwan announced its "General Description of Net Zero Emission Path and Strategy in 2050," setting out plans and implementing strategies to achieve net-zero transformation goals. In December 2022, Taiwan released stage targets and actions for the 2050 net-zero transformation, with a proposed Nationally Determined Contribution (NDC) emission reduction target of 24% ±1% by 2030. In January 2023, the Legislative Yuan passed the Climate Change Response Act, which stipulates that Taiwan should achieve net-zero greenhouse gas emissions by 2050. This law serves as a primary legal framework for future climate governance and includes the establishment of a carbon tax mechanism.	<ul style="list-style-type: none"><li>Physical risks</li></ul>	<ul style="list-style-type: none"><li>Worst Scenarios of Global Warming in the Sixth IPCC Scientific Assessment Report (SSP5-8.5)</li></ul>	Under the context of extremely high greenhouse gas emissions(SSP5-8.5), climate change will aggravate the changes of future average temperature, extremely high temperature, annual total rainfall, annual maximum 1-day rainstorm intensity, annual maximum continuous no-rainfall days and strong station ratio, which may have an operational impacts on the Company and its value chains.
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VI. 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>I. Greenhouse gas emission targets and renewable energy use targets</p> <p>The Company sets an absolute reduction target, which refers to the Science Based Target Initiative. The provided tool SBTi-Tool (SDA_Tool_v1.2.1 of SDA) is regarded as a scientific basis, and also refers to the 2050 net zero emission path trial reduction target announced by Taiwan in March 2022. On February 22, 2023, the 25th meeting of the 24th Board of Directors approved that the Company's phased goal in 2030 to reduce the total carbon emissions by 30% compared with 2005, and the long-term carbon reduction goal to align its efforts with the national net zero path in 2050, and it is determined that 30% of the total electricity consumption in 2030 will come from renewable energy (RE30).</p> <p>II. The use of low-carbon energy targets:</p> <p>Since 2023, our company has ceased purchasing cast iron as a raw material for steelmaking in electric furnaces. (Note: The greenhouse gas emissions in the raw material stage of cast iron are much higher than those of scrap steel.)</p>									

<p>VII. If internal carbon pricing is used as a planning tool, the basis for the pricing should be described.</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. In order to promote climate change adjustment and mitigation actions, in August 2022, the 20th meeting of the 24th 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>VIII. 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>In terms of sustainable development goals, purchasing renewable energy certificates is one of the important measures for Tung Ho Steel to achieve this objective. Approximately 73% of our company's total Scope 1 and Scope 2 greenhouse gas emissions come from electricity consumption. This approach helps reduce reliance on fossil fuels, lower energy costs, and meet national requirements for renewable energy, thereby embodying our corporate responsibility and mission. In 2023, our company purchased 22,105,058 renewable energy certificates (RECs) from our subsidiary Tung Kang Wind Power, which is equivalent to approximately 1.78% of our electricity consumption for the year. Additionally, we are drafting a 1.5°C low-carbon transformation plan, which focuses on decarbonization pathways for electricity consumption, given its higher proportion of greenhouse gas emissions. The Company's current carbon reduction path and estimated carbon reduction objectives include:</p> <ul style="list-style-type: none"> <li>I. Reduce the use of electricity: Shifts to decarbonized technologies and transformation of electric furnace, procurement of renewable energy</li> <li>II. Implementation of energy saving and carbon reduction scheme: Improve energy efficiency, process improvement</li> <li>III. Other carbon reduction paths: Stop using cast iron, use low-carbon fuels flexibly, reduce the use of carburants</li> </ul>
<p>IX. Greenhouse Gas Inventory, Confirmation, Reduction Targets, Strategies, and Specific Action Plans (please refer to 3.).</p>	



### 3. Greenhouse Gas Inventory and Confirmation

#### (1) Greenhouse gas inventory information

##### A.Greenhouse gas inventory information

Explanation of the greenhouse gas emissions for the past two years (in metric tons CO <sub>2</sub> e), density (in metric tons CO <sub>2</sub> e per million dollars), and the scope of data coverage.		
2023 (ISO 14064-1:2018)		
	Parent company	
	Total emissions (metric tons CO <sub>2</sub> e)	Density (Mt CO <sub>2</sub> e/steel embryo output)
Direct emissions (Scope 1/Category I)	222,355	4.51
Indirect emissions from (Scope 2/Category II)	602,455	12.21
Other indirect emissions (Scope 3) Category III: 353,839 metric tons of CO <sub>2</sub> e Category IV: 1,142,438 metric tons of CO <sub>2</sub> e Category V: 162,351 metric tons of CO <sub>2</sub> e		
2022		
	Parent company	
	Total emissions (metric tons CO <sub>2</sub> e)	Density (Mt CO <sub>2</sub> e/steel embryo output)
Direct emissions (Scope 1/Category I)	188,592	4.01
Indirect emissions from (Scope 2/Category II)	621,505	13.22
Other indirect emissions (Scope 3) Category III: 328,029 metric tons of CO <sub>2</sub> e Category IV: 958,515 metric tons of CO <sub>2</sub> e Category V: 155,453 metric tons of CO <sub>2</sub> e (Note: The 2022 data covers the head office, Taoyuan Plant, Miaoli Plant, and Kaohsiung Plant. Starting from 2023, the Dayeh Plant, Taichung Harbor Logistics Office, and Taoyuan Fabrication Center were also included.) In 2022, our head office and three plants were verified by Bureau Veritas, Taiwan. The 2023 data is based on internal audits as the verification process was not completed at the time of the annual report. The data published in the sustainability report is considered primary. )		

## B. Greenhouse gas confirmation information

Explanation of the confirmed situation for the two most recent fiscal years as of the date of printing of the annual report, including the scope of confirmation, confirming institutions, criteria for confirmation, and confirmation opinions.
<p>The 2023 data covers the internal inventory data of Tung Ho Steel Enterprise, including the Head Office, Taoyuan Plant, Miaoli Plant, Kaohsiung Plant, Dayeh Plant, Taichung Harbor Logistics Office, and Taoyuan Fabrication Center. It is planned to be verified by Bureau Veritas Certification Taiwan (BV) for ISO 14064-1:2018 assurance by June 2024.</p> <p>The data for 2022 covers the data of Tung Ho Steel Enterprise, including the Head Office, Taoyuan Plant, Miaoli Plant, and Kaohsiung Plant. It has been verified by Taiwan- Bureau Veritas (BV) for ISO 14064-1:2018 assurance. The comprehensive confirmation opinions of each plant are as follows:</p> <p>Based on the process and procedures conducted, we conclude that the GHG statement is materially correct and is a fair representation of the GHG data and information, and is prepared in accordance with the ISO 14064-1:2018.</p> <p>It is our opinion that Tung Ho Steel Enterprise Corp. Head Office, Taoyuan Works, Miaoli Works, Kaohsiung Works have established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.</p>

### (2) Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Explanation of the greenhouse gas reduction base year and its data, reduction targets, strategies, specific action plans, and the achievement of reduction targets.		
<p>The Company has established absolute reduction targets based on the national net zero path in 2050 announced in March 2022 and the Nationally Determined Contribution (NDC) emission reduction target announced in December 2022. The Company has set the year 2005 as the base year for its 1.5°C low-carbon transition plan. In this plan, priority is given to reducing emissions from electricity consumption, which accounts for a higher proportion of greenhouse gas emissions. The Company has established a midterm target to reduce emissions by 30% by 2030 and aligns its long-term carbon reduction goals with the national net zero path to achieve net-zero in 2050.</p>		
Year	Based on General Description of Net Zero Emission Path and Strategy in 2050, the Company has formulated its carbon emissions (measured in metric tons of CO <sub>2</sub> e)	Carbon reduction percentage (%)
2005 (base year)	831,012	-
2030 (Short to Mid-term Goals)	581,708	30%
2050 (Long-term Goal)	0	100%

Note:

1. The Company has set a target to reduce carbon emissions by 30% by the year 2030 compared to the levels in 2005, in accordance with Taiwan's nationally determined contribution (NDC) targets announced in December 2022.
2. Greenhouse gas emissions include Scope 1 and Scope 2 emissions combined.

Carbon reduction paths include:

1. Reducing the use of electricity: Transforming electric furnaces into scrap preheating electric furnaces is projected to decrease electricity consumption by 100 to 120 kWh per metric ton of steel. The refurbishment of electric furnaces at the Miaoli plant is planned to be completed by 2027, with the renovation of those at the Taoyuan plant slated for completion by the end of 2030.
2. Procurement of renewable energy: Starting from 2023, the electricity generated by the existing wind turbines of Tung Kang Wind Power has been redirected to the parent company, Tung Ho Steel. In 2023, Tung Ho Steel purchased 22,105,058 units of renewable energy certificates (REC) from its subsidiary, Tung Kang Wind Power, which is equivalent to approximately 1.78% of Tung Ho Steel's electricity consumption for the year. In addition, Tung Kang Wind Power has installed approximately 17.622 MW of solar photovoltaic power generation equipment on the roofs of various factories of Tung Ho Steel. The average annual power generation is about 22.03 million kWh, contributing to a reduction in carbon emissions of approximately 11,212 metric tons per year. The green electricity and certificates are sold to Tung Ho Steel to comply with the requirements of the Ministry of Economic Affairs Energy Administration for large electricity consumers. The plan is to procure renewable energy to cover 30% of the Company's electricity consumption by 2030.
3. Implementation of energy saving and carbon reduction scheme: Improve energy efficiency and process
4. Utilizing low-carbon fuels: Such as methane, CO<sub>2</sub>-free fuels, hydrogen, and others can be considered.
5. Reducing the use of carburants like coke: Involve alternatives such as waste synthetic resins, biofuels, and other carbon-neutral options.
6. Stop the use of cast iron: Ceasing the use of cast iron starting from 2027. The Company has ceased purchasing high-carbon cast iron as a raw material for electric furnace steelmaking since 2023.

**(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	
<p>I. Formulate ethical corporate management policies and programs</p> <p>(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?</p> <p>(II) Has the company established a mechanism 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>(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.</p> <p>(II) In order to prevent unethical behavior in business activities, the Company's code of conduct for ethical corporate management stipulates the prohibition of unethical behavior, benefits and attitudes. Additionally, it has established the "Procedures and Conduct Guidelines for Ethical Corporate Management," which encompasses preventive measures for various behaviors outlined in Article 7, Section 2, of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," 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 31, 2023, each unit of the Company performed risk assessment of unethical acts and to prepare necessary prevention plans and measures.</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	
(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?			(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". 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.	
II. Implement Ethical Corporate Management (I) Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?  (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?	✓		(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. (II) The dedicated unit of the Company's ethical corporate management is the Sustainable Development 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 Sustainable Development Committee and reported to the Board of Directors; on October 31, 2023, each unit was asked to perform risk assessment of unethical acts and to prepare necessary preventive plans and measures. The implementation of the 2023 Unethical Corporate Practices Prevention Program was reported to the 6th meeting of the 25th Board of Directors Meeting on December 26, 2023.	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>(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>(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 2023: "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) From time to time, the Company promotes the principles of integrity management in its internal magazines, official websites, or at major meetings, and asks its employees to comply to these principles. On November 28, 2023, 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 13, 2023, the "Anti-Corruption and Bribery Risk Management Mechanism Case Studies" training course was held for 208 participants, totaling 416 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. In 2023, there were 9 reminders given to directors and managers regarding the relevant regulations of the Securities and Exchange Act, as well as common patterns of insider trading in the company's stock. In December</p>	

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons for deviation
	Yes	No	Summary	
			2023, the Company's managers participated in the 2023 Prevention of Insider Trading training course hosted by the Taiwan Stock Exchange. A total of 1 people participated for a total of 3 hours.	
<p>III. Operation of the company's whistle-blowing system</p> <p>(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?</p> <p>(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?</p> <p>(III) Did the company adopt measures for protecting the whistle-blower against improper treatment or retaliation?</p>	✓		<p>(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.</p> <p>(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.</p> <p>(III) According to the nature of the reported case and the situation of the whistleblower, the company adopts necessary protective measures for keeping the whistle-blower's identity confidential to prevent the possibility of double jeopardy for the whistle-blower.</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	
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. On November 13, 2023, the "Anti-Corruption and Bribery Risk Management Mechanism Case Studies" training course was held for 208 participants, totaling 416 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.	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 2023, a total of 712 suppliers signed the pledge. (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>, 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/>).

**(IX) The internal control system implementation status shall disclose the following matters**

1. **Internal Control System Statement** (\*\*There is dual original copy of this page, and the seal must be printed out)

**Tung Ho Steel Enterprise Corporation**

**Internal Control System Statement**

Date: February 26,

2024 Based on the results of self-evaluation, the Company's 2024 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. 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, 2023 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 26, 2024, and all **nine** 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
2023.01.05	24th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. Passed the re-election of the 25th term of Board of Directors.</li> <li>2. Passed the formulation of convening the 2023 regular meeting of shareholders of the Company and acceptance of proposals from shareholders holding more than 1% of shares, and nominations for director candidates.</li> <li>3. Tung Kang Wind Power Corporation's (the subsidiary) application for a lease of the rooftop of Taoyuan Machining Center of the Company was approved.</li> </ol>	The entire Board adopted without objection.
2023.02.22	25th meeting of the 24th board	<ol style="list-style-type: none"> <li>1. 2022 Board of Directors Performance Evaluation Report</li> <li>2. Report on the inventory and schedule planning of greenhouse gas.</li> <li>3. Cooperate with KPMG to change the visa accountant report by internal rotation.</li> <li>4. Passed the independence and suitability evaluation of the accountant.</li> <li>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\$15,881,296.</li> <li>6. The 2022 business report and financial report.</li> <li>7. Passed the Company's 2022 earnings appropriation of cash dividend at NT\$3.5 per share.</li> <li>8. Established the baseline date for distribution of cash dividends and issue date in 2022.</li> <li>9. Passed the nomination for the 25th term of directors (including independent directors) of the Company</li> <li>10. Passed the lifting of the non-competition restriction of the new directors of the Company.</li> <li>11. Passed the Amendment of the "Articles of Incorporation."</li> <li>12. Amendments to the "Corporate Governance Best Practice Principles" are approved.</li> <li>13. Amendments to the "Sustainable Development Best Practice Principles" were approved.</li> <li>14. Passed the "financial business related operating procedures between related parties", the plan is finalized.</li> </ol>	The entire Board adopted without objection.

		<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>	
2023.04.11	26th meeting of the 24th board	The construction of a 100MW grid-connected E-dReg energy storage system at the Longgang Industrial Park area by our subsidiary, Tung Kang Wind Power Corporation, was approved.	The entire Board adopted without objection.
2023.05.09	27th meeting of the 24th board	<p>1. Report on the implementation of sustainable development: (1) Report on communication with the stakeholders. (2) Report on the issuance of sustainable development reports for 2022.</p> <p>2. Report on the inventory and schedule planning of greenhouse gas.</p> <p>3. Passed the Company's Quarter 1 consolidated financial reports for 2023.</p> <p>4. Issuance of financial disclosure reports on climate change in 2023.</p> <p>5. Passed the formulation of greenhouse gas management strategies, reduction targets and plans.</p> <p>6. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$29.5 million and additional credit of US\$20 million with Taipei Fubon 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\$30 million and additional credit of US\$10 million with Yuanta Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	The entire Board adopted without objection.
2023.05.30	Shareholder's meeting	<p>Important resolutions of the 2023 annual shareholders' meeting and the implementation status:</p> <p>1. Ratifications: (1) The 2022 business report and financial report. Status of implementation: Proposal passed. (2) Passed the Company's 2022 earnings appropriation. Status of implementation: Other items in the Company's surplus allocation table has been approved by resolution of the 2023 shareholders' meeting, including the legal reserve, the contra equity item special reserve, and changes in re-measurement of defined benefit plan. (Distribution of cash dividends of NT\$2,555,748,363 was approved by the board of</p>	After the chairman consulted all the shareholders present, the case was passed without objection.

		<p>directors on 2023.02.22, with dividend per share of NT\$3.50. On the same day, the Board of Directors has approved on setting the ex-dividend date on April 5, 2023, and the distribution of cash dividends was completed on May 4, 2023).</p> <p>2. Matters for Discussion: Amendment to the "Articles of Incorporation." 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>, <u>Investor Services &gt; Corporate Governance &gt; Major Internal Policies &gt; Articles of Incorporation</u>).</p> <p>3. Matters for Election: Re-election of directors (including independent directors). Status of implementation: Passed the election of 9 directors for the 25th term board (including 3 independent directors), and the change registration was approved by the Ministry of Economic Affairs and disclosed on the company website on June 21, 2023.</p> <p>4. Other Matters for Discussion: Removal of the Non-compete Clause for directors and their representatives. Status of implementation: The Company's Mao Sheng Investment Inc., represented by Director Henry C. T. Ho, Mao Sheng Investment Inc., represented by Director Joshua P.H. Tung, He Zhao Investment Co., Ltd., represented by Director George Y.S. Ho, Episil Holding Incorporation, represented by Director Chih-Ming Huang, Liang Cheng Investment Co., Ltd., represented by Director Pao-He Chen, Director Yen-Liang Ho, and Director Chia-Wen Liu, have been granted permission to engage in competitive business within the Company's approved scope. This approval has been effectively implemented. The aforementioned important resolutions are disclosed on the company website (<a href="https://www.tunghosteel.com">https://www.tunghosteel.com</a>: <u>Investor Services / Shareholders' Section / 2023 Information of the Shareholders' Meeting / Minutes of the 2023 Shareholders' Meeting</u>).</p>	
2023.05.30	1st meeting of the 5th board	Passed the election of Mao Sheng Investment Inc. legal representative director Henry C. T. Ho as Chairman of the board, and He Zhao Investment Inc. legal representative director George Y. S. Ho as the Vice Chairman.	The entire Board adopted without objection.
2023.06.19	2nd meeting of the 25th board	<p>1. Passed the amendments to the "Remuneration Committee Charter" and the renaming of it to the "Remuneration and Nomination Committee Charter".</p> <p>2. Passed the amendments to the "Corporate Governance and Nominating Committee Charter" and the renaming of it to the "Sustainable Development Committee Charter".</p> <p>3. Passed the appointment of independent directors Jih-Gang Liu, independent directors Chia-Wen Liu, and professor Chengming Zhu as members of the Company's 5th term of Remuneration and Nomination Committee.</p> <p>4. Passed the appointment of Chairman Henry C. T. Ho, independent directors Der-Ming Lieu, and independent directors Jih-Gang Liu as members of the Company's 3rd term of Sustainable Development Committee.</p>	The entire Board adopted without objection.

2023.07.04	3rd meeting of the 25th board	<ol style="list-style-type: none"> <li>1. Passed the Company's Taoyuan Machining Center construction project.</li> <li>2. Approved the donation to the "Tung Ho Steel Culture Foundation" for organizing refining projects and related activities, along with operational expenses, amounts to NT\$4.5 million, 40 tons of steel, and 30 tons of scrap steel. The sponsorship funds will be disbursed in installments from 2023 to 2024 based on the progress of the activity plans.</li> <li>3. Passed the issuance of convertible bonds to increase capital for our subsidiary, Tung Ho Steel Vietnam Corp., Ltd.</li> <li>4. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$200 million with Taishin International Bank for the subsidiary Fujian Dong Gang Steel Co, Ltd.</li> <li>5. Passed the endorsement/ guarantee short term credit obligation case of RMB\$2,000 million with Cathay United Bank Shenzhen Branch for the subsidiary Fujian Tung Kang Steel Corp., Ltd.</li> <li>6. Passed the endorsement/ guarantee short term credit obligation renewal case of US\$190 million with the Fubon Bank (China) Co., Ltd. Suzhou Branch for the subsidiary Fujian Tung Kang Steel Co., Ltd.</li> </ol>	The entire Board adopted without objection.
2023.7.31	4th meeting of the 25th board	<ol style="list-style-type: none"> <li>1. Report on the inventory and schedule planning of greenhouse gas.</li> <li>2. Passed the Company's Quarter 2 consolidated financial reports for 2023.</li> <li>3. Passed the subscription of ordinary shares in our subsidiary, Tung Kang Wind Power Corporation's general capital increase.</li> <li>4. Passed the change in the President of the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>5. Passed the endorsement/ guarantee credit obligation renewal case with the CTBC Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>6. Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in Hua Nan Bank.</li> <li>7. Passed the endorsement/ guarantee short term credit obligation renewal case with Taishin International Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>8. Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in Mizuho Bank.</li> </ol>	The entire Board adopted without objection.
2023.10.30	5th meeting of the 25th board	<ol style="list-style-type: none"> <li>1. Passed the liability insurance report of directors, supervisors and major staff.</li> <li>2. Passed the company's Quarter 3 consolidated financial reports for 2023.</li> <li>3. Passed the accountant public expenses review proposal for 2023.</li> <li>4. Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in First Commercial Bank, Hanoi Branch</li> <li>5. Passed the endorsement/ guarantee short term credit obligation renewal case with Mega International Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</li> <li>6. Passed the endorsement/ guarantee short term credit obligation renewal case with BNP Paribas, Ho Chi Minh City Branch, Vietnam and BNP Paribas, Hanoi</li> </ol>	The entire Board adopted without objection.

		<p>Branch, Vietnam for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>7. Passed the endorsement/ guarantee short term credit obligation renewal case with the Standard Chartered Bank (Vietnam) Limited - Ho Chi Minh City Branch for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p>	
2023.12.26	6th meeting of the 25th board	<p>1. Report on Corporate Governance Promotion:  (1) Develop intellectual property management plans that are linked to operational objectives  (2) Program to prevent dishonest behavior and insider trading  (3) Risk management  (4) Information security management  (5) Environmental sustainability</p> <p>2. Report on the inventory and schedule planning of greenhouse gas.</p> <p>3. Passed the amendments to the "Board of Directors' Meeting Procedure".</p> <p>4. Passed the amendments to the "Board of Directors' Performance Evaluation Guidelines".</p> <p>5. Passed the amendments to human rights policy.</p> <p>6. Amendments to the "Measures for Special Surplus Reserve Allocation and Application for Climate Change Adaptation and Mitigation" were approved.</p> <p>7. Passed the formulation of Risk Management Policies and Operating Procedures.</p> <p>8. Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in E.SUN Bank.</p>	The entire Board adopted without objection.
2024.02.26	7th meeting of the 25th board	<p>1. 2023 Board of Directors Internal Performance Evaluation Report.</p> <p>2. Report on the inventory and schedule planning of greenhouse gas.</p> <p>3. Passed the independence and suitability evaluation of the accountant.</p> <p>4. Passed the distribution of employee and director remuneration for 2023. The total employee remuneration was NT\$149,341,954, and the total remuneration to directors was NT\$119,473,563.</p> <p>5. The 2023 business report and financial report.</p> <p>6. Passed the Company's 2023 earnings appropriation of cash dividend at NT\$4.20 per share.</p> <p>7. Established the baseline date for distribution of cash dividends and issue date in 2023.</p> <p>8. Passed the formulation of convening the 2024 regular meeting of shareholders of the Company and acceptance of proposals from shareholders holding more than 1% of shares.</p> <p>9. Approved the donation for organizing the 8th Tung Ho Steel International Artist-in-Residence Program and the related events, including the results presentation, and the operational expenses of the foundation.</p> <p>10. Passed the endorsement/ guarantee credit obligation case with the CTBC Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.</p> <p>11. Passed the endorsement/ guarantee for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the short term credit obligation in Yuanta Commercial Bank.</p> <p>12. 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>	The entire Board adopted without objection.

**(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

Name of the accounting firm	CPA name	Audit period	Public expenses for audit	Non-public expenses for audit					Total	Remarks
				System design	Business registration	Human Resources	Others	Subtotal		
KPMG International Cooperative	Tzu-Hui Lee and Hui-Chih Ko	2023.01~2023.12	6,540	0	0	0	2,337	2,337	8,877	(1) The expenses for 2023 Country-by-Country Report and Master File totaled NT\$740,000. (2) R&D and smart machinery investment in 2023 amounted to NT\$300,000. (3) Transfer Pricing Report in 2023 amounted to NT\$209,000. (4) Legal consultation on green energy totaled NT\$1,088,000.

**(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 past year and up to the date of report**

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

Title	Name	2023		As of March 25, 2024	
		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)
Director	Mao Sheng Investment Inc.	705,000	0	0	0
Director	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	0	0	3,583,108	0
Director	Mao Sheng Investment Inc. Representative: Joshua P.H. Tung	0	0	0	0
Director	Ho Jao Investment Inc.	204,000	0	0	0
Director	Ho Jao Investment Inc. Representative: George Y. S. Ho	0	0	3,583,109	0
Director	Liang Cheng Investment Co., Ltd.	0	0	0	0
Director	Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen	0	0	0	0
Director	Han Lei Investment Co.	0	0	0	0
Director	Han Lei Investment Co. Representative: Chih-Ming Huang	0	0	0	0
Director	Yen-Liang Ho	0	0	1,000	0
Independent Director	Der-Ming Lieu	0	0	0	0
Independent Director	Jih-Gang Liu	0	0	0	0
Independent Director	Chia-Wen Liu	0	0	0	0
Chairman	Henry C. T. Ho	0	0	3,583,108	0
President	Bing-Hua Huang	0	0	0	0
Operations Department Senior Vice President	Bruce Guu	0	0	(46,000)	0
Assets and Trade Department Senior Vice President	Arthur C. Lin	0	0	0	0
Production Vice President	Ming-Tsung Liu	0	0	(224,000)	0
Head of Corporate Governance and Vice President of the Management Department	Juyu Ho	0	0	0	0
Assets and Trade Department Vice President	Yi-Chih Hsu	0	0	0	0

Title	Name	2023		As of March 25, 2024	
		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)
Investment Division Vice President	J. B. Chiu	0	0	0	0
Vice President of IT Department	Che-Chung Lin	(10,060)	0	0	0
Assistant manager of the operations department	Flora Fan	0	0	0	0
Assistant manager of the operations department	Jay Chiang	0	0	0	0
Assistant Manager of Accounting Department	Shu-chu Huang	(39,000)	0	(8,120)	0
Manager of Accounting Department	Kuei-Hua Liu	0	0	0	0
Assistant manager of the investment division	Tony Chen	0	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 the investment division	Wu-Sheng Ho	0	0	0	0
General Manager of Taoyuan Works	Tseng-Lu Tsai	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	(166,160)	0
Major shareholders holding more than 10% of the shares	Earle Ho and Sons, Ltd.	0	0	0	0

- (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 25, 2024

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 (%)	Name (or full name)	Relationship	None
Earle Ho and Sons, Ltd.	108,715,999	14.89	N/A	N/A	0	0	None	None	None
Mao Sheng Investment Inc.	65,122,877	8.92	N/A	N/A	0	0	None	None	None
Mao Sheng Investment Inc. Representative: Henry C. T. Ho	3,678,533	0.50	0	0	0	0	Ho Jao Investment Inc. Representative: George Y. S. Ho	Brother	None
Mao Sheng Investment Inc. Representative: Joshua P.H. Tung	15,665	0	0	0	107,200	0.01	None	None	None
Ho Jao Investment Inc.	62,835,750	8.61	N/A	N/A	0	0	None	None	None
Ho Jao Investment Inc. Representative: George Y. S. Ho	3,589,809	0.49	0	0	0	0	Mao Sheng Investment Inc. Representative: Henry C. T. Ho	Brother	None
Yuanda Taiwan High Dividend Fund Special Account	34,602,651	4.74	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
Bank of Taiwan is entrusted with the trust fund account of Yuanta Taiwan High Dividend Low Volatility ETF	12,189,000	1.67	N/A	N/A	0	0	None	None	None
Citi (Taiwan) Commercial Bank is entrusted with the special investment account of Norwegian Central Bank	9,348,531	1.28	N/A	N/A	0	0	None	None	None
Public Service Pension Fund Management Committee	9,058,407	1.24	N/A	N/A	0	0	None	None	None

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 (%)	Name (or full name)	Relationship	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	8,401,069	1.15	N/A	N/A	0	0	None	None	None
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch	8,029,602	1.10	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, 2023

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	1.68	0	0	3,825	1.68
Adlink Technology	223	0.10	0	0	223	0.10
Siaogang Warehousing Inc.	1,788	19.87	0	0	1,788	19.87
Hexawave Inc.	2,564	6.36	0	0	2,564	6.36
Taiwan Aerospace	1,621	1.20	0	0	1,621	1.20
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

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 (%)
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.	61,392	99.02	0	0	61,392	99.02
Goldham Development Ltd.	10,000	100.00	0	0	10,000	100.00
Tung Ho Steel Vietnam Corp.Ltd	0	100.00	0	0	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	572	66.51	572	66.51
Duc Hoa International Joint Stock Company	0	0	8,494	100.00	8,494	100.00
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

##### 1. Type of shares

March 25, 2024

Type of shares	Authorized capital			Remarks
	Shares issued and outstanding	Unissued shares	Total	
Listed ordinary shares	730,213,818	769,786,182	1,500,000,000	None

##### 2. Formation of capital

Year and month	Par value per share (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount (NT\$)	Number of 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 increase of NT\$445,000,000	None	Jing-Shou-Shang-Zi No. 09801234430 issued on October 12, 2009
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

Year and month	Par value per share (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount (NT\$)	Number of shares	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
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
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



Year and month	Par value per share (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount (NT\$)	Number of shares	Amount (NT\$)	Source of capital	Offset share amount with assets other than cash	Others
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	Jing-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	The cash capital reduction was effected by the elimination of 359,657,552 issued shares with a par value of NT\$10 each, totaling NT\$3,596,575,520, representing a capital reduction ratio of 33%.	None	Jing-Shou-Shang-Zi No. 11001185940 issued on October 21, 2021

## (II) Shareholder structure

March 25, 2024

Shareholder structure	Government agencies	Financial institutions	Other legal person	Individual investors	Foreign organizations and foreign individuals	Total
Quantity						
Number of shareholders	4	40	349	69,647	314	70,354
Number of shares held	9,534,683	113,220,480	318,622,719	169,327,990	119,507,946	730,213,818
Shareholding ratio (%)	1.31	15.50	43.63	23.19	16.37	100

## (III) Shareholding distribution status

Par value of NT\$10 per share

March 25, 2024

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	43,719	9,412,956	1.29
1,000 - 5,000	21,150	42,834,423	5.87
5,001 - 10,000	2,998	21,514,046	2.95
10,001 - 15,000	932	11,413,913	1.56
15,001 - 20,000	387	6,861,163	0.94
20,001 - 30,000	391	9,414,427	1.29
30,001 - 40,000	172	5,956,354	0.82
40,001 - 50,000	127	5,785,766	0.79
50,001 - 100,000	182	12,825,204	1.76
100,001 - 200,000	104	14,811,897	2.03
200,001 - 400,000	64	18,008,750	2.47
400,001 - 600,000	30	15,298,777	2.10
600,001 - 800,000	13	9,340,364	1.28
800,001 - 1,000,000	10	9,201,866	1.26
1,000,001 and above	75	537,533,912	73.59
Total	70,354	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 25, 2024

Name of the major shareholders	Shares Number of shares held	Shareholding ratio (%)
Earle Ho and Sons	108,715,999	14.89
Mao Sheng Investment Inc.	65,122,877	8.92
Ho Jao Investment Inc.	62,835,750	8.61
Yuanda Taiwan High Dividend Fund Special Account	34,602,651	4.74
Yu Tai Investment Co., Ltd.	12,985,399	1.78
Bank of Taiwan is entrusted with the trust fund account of Yuanta Taiwan High Dividend Low Volatility ETF	12,189,000	1.67
Citi (Taiwan) Commercial Bank is entrusted with the special investment account of Norwegian Central Bank	9,348,531	1.28
Bureau of Public Service Pension Fund	9,058,407	1.24
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	8,401,069	1.15
Vanguard Emerging Market Stock Index Fund Account entrusted to JPMorgan Chase Bank Taipei Branch	8,029,602	1.10
Total	331,289,285	45.37

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

Unit: NT\$

Item \ Year			2022	2023	As of March 25, 2024
Market price per share (Note 1)	Highest		83.00	73.60	78.80
	Lowest		48.05	51.60	68.20
	Average		59.19	60.76	74.71
Net worth per share	Before distribution		39.45	42.52	N/A
	After distribution (Note 7)		35.95	38.32 (Note 6)	N/A
Earnings per share	Weighted average number of shares (thousand shares)		730,214	730,214	N/A
	Earnings per share	Before retrospective adjustments (Note 2)	5.47	6.48	N/A
		After retrospective adjustments (Note 2)	5.47	6.48	N/A
Dividend per share	Cash dividends (NT\$)		3.50	4.20	N/A
	Cash dividends (NT\$) stock dividends	Earnings	0	0	N/A
		Capital reserve	0	0	N/A
	Accumulated unpaid dividends		0	0	N/A
Return on investment	Price to earnings ratio (Note 3)		10.82	9.38	N/A
	Price to dividends ratio (Note 4)		16.91	14.47	N/A
	Cash dividend yield (Note 5)		5.91%	6.91%	N/A

(Note 1): Source: Taiwan Stock Exchange

(Note 2): Imputed based on basic earnings per share.

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

(Note 4): Price to dividends 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): On February 26, 2024, the Board of Directors resolved to approve the amount of 2023 cash dividends.

(Note 7): Based on the resolution of the Board of Directors in the following 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. The Board of Directors' Meeting resolved the dividend distribution: The Seventh Meeting of the Twenty-fifth Session of the Board of Directors resolved to distribute cash dividends of NT\$4.20 per share, for a total cash dividend amount of NT\$3,066,898,036, based on the number of shares available for distribution of 730,213,818 shares, and authorized the Chairman to adjust the amount of cash dividends if, in the future, there are any other reasons that may affect the number of outstanding shares and the rate of stock dividend distribution.

## **(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) Remuneration of employees and directors**

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:

On February 26, 2024, the Board of Directors resolved to allot cash remuneration to employees and remuneration to directors for the year 2023 in accordance with the Company's Articles of Incorporation. In the event that there is a discrepancy between the above estimated amount and the actual amount to be paid, the discrepancy will be accounted for as a change in accounting estimate and adjusted to the accounts in the year in which the payment is made.

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 resolution (February 26, 2024)
Director remuneration (cash)	119,473,563
Employee remuneration (cash)	149,341,954

- (2) If there is a difference between the estimated amount and the amount recognized in the year of expense, the number of differences, the reasons for the differences, and the circumstances for handling the differences should be disclosed: There is no difference between the estimated amount and the amount recognized in the year of expense.
- (3) Amount of employee remuneration distributed in stock and as a percentage of total net profit after tax and total employee remuneration for the current period in the parent company only financial statements: The Company did not propose to distribute stock dividends to its employees, and therefore, this is not applicable.
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\$

Item	Actual allocation amount	Board resolution (February 22, 2023)	Difference
Director remuneration (cash)	105,881,296	105,881,296	None
Employee remuneration (cash)	132,351,620	132,351,620	None

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

## II. Corporate bond issuance status

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

Company bond type		The 7th domestic unsecured convertible bonds
Issuance (processing) date		May 14, 2018
Face value		NT\$100,000
Location of issuance and transactions		Taipei Exchange
Issuing price		Issued based on face value
Total		NT\$2,000,000,000
Interest rate		0%
Duration		Five-year maturity date: May 14, 2023
Guarantee institution		None
Trustee		Trust Department of Fubon Commercial Bank Co., Ltd.
Underwriting institution		Taishin Securities Co., Ltd.
Visa attorney		Yi-Cheng Peng
CPA		Hui-Zhi Kou and Hsin-Ying 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
Redemption or early settlement clauses		100.75% of the face value of the bonds after three years of issuance; redemption of the bonds at 101.00% of par value after four years.
Restriction 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

**(I) Convertible bond data**

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

Unit: NT\$

Company bond type		The 7th domestic unsecured convertible bonds		
Item	Year	2019	2020	Current year as of March 5, 2021 (Note 3)
Market price of the convertible bond	Highest	106.50	173.00	156.00
	Lowest	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: May 14, 2018; conversion price during issuance: NT\$27.80	Issuance date: May 14, 2018; 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 25, 2024

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			Mega International Commercial 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	2022	Highest	28.65
		Lowest	15.30
		Average	20.11
	2023	Highest	23.51
		Lowest	16.86
		Average	19.41
	2024 as of March 25	Highest	24.91
		Lowest	21.43
		Average	23.47

**V. Issuance of employee stock warrants and new restricted employee shares: None.**

**VI. Issuance of new shares in connection with the merger or acquisition of other corporations: None.**



## VII. Implementation status of the capital utilization plan

The 7th domestic unsecured convertible bond 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 (Unit: Thousands of New Taiwan Dollars)	Expected capital spending schedule
			2nd quarter of 2018
Repayment of bank loans	2nd quarter of 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) Actual achievement of projected benefits: For the fundraising plan, NT\$2,010,000,000 was for the repayment of bank borrowings. Up to the 2nd quarter of 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 the 2nd quarter of 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: As of the 2nd quarter of 2018, the scheduled amount of expenditure was NT\$2,010,000,000; 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 content

#### (I) Scope of business

##### 1. Main content:

Main business item		Main contents and the current product (service) lineup
Company		
Parent company	Tung Ho Steel Enterprise Corporation	(1) Manufacturing processing and sales of re-bar, flat iron, angle iron, channel iron, plate element, and other steel products. (2) Manufacturing processing and sales of steel and alloy steel, tool steel, high carbon steel, and other special steel. (3) Processing and trading of iron and steel industrial raw materials, hardware, machinery, iron electrical materials, and light metal manufacturing. (4) Iron and steel smelting, rolling, heat treatment, painting, plating, and processing operations. (5) Manufacturing, processing, and trading of steel plates, bars, and rails. (6) Design, manufacture, processing, and trading of various structural steel, steel materials, and mechanical bodies.
Subsidiary	Tung Yuan International Corp.	Foreign investments
	Tung Kang Steel Structure Co., Ltd.	Steel structure engineering professional construction
	Goldham Development Ltd.	Foreign investments
	Katec Creative Resources Corp.	General waste clearance and disposal operations
	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
	Tung Kang Engineering & Construction Co., Ltd.	Civil engineering and construction
	Fujian Tung Kang Steel Co., Ltd. (Note)	Section and steel construction processing

(Note) Fujian Tung Kang Steel Co., Ltd. was disposed of and the transfer of shareholding was completed on November 9, 2023.

##### 2. Revenue breakdown

Products \ Item	As a percentage of cumulative operating revenue for 2023 (%)	As a percentage of cumulative operating revenue for 2022 (%)
Rebar	57	54
Section (Note 1)	24	27
Billet	1	2
Others (Note 2)	18	17
Total	100	100

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

(Note 2): Other principal subsidiaries are steel structures, engineering revenues, fixed-size and formed rebar processing, environmental treatment, sale of pig iron, sale of coupler materials and quicklime.

(Note 3): It includes continuing operations and discontinued operations in 2023.

3. New merchandise to be developed
  - (1) Steelmaking: High-definition and high-toughness billet development projects, ultra-high-strength steel development, electric furnace waste heat recovery ORC power generation technology research, electric furnace low-carbon green process technology development, electric furnace waste steel preheating continuous charging process research, ladle preheater introduction of oxygen-enriched combustion technology, billet ID marking and tracking of the development of automated equipment.
  - (2) Rolling: Leading the industry in the development of new technology for direct rolling process with low energy consumption, development of R&D program to increase the strength of ultra-high-strength shock-resistant steel bars by more than 1.6 times, development of billet welding technology and continuous uninterrupted rolling of steel bars using direct rolling technology, development of intelligent combustion control system for the heating furnace, development of automated measurement of H-beam steel/steel plate dimensions on the line, development of a system for detecting the quality of the surface, development of a leading R&D program for lightweight and micro-miniature small-sized steels in the domestic market, introduction of oxygen-enriched combustion technology for heating furnace, etc.
  - (3) Others: Application of artificial intelligence technology and development of intelligent chemical plant technology, integrated and innovative solutions for circular economy in the iron and steel industry, planning and research on renewable energy (solar, wind, and biogas), application of carbon capture, utilization, and storage (CCUS) technology, application of hydrogen technology, planning and research on energy storage system, construction of industrial big data energy management system, and development of software for integration of steel plate production.

## **(II) Industry overview**

1. Current status and development of the industry

Consolidated revenue of Tung Ho Steel Enterprise Corporation in 2023 was NT\$60.962 billion, a slight increase of 2.95% from NT\$59.217 billion in 2022, which is a new record high of Tung Ho Steel Enterprise Corporation's consolidated revenue. The sales volume of Tung Ho Steel Enterprise Corporation itself increased significantly from 1,926,300 metric tons in 2022 to 2,108,900 metric tons in 2023, an increase of 9.48% year-on-year, while the sales volume of Tung Ho Steel Vietnam Corp., Ltd. also increased significantly from 296,200 metric tons in 2022 to 442,400 metric tons in 2023, an increase of 49.36% year-on-year. This is mainly due to the benefits brought by the formal commissioning of the Daye Plant in January 2023 after the acquisition of the plant. Tung Ho Steel Vietnam Corp., Ltd. has started to provide a stable supply of billets required by the plant, which not only enhances the competitiveness and market share of Tung Ho Steel in Taiwan's rebar market, but also provides Tung Ho Steel Vietnam with a stable production capacity of the basic steel production and effectively reduces the unit cost of production.

The consolidated net income of Tung Ho Steel grew significantly from NT\$4,011 million in 2022 to NT\$4,760 million in 2023, an annual increase of 18.67%, which is the second highest record since the financial crisis in 2008. Consolidated after-tax EPS increased from 5.47 in 2022 to 6.48 in 2023, which also set a new record high for Tung Ho Steel's consolidated after-tax EPS. In 2023, Taiwan's construction and fixed asset investment has been very prosperous, and the annual surface demand for rebar has reached 6.56 million metric tons, H-beams 990,000 metric tons, and medium and thick steel plates 1.26 million metric tons, indicating that the overall construction boom has been very good. Tung Ho Steel's annual performance was excellent, and it also set two new records for consolidated revenue and consolidated after-tax EPS. However, the global economic environment in 2023 was a mixed bag. The good news was that the free economy countries, led by the US, had achieved significant

results in the fight against stubborn inflation, and the economy did not go into recession as expected, but rather grew or grew slightly; but the bad news was that China's economy was under great pressure, with the successive debt defaults of large real estate developers in China, collapsing market prices, and stagnant transactions, which in turn caused the China's steel prices collapsed, China's steel products due to sluggish domestic demand and low prices dumped globally, the global steel prices downward revision caused great pressure; in addition, 2023 would be an unsettled year for the world, as geopolitical instability would continue to intensify, with the unresolved Russo-Ukrainian War, the ensuing Israel-Hamas war, and the tensions in the Taiwan Strait and Korea, which would bring uncertainties and pressures to the global economic recovery in 2024.

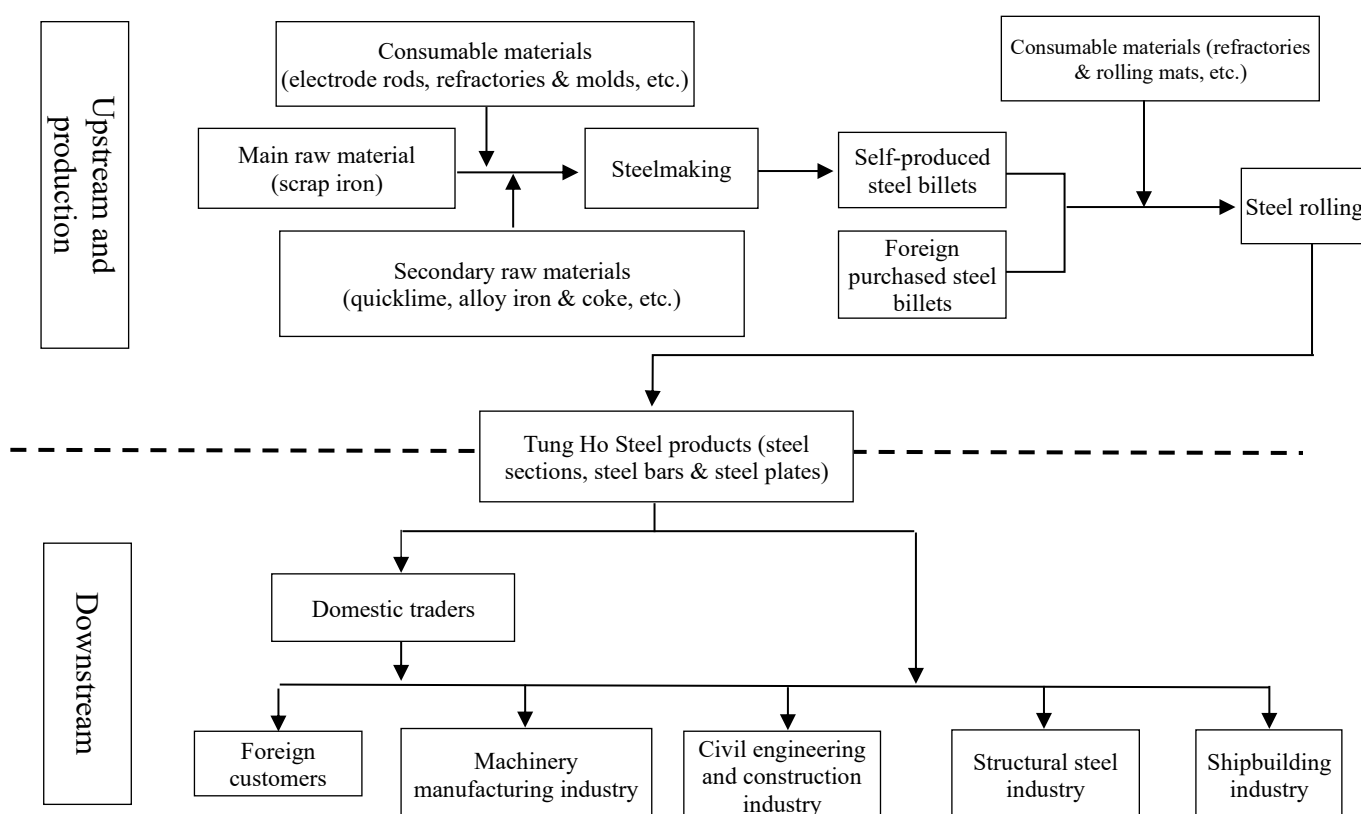
Tung Ho Steel Vietnam is the first overseas electric furnace smelting and rolling mill production base of Tung Ho Steel, and the Tung Ho Steel Vietnam rebar brand has gradually gained recognition and affirmation in the Vietnamese market. However, in 2022, under the unfavorable environment of severe ups and downs in the international steel market, a huge inventory decline and foreign exchange loss occurred, and under the interest rate hike by the Fed, the interest rate on Vietnam's borrowings rapidly increased to approximately 10%, resulting in a serious interest burden, and under the impact of many unfavorable factors, in 2022, the largest loss of NT\$968 million occurred since the entry into Vietnam. Under the current environment in Vietnam where inventory and exchange rate hedging mechanisms are not perfect, Tung Ho Steel has completely changed its business strategy in Vietnam to prioritize risk management and control by strengthening the risk management and control mechanism on both the sales of finished products and the procurement of raw materials, as well as the strategic layout to stabilize the supply of billets required by the Daye Plant in Taiwan after the commissioning of the plant, which has resulted in a significant reduction of loss in 2023, although the ultimate loss still remains, the cash flow has turned positive. In the future, we will continue to prioritize the reduction of uncertain losses and loss control. However, in view of the rapid economic growth in Vietnam and Association of Southeast Asian Nations, which will boost the long-term demand for iron and steel, we will be able to contribute positively to our parent company's operating results in the long run.

Due to the strong order intake in the early stage of the year, 2023 was a fruitful year for Tung Kang Steel Structure, with the annual sales volume and value growing by 7.19% and 14.21% respectively compared to 2022, and contributing a huge profit of NT\$1,170 million to the parent company. Currently, the order intake status is still very enthusiastic, and the visibility of the orders has already reached the first half of next year, and the operational performance continues to be stabilized. In addition, considering the unfavorable factors that foreign-invested enterprises have been facing in China for a long period of time, such as the US-China technological war and the global anti-China situation, Fujian Tung Kang Steel has already resold all of its shares to Chinese-invested enterprises by the end of 2023, which put an end to the 26-year-long investment of Tung Ho Steel in China's structural steel industry. In the past, Tung Ho Steel has been actively involved in reinvesting in renewable energy and environmental protection. The invested companies include Tung Kang Wind Power Corp., Dung Tang Energy Service Co., Ltd., Katec Creative Resources Corp., Katec R&D Corporation, Taiwan Steel Union Inc. and Taiwan Steel Resources Co., Ltd. Tung Ho Steel's investment in the two 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 the future, green energy saving, waste reduction, emission reduction and resource regeneration will become the core competitiveness of the iron and steel industry, which is the long-term investment plan of Tung Ho Steel focusing on the sustainable development of the enterprise. In addition, the "Climate Change Response Act" has been amended and finalized by the end of 2022. The global climate change goal is

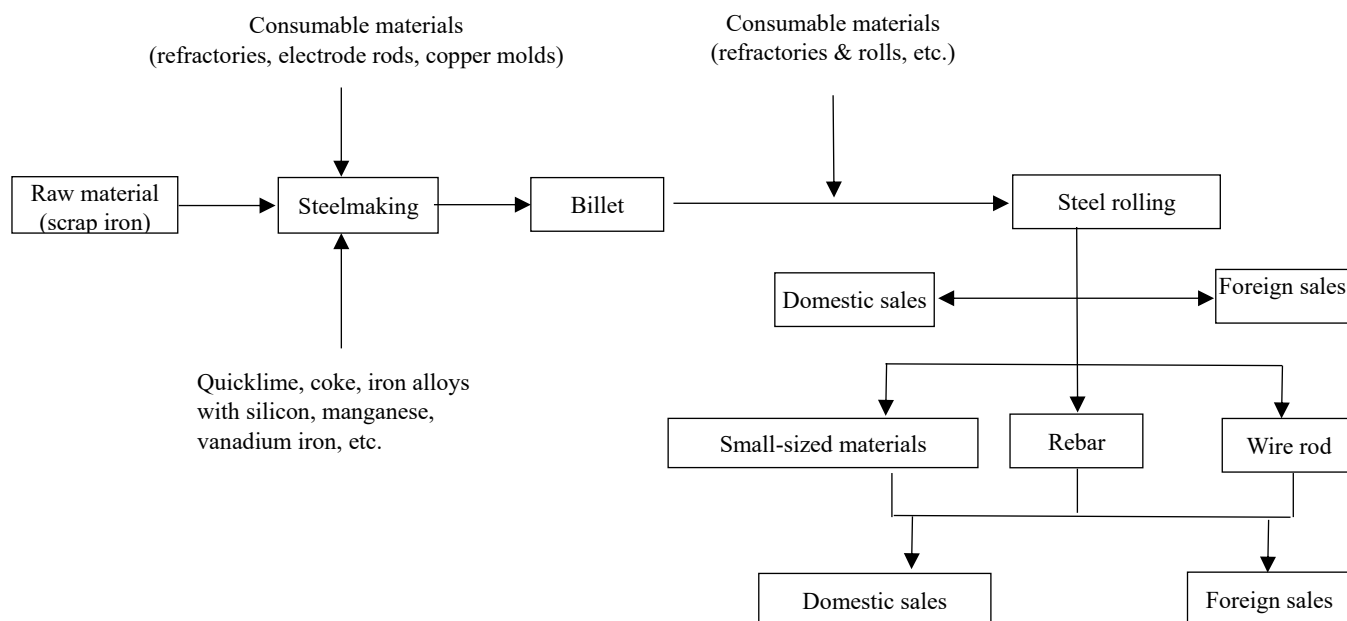
to achieve carbon neutrality by 2050. In 2020, Tung Ho Steel has actively participated in international initiatives related to the environment and climate change, including Environmental Product Declaration (EPD), Task Force on Climate-related Financial Disclosures (TCFD), and Carbon Disclosures Project (CDP). In 2021, it has actively participated in Sustainability Accounting Standards Board (SASB). In 2023, it has participated in the CDP Water Disclosures. Under the ESG framework of the Sustainability Report, Tung Ho Steel has constructed a net-zero carbon emission blueprint for sustainable development with full participation of all employees in 2022, and formally declared two “30” carbon reduction targets for 2030 in 2023: the first “30” is RE30, which means that the whole Company will use 30% renewable energy, and the second “30” is to reduce carbon by 30% based on the total amount of carbon emissions in 2005. In addition, Tung Ho Steel is actively cooperating with the industry, government and academia in CCUS, energy storage system related applications, and research on hydrogen combustion and hydrogen transportation and storage technologies, in order to plan a positive 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 (Please refer to final draft for 2023)



(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	2024 R&D program	2023 R&D program
(1) Steelmaking	a. Development of billets with high steel cleanliness and high toughness. b. Development of SM570 steel plate of 50mm thickness. c. Development of high-strength re-bar. d. Development of advanced steel material for ships. e. Development of ultra-high-strength steel. f. Testing of various supplies and refractory materials. g. Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers. h. Research on ORC power generation technology for electric furnace waste heat recovery. i. Development of low-carbon and green manufacturing technology for electric furnace.	a. Development of billets with high steel cleanliness and high toughness. b. Development of SM570 steel plate of 50mm thickness. c. Development of high-strength re-bar. d. Development of advanced steel material for ships. e. Development of ultra-high-strength steel. f. Testing of various supplies and refractory materials. g. Research on off-gas detection of electric furnaces and dynamic control of burners and combustion chambers. h. Research on ORC power generation technology for electric furnace waste heat recovery. i. Development of low-carbon and green manufacturing technology for electric furnace. j. Electric furnace scrap preheating continuous feeding process research.

Item	2024 R&D program	2023 R&D program
	<ul style="list-style-type: none"> <li>j. Electric furnace scrap preheating continuous feeding process research.</li> <li>k. Introduction of oxygen-enriched combustion technology for ladle preheater.</li> <li>l. Development of closed-cycle carbon reduction technology for electric furnace by-products.</li> <li>m. Design of high-temperature resistant multi-heat interfaces and development of material technology applications.</li> <li>n. Development of automated equipment for ID marking and tracking of steel billets.</li> <li>o. Development of automatic arm for continuous casting machine and automated equipment for LD sliding gate maintenance.</li> </ul>	
<b>(2) Steel rolling</b>	<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> </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>

Item	2024 R&D program	2023 R&D program
	g. Leading small-scale R&D plan for domestic small steel. h. Development of ultra-high-strength steel. i. Introduction of oxygen-enriched combustion technology for the heating furnace. j. Development of automated equipment for finished product labeling.	
<b>(3) Others</b>	a. Development of AI applications and smart chemical process technology. b. Comprehensive and innovative solutions to promote a circular economy in the steel industry. c. Planning study on renewable energy (solar, wind, biogas). d. Planning study of energy storage systems. e. CCUS technology application research. f. Hydrogen technology application research. g. Industrial big data energy management system construction project. h. Integrated software development for steel plate production. i. Development of automation solutions for finished goods warehousing and management.	a. Development of AI applications and smart chemical process technology. b. Comprehensive and innovative solutions to promote a circular economy in the steel industry. c. Planning study on renewable energy (solar, wind, biogas). d. Planning study of energy storage systems. e. CCUS technology application research. f. Hydrogen technology application research.

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

Item	Year	2023	2022
Taoyuan Plant R&D Fee (NT\$)		2,824,992	2,589,869
Miaoli Plant R&D Fee (NT\$)		27,609,346	34,207,801
Kaohsiung Plant R&D Fee (NT\$)		9,075,978	10,965,554
Total R&D Fee (NT\$)		39,510,316	47,763,224
Ratio of total R&D expenditure to net sales (%)		0.06	0.08



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

1. Short-term development plan - marketing business strategies:
  - (1) Will the global economy recover slowly and smoothly as expected in 2024? The second and third quarter of the changes in the international political and economic situation is the focus of observation, so 2024 is still a year full of uncertainties. In the face of global economic development this year, we must still be cautious and not take it lightly, and we should further strengthen the control of order mastery, receivables risk control and raw materials procurement volume and period.
  - (2) The trade war between China and the United States has caused the two major powers in China and the United States to be at odds with each other, and this year it has further developed into a technological war and an economic war, creating a confrontation between totalitarian and democratic countries, and further aggravating the instability of the geopolitical situation. In addition, this year's US presidential election, which one of the Democrats and Republicans will win, will affect the development of the global political and economic situation in the next four years, and all countries around the world will be on the alert. In particular, the tensions in the Taiwan Strait will have a significant impact on Taiwan's economic development, and it is all the more important to seriously assess the opportunities and risks of global economic development.
  - (3) In response to the government initiative COP26 Glasgow Agreement, the National Development Council at the end of last year set the country's 2030 NDC: a 24±1% reduction in total carbon emissions from 2005; Tung Ho Steel announced last year that its carbon reduction target for 2030 would be a 30% reduction in greenhouse gas emissions based on the total emissions in 2005.
  - (4) The increase of domestic electricity tariffs and the commencement of carbon fee in 2024 will inevitably increase the cost of steel production. However, this is an inevitable trend of the global net-zero carbon emission path, and the only way to effectively control the cost changes is to take effective energy-saving and carbon-reducing measures in response to the situation as early as possible, and Tung Ho Steel will continue to work hard to meet the international demand for net-zero carbon emission on the basis of the efforts made in the previous period.
  - (5) Observing the impact of continuous steel capacity expansion of emerging countries on the global steel market, especially in India and Southeast Asian countries. India's crude steel production has reached 140 million metric tons in 2023, making it the second largest steel producer in the world. At present, Indian steel mills are selling low-priced steel products globally, which has become the biggest price competitor of Chinese steel mills, and its subsequent growth is very strong, with crude steel production reaching 300 million metric tons in the near future.
  - (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.
2. Long-term development plan - marketing business strategies:
  - (1) Develop new markets for high value added products.
  - (2) Respond to the market supply/demand and competition relationship changes, and reintegrate Tung Ho Steel's market position and product orientation.
  - (3) Prudently develop measures and the possibility to eliminate market trade barriers in developing countries, and strengthen the practical overseas investment feasibility evaluations.

- (4) Tapping into the Vietnam and ASEAN markets, and strengthening the knowledge of local legal affairs and taxation, with local market analysis and relevant investments.
- (5) Based on the wind power generation, we will actively invest in the procurement of renewable energy and energy storage systems, application technology research, and related investments.

## II. Status of Market and Sales

### (I) Market analysis

#### 1. Sales region for the main products.

Region \ Year		2023		2022	
		Amount (NT\$ thousand)	Net sales ratio (%)	Amount (NT\$ thousand)	Net sales ratio (%)
Foreign sales	Asia	4,213,783	6.85	5,778,359	9.64
	America	87,742	0.14	31,185	0.05
	Others	1,547,826	2.52	1,483,805	2.47
Subtotal		5,848,351	9.51	7,293,349	12.16
Domestic sales		55,656,298	90.49	52,678,772	87.84
Total		61,505,649	100.00	59,972,121	100.00

(Note): It includes continuing operations and discontinued operations in 2023.

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

Unit: metric tons

Item \ Year		2023	2022
H-beam	Taiwan Apparent Consumption	991,970	888,051
	The Company	481,630	490,459
	Estimated Market Share (%)	48.55	55.23
Rebar	Taiwan Apparent Consumption	6,561,909	6,215,490
	The Company	1,445,366	1,207,483
	Estimated Market Share (%)	22.03	19.43

Source: Taiwan Steel & Iron Industries Association

3. Supply and Demand for the future market

In terms of 2024, Tung Ho Steel has maintained nearly one million tons of outstanding orders for rebar. Tung Kang Steel Structure's order visibility has reached the first half of next year. The key to overall operating performance lies in whether the global economy can recover as expected in the second and third quarters of this year. Currently, the semiconductor and AI industry markets are expected to be optimistic, with Taiwan playing a key role in the global supply chain. The upcoming implementation of the Non-self-use House Tax 2.0 in the second half of the year, which will dampen the demand for development in the real estate market, but accidentally boost the demand for commercial office buildings. The overall demand for construction in Taiwan this year should not be bad, but Taiwan's economy is still affected by the impact of global economic development linked. Thus, it is still necessary to carefully observe the variables of global economic development. As to whether the global economy can recover slowly and smoothly as expected this year, there are three key points to observe: 1. Whether the favorable economic policies of the Chinese government can effectively boost China's economic development? China accounts for more than half of the world's steel production. Whether or not China's economy can recover smoothly and slowly is crucial to the global steel industry. In short: If China's economy is not good, the global steel market will not be good. 2. When will the US begin to cut interest rates in real terms? A real interest rate cut not only means that the inflation problem has been effectively controlled, but also represents the end of the phase of the era of high capital cost and high interest rates, which will help promote investment and boost economic development. 3. When will geopolitical risks slow down or be effectively controlled? The Russo-Ukrainian War, the Israel-Hamas war, and the tensions in the Taiwan Strait and Korea are the key risk management variables for the successful recovery of the global economy. To summarize, 2024 is still a year full of uncertainties, and we must be cautious and not take this year's global economic development lightly.

In 2024, Taiwan's iron and steel industry will face the challenge of rising electricity prices and the start of the carbon fee, but this is a necessary path to meet the global net-zero carbon emissions by 2050, and the future market demand for low-carbon steel products and carbon-neutral steel products will come rapidly. Under the ESG framework of the Sustainability Report, Tung Ho Steel has constructed an all-employee, net-zero carbon emission blueprint for sustainable development in 2022, and formally announced two "30" short- and medium-term carbon reduction targets for 2030 in 2023, with the first "30" being RE30, which is to utilize 30% renewable energy across the entire company, and the second "30" being a 30% reduction of carbon emissions based on the total carbon emissions in 2005. Only by adopting effective energy saving and carbon reduction measures can we effectively control cost changes. Based on the efforts made in the past, Tung Ho Steel will continue to work hard to meet the international demand for net-zero carbon emissions and strengthen the international competitiveness of our products.

Currently, Taiwan's overall economic development is significantly better than the global environment, mainly due to Taiwan's key role in the global supply chain, especially the semiconductor and AI industries have received global attention. However, the concomitant demand for talent and industrial crowding out effect has also had a significant impact on Taiwan's construction, iron and steel, and traditional industries, with the rapid aging of the working population and the reluctance of the younger generation to join the "3D" industry. The labor shortage problem is becoming more and more serious, and will seriously affect the overall economic development in the long run.

The global steel overcapacity problem should still be focused on India and Southeast Asia. India has surpassed Japan in 2018 to become the second only country after China in global crude steel production, and its crude steel production has reached 140 million metric tons in 2023. Recently, low-priced steel products from Indian steel mills are dumped all over the world, which is like the biggest price competitor of China's steel mills, and China Iron and Steel Association estimated that its steel production capacity will reach 300 million metric tons in 2030. In addition, the steel capacity of Southeast Asian countries will also increase rapidly to 150 million tons in the next few years. 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 year, the Company's R&D achievements were abundant. Significant R&D achievements in steelmaking include the development of steel billets for high-strength bars, the development of ultra-high-strength steels, the development of reduction-ballasted hot-ballasted furnace technology, and the development of furnace stone reuse technology, etc. Significant R&D achievements in rolling include the development of high-strength threaded rebars, the development of connectors for high-strength threaded rebars, the development of U-shape steel sheet piles, the development of steel billets inductively-heated process, the development of extra-thick dimensional H-sections and the development of steels in different sizes and shapes, etc., which will allow for the diversification of products and the enhancement of technological capabilities, and increase the Company's revenues and profitability. Ongoing R&D programs: 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, 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 world is optimistic that the US will enter a period of real interest rate cuts in the second half of the year.
- c. Taiwan plays an important role in the global supply chain.
- 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. Actively invest in energy-saving and carbon reduction development and investment, and take early action to respond to future measures such as the imposition of carbon fee, carbon tax, and the control of total carbon emissions.
- f. 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.
- g. Tapping into the Vietnam and ASEAN markets with active deployment.

(2) Unfavorable factors

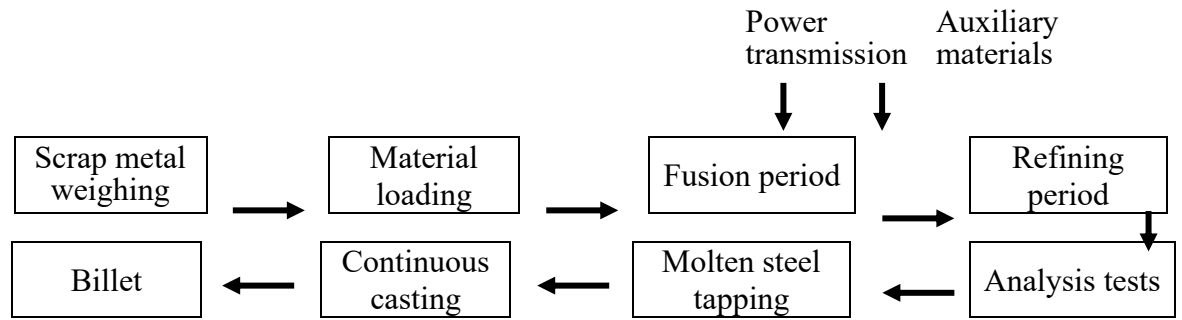
- a. The successive outbreaks of debt defaults by large Chinese real estate developers, collapsing market prices and stalled transactions, which in turn led to the collapse of Chinese steel prices, Chinese steel products dumped at low prices due to sluggish domestic demand, causing great pressure on the downward revision of global steel prices.
- 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. Non-self-use House Tax 2.0 will be introduced in the second half of the year, which will have short, medium and long term impacts on the real estate market.
- d. Taiwan's water resource in response to global climate change.
- e. The National Development Council announced the 2050 carbon-neutral target power structure, which is still based on thermal power generation + CCUS 20%-27% as the stabilizing base load, resulting in our industry having to pay higher costs for carbon reduction compared to other advanced countries, which is completely different from the power structure plan of advanced countries, such as Japan, which will reduce the proportion of thermal power generation to a minimum in 2050, and use nuclear power generation as the stabilizing base load. While advanced countries around the world have been investing in the research of Small Modular Reactor (SMR), nuclear power generation is an untouchable issue in Taiwan.

- f. Renewable energy issues continue to fever. The domestic tariff structure has been unreasonable for a long time, and although there have been several tariff increases, the long-term tariff distortion has not been solved, which has a very unfavorable long-term impact on Taiwan's long-term development of renewable energy and energy storage systems, and will weaken the international competitiveness of the domestic industry in the long run.
  - g. The presence of high-cost 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 "3D" 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. Difficulties in the development of China's economy.
  - b. Turbulence in the world's geopolitical situation.
  - 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 "3D" industries.

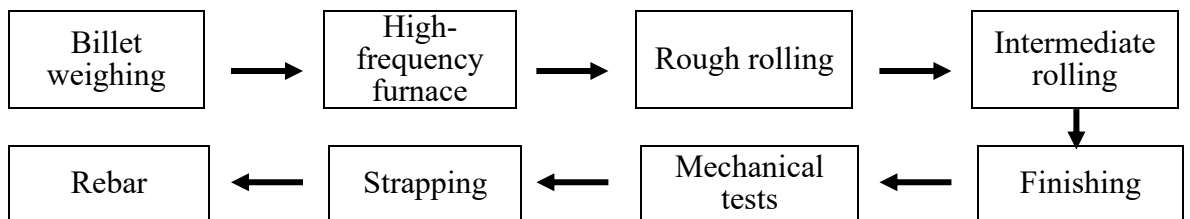
## **(II) Major product manufacturing processes**

1. Product use
  - (1) Reinforcing steel: 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.

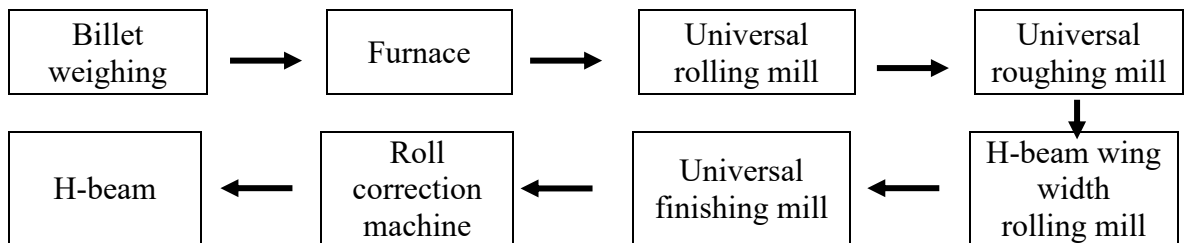
2. Production process  
 (1) Billet refinement



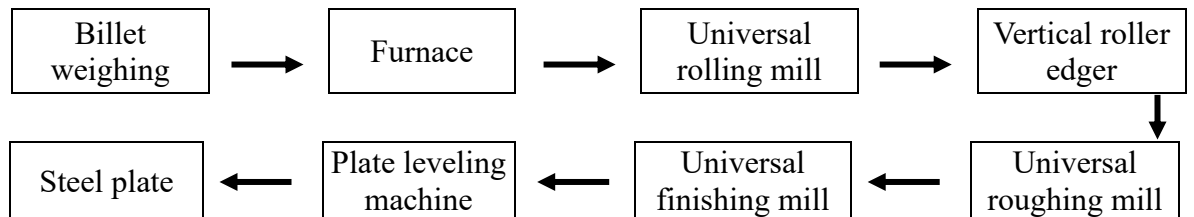
(2) Rolling steel



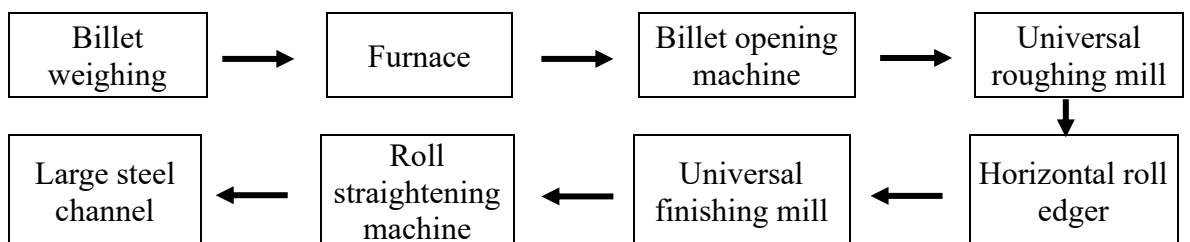
(3) Rolled H-beam



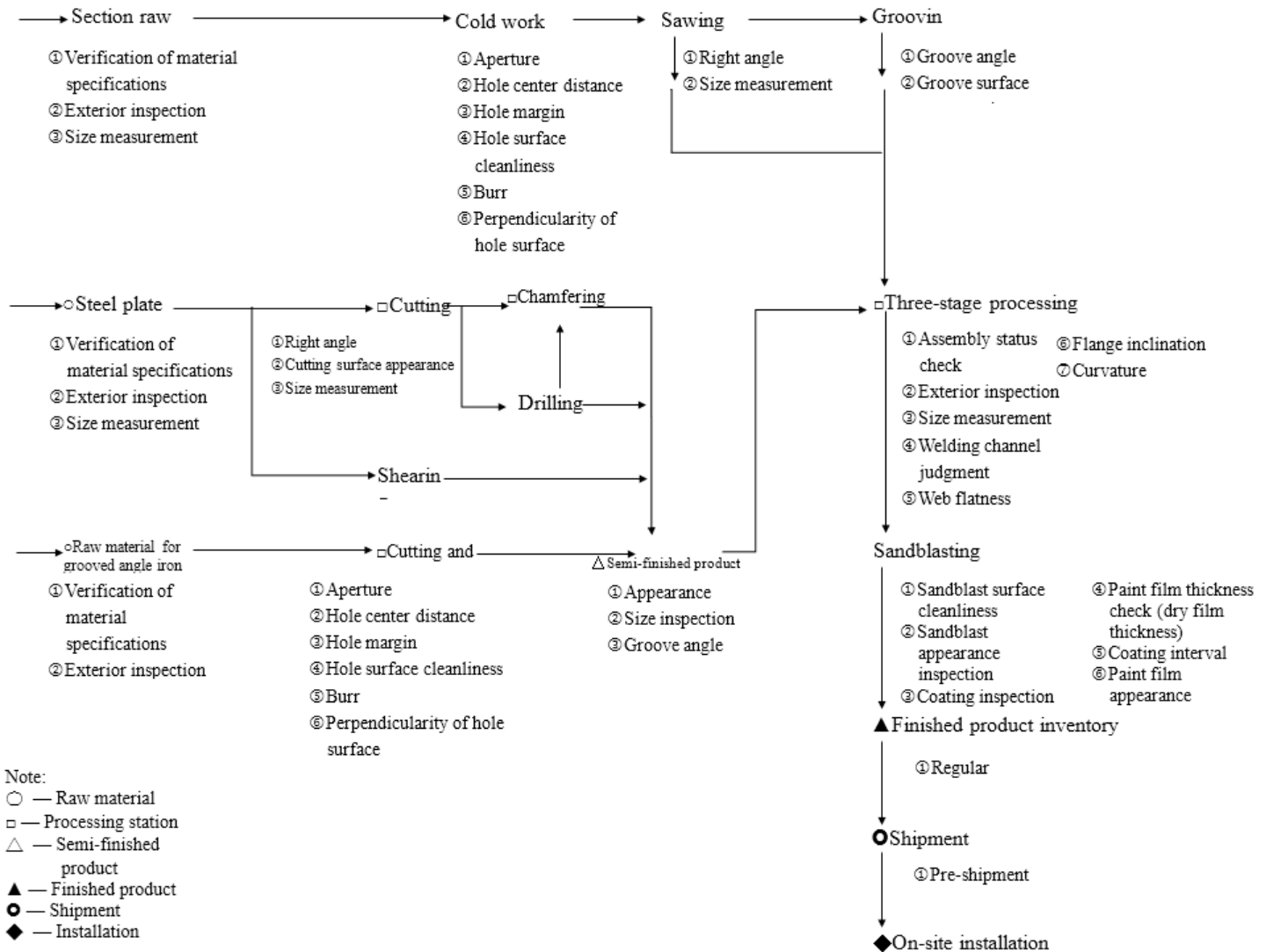
(4) Universal plate rolling



(5) Large channel for rolling

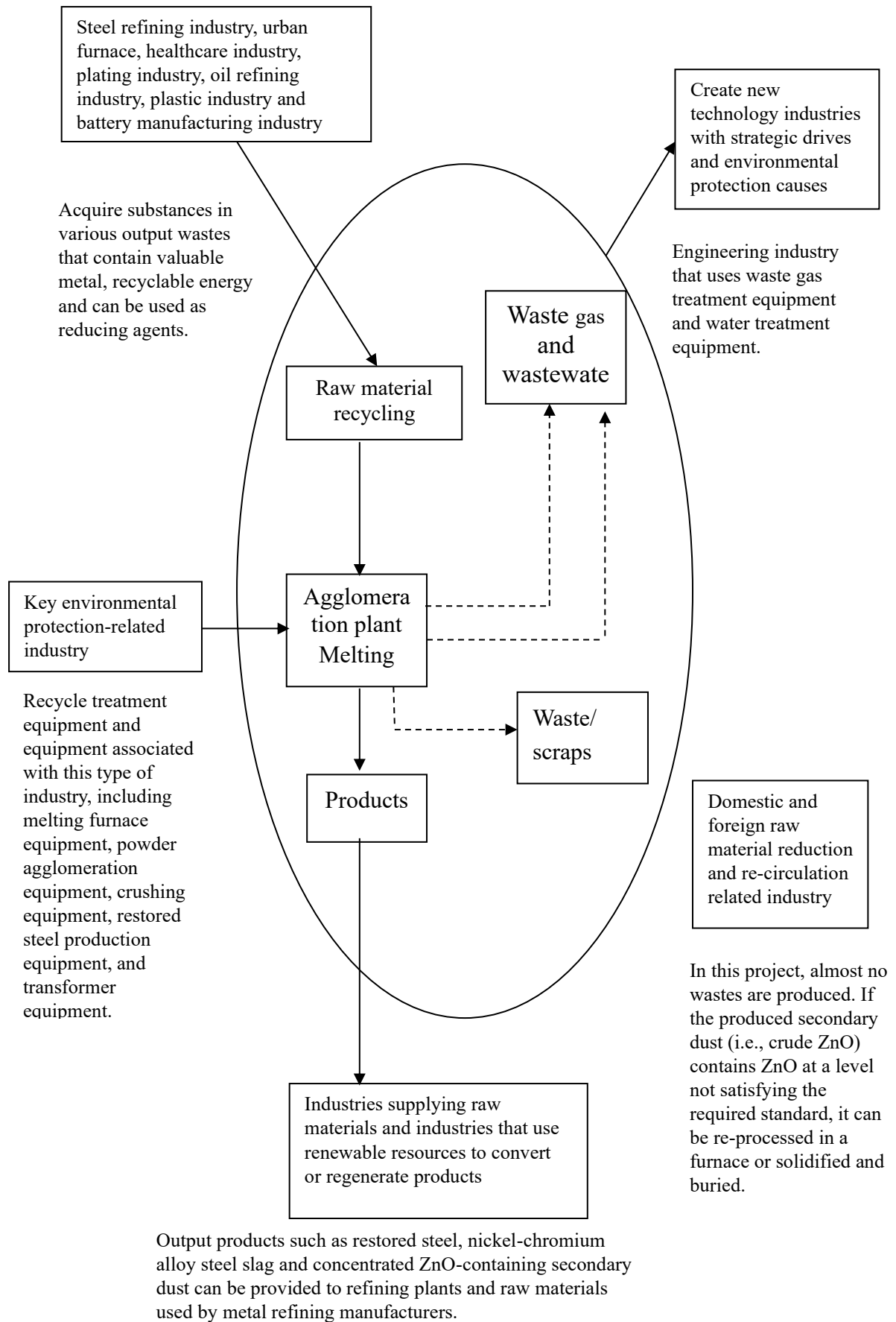


## (6) Steel structure manufacturing

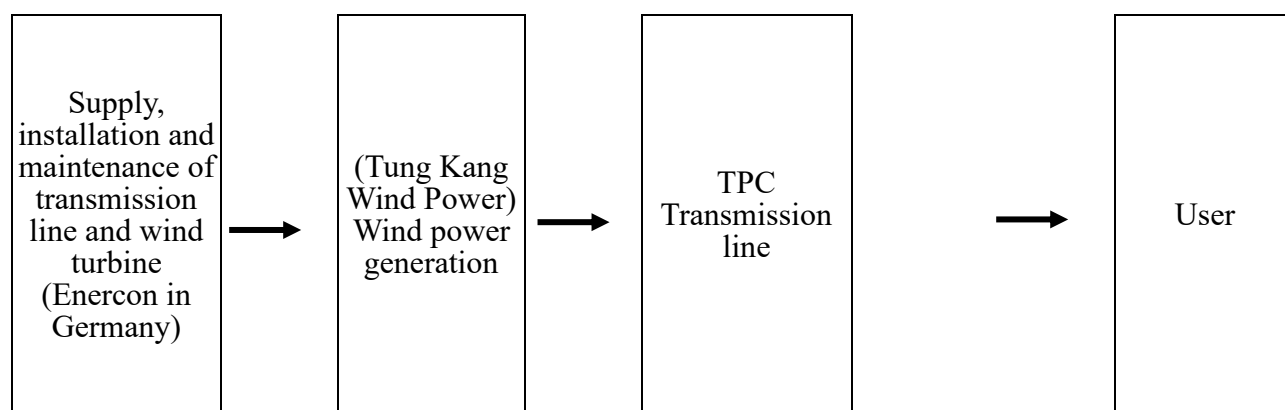




## (7) Environmental protection process



(8) Wind power generation



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

1. Purchase of main raw materials in 2023

Unit: metric tons

Company	Quarter		First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Product name	Quantity					
Tung Ho Steel	Scraps	Domestic	236,926	190,975	229,339	247,412	904,652
		Foreign	240,970	328,182	303,514	306,913	1,179,579
	Pig iron	Domestic	0	0	0	0	0
		Foreign	0	0	0	0	0
	Ferro-silicon	Domestic	0	0	0	0	0
		Foreign	750	2,600	400	1,300	5,050
	Ferro-manganese	Domestic	0	0	0	0	0
		Foreign	0	1,500	300	600	2,400
	Ferro-Silicon-manganese	Domestic	0	0	0	0	0
		Foreign	5,800	5,500	4,700	5,500	21,500
Tung Kang Steel Structure Co., Ltd.	Section beam	Domestic	6,287,987	15,285,360	10,958,236	9,857,555	42,389,138
		Foreign	0	0	0	0	0
	Steel plate	Domestic	23,550,002	16,352,753	18,733,416	29,425,022	88,061,193
		Foreign	1,501,555	5,999,580	4,999,823	3,000,472	15,501,430

Company	Quarter		First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Product name	Quantity					
Tung Ho Steel Vietnam Corp., Ltd.	Scraps	Domestic	27,448	30,181	23,405	32,348	113,382
		Foreign	34,337	127,472	105,800	88,203	355,812
	Pig iron	Domestic	0	0	0	0	0
		Foreign	0	0	0	0	0
Fujian Tung Kang Steel Corp., Ltd. (Note)	Steel plate	Domestic	1,968	1,118	654	1,032	4,772
		Foreign	0	0	0	0	0
	H-beam	Domestic	752	965	625	288	2,630
	Profiled material	Domestic	436	85	163	50	734
		Foreign	0	0	0	0	0
Katec Creative Resources Corp.	Dust collection	Domestic	1,261	1,375	1,340	1,118	5,094
		Foreign	0	0	0	0	0
	Medical wastes	Domestic	70	21	44	22	157
		Foreign	0	0	0	0	0
	Other waste/ scraps	Domestic	1,386	1,473	1,358	1,843	6,060
		Foreign	0	0	0	0	0
Duc Hoa International J.S.C.	Limestone	Domestic	33,195	41,206	56,531	52,116	183,047
		Foreign	0	0	0	0	0
	Blind Coal	Domestic	2,842	4,494	3,683	1,812	12,832
		Foreign	0	0	0	0	0

(Note): Fujian Tung Kang Steel Co., Ltd. was disposed of and the transfer of shareholding was completed on November 9, 2023.

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 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	United States and Japan	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

**(IV) 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.**

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

2023				2022			
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	61,505,649	100	None	Others	59,972,121	100	None
Net sales	61,505,649	100	N/A	Net sales	59,972,121	100	N/A

(Note 1): It includes continuing operations and discontinued operations in 2023.

(Note 2): The consolidated company's sales targets are less concentrated, and the amount sold per single target has not exceeded 10% in 2023 and 2022.

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

2023				2022			
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.	3,273,681	5.32	Parent company's customer	Lih Dar Steel Co., Ltd.	3,474,604	5.79	Parent company's customer
San-Ching Engineering	1,863,289	3.03	Customer of the Parent Company and Subsidiaries: Tung Kang Steel Structure Co., Ltd.	Cheng Gang Industry	2,036,619	3.40	
Cheng Gang Industry	1,702,972	2.77	Parent company's customer	Yulishing Building Utilities	1,818,366	3.03	
Yulishing Building Utilities	1,558,314	2.53		Gir Gai Trading Co., Ltd.	1,436,736	2.40	
TSMC	1,521,149	2.47	Customer of the subsidiary Tung Kang Steel Structure Co., Ltd.	SANWA PTY LTD	1,323,955	2.21	
SANWA PTY LTD.	1,450,105	2.36	Customer of the Parent Company and Subsidiaries: Tung Ho Steel Vietnam	Superiority Steel Co., Ltd.	1,060,556	1.77	Parent company's customer
Gir Gai Trading Co., Ltd.	1,443,398	2.35	Parent company's customer	Teh Tai Steel	976,347	1.63	
Collaborated manufacturing	1,225,639	2.00	Customer of the Parent Company and Subsidiaries: Tung Kang Steel Structure Co., Ltd.	Taiwan Kumagai	855,023	1.43	Customer of the Parent Company and Subsidiaries: Tung Kang Steel Structure
CÔNG TY TNHH THƯƠNG MẠI DỊCH VỤ CCM CCM . TRADING SERVICE CO., LTD	1,183,722	1.92	Vietnamese customer of the subsidiary Tung Ho Steel Vietnam Corp., Ltd.	CÔNG TY CỔ PHẦN THƯƠNG MẠI THÁI HUNG THAI HUNG TRADE JOINT STOCK COMPANY	790,000	1.32	Vietnamese customer of the subsidiary Tung Kang Steel Structure Co., Ltd.
Taiwan Kumagai	1,103,122	1.79	Customer of the Parent Company and Subsidiaries: Tung Kang Steel Structure	Ruentex	787,552	1.31	Parent company's customer
Subtotal	16,325,391	26.54		Subtotal	14,559,758	24.29	
Others	45,180,258	73.46		Others	45,412,363	75.71	
Total	61,505,649	100.00		Total	59,972,121	100.00	

(Note): It includes continuing operations and discontinued operations in 2023.

3. Primary supplier information for the recent two years

Period Item	2023				2022			
	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	44,209,098	100.00	None	Others	43,936,810	100.00	None
Total	Net Purchases	44,209,098	100.00	N/A	Net Purchases	43,936,810	100.00	N/A

(Note): The consolidated company's suppliers of goods in 2023 and 2022 are relatively decentralized, and there is no single supplier of goods with an amount greater than 10%; therefore, the name is classified as “Others”.

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

2023			2022		
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 (%)
SIMS	2,871,698	6.50	Zhenyu Metal	2,704,109	6.15
ALCO	2,176,442	4.92	SIMS	2,570,376	5.85
Zhenyu Metal	1,724,251	3.90	ALCO	1,975,944	4.50
CSC	1,285,795	2.91	SD	1,425,478	3.24
M HOLD	1,262,790	2.86	ADVANCED	1,352,001	3.08
SD	1,093,356	2.47	CSC	1,057,583	2.41
Heng Yu Steel	702,899	1.59	METALTRADE PACIFIC	919,871	2.09
SUBROS	700,124	1.58	BLUE BAY	859,162	1.96
METALC	624,279	1.41	AML	799,968	1.82
JAGUAR	587,114	1.33	Pan-Emperio International Trading	792,059	1.80
Total	13,028,748	29.47	Total	14,456,553	32.90
Others	31,180,350	70.53	Others	29,480,257	67.10
Net Purchases	44,209,098	100.00	Net Purchases	43,936,810	100.00

(Note) 1: If a customer's name or counterparty is an individual and not a related party, the customer's name may be used as a code number because it is prohibited by contract.

(Note) 2: The above top ten customers are final suppliers, not agents.

**(V) Annual production value for the last 2 years**

Year	2023			2022		
Production volume and value Product name	Production Capacity (in metric tons)	Production Quantity (in metric tons)	Production Value (NT\$ thousands)	Production Capacity (in metric tons)	Production Quantity (in metric tons)	Production Value (NT\$ thousands)
Billet	3,650,000	2,373,100	41,873,923	3,650,000	2,186,972	41,464,939
Rebar	2,450,000	1,681,461	32,135,590	2,100,000	1,391,514	27,874,635
H-beam	1,200,000	503,887	10,739,922	1,200,000	486,070	10,769,651
Steel plate		102,264	2,148,766		110,159	2,431,847
Channel		42,554	991,574		29,971	726,440
I-Beam		2,395	54,115		1,328	31,217
Steel sheet piles		746	16,477		5,464	127,886
Steel structure	123,600	149,548	8,348,389	123,600	144,521	7,983,386
Environmental protection processing	46,368	12,938	320,527	46,368	11,060	238,074
Construction revenues	0	0	547,006	0	0	313,545
Others (Note)	100,000	97,465	446,623	100,000	9,778	712,388
Total	7,569,968	4,966,358	97,622,912	7,219,968	4,376,837	92,674,008

(Note 1): It includes continuing operations and discontinued operations in 2023.

(Note 2): Other principal subsidiaries are fixed-size and formed rebar processing, sale of pig iron, sale of coupler materials and quicklime.

**(VI) Sales value for the last 2 years**

Year	2023				2022			
Sales volume and value Product name	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Quantity (in metric tons)	Values (NT\$ thousands)	Quantity (in metric tons)	Values (NT\$ thousands)	Quantity (in metric tons)	Values (NT\$ thousands)	Quantity (in metric tons)	Values (NT\$ thousands)
Billet	13,991	256,670	0	0	52,621	1,046,771	0	0
Rebar	1,442,530	31,473,637	204,614	3,808,919	1,204,350	27,218,766	259,300	5,173,422
H-beam	440,365	11,710,637	30,376	800,124	462,439	12,964,761	27,205	789,204
Steel plate (self-made)	36,021	1,081,824	0	0	44,063	1,409,283	0	0
Steel plate (transaction)	96	3,198	0	0	1,452	49,837	0	0
Channel	15,304	397,015	24,480	656,020	13,023	353,210	20,855	618,498
I-Beam	1,701	52,856	675	30,359	1,330	43,701	0	0
Steel structure	140,319	9,459,795	14,141	543,085	132,537	8,381,158	12,137	703,038
Sale and purchase of steel	0	0	0	0	0	0	0	0
Environmental protection processing	12,938	320,527	0	0	11,060	238,074	0	0
Steel sheet piles	1,049	30,345	0	0	5,923	186,102	0	0
Construction revenues	0	511,364	0	0	0	251,812	0	0
Others (Note)	18,659	358,430	60,073	10,844	40,832	535,297	65,950	9,187
Total	2,122,973	55,656,298	334,359	5,849,351	1,969,630	52,678,772	385,447	7,293,349

(Note 1):It includes continuing operations and discontinued operations in 2023.

(Note 2):Other principal subsidiaries are fixed-size and formed rebar processing, sale of pig iron, sale of coupler materials and quicklime.

**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		2023	2022
Number of employees (persons)	Head office	199	192
	Kaohsiung Plant	319	362
	Daye Factory	118	0
	Taoyuan Plant	578	576
	Miaoli Plant	565	543
	Temporary	6	3
	Foreign employees	290	262
	Total - parent company	2,075	1,938
	Subsidiary (including foreign employees)	1,032	1,008
	Total	3,107	2,946
Average age (Note)		41.95	42.64
Average years of services (Note)		11.50	11.82
Degree distribution ratios (%) (Note)	Doctorate	0.05	0.04
	Master	6.67	5.93
	University/ College	57.70	55.92
	High school	21.53	22.78
	Senior High School and below	14.05	15.33

(Note 1): 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.

(Note 2): Daye Plant has completed factory registration and started the production in January 2023.



#### IV. Environmental protection expenditures

- (I) Losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

Contents of Environmental Protection Penalty Cases		Environmental violations	Punishment	Future response (improvement and preventive measures)
Company				
Parent company	Miaoli Plant	2023.10.14 (Sanction number: Huan-Fei-Zi No. 1120088402) In violation of Article 31, Item 1 of the Waste Disposal Act: the declared amount of reduced ballast and oxidized ballast produced by the manufacturing process did not correspond to the amount of waste stored.	A fine of NT\$6,000 has been imposed.	Re-amend the declaration of the interim storage of ballast reduction.
		2023.11.30 (Sanction number: Fu-Huan-Kong-Zi No. 1120101322) In violation of Article 24, Item 2 of the Air Pollution Control Act: the increase in process materials and fuels was not included in the permit.	A fine of NT\$100,000 has been imposed.	Processing applications for changes in operating permits to include all raw materials (including secondary raw materials and fuels) used in the permits.
		2023.11.30 (Sanction number: Fu-Huan-Kong-Zi No. 1120101322) Violation of Article 23 (2) of the Air Pollution Control Act, Articles 4, 6 and 9 of the Management Regulations for Facilities to Control Fugitive Dust Air Pollution from Stationary Pollution Sources, and the failure of process dumps to take effective measures to prevent and control fugitive particulate pollutants.	A fine of NT\$150,000 has been imposed.	1. Daily sweeping by sweeper trucks, supplemented by high-pressure water flushing from time to time to improve the color difference of the road. 2. Adjustment of the sprinkler area in the scrap metal storage area and addition of mobile high-pressure water spray guns.
		2023.12.14 (Sanction number: Huan-Fei-Zi No. 1120105822) Violation of Article 31, Item 1 of the Waste Disposal Act: the waste storage area was not sealed with fixed packing materials or containers and labeled with waste information.	A fine of NT\$120,000 has been imposed.	1. The plant layout of the waste cleanup plan is incorporated into the waste storage area and resubmitted for review. 2. The stored waste is re-bagged in flexible freight bags, sealed in exact bundles and labeled with relevant information.
		2023.12.19 (Sanction number: Fu-Huan-Shui-Zi No. 1120106823) Violation of Article 14 (1) of the Water Pollution Control Act: the wastewater treatment facilities were not in accordance with the contents of the water pollution	A fine of NT\$90,000 has been imposed.	Update the plan of water pollution control measures and resubmit it to the Environmental Protection Agency for review. Also perform

Contents of Environmental Protection Penalty Cases		Environmental violations	Punishment	Future response (improvement and preventive measures)
Company				
		control permit (document).		water pollution function tests to obtain discharge permits.
	Kaohsiung Plant	2023.07.21 (Penalty No.: 2023.02.02, KSFHKZ No.11230798000) Violation of Article 34, Paragraph 4 of the Air Pollution Prevention Law: The person in charge of air pollution control at this plant is also the health and safety officer.	Penalty fine of NT\$200,000	A new Air Pollution Prevention Specialist was appointed on January 4, 2023 and approved by the EPA for review.
Subsidiary	Tung Kang Steel Structure Co., Ltd.	2023.05.08 (Sanction number: Fu-Huan-Wei-Zi No. 1120005309) In violation of Article 27, Item 1, Paragraph 2 of the Waste Disposal Act: earth was improperly piled and scattered in the ditch next to the plant.	A fine of NT\$1,200 has been imposed.	Clean up any loose earth.
		2023.10.18 (Sanction number: Fu-Huan-Kong-Zi No. 1120095561) Excessive noise during construction in violation of Article 8 (4) of the Noise Control Act.	A fine of NT\$6,000 has been imposed.	Construction will be carried out in phases to minimize noise.
		2024.01.03 (Sanction number: Fu-Huan-Kong-Zi No. 1123615477) Violation of Article 35, Item 1 of the Air Pollution Control Act, failure to disclose the operation permit of "Metal Blasting (Sand Blasting) Processing Procedure (M01)" to the information disclosure platform of stationary pollutant source management within 15 days.	Fine of NT\$200,000 + 2 hours of environmental lectures.	The operating license will be issued in accordance with the requirements and will be made available on the public platform.
	Katec Creative Resources Corp.	2023.04.24 (Sanction number: Fu-Huan-Kong-Zi No. 1120108096) In violation of Article 32, Item 1, Paragraph 1 of the Air Pollution Control Act: the exhaust gas was not collected and treated effectively, and particulate pollutants inside the plant escaped into the air outside the perimeter of the plant, and it was determined that water vapor interference was excluded from the situation resulting in air pollution.	Fine of NT\$450,000 + 2 hours of environmental lectures.	Installation of additional dust collection equipment for slag discharge and milling.
		2023.05.04 (Sanction number: Tao-Huan-Ji-Zi No. 1120038436) In violation of Article 36, Item 1 of the Waste Disposal Act and Article 7, Item 1, Paragraph 2 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste, hazardous business waste (Category C waste) in the plant was not labeled with the business name of the waste generated, the date of storage, the weight, the composition, and the sign distinguishing the characteristics of the hazardous business waste in a conspicuous place in accordance with the regulations.	Fine of NT\$60,000 + 2 hours of environmental lectures.	It has been re-labeled and required to be checked and reported back on a daily basis to prevent it from falling off.
		2023.08.28 (Sanction number: Tao-Huan-Shi-Zi No. 1120076042) In violation of Article 31, Item 1, Paragraph 2 of the Waste Disposal Act, the company should report the amount of business waste received, stored, produced, and disposed of, etc. However, on July 17, 2023, the Bureau checked the business	Fine of NT\$120,000 + 2 hours of environmental lectures.	Improve the reporting officer to double-check and confirm the values before sending out the return.

<div>Contents of Environmental Protection Penalty Cases</div> <div>Company</div>		Environmental violations	Punishment	Future response (improvement and preventive measures)
		waste code and the value of business waste not meeting the quality balance reported in the Business Waste Reporting and Management Information System of the MOENV for the period of July 2022 to June 2023: (a) C-0514 in September and October 2022. (b) C-0512 in October 2022.		
		2023.08.28 (Sanction number: Tao-Huan-Shi-Zi No. 1120076042) In violation of Article 36, Item 1 of the Waste Disposal Act and Article 8, Item 2 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste, the storage containers in the C-05 Biomedical Waste Storage Area of the Pressure Sphere Operation Area were not labeled with the name of the business that produces waste and the name of the removing and treating organization.	Fine of NT\$120,000 + 2 hours of environmental lectures.	Requested the incoming material receiving unit to improve the labeling operation before unloading and positioning of waste materials.
		2023.08.28 (Sanction number: Tao-Huan-Shi-Zi No. 1120076042) Violation of Article 36 (1) of the Waste Disposal Act, and Article 7 (1) (2) of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste: (a) ballast operation area of the class A storage containers did not indicate the name of the industry to generate waste, storage date, quantity, composition and the characteristics of the hazardous waste of different hazardous business signs. (b) the smelting operation area of class C storage containers did not indicate the date of storage and quantity.	Fine of NT\$120,000 + 2 hours of environmental lectures.	Requested the incoming material receiving unit to improve the labeling operation before unloading and positioning of waste materials.
		2023.08.28 (Sanction number: Tao-Huan-Shi-Zi No. 1120076042) Article 42 of the Waste Disposal Act, Article 18, Item 1 of the Permit Management Regulations for Public or Private Waste Clearance and Disposal Organizations: (a) the zinc oxide storage area exceeded the storage area to the pig iron and copper storage area, which was inconsistent with the permit. (b) the storage area of Class A waste in the ballast operation area exceeded the storage area, which was inconsistent with the content of the permit. (c) the location of the rust storage area was not consistent with the contents of the permit. (d) the storage area for waste dry cell batteries (R-2404) was not in accordance with the permit. (e) the storage area for Class C waste in the smelting operation area was not consistent with the permit. (f) the storage of pig iron in the waste wood pallet (D-0701) storage area and the storage of waste regrind next to this area did not comply with the permit.	Fine of NT\$36,000 + 2 hours of environmental lectures.	Enhance the implementation of the requirement of placing the goods in the factory in accordance with the requirements.
		2023.08.28 (Sanction number: Fu-Huan-Ji-Zi No. 1120240920) Air Pollution Control Act, Article 32, Item	Fine of NT\$300,000 + 4 hours of	Workers are strictly prohibited from discharging water into

<div> <div>Contents of Environmental Protection Penalty Cases</div> <div>Company</div> </div>		Environmental violations	Punishment	Future response (improvement and preventive measures)
		1, Paragraph 1: due to the pouring operation of molten slurry in contact with water to generate airbursts, operational negligence resulting in the occurrence of airbursts, the failure of the plant's air pollution prevention equipment to effectively collect and treat pollutants, resulting in the generation of visible particulate pollutants dispersed in the air, and ruled to exclude the case of water vapor interference, resulting in air pollution.	environmental lectures.	the slag pit. Enhancement of fume collection and contracting of additional dust collection equipment for slagging and milling; renovation of holes in the roof of the plant was completed.
		2023.10.16 (Sanction number: Fu-Huan-Ji-Zi No. 1120287642) Article 24, Item 2 of the Air Pollution Control Act: there were several holes on the top of the furnace roof smoke collection system (A002), and the inspected pressure drop value was 1 inch of water, which was not in accordance with the approved pressure drop value of 2~5 inch of water of the permit.	Fine of NT\$100,000 + 2 hours of environmental lectures.	Enhancement of fume collection and contracting of additional dust collection equipment for slagging and milling; renovation of holes in the roof of the plant was completed. Ensure that smoke and dust are not a fugitive problem.
	Tung Kang Engineering & Construction Co., Ltd.	2023.01.04 (Sanction number: Huan-Fei-Zi No. 1120002002) In violation of Article 31, Item 1 of the Waste Disposal Act: the project failed to file a network declaration and failed to submit a business waste disposal plan for review and approval prior to the commencement of construction.	A fine of NT\$60,000 has been imposed.	Completion of administrative procedures in accordance with regulations.

(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 2023, the parent company's environmental protection expenditure (depreciation) was approximately NT\$75,790,000 and the running expense was approximately NT\$602,286,000, which bring about a total of NT\$678,076,000. Environmental protection expenditure for the parent company and its subsidiaries from the most recent fiscal year to the publication date of this annual report:

<div>Environmental protection expenditures</div> <div>Company</div>		Environmental protection expenditures (Unit: Thousands of New Taiwan Dollars)		
		Item	2023	2022
Parent company	Taoyuan Plant	Environmental protection expenditures (depreciation)	47,470	36,592
		Running expenses for environmental protection	327,127	318,419
		Taoyuan Plant Subtotal		374,597
	Miaoli Plant	Environmental protection expenditures (depreciation)	25,573	32,442
		Running expenses for environmental protection	260,836	253,833
		Miaoli Plant Subtotal		286,409
	Kaohsiung Plant	Environmental protection expenditures (depreciation)	258	258
		Running expenses for environmental protection	10,354	9,085
		Kaohsiung Plant Subtotal		10,612
	Daye Factory	Environmental protection expenditures (depreciation)	2,489	0
		Running expenses for environmental protection	3,969	0
		Subtotal of Daye Plant		6,458
	Total - parent company		678,076	650,629
Subsidiary	Tung Kang Steel Structure Co., Ltd.	Environmental protection expenditures (depreciation)	36	97
		Running expenses for environmental protection	91	116
	Tung Ho Steel Vietnam Corp., Ltd.	Environmental protection expenditures (depreciation)	10,753	8,619
		Running expenses for environmental protection	178	2,051
	Katec Creative Resources Corp.	Environmental protection expenditures (depreciation)	3,092	2,353
		Running expenses for environmental protection	1,981	1,762
	Duc Hoa International J.S.C.	Environmental protection expenditures	576	329
Total - subsidiaries		16,707	15,327	
Total		694,783	665,956	

(Note): Daye Plant has completed factory registration and started the production in January 2023.

(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:

We believe that our employees are the greatest asset of our Company and the driving force behind our operations, therefore we provide comprehensive welfare facilities and health services. 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 Daye 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

Vocational doctors publish health and hygiene periodicals, provide health and hygiene information such as prevention and treatment of infectious diseases, travel prescription, etc., organize health seminars, and collaborate with local health bureaus to administer influenza vaccines and other activities.

- (7) Employee remuneration  
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 2023 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. Union members can participate in labor-management meetings through enterprise union elections to elect labor representatives, facilitating communication between labor and management, coordinating labor-management relations, and promoting cooperation. Additionally, representatives elected by the enterprise union serve as members of the "employee welfare committees" and the "retirement reserve fund supervisory committee" to oversee and safeguard the rights and interests of employees.  
In accordance with the Collective Agreement Act, the Company commenced collective agreement negotiations with the Enterprise Union of the Miaoli Plant in September 2019. These negotiations covered various matters such as labor conditions, welfare measures, occupational safety, employee complaint mechanisms, union organization and activities, and the utilization of corporate facilities. After nine rounds of negotiation meetings, both parties signed the collective agreement on December 17, 2020. The collective agreement is valid from the signing date until December 16, 2023, totaling three years. Negotiations for the renewal of the collective agreement with the Enterprise Union of the Miaoli Plant began in September 2023, and it is scheduled to sign a new collective agreement in May 2024.

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.



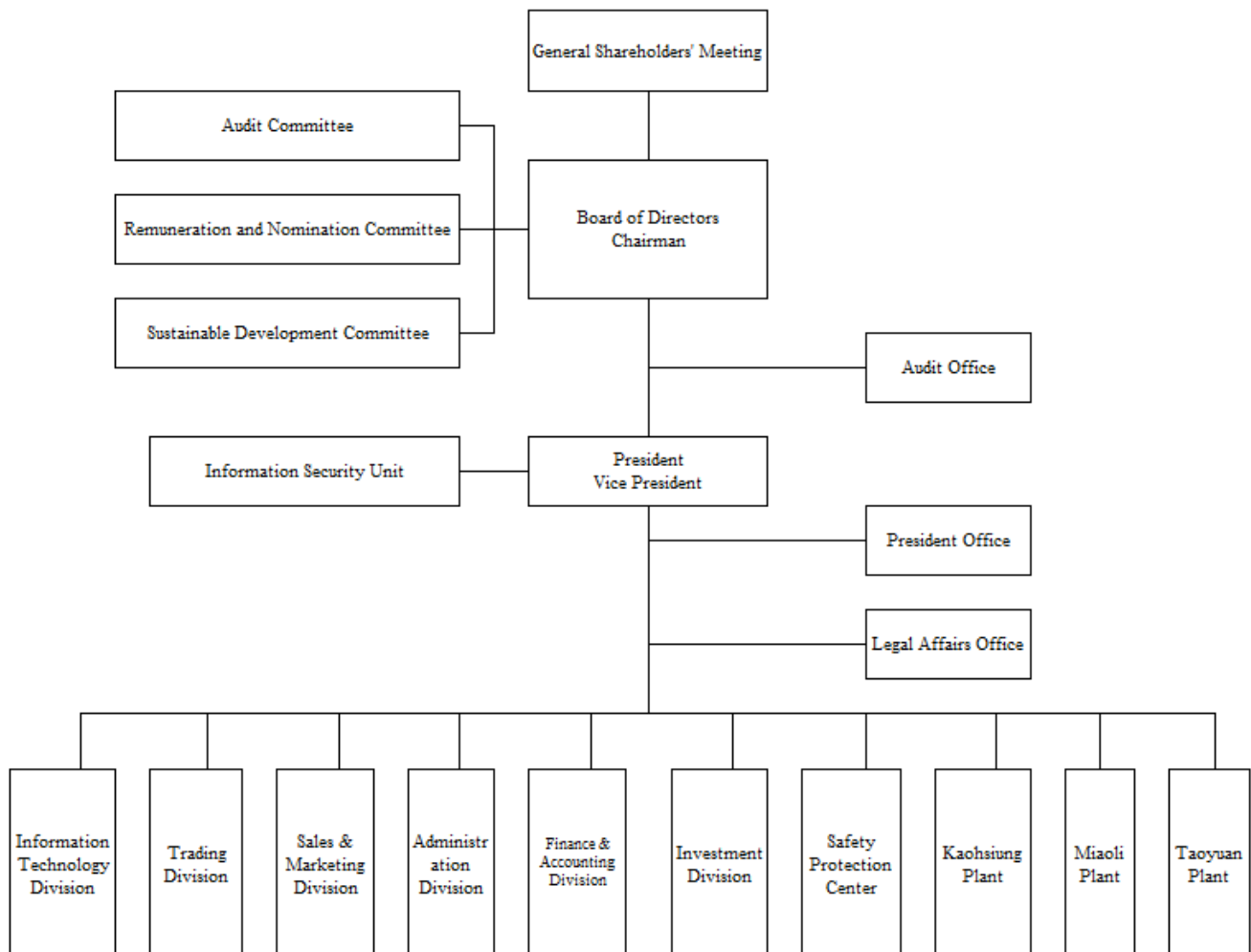
## VI. Information Security Management

### (I) Information Security Risk Management Framework

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:

Organizational Chart



(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 (3) Social engineering phishing mail drill
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. Joined Taiwan CERT\_CSIRT Alliance and become a member. To enable information security information to be shared more quickly to accelerate information security protection and reduce risks.
2. Introduced ISO27001:2013 information security management system to implement and strengthen information security management.
3. Replaced outdated (End Of Service) firewalls used in all external communication lines throughout the Company to reduce the risk of cyberattacks.
4. Conducted a company-wide e-mail social engineering exercise and produced an educational training video on "Phishing E-mail Prevention" to be placed on our online education platform for employees to watch, in order to enhance employees' knowledge of phishing e-mails.
5. The introduction of our online education platform has improved the location and time constraints of physical courses, allowing employees to attend classes on their own, and making the class time more flexible. This year, six online information security courses and five information security promotion documents were uploaded to enhance the awareness of information security among employees.
6. The information security personnel attended the Cybersecurity Leadership Workshop and the Cyber Defense Technology Course organized by the Information Service Industry Association of R.O.C.
7. Vulnerability scanning and vulnerability remediation were carried out to improve the high-risk items in the test results, and to continuously improve the quality of information security protection through enhanced measures.

(V) Losses suffered as a result of significant information and communication security incidents in recent years and up to the printing date of the annual report, possible impacts and countermeasures: None.

## VII. Significant contracts between parent company and subsidiary

Company		Important contracts	Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
Parent company	Taoyuan Plant		Construction contract	Taiwan Steel Resources Co., Ltd.	2023.01.01~2023.12.31	Business Waste Disposal and Recycling Contract (Ash Waste)	Relevant monthly settlements are calculated based on the actual carrying capacity.
			Construction contract	Hao Shen Industrial Co., Ltd.	2023.01.01~2023.12.31	Taoyuan Plant oxidized slag removal and reuse (cleanup cost)	Relevant monthly settlements are calculated based on the actual carrying capacity.
			Construction contract	Hwa Shen Environmental Co., Ltd.	2023.01.01~2023.12.31	Taoyuan Plant oxidized slag removal and reuse (cleanup cost + freight)	Relevant monthly settlements are calculated based on the actual carrying capacity.
			Construction contract	Jinji Xin Enterprises Ltd.	2023.01.01~2023.12.31	Sale of iron oxide	Payment to Tung Ho is made monthly, with charges calculated based on weight.
			Equipment procurement	Fu Ti	2022.12.20~2023.07.30	Furnace cut-off switch purchase contract	After delivery: 100% invoice
			Construction contract	TCC	2023.06.01~2024.05.31	Business waste reuse treatment (reduction slag)	Monthly payment according to the amount of usage
			Construction contract	Da Sheng	2023.04.01~2024.03.31	Contracting of steel bar cutting work in Tai Yuen Factory	Verification of Monthly Payment Request :100%
			Construction contract	CPC Corporation	2023.03.31~2028.03.30	Industrial natural gas trading	Verification of Monthly Payment Request :100%
			Construction contract	See Win Environmentally Co., Ltd.	2023.06.01~2025.05.31	Contract for the removal of industrial waste (inorganic sludge)	Deposit: 10% Delivery: 70% Acceptance: 20%
			Equipment procurement	Yungtay-Hitachi Construction	2022.04.27~2023.2.28	Hydraulic Long Arm Excavator Procurement Contract	Deposit: 30% Specification Confirmation: 60% Acceptance: 10%
			Construction contract	Fu Sheng Plumbing and Electricity	2023.11.01~2023.12.31	Submission of Electrical Design and Certification of High Voltage Equipment for the Tung Ho Steel Administration Building	Completion 100%, payment requested
			Construction contract	Asia Cement	2023.04.01~2024.03.31	Contract for the Recycling and Processing of Industrial Waste (Oxidation Slag)	Billing is conducted monthly based on weight

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Construction contract	Katec Creative Resources Corp.	2023.08.01~2024.07.31	Long-Term Perimeter Risk Assessment Plan	Upon the issuance of the report each quarter, 100% payment requested
		Equipment procurement	Ramon Science & Technology	2023.08.28~2024.06.30	Procurement of Liquid Level Detection Equipment	Pre-delivery Invoice: 100%
		Equipment Maintenance	Reii Rich Motors	2023.07.01~2024.06.30	Equipment Electrical Maintenance	100% Verification of Monthly Payment Request
		Construction contract	San Chieh Fireproofing	2024.01.01~2025.12.31	Procurement of Outsourced Maintenance for Fire-Resistant Materials	100% Verification of Monthly Payment Request
		Construction contract	Fu Shun Plumbing and Electricity	2023.11.01-2023.12.31	Tung Kang Wind Power Commission - Solar Panel Sprinkler System Piping Control Project	Final Inspection and Request for Payment: 100%
		Construction contract	Veolia Environnement	2023.10.01~2026.09.30	Procurement of Water Treatment Chemicals	Invoice Request for Payment Upon Delivery Confirmation by Weight: 100%
		Construction contract	Taiwan Steel Resources Co., Ltd.	2024.01.01~2024.12.31	Business Waste Disposal and Recycling Contract (Ash Waste)	Verification of Monthly Payment Request: 100%
		Construction contract	Taiwan Steel Union Inc.	2024.01.01~2025.12.31	Business Waste Disposal and Recycling Contract (Dust)	Verification of Monthly Payment Request: 100%
		Equipment procurement	Gia An Heavy Machinery Corporation	2023.12.12~2024.01.31	Procurement of Used Excavators	Product Delivery: 90% Inspection and Acceptance: 5% Warranty: 5%
		Material Procurement	Metrotek	2024.01.01~2024.12.31	Procurement of Steel Slag Bucket	Payment by Letter of Credit
		Construction contract	Hwa Shen Environmental Co., Ltd.	2024.01.01~2024.12.31	Contract for the Removal and Recycling of Oxidation Slag from the Taoyuan Factory (Cleanup Costs)	Relevant monthly settlements are calculated based on the actual carrying capacity.
		Construction contract	Hao Shen Industrial Co., Ltd.	2024.01.01~2024.12.31	Contract for the Removal and Recycling of Oxidation Slag from the Taoyuan Factory (Cleanup Costs)	Relevant monthly settlements are calculated based on the actual carrying capacity.
		Design Planning	Luo Chin-Cheng Construction Co.	2023.08.01~2024.10.31	Addition of fall-protection netting to the sound barriers on the north and south sides.	Design and Invoice Completion: 100%

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Technology R&D	Professor Chen Cheng-cheng	2024.01.01~2024.12.31	Design Planning	Monthly Invoicing, Totaling 15 Months
		Technology R&D	National Taiwan University of Science and Technology/Hong Chang-wei	2024.01.01~2024.12.31	Contract Appointment for Technical Guidance on Prefabricated Pre-finished Volumetric Construction (PPVC) Methodology	Deposit: 20% Specification Confirmation: 40% Acceptance: 40%
		Construction contract	Tung Kang Engineering & Construction Co., Ltd.	2024.01.01~2024.12.31	Comparison of Carbon Emissions and Costs between Traditional Reinforced Concrete and Prefabricated Pre-finished Volumetric Construction (PPVC) Methods	Requesting Payment According to Progress
		Construction contract	Chin You-hsing	2024.01.01~2024.12.31	PPVC Research and Development Sample House Construction Project	Payment to Tung Ho is made monthly, with charges calculated based on weight.
		Construction contract	Sino-American Silicon	2024.03.01~2026.12.31	Iron Oxide (Powder) Sales	Payment Of 100% Upfront
		Energy Conservation Engineering	Industrial Technology Research Institute	2024.01.01~2024.12.31	Collaboration Project for Solar Panel Cleaning at the Taoyuan Factory	Deposit: 10% Equipment Delivery: 70% Acceptance: 20%
		Energy Conservation Engineering	Industrial Technology Research Institute	Contract Signed on 03/01/2024, Software Will Be Delivered Within 30 Days Following Payment.	Contract for the Design and Construction of an Energy Management System	Payment Upon Contract Signing: 100% (Licensing Fee)
		Construction contract	Tung Kang Engineering & Construction Co., Ltd.	2023.02.17~2023.12.31	Big Data Intelligence Analysis and Management System Technology Licensing Agreement	Requesting Payment According to Progress
		Equipment procurement	Yuan Fu Industrial	Within 150 Days Following the Signing of the Contract	Taoyuan Processing Center - Construction Project for Building C (Including Temporary Structures, Civil Foundations, Structural Renovations, Machinery Rooms, Water Tanks, and Miscellaneous Works)	Payment in Full Upon Acceptance: 100%
		Equipment procurement	Hung Sheng Machinery	Within 45 Days Following the Signing of the Contract	Purchase Agreement for Molding Machinery	Deposit: 30% Equipment Delivery: 70%

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Equipment procurement	Heng Wang Steel	2023.07~2023.08	Procurement of Air Compressor Unit for Taoyuan Processing Center, Building C	Payment in Full Upon Acceptance
		Construction contract	Tong Jinn	Per Instruction from Tung Ho	Acquisition of Used Molding Machines	Requesting Payment According to the Progress of the Project, with 10% of Each Batch Retained as Acceptance Payment
		Construction contract	Yuan Fu Industrial	Within 60 Days Following the Signing of the Contract	Project for High and Low Pressure Pipeline and Lightning Rod in Processing Center, Building C	Payment in Full Upon Acceptance
		Construction contract	Ching Cheng Construction	Per Instruction from Tung Ho	Refurbishment of Processing Machinery	Payment in Full Upon Acceptance
		Construction contract	Shu Wei Technology	Per Instruction from Tung Ho	Processing Center Building C Overhead Trolley Process	Payment in Full Upon Acceptance
		Construction contract	Juxin Machinery	Per Instruction from Tung Ho, Delivery Should be Completed Within Five Months After the Contract is Signed	Monitoring Equipment Installation in Processing Center Buildings A & C	Requesting Payment in Accordance with the Delivery Schedule
		Construction contract	Chun Yi Fire Safety	To be Completed 60 days following Notification from Tung Ho	Overhead Crane and Steel Rail Electrification Project in Processing Center Building C	Deposit: 30% Construction: 30% Acceptance: 40%
		Equipment procurement	Tatung Co., Ltd.	2023.05.15~2023.11.15	Fire Safety Engineering for Processing Center Building C	Payment in Full Upon Acceptance: 100%
		Equipment procurement	Shang Li Electric Machinery	Deliver According to Schedule	Procurement Contract for the Main Transformer of the Processing Center Buildings B & C	Product Delivery: 90% Acceptance: 10%
		Construction contract	Tung Kang Engineering & Construction Co., Ltd.	Per Instruction from Tung Ho	Procurement of High and Low Voltage Panels for the Processing Center	Requesting Payment in Accordance with Schedule
	Miaoli Plant	Construction contract	Taiwan Cement Su'ao	2023.09.01~2024.08.31	Ash Waste Removal and Recycling	None
		Construction contract	Taiwan Cement Heping	2023.09.01~2024.08.31	Ash Waste Removal and Recycling	None
		Construction contract	Asia Cement Hualien	2023.04.01~2024.03.31	Ash Waste Removal and Recycling	None
		Construction contract	Taiwan Steel Resources Co., Ltd.	2023.01.01~2023.12.31	Ash Waste Removal and Recycling	None

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Construction contract	Ruentex Materials	2020.07.01~2025.06.30	Ash Waste Removal and Recycling	None
		Construction contract	Chium Shing Environmental Protection Co., Ltd.	2023.01.01~2023.12.31	Recycling and Removal of Oxidation Slag	None
		Sales agreement	Chium Shing Environmental Protection Co., Ltd.	2022.02.01~2024.01.31	Sale of Iron Powder Waste	None
		Construction contract	Hao Shen Industrial Co., Ltd.	2023.01.01~2023.12.31	Recycling and Removal of Oxidation Slag	None
		Construction contract	Hwa Shen Environmental Co., Ltd.	2023.01.01~2023.12.31	Recycling and Removal of Oxidation Slag	None
		Sales agreement	Hwa Shen Environmental Co., Ltd.	2022.02.01~2024.01.31	Sale of Iron Powder Waste	None
		Construction contract	Re-Source Technology	2023.01.01-2023.12.31	Recycling and Removal of Oxidation Slag	None
		Construction contract	Taiwan Steel Union Inc.	2022.02.01~2023.12.31	Recycling and Removal of Dust	None
		Construction contract	Feng Lian Steel	2023.07.01~2024.06.30 2022.07.01~2023.06.30	Primary Processing at BH Factory	None
		Equipment procurement	Ximen, Kaohsiung	2023.09.15~2024.11.14	Upgrading the CNC Lathe Electronic Control System	Deposit: 30% Goods Received: 60% Acceptance: 10%
		Equipment procurement	Elegant Electrotech	2023.06.12~2023.12.15	NO.1LF Implementing Independent Power Supply System	Goods Received: 90% Acceptance: 10%
		Equipment procurement	Chiyoda Gumi	2023.05.23~2023.11.15	Transformer for Electric Furnace	Payment will be distributed based on the completion stages of the project, with 30%, 60%, and 10% being allocated respectively
		Purchase agreement	CPC Corporation	2022.10.29~2024.10.29	Natural Gas	Payment is Due on the 12th of Each Month
		Purchase agreement	Ta Chang Hsing	2022.04.01~2024.03.31	Liquefied Petroleum Gas	Payment is Due on the 15th of Each Month
		Purchase agreement	Air Liquide Far Eastern	2020.11.01~2025.10.31	Liquid Argon	Fixed Monthly Fee and Basic Monthly Usage Charge
		Purchase agreement	LienHwa Zhonggang	2020.01.01~2025.08.31	LPG	Monthly Equipment Usage Fee
		Purchase agreement	Formosa Plastics	2023.02.01~2024.01.31	Quicklime	None
		Purchase agreement	DUCHOA	2023.01.01~2023.12.31	Quicklime	None

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Sales agreement	Jinji Xin Enterprises Ltd.	2023.01.01~2023.12.31	Sale and Delivery of Iron Oxide and Iron Oxide Powder	None
		Sales agreement	Hung Mau Environmental	2023.07.01~2024.06.30	Disposal and Management of Business Waste	None
	Kaohsiung Plant	Equipment procurement	Yuann Fuu Industry Co., Ltd.	2023.10.01~2024.12.31	Sales Contract for Rebar Bending Machine	None
		Equipment procurement	He Guan Machine Engineering	2023.12.01~2024.12.31	UF TILTING TB Components and SG Abrasion-Resistant Plate Purchase Agreement	None
		Technical services	Eternity Corp.	2023.07~2024.06	1. Plant management technical support services. 2. Provision of administrative and data analysis. 3. Other matters related to the technical service agreement.	None
	Daye Factory	Equipment procurement	Chia Shee Co., Ltd.	2023.02.20~2024.12.31	Wire Binding Machine Purchase Agreement	None
		Engineering Contract	He Guan Machine Engineering	2023.05.20~2024.04.30	Contract for the Addition of Crane Maintenance Walkways and Safety Cables in Buildings A, B, & C and Reduction Plant	None
		Equipment procurement	Taiwan Komatsu Co., Ltd.	2023.06.22~2026.01.31	Komatsu 11.5 Ton Forklift Purchase Agreement	None
		Equipment procurement	Taiwan Komatsu Co., Ltd.	2023.06.22~2026.01.31	Komatsu 7 Ton Forklift Purchase Agreement	None
		Equipment procurement	Hung Shyang Co., Ltd.	2023.07.21~2028.12.31	200HP Air Compressor Purchase Agreement	None
		Equipment procurement	Sanpany Co., Ltd.	2023.07.26~2025.01.31	500KN Universal Material Testing Machine Purchase Agreement	None
		Equipment procurement	Yuann Fuu Industry Co., Ltd.	2023.08.01~2026.12.31	Sales Contract for Rebar Bending Machine	None
		Equipment procurement	Jui-Ho Auto Dealership	2023.08.25~2024.07.31	Purchase Agreement for a 26-Ton Crane Truck (6.5-Ton Boom)	None
		Engineering Contract	Yiu Hwa Engineering Co., Ltd.	2023.10.03~2025.06.30	70T/H Heating Furnace Fuel Modification Project (Heating with Heat Storage)	None



Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Equipment procurement	Yungtay-Hitachi Construction Machinery Co., Ltd.	2023.11.01~2024.06.30	Purchase Agreement for Model 490 Excavator	None
Subsidiary	Tung Kang Wind Power Electricity Generation Corporation	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
		Renewable Energy Power Generation Equipment Design and Engineering Contract	New Green Power	2021.09~2023.09	Commissioned Design and Construction of Renewable Energy Power Generation Equipment	None
		Power Procurement Agreement	Tung Ho Steel Enterprise Corporation	2023.01~2042.12	Electricity Produced by Tung Kang Wind Power is Entirely Purchased by the Taoyuan, Miaoli, and Kaohsiung plants of Tung Ho Steel	None
		Subcontract Agreement	Taiwan Power Company	January 2023 -	Electricity Produced by Tung Kang Wind Power is Transmitted to Tung Ho Steel Plant 3 via Taiwan Power Company's Transmission Network	None
	Tung Kang Engineering & Construction Co., Ltd.	Construction Engineering	Chunghwa Telecom	2023.07.17~ completed construction	New Construction Project for the Lunping Data Center of Chunghwa Telecom	Construction Funds: 90% Reserve Funds: 10%
		Construction Engineering	Taicheng Machinery Co., Ltd.	2023.08.14~ completed construction	New Construction Project for Chunghwa Telecom Lunping Data Center: Steel Structure Engineering (Materials)	Payment by Business Owner Upon Completion of the Inspection of Materials at the Factory: 30% Payment for Materials Delivered to the Construction Site: 40% Payment for Hoisting: 20% Payment for Welding: 5% Final Payment: 5%

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Construction Engineering	Taicheng Machinery Co., Ltd.	2023.08.14~ completed construction	New Construction Project for Chunghwa Telecom Lunping Data Center: Steel Structure Engineering (Labor)	Payment by Business Owner Upon Completion of the Inspection of Materials at the Factory: 30% Payment for Materials Delivered to the Construction Site: 40% Payment for Hoisting: 20% Payment for Welding: 5% Final Payment: 5%
		Construction Engineering	Tung Ho Steel Enterprise Corporation	2023.02.17~ completed construction	Construction Project for Building C of the Taoyuan Processing Center	Construction Funds: 90% Reserve Funds: 10%
		Construction Engineering	Wu-Chang Construction Co., Ltd.	2023.09.25~ completed construction	New Construction Project for Chunghwa Telecom Lunping Data Center: Steel Structure Engineering (2) (Materials)	Construction Funds: 90% Reserve Funds: 10%
		Construction Engineering	Wu-Chang Construction Co., Ltd.	2023.09.25~ completed construction	New Construction Project for Chunghwa Telecom Lunping Data Center: Mechanical and Electrical Engineering (Labor)	Construction Funds: 90% Reserve Funds: 10%
		Construction Engineering	Wu-Chang Construction Co., Ltd.	2023.09.25~ completed construction	New Construction Project for Chunghwa Telecom Lunping Data Center: Steel Structure Engineering (1) (Materials)	Construction Funds: 90% Reserve Funds: 10%
		Construction Engineering	Wu-Chang Construction Co., Ltd.	2023.09.25~ completed construction	New Construction Project for Chunghwa Telecom Lunping Data Center: Excavation and Formwork Engineering (Materials)	Construction Funds: 90% Reserve Funds: 10%
		Construction Engineering	Wu-Chang Construction Co., Ltd.	2023.12.18~ completed construction	New Construction Project for Chunghwa Telecom Lunping Data Center: Partition Engineering (2) (Materials)	Construction Funds: 90% Reserve Funds: 10%

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Construction Engineering	Sheng Xin Steel Co., Ltd.	2023.09.08~ completed construction	Tung Ho Taoyuan Processing Center New Construction Project: Steel Structure Engineering (Labor)	Advance Payment: 10% Payment for Materials Delivered to the Construction Site: 40% Installation Completion: 40% Final Payment (which is claimed after acquisition and acceptance, with documentation submitted, and refunded after 180 days): 10%
	Katec Creative Resources Corp. Resources	Equipment Upgrade	Fortune Electric Co., Ltd.	2023.06.09~2024.09.30	Transformer for Furnace	Deposit: 20% Product Delivery Fund: 60% Installation Fee: 10% Acceptance: 10%
		Addition of Equipment	The Giant Taiwan Ltd.	2023.06.07	Purchase of Excavator	Deposit: 9.4% Product Delivery Fund: 90.6%
		Addition of Equipment	Youxin Equipment Manufacturing Co., Ltd.	2023.09.15	Additional Installation of Bag- Type Dust Collection System	Deposit: 30% Product Delivery Fund: 60% Acceptance: 10%
		Equipment Upgrade	Fortune Electric Co., Ltd.	2023.01.12~2023.07.12	Oil-Immersed Transformer	Deposit: 20% Product Delivery Fund: 60% Acceptance: 10%
		Addition of Equipment	Atlas Innotek	2023.03.20~2023.05.31	Air Pollution Control System Plan	First Installment: 40% Second Installment: 40% Acceptance: 20%
		Addition of Equipment	Jin Hao Machinery Co., Ltd.	2023.04.18~2023.10.18	Improvement of High-altitude Safety within the Factory	Deposit: 30% Acceptance: 70%
		Addition of Equipment	Ming Gao Heavy Machinery Co., Ltd.	2023.05.04	Ordering of Excavator Equipment	Deposit: 30% Acceptance: 70%
		Office Improvement	Rumi's Industrial Co., Ltd.	2023.05.03~112.06.02	Partitioned Area on Fourth Floor of Office Building Designated as Dormitory for Migrant Workers	Deposit: 40% Completion: 50% Acceptance: 10%
		Equipment upgrade	Jin Hao Machinery Co., Ltd.	2023.06.02~2023.07.02	Improvement Project for Duct 025 within the Factory	Acceptance: 100%
	DucHoaIntern ationalJ.S.C.	Purchase Agreement (Principal Contract)	A.N.L.A.N ANLAN Coal	2017.01.01	Procurement of blind coal	None

Important contracts Company		Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Purchase Agreement (Principal Contract)	TRƯỜNG HẠNH Great Wall Mineral	2019.02.15	Procurement of limestone	None
		Sales agreement	Tung Ho Steel	2023.01.08~2023.12.31	Sales of quicklime	None
		Sales agreement	THSVC	2023.02.01~2023.12.31	Sales of quicklime	None

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

### I. Concise Balance Sheet and Consolidated Income Statement for the Last Five Years

#### (I)

#### 1. Condensed balance sheet - consolidated

Unit: Thousands of New Taiwan Dollars

Year		Financial information for the last 5 years				
		2023	2022	2021	2020	2019
Item						
Current assets		32,267,657	29,655,048	31,394,169	21,192,142	23,009,268
Property, plant, and equipment (Note 1)		19,052,245	20,038,567	18,002,034	18,390,406	19,648,493
Intangible assets		167,964	179,458	185,611	163,396	177,149
Other assets (Note 1)		4,891,014	4,893,474	5,820,938	4,675,143	4,856,593
Total assets		56,378,880	54,766,547	55,402,752	44,421,087	47,691,503
Current liabilities	Before distribution	23,146,735	22,605,252	22,993,691	13,815,783	15,670,438
	After distribution (Note 2)	26,213,633	25,161,000	27,667,059	15,450,590	17,025,920
Non-current liabilities		2,070,967	3,246,781	2,676,476	2,897,479	7,719,654
Total liabilities	Before distribution	25,217,702	25,852,033	25,670,167	16,713,262	23,390,092
	After distribution (Note 2)	28,284,600	28,407,781	30,343,535	18,348,069	24,745,574
Equity attributed to the owners of the parent company		31,048,280	28,805,965	29,542,469	27,503,307	24,199,492
Share capital		7,302,138	7,302,138	7,302,138	10,587,599	10,040,606
Capital surplus		7,739,750	7,684,679	7,684,679	7,287,920	6,592,236
Retained earnings	Before distribution	16,311,669	14,131,035	14,713,541	10,450,151	8,272,872
	After distribution (Note 2)	13,244,771	11,575,287	10,040,173	8,815,344	6,917,390
Other equity		(305,277)	(311,887)	(157,889)	(822,363)	(706,222)
Treasury stock		0	0	0	0	0
Non-controlling interest		112,898	108,549	190,116	204,518	101,919
Total equity	Before distribution	31,161,178	28,914,514	29,732,585	27,707,825	24,301,411
	After distribution (Note 2)	28,094,280	26,358,766	25,059,217	26,073,018	22,945,929

(Note 1): Property, 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 26, 2024, the 2023 cash dividend distribution was approved by resolution of the Board of Directors, and reported to the shareholders meeting.

## 2. Condense balance sheet - individual

Unit: Thousands of New Taiwan Dollars

Year Item		Financial information for the last 5 years				
		2023	2022	2021	2020	2019
Current assets		22,192,200	20,942,767	21,503,736	14,307,234	17,387,667
Property, plant, and equipment (Note 1)		13,338,811	13,824,070	11,319,898	11,960,389	12,638,857
Intangible assets		0	0	0	0	0
Other assets (Note 1)		13,305,449	13,340,375	13,271,417	10,991,440	11,409,964
Total assets		48,836,460	48,107,212	46,095,051	37,259,063	41,436,488
Current liabilities	Before distribution	16,303,606	16,775,947	14,044,073	7,668,044	11,042,221
	After distribution (Note 2)	19,370,504	19,331,695	18,717,441	9,302,851	12,397,703
Non-current liabilities		1,484,574	2,525,300	2,508,509	2,087,712	6,194,775
Total liabilities	Before distribution	17,788,180	19,301,247	16,552,582	9,755,756	17,236,996
	After distribution (Note 2)	20,855,078	21,856,995	21,225,950	11,390,563	18,592,478
Owners' equity		31,048,280	28,805,965	29,542,469	27,503,307	24,199,492
Share capital		7,302,138	7,302,138	7,302,138	10,587,599	10,040,606
Capital surplus		7,739,750	7,684,679	7,684,679	7,287,920	6,592,236
Retained earnings	Before distribution	16,311,669	14,131,035	14,713,541	10,450,151	8,272,872
	After distribution (Note 2)	13,244,771	11,575,287	10,040,173	8,815,344	6,917,390
Other equity		(305,277)	(311,887)	(157,889)	(822,363)	(706,222)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	31,048,280	28,805,965	29,542,469	27,503,307	24,199,492
	After distribution (Note 2)	27,981,382	26,250,217	24,869,101	25,868,500	22,844,010

(Note 1): Property, 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 26, 2024, the 2023 cash dividend distribution was approved by resolution of the Board of Directors, and reported to the shareholders meeting.

## (II)

## 1. Condensed income statement - consolidated

Unit: Thousands of New Taiwan Dollars

Item \ Year	Financial information for the last 5 years				
	2023	2022 (Note)	2021	2020	2019
Operating revenue	60,961,908	59,217,013	58,795,089	42,866,290	44,863,600
Gross profit	8,646,193	7,449,739	9,473,774	6,620,704	4,131,766
Operating profit and loss	5,998,700	5,117,781	7,059,605	4,421,487	2,106,598
Non-operating income and expenditure	3,321	119,151	291,106	68,083	15,534
Net profit before tax	6,002,021	5,236,932	7,350,711	4,489,570	2,122,132
Continuing operations Net profit of the term	4,709,125	3,943,619	5,921,551	3,556,583	1,557,798
Losses from discontinued units	50,695	67,150	0	0	0
Net profit (loss)	4,759,820	4,010,769	5,921,551	3,556,583	1,557,798
Other comprehensive income (net income after-tax)	(4,318)	(63,252)	640,531	(140,008)	(68,984)
Total comprehensive income for the period	4,755,502	3,947,517	6,562,082	3,416,575	1,488,814
Profit attributable to owners of the parent	4,729,346	3,994,004	5,906,247	3,562,064	1,566,059
Net profit attributable to non-controlling equity	30,474	16,765	15,304	(5,481)	(8,261)
Total comprehensive income attributed to the owners of the parent company	4,742,992	3,936,864	6,556,297	3,418,766	1,494,574
Total comprehensive income attributed to non-controlling equity	12,510	10,653	5,785	(2,191)	(5,760)
Earnings per share	6.48	5.47	5.95	3.52	1.56

(Note) Restatement of the combined statement of comprehensive income for 2022 in accordance with the discontinued unit for 2023.

## 2. Condensed income statement - individual

Unit: Thousands of New Taiwan Dollars

Item \ Year	Financial information for the last 5 years				
	2023	2022	2021	2020	2019
Operating revenue	49,355,594	47,003,192	45,569,308	34,263,435	35,247,359
Gross profit	6,657,742	6,475,829	7,986,476	6,062,161	4,117,593
Operating profit and loss	4,599,516	4,648,949	6,006,802	4,267,440	2,549,525
Non-operating income and expenditure	1,105,347	406,883	1,195,203	121,705	(460,135)
Net profit before tax from continuing operations	5,704,863	5,055,832	7,202,005	4,389,145	2,089,390
Losses from discontinued units	0	0	0	0	0
Net profit of the term	4,729,346	3,994,004	5,906,247	3,562,064	1,566,059
Other comprehensive income (net income after-tax)	13,646	(57,140)	650,050	(143,298)	(71,485)
Total comprehensive income for the period	4,742,992	3,936,864	6,556,297	3,418,766	1,494,574
Earnings per share	6.48	5.47	5.95	3.52	1.56

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

Year	Names of the certification accountants	Audit opinion	Description
2023	Tzu-Hui Lee and Hui-Chih Ko	Unqualified opinion	None
2022	Tzu-Hui Lee and Hsin-Ying Kuo	Unqualified opinion	None
2021	Tzu-Hui Lee and Hsin-Ying Kuo	Unqualified opinion	None
2020	Tzu-Hui Lee and Hsin-Ying Kuo	Unqualified opinion	None
2019	Tzu-Hui Lee and Hsin-Ying Kuo	Unqualified opinion	None



## II. Financial analysis for the last five years

### (I)

#### 1. Financial analysis—consolidated

Year (Note 1) Analysis Item (Note 2)		Financial analysis for the last five years				
		2023	2022	2021	2020	2019
Financial structure (%)	Debt-to-assets ratio	44.73	47.20	46.33	37.62	49.04
	Long-term capital property, plant, and equipment ratio	174.43	160.50	180.03	166.42	162.97
Solvency (%)	Current ratio	139.40	131.19	136.53	153.39	146.83
	Quick ratio	32.97	29.87	30.18	43.37	32.32
	Interest coverage ratio	14.73	18.42	49.57	23.51	7.80
Operating ability	Receivables turnover ratio (times)	14.95	14.64	15.13	12.99	13.46
	Average collection period	24.41	24.93	24.12	28.09	27.11
	Inventory turnover ratio (times)	2.69	2.62	3.01	2.77	2.75
	Payable turnover ratio (times)	20.08	19.25	17.85	15.61	18.26
	Average days of sales	135.68	139.31	121.26	131.76	132.72
	Property, plant, and equipment turnover ratio (times)	3.12	3.11	3.23	2.25	2.22
	Total asset turnover ratio (times)	1.08	1.08	1.06	0.96	0.94
Profitability	Return on assets (%)	9.19	7.71	12.10	8.05	3.73
	Return on equity (%)	15.85	13.68	20.62	13.68	6.45
	Paid-in capital to income before tax	82.20	71.72	100.67	42.40	21.14
	Net profit margin (%)	7.81	6.77	10.07	8.30	3.47
	Earnings per share (NT\$)	6.48	5.47	5.95	3.52	1.56
Cash flows	Cash flow ratio (%)	19.97	30.37	(4.58)	67.53	24.46
	Cash flow adequacy ratio (%)	89.64	42.31	21.05	44.89	29.59
	Cash reinvestment ratio (%)	3.38	3.72	(4.65)	14.66	4.83
Leverage	Operating leverage	1.89	2.00	1.73	2.07	3.05
	Financial leverage	1.08	1.06	1.02	1.04	1.16

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 14.73. This decrease can be attributed to two factors: an increase in pre-tax net income of NT\$765,089 thousand, representing a growth of 14.61% over the previous year, and an increase in interest expenses of NT\$136,560 thousand, which represents a growth of 45.45% over the previous year.
2. The cash flow ratio decreased to 19.97% as a result of proactive inventory preparation in response to unfulfilled orders. As a result, net cash inflow provided by operating activities decreased by NT\$2,243,654 thousand compared to the previous year, representing a decrease of 32.68%.
3. The cash flow adequacy ratio increased to 89.64% mainly due to the strong operating performance in the current year. Net cash inflow provided by operating activities increased by NT\$10,060,788 thousand over the past five years, representing an increase of 74.32% over 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 property, 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) Property, 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).

## 2. Financial analysis–individual

Analysis Item (Note 2)		Year (Note 1)	Financial analysis for the last five years				
			2023	2022	2021	2020	2019
Financial structure (%)	Debt-to-assets ratio		36.42	40.12	35.91	26.18	41.60
	Long-term capital property, plant, and equipment ratio		243.90	226.64	283.14	247.41	240.48
Solvency (%)	Current ratio		136.12	124.84	153.12	186.58	157.47
	Quick ratio		29.80	28.59	35.55	50.16	46.61
	Interest coverage ratio		26.09	40.82	209.65	54.82	15.09
Operating ability	Receivables turnover ratio (times)		12.95	12.33	12.47	10.00	7.85
	Average collection period		28.18	29.60	29.27	36.50	46.53
	Inventory turnover ratio (times)		2.59	2.51	2.82	2.52	2.65
	Payable turnover ratio (times)		23.70	21.20	19.43	18.89	20.80
	Average days of sales		140.92	145.41	129.43	144.84	137.73
	Property, plant, and equipment turnover ratio (times)		3.63	3.74	3.91	2.79	2.71
	Total asset turnover ratio (times)		1.01	0.98	0.99	0.92	0.85
Profitability	Return on assets (%)		10.13	8.69	14.24	9.22	4.00
	Return on equity (%)		15.80	13.69	20.71	13.78	6.51
	Paid-in capital ratio(%)	Operating income	62.99	63.67	82.26	40.31	25.39
		Income before tax	78.13	69.24	98.63	41.46	20.81
	Net profit margin (%)		9.58	8.50	12.96	10.40	4.44
	Earnings per share (NT\$)		6.48	5.47	5.95	3.52	1.56
Cash flows	Cash flow ratio (%)		22.92	32.06	3.28	109.45	32.61
	Cash flow adequacy ratio (%)		91.33	49.51	40.18	63.66	52.60
	Cash reinvestment ratio (%)		2.09	1.30	(2.17)	13.88	4.74
Leverage	Operating leverage		1.87	1.81	1.64	1.84	2.23
	Financial leverage		1.05	1.03	1.01	1.02	1.06

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 26.09. This decrease can be attributed to two factors: an increase in pre-tax net income of NT\$649,031 thousand, representing a growth of 12.84% over the previous year, and an increase in interest expenses of NT\$100,356 thousand, which represents a growth of 79.06% over the previous year.
2. The cash flow ratio decreased to 22.92% as a result of proactive inventory preparation in response to unfulfilled orders. As a result, net cash inflow provided by operating activities decreased by NT\$1,642,554 thousand compared to the previous year, representing a decrease of 30.54%.
3. The cash flow adequacy ratio increased to 91.33% mainly due to the strong operating performance in the current year. Net cash inflow provided by operating activities increased by NT\$8,327,219 thousand over the past five years, representing an increase of 62.89% over the previous year.
4. The cash reinvestment ratio increased to 2.09% mainly due to the strong operating performance in the current year. Net cash inflow provided by operating activities after deducting the cash dividends increased by NT\$475,066 thousand, representing an increase of 67.33% over 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 property, 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 =  $\text{net sales} / \text{average receivables (including accounts receivable arising from operation notes receivable) balances}$ .
  - (2) Average collection period =  $365 / \text{receivables turnover}$ .
  - (3) Inventory turnover =  $\text{cost of goods sold} / \text{average inventory}$ .
  - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio =  $\text{cost of goods sold} / \text{average payables (including accounts payable arising from operation notes payable) balances}$ .
  - (5) Average days of sales =  $365 / \text{inventory turnover}$ .
  - (6) Property, plant, and equipment turnover ratio =  $\text{net sales} / \text{average net for real estate, plant, and equipment}$ .
  - (7) Total assets turnover ratio =  $\text{net sales} / \text{average total assets}$ .
4. Profitability
  - (1) Return on assets =  $(\text{net income} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{average total assets}$ .
  - (2) Return on equity =  $\text{net income} / \text{average total equity}$ .
  - (3) Net profit margin =  $\text{net income} / \text{net sales}$ .
  - (4) Earnings per share =  $(\text{profit or loss attributable to owners of the parent company} - \text{preferred stock dividends}) / \text{weighted average number of shares issued}$ .
5. Cash flows
  - (1) Cash flow ratio =  $\text{new cash flows from operating activities} / \text{current liabilities}$ .
  - (2) Cash flow adequacy ratio =  $\text{net cash flows from operating activities in the past five years} / (\text{capital expenditure} + \text{increase in inventory} + \text{cash dividend}) \text{ in the past five years}$ .
  - (3) Cash reinvestment ratio =  $(\text{net cash flows from operating activities} - \text{cash dividend}) / (\text{gross margin of property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$ .
6. Leverage:
  - (1) Operating leverage =  $(\text{net operating income} - \text{variable operating costs and expenses}) / \text{operating income}$ .
  - (2) Financial leverage =  $\text{operating income} / (\text{operating income} - \text{interest expenses})$ .

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

## Audit Committee's Review Report

The Board of Directors made the Company's 2023 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 Tzu-Hui Lee and Hui-Chih Ko of KPMG Taiwan, and the CPAs issued a review 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 2024 General Shareholders Meeting of

Tung Ho Steel Enterprise Corporation  
Audit Committee convener: Chia-Wen Liu

February 26, 2024

- IV. **Latest annual financial report:** Please see page x of the annual report for details.
- V. **Latest accountant audited individual financial report:**  
Please see page x 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

#### I. Financial summary

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

Unit: Thousands of New Taiwan Dollars

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	32,267,657	29,655,048	2,612,609	8.81
Long-term investments	2,140,021	2,081,927	58,094	2.79
Property, plant and equipment	19,052,245	20,038,567	(986,322)	(4.92)
Intangible assets	167,964	179,458	(11,494)	(6.40)
Investment properties	1,923,110	1,924,962	(1,852)	(0.10)
Other assets	827,883	886,585	(58,702)	(6.62)
Total assets	56,378,880	54,766,547	1,612,333	2.94
Current liabilities	23,146,735	22,605,252	541,483	2.40
Long-term liabilities	2,070,967	3,246,781	(1,175,814)	(36.21)
Other liabilities	0	0	0	0.00
Total liabilities	25,217,702	25,852,033	(634,331)	(2.45)
Share capital	7,302,138	7,302,138	0	0.00
Capital surplus	7,739,750	7,684,679	55,071	0.72
Retained earnings	16,311,669	14,131,035	2,180,634	15.43
Other equity	(305,277)	(311,887)	6,610	2.12
Total equity attributable to parent company owners	31,048,280	28,805,965	2,242,315	7.78
Non-controlling interest	112,898	108,549	4,349	4.01
Total equity	31,161,178	28,914,514	2,246,664	7.77
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000 thousand):				
1. Long-term liabilities: The decrease of NT\$1,175,814 thousand from the previous year was mainly due to the increase in long-term borrowings as a result of the acquisition of the Kaohsiung Plant in the previous year, which had a higher demand for capital.				

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

Unit: Thousands of New Taiwan Dollars

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	22,192,200	20,942,767	1,249,433	5.97
Long-term investments	11,090,295	11,035,533	54,762	0.50
Property, plant and equipment	13,338,811	13,824,070	(485,259)	(3.51)
Intangible assets	0	0	0	0.00
Investment properties	1,923,110	1,924,962	(1,852)	(0.10)
Other assets	292,044	379,880	(87,836)	(23.12)
Total assets	48,836,460	48,107,212	729,248	1.52
Current liabilities	16,303,606	16,775,947	(472,341)	(2.82)
Long-term liabilities	1,484,574	2,525,300	(1,040,726)	(41.21)
Other liabilities	0	0	0	0.00
Total liabilities	17,788,180	19,301,247	(1,513,067)	(7.84)
Share capital	7,302,138	7,302,138	0	0.00
Capital surplus	7,739,750	7,684,679	55,071	0.72
Retained earnings	16,311,669	14,131,035	2,180,634	15.43
Other equity	(305,277)	(311,887)	6,610	2.12
Total equity	31,048,280	28,805,965	2,242,315	7.78
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000 thousand):				
1. Other assets: Decreased by NT\$87,836 thousand compared to the previous year. This decrease can be attributed to the following factors:				
(1) The prepayment of equipment decreased by NT\$38,709 thousand from the previous year. The equipment was gradually accepted and reclassified to property, plant and equipment.				
(2) Decrease in deposits for guarantees by NT\$16,334 thousand compared to the previous year: Deposit was refunded due to the completion of the escrow				
2. Long-term liabilities: The decrease of NT\$1,040,726 thousand from the previous year was primarily attributable to the increase in long-term loans, driven by the elevated capital requirement for the acquisition of the Kaohsiung Daye Plant in the preceding year.				



## II. Financial performance

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

Unit: Thousands of New Taiwan Dollars

Item \ Year	2023	2022	Amount increase (decrease)	Percentage of change (%)
Total operating income	61,445,562	59,669,914	1,775,648	2.98
Less: Sales returns	2,042	5,060	(3,018)	(59.64)
Sales discounts	481,612	447,841	33,771	7.54
Net operating income	60,961,908	59,217,013	1,744,895	2.95
Operating costs	52,315,715	51,767,274	548,441	1.06
Gross profit	8,646,193	7,449,739	1,196,454	16.06
Operating expenses	2,647,493	2,331,958	315,535	13.53
Net operating profit	5,998,700	5,117,781	880,919	17.21
Non-operating income and expenditure	3,321	119,151	(115,830)	(97.21)
Net profit before tax	6,002,021	5,236,932	765,089	14.61
Less: Income tax expenses	1,292,896	1,293,313	(417)	(0.03)
Net profit from continuing operations	4,709,125	3,943,619	765,506	19.41
Discontinued unit profits	50,695	67,150	(16,455)	(24.50)
Net profit of the term	4,759,820	4,010,769	749,051	18.68
Other comprehensive income (net income after-tax)	(4,318)	(63,252)	58,934	93.17
Total comprehensive income for the period	4,755,502	3,947,517	807,985	20.47
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000 thousand):				
1. Non-operating income and expenditure: Decreased by NT\$115,830 thousand compared to the previous year. This decrease can be attributed to the increase in interest rates by the central bank and a higher average bank financing amount this year, which led to an increase in financial costs of NT\$136,684 thousand.				
2. Discontinued unit profits: Decreased by NT\$16,455 thousand compared to the previous year as a result of a decrease in the profitability of operating units compared to the previous year.				
3. Other comprehensive income (net income after tax): increased by NT\$58.934 million compared to the previous year, mainly due to:				
(1) During the current year, unrealized gains on financial assets measured at fair value through other comprehensive income increased by NT\$266,930 thousand due to the impact of changes in the stock price and fair value of the investment company.				
(2) The decrease in foreign exchange differences in the financial statements of overseas operating entities NT\$111,613 thousand: Primarily attributed to the depreciation of the Vietnamese dong.				
(3) The welfare program reassessment led to a reduction of NT\$92,920 thousand.				
4. In summary, the comprehensive income for the current period increased by \$807,985 thousand compared to the previous year.				

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

Unit: Thousands of New Taiwan Dollars

Item \ Year	2023	2022	Amount increase (decrease)	Percentage of change (%)
Total operating income	49,650,400	47,271,044	2,379,356	5.03
Less: Sales returns	753	970	(217)	(22.37)
Sales discounts	294,053	266,882	27,171	10.18
Net operating income	49,355,594	47,003,192	2,352,402	5.00
Operating costs	42,697,852	40,527,363	2,170,489	5.36
Gross profit	6,657,742	6,475,829	181,913	2.81
Less: Unrealized gains from sales	74,620	64,907	9,713	14.96
Plus: Realized sales profit	64,907	96,349	(31,442)	(32.63)
Gross profit	6,648,029	6,507,271	140,758	2.16
Operating expenses	2,048,513	1,858,322	190,191	10.23
Net operating profit	4,599,516	4,648,949	(49,433)	(1.06)
Total non-operating income and expenses	1,105,347	406,883	698,464	171.66
Net profit (loss) before tax	5,704,863	5,055,832	649,031	12.84
Less: Income tax expenses	975,517	1,061,828	(86,311)	(8.13)
Net profit (loss)	4,729,346	3,994,004	735,342	18.41
Other comprehensive income (net income after-tax)	13,646	(57,140)	70,786	123.88
Total comprehensive income for the period	4,742,992	3,936,864	806,128	20.48
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000 thousand):				
<ol style="list-style-type: none"> <li>1. Realized sales profit: Decreased by NT\$31,442 thousand compared to the previous year. This decrease can be attributed to the difference in inventory sold by the company to its subsidiary, Tung Steel Construction, which had not yet been put into production by the end of 2022 and 2021.</li> <li>2. Non-operating income and expenditure: Increased by NT\$698,464 thousand compared to the previous year. This increase can be attributed to the following factors: <ol style="list-style-type: none"> <li>(1) Due to the international economic environment affecting the operations of the investment company this year, the share of profits and losses from equity method accounted for associated enterprises increased by NT\$885,416 thousand.</li> <li>(2) Due to the central bank's increase in interest rates and the higher average amount of total bank financing, the financial cost has risen by NT\$99,141 thousand.</li> </ol> </li> <li>3. Other comprehensive income (net income after tax) increased by NT\$70,786 thousand compared to the previous year. This increase can be attributed to the following factors: <ol style="list-style-type: none"> <li>(1) During the current year, unrealized gains on financial assets measured at fair value through other comprehensive income increased by NT\$265,068 thousand due to the impact of changes in the stock price and fair value of the investment company.</li> <li>(2) The decrease in foreign exchange differences in the financial statements of overseas operating entities NT\$99,702 thousand : Primarily attributed to the depreciation of the Vietnamese dong.</li> <li>(3) The welfare program reassessment led to a reduction of NT\$92,787 thousand.</li> </ol> </li> <li>4. In summary, the comprehensive income for the current period increased by \$806,128 thousand compared to the previous year.</li> </ol>				

### III. Cash flows

#### (I)

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

Item \ Year	2023	2022	Increase (decrease) ratio (%)
Cash flow ratio (%)	19.97	30.37	(34.24)
Cash flow adequacy ratio (%)	89.64	42.31	111.86
Cash reinvestment ratio (%)	3.38	3.72	(9.14)

1. The cash flow ratio decreased to 19.97% as a result of proactive inventory preparation in response to unfulfilled orders. As a result, net cash inflow provided by operating activities decreased by NT\$2,243,654 thousand compared to the previous year, representing a decrease of 32.68%.
2. The cash flow adequacy ratio increased to 89.64% mainly due to the strong operating performance in the current year. Net cash inflow provided by operating activities increased by NT\$10,060,788 thousand over the past five years, representing an increase of 74.32% over the previous year.

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

Unit: Thousands of New Taiwan Dollars

Cash balance at beginning of year	Annual net cash from flow 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
1,732,667	6,274,284	(3,715,840)	(2,692,751)	1,598,360	N/A	N/A

1. Analysis of Cash Flow Changes for the Current Year:
  - (1) Cash inflows from operating activities amount to approximately 6.3 billion: primarily comprising net profit after tax and depreciation and amortization expenses.
  - (2) Cash outflow from investing activities is approximately 3.7 billion, mainly due to the acquisition of property, plant and equipment.
  - (3) The cash outflow from fundraising activities is approximately 2.7 billion: primarily attributed to cash dividends and increased bank borrowings.
2. Cash shortfall remedy measures and liquidity analysis: N/A.
3. Cash flow analysis for the coming year - N/A.

#### (II)

##### 1. Liquidity analysis for the last two years-individual

Item \ Year	2023	2022	Increase (decrease) ratio (%)
Cash flow ratio (%)	22.92	32.06	(28.51)
Cash flow adequacy ratio (%)	91.33	49.51	84.47
Cash reinvestment ratio (%)	2.09	1.30	60.77

1. The cash flow ratio decreased to 22.92% as a result of proactive inventory preparation in response to unfulfilled orders. As a result, net cash inflow provided by operating activities decreased by NT\$1,642,554 thousand compared to the previous year, representing a decrease of 30.54%.
2. The cash flow adequacy ratio increased to 91.33% mainly due to the strong operating performance in the current year. Net cash inflow provided by operating activities increased by NT\$8,327,219 thousand over the past five years, representing an increase of 62.89% over the previous year.
3. The cash reinvestment ratio increased to 2.09% mainly due to the strong operating performance in the current year. Net cash inflow provided by operating activities after deducting the cash dividends increased by NT\$475,066 thousand, representing an increase of 67.33% over the previous year.

## 2. Cash flow analysis for the coming year - Individual

Unit: NT\$ thousand

Cash balance at beginning of year	Annual operation activities Net cash flow	Annual investment activities Net cash flow	Annual fundraising activities Net cash flow	Cash surplus At the end of the period	Cash shortfall remedy measures	
					Investment plan	Financing plan
393,566	5,291,696	(1,960,000)	(3,266,898)	458,364	N/A	N/A

### 1. Analysis of Cash Flow Changes for the Current Year:

- (1) Cash inflows from operating activities amount to approximately 5.3 billion: primarily comprising net profit after tax and depreciation and amortization expenses.
- (2) Cash outflow from investing activities is approximately 2.0 billion, mainly due to the acquisition of property, plants, equipment and increase in capital for newly added subsidiaries.
- (3) The cash outflow from fundraising activities is approximately 3.3 billion: primarily attributed to cash dividends and repayments of bank borrowings.

### 2. Cash shortfall remedy measures and liquidity analysis: N/A.

### 3. Cash flow analysis for the coming year - N/A.

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

## V. Investment Policy in the Most Recent Fiscal 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	2023	2022
Net operating income	60,961,908	59,217,013
Net interest gains (losses)	(397,388)	(280,751)
Net exchange gains (losses)	(638)	(22,965)
Ratio of net interest gains (losses) to net sales	(0.65)	(0.47)
Ratio of net exchange gains (losses) to net sales	(0.001)	(0.04)

(Note) Restatement of the combined statement of comprehensive income for 2022 in accordance with the discontinued unit for 2023.

#### 1. Interest rate changes

Interest rate risk pertains to the potential for the fair value or future cash flows of financial instruments to fluctuate as a result of 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.

The cost of capital for the operations of the consolidated company will be determined based on the level of cooperation with banks and current interest rate trends. This will ensure that the consolidated company obtains the most favorable financing. The proportion of net interest income to net operating income is not significant and the fluctuation of interest rates has not had a significant impact on the consolidated company. In addition, the consolidated entity maintains constant communication with banks and closely monitors market changes in order to secure more favorable loan interest rates. The consolidated company has closely monitored changes in market interest rates and has raised funds in a timely manner through the issuance of convertible bonds. This strategy is designed to lock in interest costs and reduce the Company's overall interest expense. In addition, significant capital expenditures

are thoroughly evaluated and compared from various perspectives to identify lower cost financing options.

2. Foreign exchange rate changes

Exchange rate risk pertains to the potential for the fair value or future cash flows of financial instruments to fluctuate as a result of changes in foreign exchange interest rates. The consolidated company is exposed to exchange rate risk due to sales, purchases, and borrowing transactions denominated in non-functional currencies.

The Company's primary products include rebar and structural steel. The majority of our customers for rebar sales are domestic and are priced in NTD. In 2023, the ratio of domestic to international sales of structure steel is approximately 91:9. The total export amount accounts for approximately 3% of the total sales. The export amount in 2023 is about NT\$1.48 billion. In 2023, the ratio of domestic to international structural steel sales of the consolidated company was 93:7. The total export amount accounts for approximately 2% of the total sales. The export amount in 2023 was about NT\$1.48 billion. The primary currency for export and import quotations is the US dollar. Foreign currency receipts and payments for purchases and sales in US dollars are offset from each other. 50% of the main raw material scrap steel is 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. In 2023, the Company recognized net exchange loss of NT\$4,814 thousand, which accounted for 0.008% and 0.08% 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) 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. And 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 2023, Taiwan's moderate inflation (based on the average consumer price index of the Directorate General of Budget, Accounting and Statistics) had an average increase of 2.49% throughout the year, 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 2023. The primary reason for buying U.S. Dollar and engaging in long-term foreign exchange and option 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 2023. 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 2023, our Company provided a short-term working capital loan of 0 to our subsidiary, TungHoSteelVietnamCorp.,Ltd. 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 2023 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\$23,820(Thousands of New Taiwan Dollars) and NT\$4,483,475(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, hydrogen technology application research and industrial big data energy management system construction project.
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 2023 and 2024 up to the date of publication of the annual report, the Company's major changes in law in regard to business operations:

1. The Climate Change Response Act (formerly known as the Greenhouse Gas Reduction and Management Act) was amended and promulgated by the Legislative Yuan on January 10, 2023. It consists of 63 articles. The major amendments include: setting a long-term reduction target of net zero emissions by 2050 and incorporating carbon pricing into the law; implementing carbon pricing on direct and indirect emission sources in a phased manner, with the rates set by the Rate Review Committee; establishing a Greenhouse Gas Management Fund for the implementation of greenhouse gas reduction and climate change adaptation measures; and adding a chapter on adaptation to enhance the overall national capacity to respond to climate change. To ensure compliance with the Ministry of Economy's renewable energy regulations and mitigate financial transformation risks, our company has implemented compliance measures and gained extensive experience in carbon management and pricing. In addition, we have set interim targets for 2030 in line with the "Net Zero Carbon Emissions by 2025" goal. These targets are designed to meet energy conservation and carbon reduction goals while capitalizing on potential revenue opportunities related to climate change.
2. On June 28, 2023, the Legislative Yuan amended and promulgated Article 14-4 of the Securities Exchange Act. Subsequently, on January 11, 2024, the Financial Supervisory Commission amended and promulgated Article 5 of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies. The implementation of a deliberative system by the audit committee requires the solicitation of diverse opinions through meetings, which ensures the effective supervisory function of the audit committee while safeguarding the rights of minority shareholders. Concerns have been raised about the potential abuse of power by individual audit committee members or independent directors, which could disrupt the normal operation of the company and raise public doubts. To address this issue, it is stipulated that independent directors must use the deliberative system of the Audit Committee when taking legal actions such as initiating lawsuits, calling general meetings of



shareholders, or engaging in transactions with the Company. The Audit Committee may also decide whether individual members shall act independently or represent the committee collectively. The Company collaborates in revising internal regulations to ensure compliance.

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

1. Our Company's 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 Network 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 Information 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 2023 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 2023 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 keep 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 2023 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 keep 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 2023 accounted for approximately 26.54% of the net sales, of which the largest customer accounted for approximately 5.32%, so there was no sales concentration.
2. In 2023, the top ten suppliers of the Company consolidated its subsidiaries accounted for 29.47% 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 2023 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 2023 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 in 2023 and up to the date of publication of the annual report.
2. The directors, general managers, actual responsible person, shareholders holding more than 10% of the company shares, and affiliated companies were not involved in major litigations in 2023 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 Board of Directors has established a Corporate Governance Unit under the Sustainable Development Committee. The unit is responsible for establishing, monitoring, and reviewing policies and management mechanisms related to risk management. The committee reports on the overall execution of risk management to the Board of Directors at least once a year. The Company has implemented risk management policies and operating procedures to facilitate the risk management process for 2023. The risk management policy is as follows: "By applying systematic and institutionalized management methods, we aim to effectively identify, prevent and control risks to ensure smooth operations and achieve sustainable business". Through risk management meetings, potential risks related to various departments have been identified in four major categories: operational, financial, processing, and environmental.

Each department assess the possibility of various risk factors and degree of impact based on their functions, taking necessary measures, assuring proper management of various risks, and evaluating the likelihood and impact level. Analyses of the urgency and financial impact level of each risk factor reveal that the most significant risk factors are "carbon tax imposition," "labor shortage," and "talent gap." Other factors with moderate impact levels are currently under appropriate control or have less urgency, requiring only continued monitoring. The Audit Office will prepare annual audit plans based on the risk evaluation results to ensure the effective implementation of relevant control procedures. The implementation details have been reported to the 25th session (6th meeting) Board of Directors Meeting on December 26, 2023.

Risk items and risk management	
Operations	
<b>Corporate Governance Risk</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 Sustainable Development 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 with laws and regulations 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>	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. 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. The ISO27001:2013 certificate is valid from April 3, 2023, to October 31, 2025. 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.
<b>Occupational safety and health management risks</b>	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 have been conducting joint audits on inter-plant safety and health, improvement of deficiencies, zero-disaster activities on a periodic basis, 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.
<b>Fraud risks</b>	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.

<b>Environment</b>	
<b>Climate change risks</b>	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 Sustainable Development Committee is responsible for environmental management, it shall identify and evaluate the impact of transformation risks, 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 2023 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 Ukrainian-Russian War. 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.

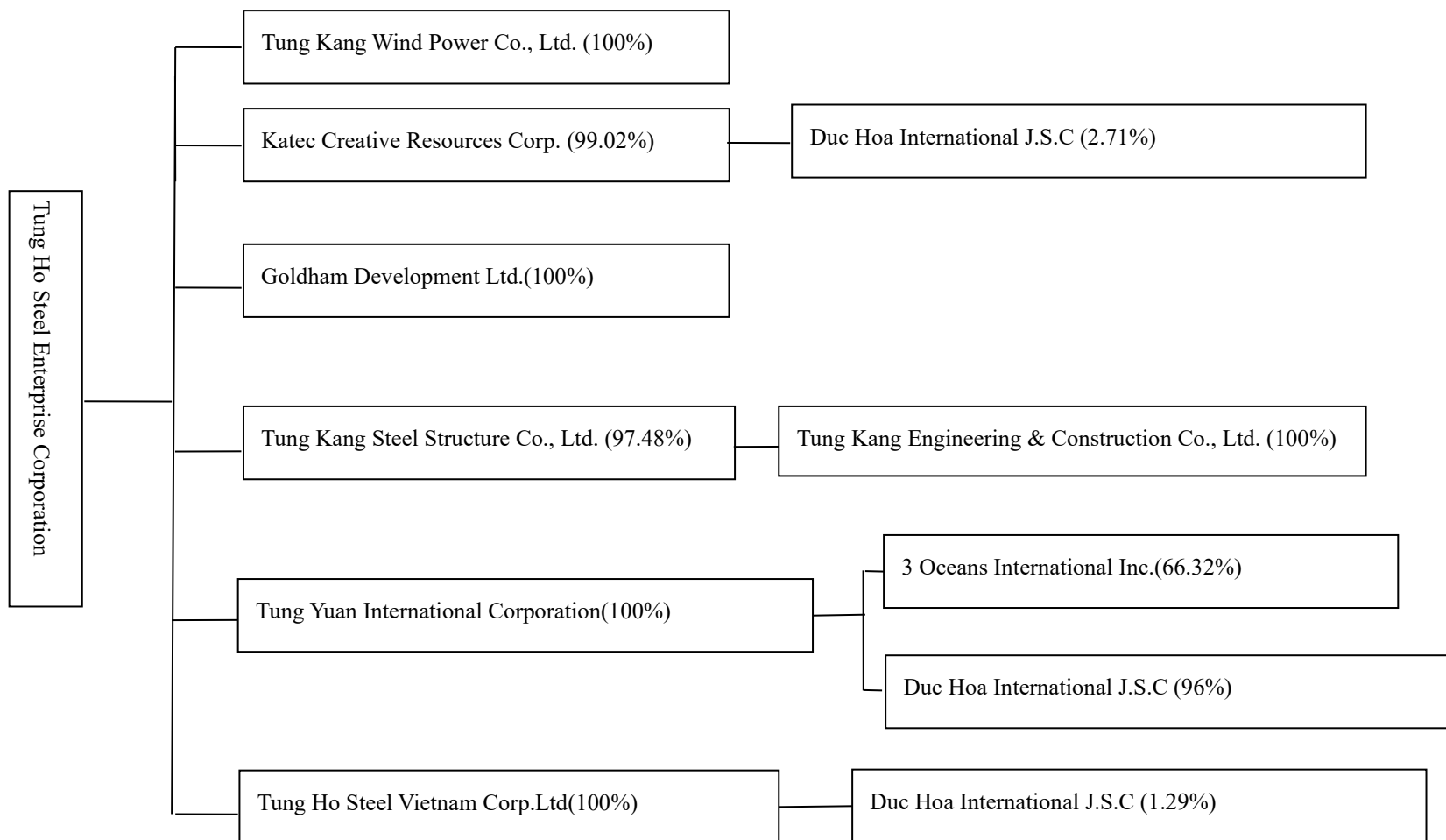
**VII. Other critical matters:** None.

## Chapter 8. Special Disclosure

### I. Information of the Company's Affiliates

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

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





2. Basic information of the various affiliated enterprises

December 31, 2023

Enterprise name	Date of establishment	Address	Paid-in capital (Unit: Thousands of New Taiwan Dollars)	Main businesses or production items
Tung Yuan International Corporation	1992.11	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG11 10, British Virgin Islands.	2,518	Domestic and overseas investments
3 Oceans International Inc.	2004.3	Acclime Chambers, Suite 5, Global Travel House, Saleufi Street, Apia, Samoa	26,411	Domestic and overseas investments
Tung Kang Steel Structure Co., Ltd.	1993.07	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.	1991.09	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	250,000	Civil engineering and construction
Katec Creative Resources Corp.	1995.08	No. 231, Huanke Rd., Guanyin District, Datan Vil, Taoyuan City, Taiwan	620,000	General waste clearance and disposal operations
Tung Kang Wind Power Co., Ltd.	2009.10	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	655,000	Electric power supply
Goldham Development Ltd.	1997.11	1st Floor, Lake Building, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.	307,100	Domestic and overseas investments
Tung Ho Steel Vietnam Corp., Ltd. (Note 1)	2007.04	Phu My 2 Industrial Zone, Tan Thanh District, Ba Ria-Vung Tau Province, Vietnam.	6,407,467	Steel industry
Duc Hoa International J.S.C.	2009.10	Bach Dang Hamlet – Luu Ky Commune – Thuy Nguyen District – Hai Phong City – Viet Nam.	138,195	Quicklime plant

(Note 1): This date is the original establishment date of Fuco Steel.

(Note 2): Fujian Tung Kang Steel Co., Ltd. was disposed of and the transfer of shareholding was completed on November 9, 2023.

3. Presumed as the same shareholder information for those who have control and subordinate relationships: None.

4. Information for director, supervisor, and general manager of affiliated companies

December 31, 2023

Enterprise name	Title	Name or representative	Shareholding	
			Shares (Shares)	Shareholding ratio (%)
Tung Yuan International Corporation	Director Director Director	Henry C. T. Ho Qi-Xie Lin Bing-Hua Huang	82	100.00
3OceansInternationalInc.	Director Director	Henry C. T. Ho Qi-Xie Lin	572,000	66.51
Tung Kang Steel Structure Co., Ltd.	Chairman Director Director Director Director Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Yao-Ying Hsiao 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 J. B. Chiu	201,121,339	97.48
Tung Kang Engineering & Construction Co., Ltd.	Chairman Director Director 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.: Yu-Chen Liang Representative of Dong Gang Steel Structure Co., Ltd.: Chih-Ling Lai Pi-Tung Chen	25,000,000	100.00
GoldhamDevelopmentLtd.	Director Director Director	Henry C. T. Ho Joshua P.H. Tung J. B. Chiu	10,000,000	100.00

Katec Creative Resources Corp.	Chairman Director Director Director Director 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 Ho Representative of Tung Ho Steel Enterprise Corporation: Leo Liu Representative of Katec R&D Corporation: Ju-Yu Ho Yong-Zhi Chen	61,391,933	99.02
Tung Kang Wind Power Co., Ltd.	Chairman Vice Chairman  Director Supervisor President	Representative of Tung Ho Steel Enterprise Corporation: Henry C. T. Ho Representative of Tung Ho Steel Enterprise Corporation: Chuang-Hsi Chang Representative of Tung Ho Steel Enterprise Corporation: Bing-Hua Huang Representative of Tung Ho Steel Enterprise Corporation: Ju-Yu Ho Min-Ta Hsieh	65,500,000	100.00
TungHoSteelVietnamCorp.,Ltd.	Chairman Director Director President	Bing-Hua Huang Henry C. T. Ho Qi-Xie Lin Wu-Sheng Ho	0	100.00
DucHoaInternationalJ.S.C.	Chairman Director Director Supervisor President	Chun-Sheng Chien Qi-Xie Lin Yi-Chih Hsu Yong-Zhi Chen Chun-Sheng Chien	8,154,419	96.00

(Note): Fujian Tung Kang Steel Co., Ltd. was disposed of and the transfer of shareholding was completed on November 9, 2023.

## 5. Status of operation for various affiliated companies

December 31, 2023

Enterprise name	Capital (NT\$ thousands)	Total assets (NT\$ thousands) (Note 1)	Total liabilities (NT\$ thousands) (Note 1)	Net worth (NT\$ thousands)(Note 1)	Operating revenue (NT\$ thousands)(Note 2)	Net (loss) income from operations (NT\$ thousands) (Note 2)	Net (loss) gain for the period (NT\$ thousands) (Note 2)	Earnings per share
Tung Yuan International Corporation (Note 3)	2,518	713,316	215	713,101	21,647	21,263	21,263	259,302
3 Oceans International Inc. (Note 4)	26,411	14,342	138	14,204	3,067	(15)	(15)	(0.02)
Tung Kang Steel Structure Co., Ltd.	2,063,105	6,944,067	2,692,967	4,251,100	9,635,598	1,493,185	1,197,759	5.81
Tung Kang Engineering & Construction Co., Ltd.	250,000	565,012	294,224	270,788	595,435	1,959	4,486	0.18
Goldham Development Ltd. (Note 4)	307,100	296,090	0	296,090	0	(15,374)	(15,374)	(1.54)
Katec Creative Resources Corp.	620,000	721,301	74,170	647,130	495,921	23,627	27,513	0.44
Tung Kang Wind Power Co., Ltd.	655,000	797,459	170,178	627,281	124,783	42,197	33,848	0.52
Tung Ho Steel Vietnam Corp., Ltd.	6,407,467	7,432,615	4,333,722	3,098,893	8,128,930	(200,848)	(383,794)	N/A
Duc Hoa International J.S.C.	138,195	159,856	24,050	135,805	287,219	17,006	14,578	1.72

(Note 1): The average USD to NTD exchange rate on December 31, 2023 was USD1:NTD30.71; the average CNY to NTD exchange rate was CNY1:NTD4.327; and the average VND to NTD exchange rate was VND1:NTD0.001248.

(Note 2): The average USD to NTD exchange rate in 2023 was USD1:NTD31.15; the average CNY to NTD exchange rate was CNY1:NTD4.395; and the average VND to NTD exchange rate was VND1:NTD0.001302.

(Note 3): Par value of US\$1,000 per share.

(Note 4): Par value of US\$1 per share.

(Note 5): Fujian Tung Kang Steel Co., Ltd. was disposed of and the transfer of shareholding was completed on November 9, 2023.

- II. The Company's private placement of securities in the most recent fiscal year and up to the publication date of this annual report: None.
- III. The Company's shares held or sold by the Company's subsidiaries in the most recent fiscal year and 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 as set forth in Subparagraph 2, Paragraph 3, Article 36 of the Securities Exchange Act in the most recent fiscal year and up to the publication date of this annual report: None.**

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

## **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 sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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, 2023. 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(u) “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 top 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 valuation ;
- assessing whether the valuation 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 recalculation 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 Ko, Hui-Chih.

Taipei, Taiwan (Republic of China)  
February 26, 2024

#### **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, 2023 and 2022**

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

		<b>December 31, 2023</b>		<b>December 31, 2022</b>				<b>December 31, 2023</b>		<b>December 31, 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 393,566	1	518,048	1	2100	Short-term loans (Note 6(k))	\$ 10,442,950	21	11,027,774	23
1110	Current financial assets at fair value through profit or loss (Note 6(b))	144,619	-	162,736	-	2111	Short-term notes and bills payable (Note 6(l))	-	-	599,500	1
1150	Notes receivable, net (Notes 6(d) and (u))	176,658	-	164,768	-	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	60,457	-	14,674	-
1170	Accounts receivable, net (including to related parties) (Notes 6(d), (u) and 7)	4,118,841	8	3,014,900	7	2130	Current contract liabilities (Note 6(u))	1,232,093	3	1,338,529	3
1200	Other receivables (Notes 6(e) and 7)	23,866	-	935,744	2	2150	Notes payable	16,032	-	77,267	-
1310	Inventories (Note 6(f))	17,070,795	35	15,957,042	33	2170	Accounts payable(including to related parties) (Note 7)	2,066,656	4	1,442,537	3
1410	Prepayments	263,718	1	189,402	-	2200	Other payables(including to related parties) (Notes 6(p) and 7)	1,947,863	4	1,818,561	4
1470	Other current assets	<u>137</u>	-	<u>127</u>	-	2230	Current tax liabilities	498,570	1	421,637	1
	<b>Total current assets</b>	<u>22,192,200</u>	<u>45</u>	<u>20,942,767</u>	<u>43</u>	2280	Current lease liabilities (Note 6(n))	27,813	-	25,292	-
<b>Non-current assets:</b>						2300	Other current liabilities	<u>11,172</u>	-	<u>10,176</u>	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	634,082	1	522,828	1		<b>Total current liabilities</b>	<u>16,303,606</u>	<u>33</u>	<u>16,775,947</u>	<u>35</u>
1550	Investments accounted for using the equity method (Notes 6(g) and 7)	10,456,213	22	10,512,705	23	<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (Notes 6(h) and 7)	13,338,811	28	13,824,070	29	2540	Long-term loans (Note 6(m))	1,000,000	3	1,950,000	4
1755	Right-of-use assets (Note 6(i))	124,371	-	139,402	-	2570	Deferred tax liabilities (Note 6(r))	169,428	-	187,095	-
1760	Investment property (Notes 6(h) and (j))	1,923,110	4	1,924,962	4	2580	Non-current lease liabilities (Note 6(n))	100,557	-	118,137	-
1840	Deferred tax assets (Note 6(r))	44,295	-	52,177	-	2640	Non-current defined benefit liability, net (Note 6(q))	207,573	-	260,957	1
1990	Other non-current assets	44,496	-	54,376	-	2645	Guarantee deposits received (Note 7)	<u>7,016</u>	-	<u>9,111</u>	-
1915	Prepayments for equipment	22,805	-	61,514	-		<b>Total non-current liabilities</b>	<u>1,484,574</u>	<u>3</u>	<u>2,525,300</u>	<u>5</u>
1920	Refundable deposits (Note 8)	<u>56,077</u>	-	<u>72,411</u>	-		<b>Total liabilities</b>	<u>17,788,180</u>	<u>36</u>	<u>19,301,247</u>	<u>40</u>
	<b>Total non-current assets</b>	26,644,260	55	27,164,445	57	<b>Equity (Note 6(s))</b>					
						3100	Capital stock	7,302,138	15	7,302,138	15
						3200	Capital surplus	7,739,750	16	7,684,679	16
							Retained earnings:				
						3310	Legal reserve	5,127,305	10	4,718,218	10
						3320	Special reserve	486,844	1	157,889	-
						3350	Unappropriated retained earnings	<u>10,697,520</u>	<u>22</u>	<u>9,254,928</u>	<u>19</u>
							Total retained earnings	<u>16,311,669</u>	<u>33</u>	<u>14,131,035</u>	<u>29</u>
						3400	Other equity interest	<u>(305,277)</u>	-	<u>(311,887)</u>	-
							<b>Total equity</b>	<u>31,048,280</u>	<u>64</u>	<u>28,805,965</u>	<u>60</u>
<b>Total assets</b>		<u>\$ 48,836,460</u>	<u>100</u>	<u>48,107,212</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 48,836,460</u>	<u>100</u>	<u>48,107,212</u>	<u>100</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 Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

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

		For the years ended December 31,			
		2023		2022	
		Amount	%	Amount	%
4000	<b>Operating revenue (Notes 6(u) and 7)</b>	\$ 49,355,594	100	47,003,192	100
5000	<b>Operating costs (Notes 6(f), (q) and 7)</b>	<u>42,697,852</u>	<u>87</u>	<u>40,527,363</u>	<u>86</u>
5900	<b>Gross profit from operations</b>	6,657,742	13	6,475,829	14
5910	Less: Unrealized profit (loss) from sales (Note 7)	74,620	-	64,907	-
5920	Add: Realized profit (loss) from sales (Note 7)	<u>64,907</u>	<u>-</u>	<u>96,349</u>	<u>-</u>
5950	<b>Gross profit, net</b>	<u>6,648,029</u>	<u>13</u>	<u>6,507,271</u>	<u>14</u>
6000	<b>Operating expenses:</b>				
6100	Selling expenses (Notes 6(q), (v) and 7)	877,016	2	791,436	2
6200	Administrative expenses (Notes 6(q), (v) and 7)	1,182,937	2	1,066,436	2
6450	Expected credit (reversal benefit) impairment losses (Note 6(d))	<u>(11,440)</u>	<u>-</u>	<u>450</u>	<u>-</u>
6500	<b>Total operating expenses</b>	<u>2,048,513</u>	<u>4</u>	<u>1,858,322</u>	<u>4</u>
6900	<b>Operating income</b>	<u>4,599,516</u>	<u>9</u>	<u>4,648,949</u>	<u>10</u>
7000	<b>Non-operating income and expenses:</b>				
7010	Other income (Notes 6(w) and 7)	106,209	-	114,646	-
7100	Interest income (Notes 6(w) and 7)	18,460	-	22,547	-
7020	Other gains and losses, net (Notes 6(g) and (w))	174,591	-	249,878	1
7050	Finance costs, net (Notes 6(n) and (w))	(224,950)	-	(125,809)	-
7060	Share of profit of subsidiaries and associates accounted for using the equity method, net	<u>1,031,037</u>	<u>2</u>	<u>145,621</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>1,105,347</u>	<u>2</u>	<u>406,883</u>	<u>1</u>
7900	<b>Income before income tax</b>	5,704,863	11	5,055,832	11
7950	Less: Income tax expenses (Note 6(r))	<u>975,517</u>	<u>2</u>	<u>1,061,828</u>	<u>2</u>
	<b>Net income</b>	<u>4,729,346</u>	<u>9</u>	<u>3,994,004</u>	<u>9</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(q))	6,848	-	99,635	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	113,272	-	(151,796)	-
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))	(1,490)	-	303	-
8349	Less : income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(r))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>118,630</u>	<u>-</u>	<u>(51,858)</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	(104,984)	-	(5,282)	-
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>(104,984)</u>	<u>-</u>	<u>(5,282)</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>13,646</u>	<u>-</u>	<u>(57,140)</u>	<u>-</u>
8500	<b>Total comprehensive income for the period</b>	<u>\$ 4,742,992</u>	<u>9</u>	<u>3,936,864</u>	<u>9</u>
9750	<b>Basic earnings per share (in dollars) (Note 6(t))</b>	<u>\$ 6.48</u>		<u>5.47</u>	
9850	<b>Diluted earnings per share(in dollars) (Note 6(t))</b>	<u>\$ 6.46</u>		<u>5.45</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 Changes in Equity**

**For the years ended December 31, 2023 and 2022**

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

	<u>Capital stock</u>		<u>Retained earnings</u>				<u>Total other equity interest</u>			
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total retained earnings</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u>	<u>Total other equity interest</u>	<u>Total equity</u>
<b>Balance at January 1, 2022</b>	\$ 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 at December 31, 2022</b>	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
Net income for the period	-	-	-	-	4,729,346	4,729,346	-	-	-	4,729,346
Other comprehensive income for the period	-	-	-	-	7,038	7,038	(104,984)	111,592	6,608	13,646
Total comprehensive income	-	-	-	-	4,736,384	4,736,384	(104,984)	111,592	6,608	4,742,992
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	409,087	-	(409,087)	-	-	-	-	-
Special reserve appropriated	-	-	-	328,955	(328,955)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,555,748)	(2,555,748)	-	-	-	(2,555,748)
Changes in equity of associates and joint ventures accounted for using equity method	-	51	-	-	-	-	-	-	-	51
Other changes in capital surplus	-	55,020	-	-	-	-	-	-	-	55,020
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	(2)	(2)	-	2	2	-
<b>Balance as of December 31, 2023</b>	<u>\$ 7,302,138</u>	<u>7,739,750</u>	<u>5,127,305</u>	<u>486,844</u>	<u>10,697,520</u>	<u>16,311,669</u>	<u>(625,168)</u>	<u>319,891</u>	<u>(305,277)</u>	<u>31,048,280</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, 2023 and 2022**

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

	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 5,704,863	5,055,832
<b>Adjustments:</b>		
Adjustments to reconcile profit or loss:		
Depreciation expense	993,323	961,101
Amortization expense	9,880	7,877
Expected credit (reversal benefit) impairment losses	(11,440)	450
Net gain on financial assets or liabilities at fair value through profit or loss	(130,340)	(177,928)
Interest expense	224,950	125,809
Interest income	(18,460)	(22,547)
Dividend income	(37,763)	(45,032)
Share of gain of subsidiaries and associates accounted for using the equity method	(1,031,037)	(145,621)
Loss on disposal of property, plant and equipment	2,008	2,797
Prepayment of equipment transferred to expenses	3,728	-
Unrealized profit from sales	74,620	64,907
Realized profit from sales	(64,907)	(96,349)
Unrealized foreign currency exchange loss (gain)	858	(87,373)
<b>Total adjustments to reconcile profit or loss</b>	<b>15,420</b>	<b>588,091</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets mandatorily measured at fair value through profit or loss	194,240	220,566
(Increase) decrease in notes receivable	(12,000)	15,506
(Increase) decrease in accounts receivable	(1,064,087)	536,769
(Increase) decrease in accounts receivable from related parties	(30,530)	538,496
Increase in other receivable	(9,394)	(549)
(Increase) decrease in inventories	(1,113,981)	373,362
Increase in prepayments	(73,944)	(8,894)
(Increase) decrease in other current assets	(9)	42,049
Increase in other operating assets	-	(4,405)
<b>Total changes in operating assets</b>	<b>(2,109,705)</b>	<b>1,712,900</b>
(Decrease) increase in contract liabilities	(106,436)	1,624
Decrease in notes payable	(61,235)	(65,437)
Increase (decrease) in accounts payable	624,119	(718,333)
Increase (decrease) in other payables	116,088	(50,386)
Increase in other current liabilities	996	679
Decrease in net defined benefit liability	(46,536)	(43,395)
<b>Total changes in operating liabilities</b>	<b>526,996</b>	<b>(875,248)</b>
<b>Net changes in operating assets and liabilities</b>	<b>(1,582,709)</b>	<b>837,652</b>
<b>Total adjustments</b>	<b>(1,567,289)</b>	<b>1,425,743</b>
Cash inflow generated from operations	4,137,574	6,481,575
Interest received	18,432	22,553
Dividends received	713,248	455,441
Interest paid	(224,539)	(120,051)
Income taxes paid	(908,369)	(1,460,618)
<b>Net cash flows from operating activities</b>	<b>3,736,346</b>	<b>5,378,900</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(3,941)	(5,269)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	5,960	-
Proceeds from disposal of financial assets at fair value through profit or loss	45,048	-
Acquisition of investments accounted for using equity method	-	(1,228,032)
Proceeds from capital reduction of investments accounted for using equity method	458,406	765
Acquisition of property, plant and equipment	(406,438)	(2,920,114)
Proceeds from disposal of property, plant and equipment	43	-
Decrease in refundable deposits	16,334	271,644
Decrease (increase) in other receivables	758,800	(840,900)
Acquisition of investment properties	(3,304)	(1,414)
Decrease in other non-current assets	-	220
Increase in prepayments for equipment and land	(19,978)	(37,936)
<b>Net cash flows from (used in) investing activities</b>	<b>850,930</b>	<b>(4,761,036)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	95,899,399	86,033,347
Decrease in short-term loans	(96,484,223)	(82,657,366)
Increase in short-term notes and bills payable	300,000	2,185,000
Decrease in short-term notes and bills payable	(900,000)	(1,585,000)
Proceeds from long-term loans	1,000,000	2,550,000
Repayments of long-term loans	(1,950,000)	(2,400,000)
Decrease in guarantee deposits received	(2,095)	(3,596)
Payment of lease liabilities	(30,889)	(29,335)
Cash dividends paid	(2,555,748)	(4,673,368)
<b>Net cash used in financing activities</b>	<b>(4,723,556)</b>	<b>(580,318)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>11,798</b>	<b>7,813</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(124,482)</b>	<b>45,359</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>518,048</b>	<b>472,689</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 393,566</b>	<b>518,048</b>

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**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(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, sections, 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, 2023 and 2022 were approved and authorized for issuance by the Board of Directors on February 26, 2024.

**(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, 2023:

- 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”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(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 Company does not expect the following 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”
- Amendments to IAS21 “Lack of Exchangeability”

#### **(4) Summary of material 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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.

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).

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

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.

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 asset 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.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

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.

#### **(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) 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.

##### **3) 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.

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.

##### **4) 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

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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.

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.

(Continued)



## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

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.

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.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

#### **(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.

#### **(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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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.

(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 steel bars processing services and recognizes the related revenue during the financial reporting period. However, if there are any changes occur in normal circumstances, the estimates of revenue and cost of completion will be revised, whose amount will be reflected in profit and loss during the period when the management is informed regarding the matter. Under a fixed-price contract, the customer pays a fixed amount according to the agreed time schedule. When the service exceeds the payment, a contract asset is recognized; when the payment exceeds the service, a contract liability is recognized. The Company's payment collection is based on the level of completion upon issuing an invoice.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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.

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.

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## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

(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.

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.

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## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

**(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, 2023 and 2022, 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.

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, 2023.

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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(x), financial instruments

**(6) Explanation of significant accounts**

**(a) Cash and cash equivalents**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 502	564
Checking and demand deposits	393,064	517,484
Cash and cash equivalents on the statement of cash flows	<b>\$ 393,566</b>	<b>518,048</b>

(i) Please refer to Note 6(x) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(ii) As of December 31, 2023 and 2022, certain term deposits were pledged as collateral of performance guarantee and such term deposits were reclassified to refundable deposits. Please refer to Note 8 for details.

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Listed common shares	<b>\$ 144,619</b>	<b>162,736</b>
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	<b>\$ 60,457</b>	<b>14,674</b>

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# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to the Financial Statements

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, 2023 and 2022 :

Forward exchange contracts :

<b>December 31, 2023</b>			
	<b>Nominal amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange purchased	USD <u>75,941</u>	Sell USD/buy TWD	2024.01.02~2024.03.29

<b>December 31, 2022</b>			
	<b>Nominal amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange purchased	USD <u>56,999</u>	Sell USD/buy TWD	2023.01.03~2023.03.31

None of the financial assets were pledged as collateral as of December 31, 2023 and 2022.

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity investments at fair value through other comprehensive income :		
Listed common shares	\$ 436,936	366,344
Unlisted common shares	<u>197,146</u>	<u>156,484</u>
Total	<u>\$ 634,082</u>	<u>522,828</u>

(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) For credit risk and market risk; please refer to note 6(x).

(iii) None of the financial assets were pledged as collateral as of December 31, 2023 and 2022.

(d) Notes and accounts receivable and overdue receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable from operating activities	\$ 177,191	165,191
Accounts receivable—measured as amortized cost	4,039,357	2,977,496
Accounts receivable from related parties	89,468	58,938
Overdue receivables	49,439	63,628
Less : loss allowance	<u>(59,956)</u>	<u>(85,585)</u>
	<u>\$ 4,295,499</u>	<u>3,179,668</u>

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**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, 2023 and 2022, was as follows :

<b>December 31, 2023</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	\$ 697,902	-	-
With moderate risk	3,608,114	0.29%	10,517
With financial difficulties	49,439	100%	49,439
	<u><b>\$ 4,355,455</b></u>		<u><b>59,956</b></u>
<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	63,628	100%	63,628
	<u><b>\$ 3,265,253</b></u>		<u><b>85,585</b></u>

The aging analysis of notes and accounts receivable as of December 31, 2023 and 2022, which were past due but not impaired, were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
1 to 60 days past due	<u><b>\$ 4,337</b></u>	<u><b>1,111</b></u>

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 85,585	85,135
Impairment losses recognized	551	450
Impairment losses reversed	(11,991)	-
Amounts written off	(14,189)	-
Balance at December 31	<u><b>\$ 59,956</b></u>	<u><b>85,585</b></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(e) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Receivables from disposal of stocks	\$ 5,086	-
Other receivables from related parties	10,506	1,561
Other receivables - loans to associates	-	925,147
Others	8,274	9,036
Less : loss allowance	-	-
	<b><u>\$ 23,866</u></b>	<b><u>935,744</u></b>

No other receivables were impaired resulted from overdue as of December 31, 2023 and 2022. For credit risk, please refer to note 6(x).

(f) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Finished goods (including consigned goods)	\$ 2,610,237	1,968,067
Work in process (including goods in transit and consigned goods)	3,056,877	4,164,142
Raw materials (including goods in transit)	9,536,544	7,641,036
Material supplies (including goods in transit and consigned goods)	1,867,137	2,183,797
Inventories, net	<b><u>\$ 17,070,795</u></b>	<b><u>15,957,042</u></b>

For the years ended December 31, 2023 and 2022, cost of sales and services provided recognized was as follows :

	<b>For the years ended December 31, 2023</b>	<b>2022</b>
Cost of goods sold	\$ 42,711,546	40,559,044
Cost of services	18,914	31,302
Unallocated production overheads — capacity variance	73,298	108,186
Revenue from sale of materials and scrap	(105,906)	(171,169)
Total	<b><u>\$ 42,697,852</u></b>	<b><u>40,527,363</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, 2023 and 2022.

(Continued)

**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, 2023</b>	<b>December 31, 2022</b>
Subsidiaries		
Tung Yuan International Corp.	\$ 713,101	702,968
Tung Kang Steel Structure Corp.	4,022,717	3,364,664
Goldham Development Ltd.	296,090	394,759
Katec Creative Resources Corp.	641,180	910,604
Tung Kang Wind Power Corp.	627,660	593,752
Tung Ho Steel Vietnam Corp., Ltd.	<u>3,099,081</u>	<u>3,440,427</u>
Subtotal	<u>9,399,829</u>	<u>9,407,174</u>
Associates		
Katec Research & Development Corp.	89,863	87,481
Taiwan Steel Union Co., Ltd.	917,424	966,020
Tung Sugar Energy Service Co., Ltd.	<u>49,097</u>	<u>52,030</u>
Subtotal	<u>1,056,384</u>	<u>1,105,531</u>
Total	<u><b>\$ 10,456,213</b></u>	<u><b>10,512,705</b></u>

(ii) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2023.

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amount of individually insignificant associates' equity	<u><b>\$ 1,056,384</b></u>	<u><b>1,105,531</b></u>
	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Attributable to the Company :		
Net income from continuing operations	\$ 125,477	237,421
Other comprehensive income	<u>(2,126)</u>	<u>1,973</u>
Comprehensive income	<u><b>\$ 123,351</b></u>	<u><b>239,394</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>2023</b>	<b>2022</b>
Tung Kang Steel Structure Corp.	\$ 502,803	301,682
Katec Research & Development Corp.	11,293	9,411
Taiwan Steel Union Co., Ltd.	161,389	99,316
Total	<b>\$ 675,485</b>	<b>410,409</b>

- (v) Goldham Development Ltd. reduced its capital in cash amounting to USD5,000 thousand (\$161,350 thousand) based on its board meeting held on October 23, 2023. As of December 31, 2023, the Company has received the full amount incurred from its capital reduction and recorded it as deduction of investments accounted for using the equity method.
- (vi) Goldham Development Ltd. disposed its entire shares in Fujian Tung Kang Steel Co., Ltd., at the price of CNY 51,610 thousand (\$228,219 thousand), based on a resolution approved during its board meeting held on October 23, 2023, with the transfer of ownership, business license registration, and the reversal of side-flow and counter-flow transaction profits in the previous year amounting to \$51,644 thousand, as well as the calculation of shares of profit of subsidiary and associates accounted for using the equity method having been completed on November 9, 2023.
- (vii) Katec Creative Resources Corporation reduced its capital, at the amount of \$300,000 thousand, and covered the accumulated deficits of \$46,852 thousand, based on its shareholders meeting held on October 23, 2023 wherein the amount of \$297,057 thousand had been refunded to the Company in 2023 and recognized as reduction in investments accounted for using the equity method.
- (viii) The Company increased the capital of THSVC amounting to USD5,000 thousand (\$162,500 thousand) through debts for equity swaps based on its board meeting held on July 4, 2023, resulting in THSVC to obtain an investment license in October 2023. As of December 31, 2023, the original balance of \$162,500 for capital loans and disbursements had been reclassified as an addition to investments accounted for using the equity method.
- (ix) Collateral
- None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2023 and 2022.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022, were as follows :

	Land	Land improvements	Buildings and structures	Machinery equipment	Miscellaneous equipment	Other assets	Construction in progress	Total
<b>Cost or deemed cost:</b>								
Balance as of January 1, 2023	\$ 5,067,213	24,889	6,820,244	24,137,019	326,401	287,620	96,508	36,759,894
Additions	4,682	2,352	60,853	196,624	18,589	27,770	108,498	419,368
Reclassification	26,449	-	29,767	73,196	97	-	(74,551)	54,958
Disposals	-	-	(1,387)	(15,690)	(6,691)	(39)	-	(23,807)
Balance as of December 31, 2023	<u>\$ 5,098,344</u>	<u>27,241</u>	<u>6,909,477</u>	<u>24,391,149</u>	<u>338,396</u>	<u>315,351</u>	<u>130,455</u>	<u>37,210,413</u>
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	401,899	24,889	177,398	26,624	-	-	(111,080)	519,730
Disposals	-	-	(10,367)	(29,726)	(5,103)	-	-	(45,196)
Balance as of December 31, 2022	<u>\$ 5,067,213</u>	<u>24,889</u>	<u>6,820,244</u>	<u>24,137,019</u>	<u>326,401</u>	<u>287,620</u>	<u>96,508</u>	<u>36,759,894</u>
<b>Depreciation :</b>								
Balance as of January 1, 2023	\$ -	-	3,602,365	19,109,471	223,988	-	-	22,935,824
Depreciation for the period	-	2,548	140,429	785,329	29,001	-	-	957,307
Disposals	-	-	(53)	(15,090)	(6,386)	-	-	(21,529)
Balance as of December 31, 2023	<u>\$ -</u>	<u>2,548</u>	<u>3,742,741</u>	<u>19,879,710</u>	<u>246,603</u>	<u>-</u>	<u>-</u>	<u>23,871,602</u>
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	<u>\$ -</u>	<u>-</u>	<u>3,602,365</u>	<u>19,109,471</u>	<u>223,988</u>	<u>-</u>	<u>-</u>	<u>22,935,824</u>
<b>Carrying value</b>								
Balance as of December 31, 2023	<u>\$ 5,098,344</u>	<u>24,693</u>	<u>3,166,736</u>	<u>4,511,439</u>	<u>91,793</u>	<u>315,351</u>	<u>130,455</u>	<u>13,338,811</u>
Balance as of December 31, 2022	<u>\$ 5,067,213</u>	<u>24,889</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>

- (i) Several agricultural lands of the Company were temporarily registered under other individuals' names due to the restrictions imposed on Agricultural Development Act article 33. In order to preserve the rights and obligations of both parties and its ownership of the land, the Company changed the registration procedures for some of its agricultural lands to trust registration method, except for certain parcels of land, which are still being registered under other individuals' names due to specific reasons. All relevant registration procedures had been completed as of December 31, 2023, with details as follows:

<b>Accounts</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Property, plant and equipment	\$ 315,351	287,620
Investment property	499,124	499,124
	<u><b>\$ 814,475</b></u>	<u><b>786,744</b></u>

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to the Financial Statements

(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" and "Land improvements", 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.

(v) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2023 and 2022.

(i) Right-of-use assets

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

		<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery equipment</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
Cost :							
Balance at January 1, 2023	\$	150,412	41,075	2,941	14,363	2,678	211,469
Additions		5,258	4,371	-	6,200	-	15,829
Disposal		-	(4,371)	-	(3,553)	-	(7,924)
Balance at December 31, 2023	\$	<b>155,670</b>	<b>41,075</b>	<b>2,941</b>	<b>17,010</b>	<b>2,678</b>	<b>219,374</b>
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	\$	<b>150,412</b>	<b>41,075</b>	<b>2,941</b>	<b>14,363</b>	<b>2,678</b>	<b>211,469</b>
Accumulated depreciation :							
Balance at January 1, 2023	\$	40,810	22,591	1,664	5,367	1,635	72,067
Depreciation for the period		13,156	12,586	502	4,212	404	30,860
Disposal		-	(4,371)	-	(3,553)	-	(7,924)
Balance at December 31, 2023	\$	<b>53,966</b>	<b>30,806</b>	<b>2,166</b>	<b>6,026</b>	<b>2,039</b>	<b>95,003</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery equipment</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
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>
Carrying amount :						
Balance at December 31, 2023	<u>\$ 101,704</u>	<u>10,269</u>	<u>775</u>	<u>10,984</u>	<u>639</u>	<u>124,371</u>
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>

(j) Investment property

	<b>Land and improvements</b>	<b>Buildings and structures</b>	<b>Total</b>
<b>Cost or deemed cost :</b>			
Balance as of January 1, 2023	\$ 1,864,939	269,585	2,134,524
Additions	3,304	-	3,304
Balance as of December 31, 2023	<u>\$ 1,868,243</u>	<u>269,585</u>	<u>2,137,828</u>
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>
<b>Depreciation :</b>			
Balance as of January 1, 2023	\$ -	209,562	209,562
Depreciation for the period	-	5,156	5,156
Balance as of December 31, 2023	<u>\$ -</u>	<u>214,718</u>	<u>214,718</u>
Balance as of January 1, 2022	\$ -	207,629	207,629
Depreciation for the period	-	6,546	6,546
Reclassification in	-	(4,613)	(4,613)
Balance as of December 31, 2022	<u>\$ -</u>	<u>209,562</u>	<u>209,562</u>
<b>Carrying amounts :</b>			
Balance as of December 31, 2023	<u>\$ 1,868,243</u>	<u>54,867</u>	<u>1,923,110</u>
Balance as of December 31, 2022	<u>\$ 1,864,939</u>	<u>60,023</u>	<u>1,924,962</u>
<b>Fair value :</b>			
Balance as of December 31, 2023		\$ 7,897,575	
Balance as of December 31, 2022		\$ 7,019,293	

- (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.

(Continued)



## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

- (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, 2023 and 2022, the carrying value is \$972,857 thousand and \$969,553 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.
- (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, 2023 and 2022.
- (k) Short-term loans

Details of the Company's short-term loans were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured credit loans	\$ 10,370,000	10,660,000
Letters of credit	72,950	367,774
Total	<b>\$ 10,442,950</b>	<b>11,027,774</b>
Unused credit lines	<b>\$ 13,591,318</b>	<b>11,918,330</b>
Range of interest rates	<b>1.50%~6.83%</b>	<b>0.42%~6.12%</b>

- (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	1.95%~2.288%	\$ 600,000
Less : discount on short-term bills payable			(500)
Total			<b>\$ 599,500</b>

Please refer to Note 6(k) for unused credit lines.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(m) Long-term loans

Details of the Company's long-term loans were as follows :

<b>December 31, 2023</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.67% ~ 1.68%	2025.04.20~2026.06.12	\$ 1,000,000
Less: current portion				-
Total				<u>\$ 1,000,000</u>
Unused credit lines				<u>\$ 3,340,000</u>

<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>\$ 1,950,000</u>
Unused credit lines				<u>\$ 1,100,000</u>

(n) Lease liabilities

The details of the Company's lease liabilities were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u>\$ 27,813</u>	<u>25,292</u>
Non-current	<u>\$ 100,557</u>	<u>118,137</u>

The amounts recognized in profit or loss were as follows :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u>\$ 1,378</u>	<u>1,249</u>
Expenses relating to short-term leases	<u>\$ 6,296</u>	<u>8,042</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 2,995</u>	<u>1,870</u>

The amounts recognized in the statement of cash flows was as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 41,558</u>	<u>40,496</u>

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## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

(i) Real estate leases

The Company leases land and buildings for its office space and storage locations in 2023. 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 leasee 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.

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.

(o) 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, 2023 and 2022, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 59,010	52,022
One to two years	10,024	34,024
Two to three years	8,922	2,879
Three to four years	6,975	2,951
Four to five years	6,915	1,065
More than five years	<u>82,309</u>	<u>6,922</u>
Total undiscounted lease payments	<b><u>\$ 174,155</u></b>	<b><u>99,863</u></b>

The operating lease revenues for the years ended December 31, 2023 and 2022 were \$51,358 and \$51,119 thousand.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(p) Other payables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 721,157	593,251
Utilities payable(including to related parties)	316,574	224,820
Freight payable	188,735	232,315
Sales bonuses payable	272,014	294,356
Waste disposal payable (including to related parties)	98,755	95,934
Cash dividends payable (including from prior years)	-	44,132
Equipment payable(including to related parties)	24,185	11,255
Repair and maintenance fees payable	94,396	114,086
Tax payable	96,573	94,377
Other operating and manufacturing overhead payables(including to related parties)	135,474	114,035
	<b><u>\$ 1,947,863</u></b>	<b><u>1,818,561</u></b>

The above payables are planned to be paid within one year. Please refer to Note 6(x) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

(q) 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, 2023</b>	<b>December 31, 2022</b>
Present value of the defined benefit obligations	\$ 1,430,284	1,507,094
Fair value of plan assets	<u>(1,222,711)</u>	<u>(1,246,137)</u>
Net defined benefit liabilities	<b><u>\$ 207,573</u></b>	<b><u>260,957</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, 2023 and 2022, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,222,711 thousand and \$1,246,137 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.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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,</b>	
	<b>2023</b>	<b>2022</b>
Defined benefit obligations at January 1	\$ 1,507,094	1,571,887
Service cost and interest expense for the period	24,025	22,360
Remeasurements of the net defined benefit liability (asset)		
— Experience adjustments	6,817	(9,257)
Benefits paid	(107,652)	(77,896)
Defined benefit obligations at December 31	<b>\$ 1,430,284</b>	<b>1,507,094</b>

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>2023</b>	<b>2022</b>
Fair value of plan assets at January 1	\$ 1,246,137	1,167,900
Interest income	12,760	5,994
Remeasurements of the net defined benefit liability(assets):		
Return on plan assets (excluding interests for the period)	13,665	90,378
Contributions from employer	57,801	59,761
Benefits paid	(107,652)	(77,896)
Fair value of plan assets at December 31	<b>\$ 1,222,711</b>	<b>1,246,137</b>

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>2023</b>	<b>2022</b>
Service costs for the period	\$ 8,955	14,501
Net interest expense of net defined benefit liabilities	2,310	1,865
	<b>\$ 11,265</b>	<b>16,366</b>

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Operating costs	\$ 9,677	12,899
Selling expenses	434	564
Administrative expenses	1,154	2,903
	<b>\$ 11,265</b>	<b>16,366</b>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.00 %	1.00 %
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 \$57,801 thousand.

The weighted average lifetime of the defined benefits plans is 5.6 years.

6) 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, 2023		
Discount rate	\$ (12,352)	12,675
	<b>Effects on the Company's defined benefit obligations</b>	
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Future salary increasing rate	51,417	(47,353)
	<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>
Future salary increasing rate	61,684	(56,378)

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(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 \$56,980 thousand and \$50,432 thousand for the years ended December 31, 2023 and 2022, respectively.

(r) Income taxes

(i) The details of income tax expense for the years ended December 31, 2023 and 2022, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 985,047	1,027,874
Adjustments for prior years	<u>255</u>	<u>5,013</u>
	<u>985,302</u>	<u>1,032,887</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>(9,785)</u>	<u>28,941</u>
Income tax expense for continuing operations	<u><b>\$ 975,517</b></u>	<u><b>1,061,828</b></u>

The reconciliation of income tax expense and income before income tax for the years ended December 31, 2023 and 2022, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Income before income tax	<u><b>\$ 5,704,863</b></u>	<u><b>5,055,832</b></u>
Income tax using the Company's domestic tax rate	\$ 1,140,973	1,011,166
Assessed levied tax on unappropriated earnings of terminated companies in business combination	48,601	66,092
Permanent difference	(284,884)	(191,562)
Changes of unrecognized temporary difference	78,190	178,533
Current investment tax credits used	(7,620)	(7,414)
Difference between administrative remedy and assessment by the tax authority	-	3,838
(High)under-estimation from prior periods	<u>257</u>	<u>1,175</u>
Total	<u><b>\$ 975,517</b></u>	<u><b>1,061,828</b></u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liability as of December 31, 2023 and 2022.

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Tax effect of deductible temporary differences	\$ 24,707	24,707
Temporary differences related to investment subsidiaries	<u>748,919</u>	<u>670,729</u>
Tax effect of deductible temporary differences	<u><b>\$ 773,626</b></u>	<u><b>695,436</b></u>

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, 2023 and 2022, were as follows :

	<b>Reserve for land appreciation tax</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities :			
Balance as of January 1, 2023	\$ 167,174	19,921	187,095
Recognized in income tax expense	<u>-</u>	<u>(17,667)</u>	<u>(17,667)</u>
Balance as of December 31, 2023	<u><b>\$ 167,174</b></u>	<u><b>2,254</b></u>	<u><b>169,428</b></u>
Balance as of January 1, 2022	\$ 167,174	2,640	169,814
Recognized in income tax expense	<u>-</u>	<u>17,281</u>	<u>17,281</u>
Balance as of December 31, 2022	<u><b>\$ 167,174</b></u>	<u><b>19,921</b></u>	<u><b>187,095</b></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, 2023	\$ 11,115	2,935	13,052	25,075	52,177
Recognized in income tax expense	<u>(9,307)</u>	<u>9,157</u>	<u>(1,905)</u>	<u>(5,827)</u>	<u>(7,882)</u>
Balance as of December 31, 2023	<u><b>\$ 1,808</b></u>	<u><b>12,092</b></u>	<u><b>11,147</b></u>	<u><b>19,248</b></u>	<u><b>44,295</b></u>
Balance as of January 1, 2022	\$ 19,794	1,009	14,957	28,077	63,837
Recognized in income tax expense	<u>(8,679)</u>	<u>1,926</u>	<u>(1,905)</u>	<u>(3,002)</u>	<u>(11,660)</u>
Balance as of December 31, 2022	<u><b>\$ 11,115</b></u>	<u><b>2,935</b></u>	<u><b>13,052</b></u>	<u><b>25,075</b></u>	<u><b>52,177</b></u>

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(iii) The Company's income tax returns have been examined by the ROC tax authorities through 2020.

(s) Capital and other equity

(i) Capital stock

As of December 31, 2023 and 2022, 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, respectively. All issued shares were paid up upon issuance.

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, 2023</b>	<b>December 31, 2022</b>
Total issued shares	<u><b>66,187,923</b></u>	<u><b>66,187,923</b></u>
Outstanding shares	<u><b>4,919,192</b></u>	<u><b>4,919,192</b></u>

(ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</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	190,496	190,445
Others	<u>164,779</u>	<u>109,759</u>
	<u><b>\$ 7,739,750</b></u>	<u><b>7,684,679</b></u>

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.

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

#### **(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**

According to the Company Act, the Company is required to allocate ten percent of the post-tax net profit as legal reserve, until it equals to the total capital. 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, 2023.

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

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION

### Notes to the Financial Statements

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.

To promote climate change adaptation and mitigation, actively manage carbon risks, reduce operational impacts, the Company stipulates "Appropriation and use of special reserve in response to climate change adaptation and mitigation", and in accordance with the method sets aside a special reserve. This reserve is used for climate change adaptation and mitigation projects or plans, such as energy-saving equipment or upgrading equipment energy efficiency updates, research and development of energysaving technologies, and low-carbon product development technology. The Company passed the stockholders' resolution to set aside "special reserve for climate change adaptation and mitigation" amounting to \$174,957 thousand.

#### 3) Earnings distribution

The amounts of cash dividends on the 2022 and 2021 earnings distribution had been approved during the Company's Board of Directors on February 22, 2023 and March 10, 2022, respectively. The relevant dividend distributions to shareholders were as follows :

	<b>2022</b>		<b>2021</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividends distributed to ordinary shareholders	\$ 3.50	<u><u>2,555,748</u></u>	6.40	<u><u>4,673,368</u></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.

On February 26, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. The relevant dividend distributions to shareholders was as follows:

	<b>2023</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividend appropriated for ordinary shareholders	\$ 4.20	<u><u>3,066,898</u></u>

(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 other comprehensive income	Total
Balance as of January 1, 2023	\$ (520,184)	208,297	(311,887)
Exchange differences on translation of foreign operations :			
The Company	(93,828)	-	(93,828)
Subsidiaries	(11,156)	-	(11,156)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Company	-	113,299	113,299
Associates and subsidiaries	-	(1,707)	(1,707)
Others :			
Subsidiaries	-	2	2
Balance as of December 31, 2023	<u>\$ (625,168)</u>	<u>319,891</u>	<u>(305,277)</u>
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 :			
Subsidiaries	-	4,398	4,398
Balance as of December 31, 2022	<u>\$ (520,184)</u>	<u>208,297</u>	<u>(311,887)</u>

(t) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2023 and 2022, were calculated on the basis of profit attributable to ordinary shareholders, which were \$4,729,346 thousand and \$3,994,004 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 730,214 thousand and 730,214 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>2023</u>	<u>2022</u>
Profit attributable to the Company	\$ 4,729,346	3,994,004
Profit attributable to the ordinary shareholders	<u>\$ 4,729,346</u>	<u>3,994,004</u>

2) Weighted-average number of ordinary shares (in thousands of shares)

	<u>For the years ended December 31,</u> <u>2023</u>	<u>2022</u>
Number of outstanding shares	<u>730,214</u>	<u>730,214</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, 2023 and 2022, were calculated on the basis of profit attributable to ordinary shareholders, which were \$4,729,346 thousand and \$3,994,004 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 732,655 thousand and 733,222 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>2023</b>	<b>2022</b>
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 4,729,346	3,994,004
Profit attributable to the ordinary shareholders of the Company (diluted)	<u><u>\$ 4,729,346</u></u>	<u><u>3,994,004</u></u>

2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Weighted-average number of outstanding ordinary shares (basic)	730,214	730,214
Effects of employee stock bonus	2,441	3,008
Weighted-average number of outstanding ordinary shares (diluted)	<u><u>732,655</u></u>	<u><u>733,222</u></u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the year ended December 31, 2023</b>		
	<b>Sale of goods</b>	<b>Rendering of services</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ 47,731,714	20,326	47,752,040
The United States	69,888	-	69,888
Asia	74,935	-	74,935
Others	1,458,731	-	1,458,731
	<u><u>\$ 49,335,268</u></u>	<u><u>20,326</u></u>	<u><u>49,355,594</u></u>
Main products/services lines:			
Deformed bars	\$ 31,651,648	-	31,651,648
Sections	17,388,056	-	17,388,056
Billets	256,670	-	256,670
Rendering of services	-	20,326	20,326
Others	38,894	-	38,894
	<u><u>\$ 49,335,268</u></u>	<u><u>20,326</u></u>	<u><u>49,355,594</u></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>
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	<u>1,477,856</u>	<u>-</u>	<u>1,477,856</u>
	<b>\$ 46,973,146</b>	<b>30,046</b>	<b>47,003,192</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	<u>233,327</u>	<u>-</u>	<u>233,327</u>
	<b>\$ 46,973,146</b>	<b>30,046</b>	<b>47,003,192</b>

(ii) Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Notes receivable	\$ 177,191	165,191	180,697
Accounts receivable	4,128,825	3,036,434	4,112,093
Overdue receivables	49,439	63,628	63,178
Less: allowance for impairment	<u>(59,956)</u>	<u>(85,585)</u>	<u>(85,135)</u>
Total	<b>\$ 4,295,499</b>	<b>3,179,668</b>	<b>4,270,833</b>
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Contract liabilities — advance receipts	<b>\$ 1,232,093</b>	<b>1,338,529</b>	<b>1,336,905</b>

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$1,338,529 thousand and \$1,336,905 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.

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to the Financial Statements

(v) 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, 2023 and 2022, the Company's estimated employee compensation amounted to \$149,342 thousand and \$132,352 thousand, respectively, and the remuneration of directors amounted to \$119,474 thousand and \$105,881 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, 2023 and 2022. 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, 2023 and 2022, are identical to those of the actual distributions.

(w) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 6,809	689
Other interest income	11,651	21,858
Total Interest income	<u>\$ 18,460</u>	<u>22,547</u>

(ii) Other income

	For the years ended December 31,	
	2023	2022
Rental income	\$ 61,683	66,389
Dividend income	37,763	45,032
Scrap income	6,763	3,225
Total other income	<u>\$ 106,209</u>	<u>114,646</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(iii) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net loss on disposal of property, plant and equipment	\$ (2,008)	(2,797)
Foreign exchange (loss) gain	(16,281)	30,533
Gain on financial assets (liabilities) at fair value through profit or loss	130,340	177,928
Others	62,540	44,214
Other gains and losses(net)	<u><u>\$ 174,591</u></u>	<u><u>249,878</u></u>

(iv) Finance costs

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest Expense		
Bank loans	\$ 221,099	123,840
Interest on domestic commercial paper	4,811	1,843
Lease payments	1,378	1,249
Less: Interest capitalization	(2,338)	(1,123)
Finance costs(net)	<u><u>\$ 224,950</u></u>	<u><u>125,809</u></u>

(x) 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, 2023 and 2022, the maximum exposure to credit risk amounted to \$5,154,143 thousand and \$4,873,381 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.

(Continued)



**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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, 2023</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 11,442,950	11,497,529	10,473,817	8,502	510,986	504,224	-
Current financial liabilities at fairvalue through profit or loss	60,457	60,457	60,457	-	-	-	-
Lease liabilities	128,370	133,909	14,710	14,269	21,313	35,755	47,862
Accounts payable	2,082,688	2,082,688	2,082,688	-	-	-	-
Other payables	1,947,863	1,947,863	1,947,863	-	-	-	-
Guarantee deposits received	7,016	7,016	7,016	-	-	-	-
	<u>\$ 15,669,344</u>	<u>15,729,462</u>	<u>14,586,551</u>	<u>22,771</u>	<u>532,299</u>	<u>539,979</u>	<u>47,862</u>
<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>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(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, 2023			December 31, 2022			
	Foreign currency	Exchange rate (in dollars)	TWD	Foreign currency	Exchange rate (in dollars)	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	5,948	30.71	182,663	33,117	30.71	1,017,023
EUR		2	33.98	68	2	32.72	65
JPY		6,450	0.2172	1,401	736	0.2324	171
CNY		24	4.327	104	24	4.408	106
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		2,375	30.71	72,936	10,048	30.71	308,574
EUR	-	-	-	-	1,473	32.72	48,197
JPY	-	-	-	-	47,463	0.2324	11,030

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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, 2023 and 2022, assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2023 and 2022, were as follows :

	<b>Effect of appreciation on net income after tax</b>	<b>Effect of depreciation on net income after tax</b>
December 31, 2023		
USD (appreciation/depreciation of 1%)	\$ 878	(878)
JPY (appreciation/depreciation of 1%)	11	(11)
CNY (appreciation/depreciation of 1%)	<u>1</u>	<u>(1)</u>
	<b><u>\$ 890</u></b>	<b><u>(890)</u></b>
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%)	<u>1</u>	<u>(1)</u>
	<b><u>\$ 5,197</u></b>	<b><u>(5,197)</u></b>

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, 2023 and 2022, foreign exchange (loss) gain (including realized and unrealized portions) amounted to \$(16,281) thousand and \$30,533 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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

If the interest rate had increased by 1%, the Company's net profit after tax will decrease by \$91,544 thousand and \$103,822 thousand for the years ended December 31, 2023 and 2022 respectively, assuming all other variable factors remaining constant.

(v) Other market price risk

For the years ended December 31, 2023 and 2022, 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>2023</b>	<b>2022</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>4,369</u>	<u>3,663</u>
Decreasing 1%	\$ <u>(4,369)</u>	<u>(3,663)</u>

(vi) Fair value of financial instruments

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 :

	<b>December 31, 2023</b>				
	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets mandatorily measured at fair value through profit or loss					
Non-derivative financial asset stocks listed on domestic markets	\$ <u>144,619</u>	<u>144,619</u>	<u>-</u>	<u>-</u>	<u>144,619</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	<u>436,936</u>	<u>436,936</u>	<u>-</u>	<u>-</u>	<u>436,936</u>
Equity instruments measured at fair value with no publicly quoted price	<u>197,146</u>	<u>-</u>	<u>-</u>	<u>197,146</u>	<u>197,146</u>
Subtotal	<u>634,082</u>	<u>436,936</u>	<u>-</u>	<u>197,146</u>	<u>634,082</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	<u>393,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Notes and accounts receivable	<u>4,295,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other receivables	<u>23,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Refundable deposits	<u>56,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>4,769,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>5,547,709</u>	<u>581,555</u>	<u>-</u>	<u>197,146</u>	<u>778,701</u>

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

December 31, 2023					
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities – foreign exchange forward contract	\$ 60,457	-	60,457	-	60,457
Financial liabilities measured at amortized cost					
Short-term loans	10,442,950	-	-	-	-
Long-term loans	1,000,000	-	-	-	-
Notes and accounts payable	2,082,688	-	-	-	-
Other payables	1,947,863	-	-	-	-
Lease liabilities	128,370	-	-	-	-
Guarantee deposits received	7,016	-	-	-	-
Subtotal	15,608,887	-	-	-	-
Total	\$ 15,669,344	-	60,457	-	60,457
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 stocks listed on domestic markets	\$ 162,730	162,730	-	-	162,730
Financial assets at fair value through other comprehensive income					
Stocks listed on 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	-	-	-	-
Guarantee deposits received	9,111	-	-	-	-
Subtotal	17,068,179	-	-	-	-
Total	\$ 17,082,853	-	14,674	-	14,674

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

#### **2) 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.

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.

#### **3) Transfers between Level 1 and Level 2**

There were no transfers in either direction for the years ended December 31, 2023 and 2022.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	<u>Unquoted equity instruments</u>
January 1, 2023	\$ 156,484
Purchased	3,941
Capital reduction and return of shares	(5,960)
Total gains recognized in other comprehensive income	<u>42,681</u>
December 31, 2023	<u><b>\$ 197,146</b></u>
January 1, 2022	\$ 170,354
Purchased	5,269
Total losses recognized in other comprehensive income	<u>(19,139)</u>
December 31, 2022	<u><b>\$ 156,484</b></u>

For the years ended December 31, 2023 and 2022, total gains or losses that were included in “unrealized gains and losses on financial assets at fair value through other comprehensive income” were as follows:

	<u>2023</u>	<u>2022</u>
Total gains (losses) recognized in other comprehensive income (Note)	<u><b>\$ 42,681</b></u>	<u><b>(19,139)</b></u>

Note: Total gains recognized in other comprehensive income presented in unrealized gains and losses from financial assets at fair value through other comprehensive income.

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”.

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.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

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	<ul style="list-style-type: none"> <li>· Multiplier of P/E ratio (1.19~4.83 and 0.73~3.06 as of December 31, 2023 and 2022)</li> <li>· Discount rate for lack of market circulation (18.94%~35.70% and 13.44%~34.83% as of December 31, 2023 and 2022)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the multiplier and the control premium, the higher the fair value</li> <li>· The higher the discount rate, the lower the fair value</li> </ul>
	Asset method	<ul style="list-style-type: none"> <li>· Net Asset Value</li> <li>· Discount rate for lack of market circulation (8.33%~29.96% and 8.50%~33.00% as of December 31, 2023 and 2022)</li> </ul>	<ul style="list-style-type: none"> <li>· Not applicable</li> <li>· The higher the discount rate, the lower the fair value</li> </ul>

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 fair value reflected in other comprehensive income	
	<u>Input</u>	<u>Changes in assumptions</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2023</b>				
Financial assets at fair value through other comprehensive income				
Equity instrument without an active market	Discount on circulation 8.33%~35.70%	5%	12,094	(12,094)
<b>December 31, 2022</b>				
Financial assets at fair value through other comprehensive income				
Equity instrument without an active market	Discount on circulation 8.5%~34.83%	5%	10,422	(10,422)

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**

#### **(y) 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.

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## **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 \$16,931,318 thousand as of December 31, 2023. 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 91 to 9 for the year ended December 31, 2023. The external sales for the year ended December 31, 2023 was about \$1,480,000 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 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.

#### **(z) 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.

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.

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

The Company reviews the ratio of debt-to-capital periodically to improve stockholders' value. The debt-to-capital ratios as of December 31, 2023 and 2022, were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 17,788,180	19,301,247
Less : cash and cash equivalents	<u>(393,566)</u>	<u>(518,048)</u>
Net liabilities	17,394,614	18,783,199
Total equity	<u>31,048,280</u>	<u>28,805,965</u>
Total capital	<b><u>\$ 48,442,894</u></b>	<b><u>47,589,164</u></b>
Debt-to-capital ratio	<b><u>35.90 %</u></b>	<b><u>39.47 %</u></b>

As of December 31, 2023, there were no changes in the Company's approach to capital management during the period.

(aa) The investing and financing activities of non-cash transactions

Cash flow of non-cash investing and financing transactions for the years ended December 31, 2023 and 2022, were as follows :

	<b>For the years ended December 31, 2023</b>	<b>2022</b>
Reclassification of other receivable to investments accounted for using the equity method	<b><u>\$ 162,500</u></b>	<u>-</u>
Reclassification of refundable deposit to property, plant and equipment	<b><u>\$ -</u></b>	<u>423,897</u>
Reclassification of prepayment of land and equipment to property, plant and equipment	<b><u>\$ 58,501</u></b>	<u>93,292</u>
Changes in unrealized gain or loss on financial instruments	<b><u>\$ 113,272</u></b>	<u>(151,796)</u>
Exchange differences arising from foreign operation	<b><u>\$ (104,984)</u></b>	<u>(5,282)</u>
Increase in property, plant and equipment	\$ 419,368	2,916,161
Add: payable for equipment as of January 1	11,255	15,208
Less: payable for equipment as of December 31	<u>(24,185)</u>	<u>(11,255)</u>
Cash paid	<b><u>\$ 406,438</u></b>	<u>2,920,114</u>

Reconciliation of liabilities arising from financing activities were as follows:

		<b>Cash flows</b>	<b>Non-cash changes</b>	
	<b>January 1, 2023</b>	<b>Proceeds</b>	<b>Repayment</b>	<b>December 31, 2023</b>
Short-term loans	\$ 11,027,774	95,899,399	(96,484,223)	10,442,950
Long-term loans	1,950,000	1,000,000	(1,950,000)	1,000,000
Short-term notes and bills payable	600,000	300,000	(900,000)	-
Refundable deposits	9,111	-	(2,095)	7,016
Lease liabilities	<u>143,429</u>	<u>-</u>	<u>(30,889)</u>	<u>128,370</u>
Total liabilities from financing activities	<b><u>\$ 13,730,314</u></b>	<b><u>97,199,399</u></b>	<b><u>(99,367,207)</u></b>	<b><u>11,578,336</u></b>

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

	<u>January 1, 2022</u>	<u>Cash flows</u>		<u>Non-cash changes</u>	<u>December 31, 2022</u>
		<u>Proceeds</u>	<u>Repayment</u>	<u>Other</u>	
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	<u>\$ 9,607,250</u>	<u>90,768,347</u>	<u>(86,674,401)</u>	<u>29,118</u>	<u>13,730,314</u>

**(7) Related-party transactions**

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
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(Sale of holdings and loss of control in November 2023)
Duc Hoa International Joint Stock Company	A subsidiary
Tung Sugar Energy Service Co., Ltd.	An associate
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
Hop Tsuen Investment Co., Ltd	Same chairman with the Company
Anyao Investment Co., Ltd	Same chairman with the Company
Directors, general manager and vice general manager	

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**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Subsidiaries	2,704,633	2,104,490	89,468	58,938
Associates	87	408	-	-
	<b>\$ 2,704,720</b>	<b>2,104,898</b>	<b>89,468</b>	<b>58,938</b>

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

The amounts of significant purchases by the Company from related parties and the balance of outstanding accounts payable were as follows:

<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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Subsidiaries	\$ 4,791,483	1,256,711	12,390	12,410
Associates	-	576	-	-
Other related parties	1,530	1,474	381	-
	<b>\$ 4,793,013</b>	<b>1,258,761</b>	<b>12,771</b>	<b>12,410</b>

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

(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, 2023 and 2022, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Downstream unrealized profit from sales	\$ (74,620)	(64,907)
Downstream realized profit from sales	64,907	96,349
	<b>\$ (9,713)</b>	<b>31,442</b>

(Continued)

## **TUNG HO STEEL ENTERPRISE CORPORATION**

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

As of December 31, 2023 and 2022, the balances of unrealized profits from downstream sale transactions were \$74,620 thousand and \$64,907 thousand, respectively, and were recognized as a reduction to investment accounted for using the equity method.

- (iv) The Company's trading gains side-flow amounted to \$51,644 thousand in the current year. Please refer to Note 6(g).
- (v) 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, 2022 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 \$389,497 thousand. As of December 31, 2023, these contracts had not been completed, and were recorded as outstanding work and other payables of \$32,028 thousand and \$5,108 thousand, respectively.
  - 4) In 2021, the Company entered into a "New construction of iron and steel industry research and development center" agreement with Tung Kang Engineering and Construction Corp., at a total price of \$44,826 thousand. For the year ended December 31, 2022, the amount of \$18,617 thousand had been accounted for as construction in progress, with the other payable of \$16,690 thousand that has yet to be paid as of the reporting date. As of December 31, 2023, upon completion of the construction, the amount of \$44,826 had been reclassified to property, plant and equipment.
  - 5) In 2022, the Company entered into a "New construction of iron and steel industry research and development center" agreement with Tung Kang Steel Structure Corp., the total price of \$22,475 thousand. As of December 31, 2023, upon completion of the construction, at amount of \$22,386 had been reclassified to property, plant and equipment.

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(vi) Guarantees and endorsement

The details regarding balances of financing endorsement were as follows :

Expressed in thousands

		<b>December 31, 2023</b>			
		<b>Highest balance for current period</b>	<b>Ending amount (Note)</b>	<b>Actual usage amount</b>	
Subsidiaries	USD\$	557,900	USD 387,500	USD	145,994
Subsidiaries	CNY\$	70,000	CNY 50,000	CNY	5,505

		<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	CNY\$	120,000	CNY 120,000	CNY	14,093

Note : The credit limit approved by the Board of Directors

(vii) 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, 2023</b>	<b>December 31, 2022</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ -	<b>921,300</b>

The Company financing to related parties was interest based on the average interest rate 105% 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, 2023</b>		<b>December 31, 2023</b>
	<b>Interest income</b>	<b>Interest rate</b>	<b>Interest receivable</b>
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ <b>11,437</b>	4.84%~6.60%	-

<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**

(viii) 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,	
	2023	2022	2023	2022	2023	2022
Subsidiaries	\$ 3,931	6,027	7,500	21,468	13,405	17,176
Associates	3,269	3,269	3,000	1,970	-	-
Other related parties	4,575	4,544	304	974	-	-
	<u>\$ 11,775</u>	<u>13,840</u>	<u>10,804</u>	<u>24,412</u>	<u>13,405</u>	<u>17,176</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,	
	2023	2022	2023	2022	2023	2022
Subsidiaries	\$ 4,791	3,234	-	-	124,783	364
Associates	5,736	4,196	-	-	37,367	7,753
Other related parties	-	-	4,980	2,846	-	755
	<u>\$ 10,527</u>	<u>7,430</u>	<u>4,980</u>	<u>2,846</u>	<u>162,150</u>	<u>8,872</u>

Relationship	Other receivables		Other payables	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Subsidiaries	\$ 10,480	1,396	18,858	129
Associates	-	-	6,754	1,825
Other related parties	26	165	-	-
	<u>\$ 10,506</u>	<u>1,561</u>	<u>25,612</u>	<u>1,954</u>

Relationship	Deposits received	
	December 31, 2023	December 31, 2022
Associates	\$ 304	304

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 36,496	38,578
Post-employment benefits	1,522	1,595
	<u>\$ 38,018</u>	<u>40,173</u>

As of years ended December 31, 2023 and 2022, the Company provided two cars that cost \$5,840 thousand for the key management personnel of the entity.

(Continued)



**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, 2023</b>	<b>December 31, 2022</b>
Refundable deposits - term deposits	Leases guarantee	<u>\$ 11,166</u>	<u>7,279</u>

**(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, 2023</b>	<b>December 31, 2022</b>
Guarantees securities amounts	<u>\$ 12,116,475</u>	<u>11,735,039</u>

- (ii) The amounts of guaranteed notes issued by the Company were as follows :

<b>Nature</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bank credit limit	\$ 12,177,675	11,796,439
Leases	200	200
Guaranteed payment for purchases of raw materials	81,800	72,000
	<u>\$ 12,259,675</u>	<u>11,868,639</u>

- (iii) The amount of unused outstanding letters of credit was as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unused outstanding letters of credit	<u>\$ 1,211,032</u>	<u>872,159</u>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(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, 2023			For the year ended December 31, 2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,526,577	741,630	2,268,207	1,399,563	645,687	2,045,250
Labor and health insurance	134,491	45,638	180,129	121,678	44,681	166,359
Pension expenses	52,866	15,379	68,245	50,696	16,102	66,798
Remuneration of directors	-	119,474	119,474	-	105,881	105,881
Other personnel expenses	46,843	11,434	58,277	42,005	11,237	53,242
Depreciation expenses	922,925	70,398	993,323	889,228	71,873	961,101
Amortization expenses	9,840	40	9,880	7,393	484	7,877

For the years ended December 31, 2023 and 2022, the Company's additional information of number of employees and employee benefit expenses were as follows :

	For the years ended December 31,	
	2023	2022
Number of employees	<u>2,075</u>	<u>1,938</u>
Number of directors who were not employees	<u>9</u>	<u>11</u>
The average employee benefit	<u>\$ 1,246</u>	<u>1,210</u>
The average salaries and wages	<u>\$ 1,098</u>	<u>1,061</u>
Adjustment of average employee salary expenses	<u>3.49 %</u>	<u>(7.34)%</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 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 the year ended December 31, 2023:

#### (i) Lending 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 3 and 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	Tung Ho Steel Vietnam Corp., Ltd.	Other receivables	Yes	2,149,700 (USD 70,000)	1,074,850 (USD 35,000)	- (USD 0)	4.8405%-6.60135%	2	-	Operating capital	-		-	3,104,828	6,209,656

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 please fill in 1.
- (2) Those necessary for short-term fund circulation please fill in 2.

Note 3: The Company increased the capital of Tung Ho Steel Vietnam Corp., Ltd., at the amount of USD5,000 thousand, through debts for equity swaps based on its board meeting held on July 4, 2023.

Note 4: The valid quota of financing to other parties as of December 31, 2023.

Note 5: The transactions have already been written off in the consolidated financial statements.

#### (ii) Guarantees and endorsements for other parties:

(In thousands of NTD/USD/CNY)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation 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 (Note 7)	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 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 (Note 1)										
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd.	2	15,524,140	591,564 (USD 9,400) (CNY 70,000)	216,350 (USD 0) (CNY 50,000)	23,820 (USD 0) (CNY 5,505)	-	0.70 %	15,524,140	Y	N	Y
0	The Company (Note 2, 3)	Tung Ho Steel Vietnam Corp., Ltd.	2	15,524,140	16,844,435 (USD 548,500)	11,900,125 (USD 387,500)	4,483,475 (USD 145,994)	-	38.33 %	15,524,140	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	356,543 (USD 11,610)	322,455 (USD 10,500)	322,455 (USD 10,500)	161,228 (USD 5,250)	-	45.22 %	713,086 (USD 23,220)	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 USD23,220 thousand.

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to Financial Statements

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: \$15,524,140 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: \$15,524,140 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.

Note 9: As of the reporting date, the relevant matters concerning the disposal of Fujian Tung Kang Steel Co., Ltd., including the share transfer registration, which had been completed on November 9, 2023, the income tax assessment for data transfer and equity transactions, which were yet to be approved, as well as the cancellation of bank's endorsement and guarantees, which were still in progress, were bring been conducted by Goldham.

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(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	130,815	1.68 %	130,815	None
The Company	Stock — Adlink	-	(a)	223,000	13,804	0.10 %	13,804	None
The Company	Stock — Shiao Kang Warehousing Corp.	One of its directors	(b)	1,788,045	14,561	19.87 %	14,561	None
The Company	Stock — Hexawave Photonic System, Inc.	-	(b)	2,564,023	19,521	6.36 %	19,521	None
The Company	Stock — Overseas Investment & Development Corp.	-	(b)	1,000,000	14,210	1.11 %	14,210	None
The Company	Stock — Power World Fund, Inc.	One of its directors	(b)	677,245	9,176	5.68 %	9,176	None
The Company	Stock — Universal Venture Fund, Inc.	One of its directors	(b)	558,255	8,866	4.76 %	8,866	None
The Company	Stock — Tung Jiang Investment Corp.	One of its directors	(b)	-	45,018	9.11 %	45,018	None
The Company	Stock — Taiwan Aerospace Corp.	-	(b)	1,621,441	49,763	1.20 %	49,763	None
The Company	Stock — Universal Venture Capital Investment Corp.	-	(b)	2,800,000	27,010	2.33 %	27,010	None
The Company	Stock — IBT	-	(b)	1,312,993	9,021	4.17 %	9,021	None
The Company	Stock — Chien Shing Harbour Service Co., Ltd	One of its directors	(b)	8,203,800	378,195	9.35 %	378,195	None
The Company	Stock — Taiwan High Speed Rail Corporation	-	(b)	1,913,376	58,741	0.03 %	58,741	None
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	2,265	3.75 %	2,265	None

The account titles were as follows:

(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: None

(vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None

(vii) Information regarding related-party purchases and sales exceeding 100 million or 20% of the Company's paid-in capital:

(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	(2,613,768)	(5.30)%	payable within 60 days	-	-	65,507	1.53%	
The Company	Tung Kang Steel Structure Corp.	Subsidiary	Purchase	136,204	0.37%	OA10/OA30	-	-	(2,865)	(0.14)%	
The Company	THSVC	Subsidiary	Purchase	4,437,062	11.93%	Payment within 30 days from signing the contract	-	-	-	-%	
The Company	Duc Hoa International J.S.C.	Subsidiary	Purchase	214,575	0.58%	10 days after B/L	-	-	(9,209)	(0.44)%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary	Purchase	2,613,768	55.14%	payable within 60 days	-	-	(65,507)	(11.89)%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary	Sale	(136,204)	(1.41)%	OA10/OA30	-	-	2,865	6.28%	

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION

## Notes to Financial Statements

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)	
THSVC	The Company	Subsidiary	Sale	(4,437,062)	(54.58)%	Payment within 30 days from signing the contract	-	-	-	-%	
Duc Hoa International J.S.C.	The Company	Subsidiary	Sale	(214,575)	(74.71)%	10 days after B/L	-	-	9,209	62.95%	

(viii) Information regarding receivables from related parties exceeding 100 million or 20% of the Company's paid-in capital:None

(ix) Information regarding trading in derivative financial instruments: Please refer to Note 6(b).

(b) Information on investees:

The following is the information on investments for the year ended December 31, 2023 (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, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	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 %	713,101	21,263	21,263	Subsidiary
The Company	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction.	1,775,138	1,775,138	201,121,339	97.48 %	4,022,717	1,197,759	1,170,093	Subsidiary
The Company	Katec R&D Corp.	Taiwan	Waste recycling	35,352	35,352	5,646,398	46.19 %	89,863	34,206	15,800	Associate
The Company	Goldham Development Ltd.	British Virgin Islands	Investment activities	307,100 (USD10,000)	460,650 (USD15,000)	10,000,000	100.00 %	296,090	(15,374)	36,270	Subsidiary (Note1)
The Company	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	917,424	504,622	112,610	Associate
The Company	Katec Creative Resources Corporation	Taiwan	Waste recycling	914,478	1,211,535	61,391,933	99.02 %	641,180	27,513	27,632	Subsidiary
The Company	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	655,000	655,000	65,500,000	100.00 %	627,660	33,848	33,908	Subsidiary
The Company	Tung Ho SteelVietnam Corp., Ltd.	Vietnam	Steel industry	6,407,467	6,244,967	-	100.00 %	3,099,081	(383,794)	(383,606)	Subsidiary
The Company	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 %	49,097	(8,147)	(2,933)	Associate
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	46,372 (USD1,510)	56,506 (USD1,840)	572,000	66.51 %	9,447	(15)	(33)	Subsidiary
Tung Yuan International Corp.	Duc Hoa International J.S.C.	Vietnam	Quicklime manufacturing	115,746 (USD3,769)	115,746 (USD3,769)	8,154,419	96.00 %	129,655	14,578	13,995	Subsidiary
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	270,788	4,486	4,486	Subsidiary
Katec Creative Resources Corporation	Duc HoaInternational J.S.C	Vietnam	Quicklime manufacturing	3,823	-	230,335	2.71 %	4,218	14,578	395	Subsidiary
Tung Ho SteelVietnam Corp., Ltd.	Duc HoaInternational J.S.C	Vietnam	Quicklime manufacturing	1,366 (VND 1,094,447)	-	109,446	1.29 %	1,554	14,578	188	Subsidiary

1 USD = 30.71 NTD

1 VND= 0.001248NTD

Note: Reversal of trading gains side-flow and counter-flow in the previous years to subsidiary, Fujian Tung Kang Steel Co., Ltd., at the amount of \$51,644 thousand. Please refer to Note 6(g).

(Continued)

# 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 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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2,5)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,596,920 (USD 52,000)	( 2 )	564,051 (USD 18,367)	-	-	564,051 (USD 18,367)	11,294	35.00%	3,953	447,290	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	214,970 (USD 7,000)	( 2 )	409,364 (USD 13,330)	-	153,550 (USD 5,000)	255,814 (USD 8,330)	50,695	100.00%	50,695	-	-

Note 1: List of the method of investment

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2023, 1 USD = 30.71 NTD, 1 CNY = 4.327 NTD.

Note 3: For the year ended December 31, 2023, 1 USD = 31.15 NTD, 1 CNY = 4.395 NTD.

Note 4: Fujian Tung Kang Steel Co., Ltd. completed the registration for its capital reduction in August 2023, with the amount of paid-in capital being reduced from USD15,000 thousand to USD7,000 thousand, resulting in the return of shares to be USD8,000 thousand, of which, the amount of \$5,000 thousand had been remitted to the Company in October 2023.

Note 5: Fujian Tung Kang Steel Co., Ltd. has been sold based on a resolution approved during Goldham's board meeting held in October 2023. All related registration procedures for the equity transfer had been completed on November 9, 2023.

(ii) Limitation on investment in Mainland China:

(In thousands of NTD/USD)

Accumulated Investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note)
819,865 (USD 26,697)	819,865 (USD 26,697)	18,628,967

Note: 60% of net equity.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**Notes to the Financial Statements**

(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.		65,122,877	8.91 %
He Zhao Investment Co., Ltd.		62,835,750	8.60 %

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**

Please refer to the consolidated financial statements for the year ended December 31, 2023.



# TUNG HO STEEL ENTERPRISE CORPORATION

## DETAILS OF CASH AND CASH EQUIVALENTS

**December 31, 2023**

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

Items	Description	Amount	Notes
Cash	Cash on hand	\$ 234	
	Revolving funds	268	
	Subtotal	502	
Cash in banks	Checking accounts	67,933	
	Demand deposits accounts	283,336	
	Foreign currency demand deposits	41,795	Note 1
	Subtotal	393,064	
Total		<u>\$ 393,566</u>	

Note 1: Total amount of foreign currency	USD1,312,587(dollars)
	JPY 6,449,199(dollars)
	EUR 639(dollars)
	CNY 14,433(dollars)
Exchange rate	USD →NT @30.71
	JPY →NT @0.2172
	EUR →NT @33.98
	CNY →NT @4.3270

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT**

**December 31, 2023**

**(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	34.20	130,815
Adlink	Publicly List	223,000	10	2,230	-	<u>7,142</u>	61.90	<u>13,804</u>
Total						<u>\$ 99,308</u>		<u>144,619</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF NOTES RECEIVABLE**

**December 31, 2023**

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

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Fu Tsu Construction	Payment for goods	\$ 79,554
S.T.Y Steel	Payment for goods	29,451
Weishun Construction	Payment for goods	19,601
Jian Kun Construction	Payment for goods	12,594
Yi Cheng Construction	Payment for goods	9,103
Others (Note)	Payment for goods	<u>26,888</u>
Total notes receivable		177,191
Less: Allowance for impairment		<u>(533)</u>
Total		<u><u>\$ 176,658</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, 2023**

**(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	\$ 65,507
Tung Kang Engineering and Construction	Payment for goods	23,928
Katec Creative Resources Corp.	Payment for goods	<u>33</u>
Subtotal		<u>89,468</u>
Non-related parties:		
Pan Asia Corporation	Payment for goods	285,844
BES Engineering Corporation	Payment for goods	224,131
Others (Note)	Payment for goods	<u>3,529,382</u>
Subtotal		<u>4,039,357</u>
Total accounts receivable		4,128,825
Less: Allowance for impairment		<u>(9,984)</u>
Total		<u><u>\$ 4,118,841</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, 2023**

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

<b>Items</b>	<b>Amount</b>
Revenue of disposing colcothar and metal shavings	\$ 4,882
Revenue of selling scrap iron and material supplies (related parties included)	9,780
Receivables from disposal of stocks	5,086
Revenue of technical service (related parties included)	723
Others (related parties included)	<u>3,395</u>
Total	<u><u>\$ 23,866</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF INVENTORIES**

**December 31, 2023**

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

Items	Description	Amount		Notes
		Cost	Market price	
Finished goods	Deformed bars	\$ 1,795,669	1,932,743	Market price based on net realizable value
	Sections	557,060	685,565	"
	Universal plates	136,860	188,648	"
	Outbound product	<u>120,648</u>	<u>120,648</u>	"
	Subtotal	<u>2,610,237</u>	<u>2,927,604</u>	
Work in process	Billets	1,220,477	1,381,152	"
	Beam blank	1,677,648	2,143,934	"
	Bloom	137,533	207,867	"
	Outbound product (Billets)	<u>21,219</u>	<u>21,219</u>	
	Subtotal	<u>3,056,877</u>	<u>3,754,172</u>	
Raw materials	Scrap iron	7,905,957	10,093,216	"
	In transit raw materials	<u>1,630,587</u>	<u>1,630,587</u>	"
	Subtotal	<u>9,536,544</u>	<u>11,723,803</u>	
Material supplies	Electrode rods	326,496	274,867	"
	Fluid oil	693	693	"
	Silicon iron	40,728	34,744	"
	Manganese iron	32,692	27,548	"
	Silicon manganese	151,445	137,638	"
	Vanadium iron	131,513	113,805	"
	Roller	24,814	24,808	"
	Roller ring	83,217	78,548	"
	Other material	<u>1,075,539</u>	<u>1,112,185</u>	"
	Subtotal	<u>1,867,137</u>	<u>1,804,836</u>	
Inventories, net		<u><u>\$ 17,070,795</u></u>	<u><u>20,210,415</u></u>	

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF PREPAYMENTS**

**December 31, 2023**

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

<b>Items</b>	<b>Description</b>	<b>Amount</b>
Prepaid expenses	Prepaid supplies expenses	\$ 121,466
	Insurance premium and rent expenses	18,246
	Prepaid heavy oil and maintenance expenses	25,441
	Others	<u>12,438</u>
	Subtotal	177,591
Prepayments for goods		84,090
Other prepayments		<u>2,037</u>
Total		<u><u>\$ 263,718</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, 2023**

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

	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
Name of company	Share	Amount	Share	Amount	Share	Amount		Share	Share- holding percentage	Amount		
Subsidiaries:												
Tung Yuan International Corp.	82	\$ 702,968	-	26 (Note 7)	-	11,156 (Notes 1)	21,263	82	100.00 %	713,101	713,101	None
Tung Kang Steel Structure Corp.	201,121,339	3,364,664	-	477 (Note 6)	-	512,517 (Notes 2,5)	1,170,093	201,121,339	97.48 %	4,022,717	4,251,100	None
Goldham Development Ltd.	15,000,000	394,759	-	26,411 (Note 1)	5,000,000	161,350 (Notes 8)	36,270	10,000,000	100.00 %	296,090	269,090	None
Katec Creative Resources Corp.	95,736,860	910,604	-	-	34,344,927	297,056 (Notes 8)	27,632	61,391,933	99.02 %	641,180	647,130	None
Tung Kang Wind Power Corp.	65,500,000	593,752	-	-	-	-	33,908	65,500,000	100.00 %	627,660	627,281	None
Tung Ho Steel Vietnam Corp., Ltd.	-	3,440,427	-	162,500 (Note 4)	-	120,240 (Notes 1)	(383,606)	-	100.00 %	3,099,081	3,098,893	None
Subtotal		9,407,174		189,414		1,102,319	905,560			9,399,829		
Associates:												
Katec R&D Corp.	5,646,398	87,481	-	58 (Note3)	-	13,476 (Notes 5,6)	15,800	5,646,398	46.19 %	89,863	89,863	None
Taiwan Steel Union Co., Ltd.	24,829,009	966,020	-	183 (Note 3,9)	-	161,389 (Note 5)	112,610	24,829,009	22.31 %	917,424	917,424	None
Tung Sugar Energy Service Corp.	5,400,000	52,030	-	-	-	-	(2,933)	5,400,000	36.00 %	49,097	49,097	None
Subtotal		1,105,531		241		174,865	125,477			1,056,384		
Total		\$ 10,512,705		189,655		1,277,184	1,031,037			10,456,213		

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 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: Capital reduction and return of shares.

Note 9: Disgorgement adjusted capital surplus.



**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, 2023**

**(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	\$ 17,707	-	2,814	596,015	5,960 (Notes 1)	1,788,045	14,561	None
Hexawave Photonic System, Inc.	2,564,023	23,511	-	-	-	3,990	2,564,023	19,521	None
Taiwan Aerospace Corp.	1,621,441	25,564	-	24,199	-	-	1,621,441	49,763	None
Overseas Investment & Development Corp.	1,000,000	8,526	-	5,684	-	-	1,000,000	14,210	None
Power World Fund, Inc.	677,245	8,862	-	314	-	-	677,245	9,176	None
Universal Venture Fund, Inc.	558,255	7,050	-	1,816	-	-	558,255	8,866	None
IBT II Venture Capital Co.	1,312,993	10,118	-	-	-	1,097	1,312,993	9,021	None
Tung Jing Investment Corp.	-	33,166	-	11,852 (Notes 2)	-	-	-	45,018	None
Universal Venture Capital Investment Corp.	2,800,000	<u>21,980</u>	-	<u>5,030</u>	-	<u>-</u>	2,800,000	<u>27,010</u>	None
Subtotal		<u>156,484</u>		<u>51,709</u>		<u>11,047</u>		<u>197,146</u>	
Public listed stocks — Taiwan High Speed Rail Corporation	1,913,376	55,010	-	3,731	-	-	1,913,376	58,741	None
Stock listed on emerging markets—Chien Shing Harbour Service Co., Ltd.	8,203,800	<u>311,334</u>	-	<u>66,861</u>	-	<u>-</u>	8,203,800	<u>378,195</u>	None
Subtotal		<u>366,344</u>		<u>70,592</u>		<u>-</u>		<u>436,936</u>	
Total		<u><u>\$ 522,828</u></u>		<u><u>122,301</u></u>		<u><u>11,047</u></u>		<u><u>634,082</u></u>	

Note 1 : New acquisition

Note 2 : Including the new acquisition of 3,941 thousand in this period

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF REFUNDABLE DEPOSITS**

**December 31, 2023**

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

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Refundable deposits	Lease deposits	\$ 14,572
	Golf card deposits	41,500
	Performance guarantees	<u>5</u>
Total		<u><u>\$ 56,077</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, 2023**

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

<b>Item</b>	<b>Amount</b>
Jiankai property	\$ 245
Licheng Construction	751
Walden Construction	450
BEST-STEEL	<u>47,993</u>
Subtotal	49,439
Less: Allowance for bad debt expense	<u>(49,439)</u>
Total	<u><u>\$ -</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF SHORT-TERM LOANS**

**December 31, 2023**

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

<b>Bank</b>	<b>Description</b>	<b>Balance as of December 31, 2023</b>	<b>Duration</b>	<b>Interest rate</b>	<b>Amount</b>	<b>Pledge or collateralized</b>
HSBC Bank	Unsecured loans	\$ 1,190,000	September 6, 2023 ~April 15, 2024	1.62%~1.645%	1,525,000	None
Bank of Taiwan	Unsecured loans	700,000	October 16, 2023 ~April 12, 2024	1.65%	700,000	None
Land Bank of Taiwan	Unsecured loans	700,000	October 13, 2023 ~ Febuary 23, 2024	1.63%	800,000	None
Cathay United Bank	Unsecured loans	900,000	December 13, 2023 ~ January 19,2024	1.5%	900,000	None
Agricultural Bank of Taiwan	Unsecured loans	800,000	October 11, 2023 ~ January 9, 2024	1.64%	800,000	None
O Bank	Unsecured loans	150,000	December 19, 2023 ~ January 12, 2024	1.5142%	200,000	None
Hua Nan Commercial Bank	Unsecured loans	1,000,000	November 9, 2023 ~ Febuary 21, 2024	1.63%	1,000,000	None
DBS Bank	Unsecured loans	630,000	December 6, 2023 ~ January 8, 2024	1.65%	640,000	None
Yuanta Bank	Unsecured loans	1,400,000	October 17, 2023 ~ March 11, 2024	1.63%~1.64%	1,500,000	None
BOK Bank	Unsecured loans	650,000	December 11, 2023 ~ January 22, 2024	1.6537%	700,000	None
CHB Bank	Unsecured loans	450,000	December 25, 2023~ March 22, 2024	1.7%	600,000	None
FEIB Bank	Unsecured loans	500,000	November 29, 2023~Febuary 29, 2024	1.65%	600,000	None
CTBC Bank	Unsecured loans	500,000	December 21, 2023 ~ March 28, 2024	1.64%~1.65%	700,000	None
Taipei Fubon Bank	Unsecured loans	<u>800,000</u>	October 27, 2023 ~ April 24, 2024	1.62%~1.64%	800,000	None
Subtotal		<u>10,370,000</u>				
Bank of Taiwan	Letter of credit	2,465	December 15, 2023 ~ March 15, 2024	6.4376%~6.4271%	855,000	None
The Shanghai Commercial & Savings Bank	Letter of credit	1,201	December 25, 2023 ~January 24, 2024	6.77607%	295,000	None
CHB Bank	Letter of credit	5,770	December 27, 2023 ~Febuary 25, 2024	6.44256%	1,000,000	None
Cathay United Bank	Letter of credit	17,361	December 8, 2023 ~June 21, 2024	6.22~6.4%	1,160,000	None
Taishin Bank	Letter of credit	12,396	November 16, 2023 ~ January 5, 2024	6.4%	1,200,000	None
Taipei Fubon Bank	Letter of credit	6,757	December 22, 2023 ~June 19, 2024	6.4930487%	119,000	None
Entie Bank	Letter of credit	2,273	December 25, 2023 ~January 24, 2024	6.829%	500,000	None
CTBC Bank	Letter of credit	5,554	December 26, 2023 ~ January 26, 2024	6.1%	700,000	None
Union Bank of Taiwan	Letter of credit	5,152	December 14, 2023 ~ January 13, 2024	6.56%	500,000	None
E. Sun Bank	Letter of credit	<u>14,021</u>	December 22, 2023 ~ January 22, 2024	6.60677%	1,000,000	None
Subtotal		<u>72,950</u>				
Total		<u><u>\$ 10,442,950</u></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, 2023**

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

<b>Objects</b>	<b>Description</b>	<b>Amount</b>
Non-related parties:		
Long Chang Transportation	Operating expenses	\$ 12,017
Formosa Plastics Yilan	Operating expenses	1,823
Veolia	Operating expenses	1,340
Others (Note)	Operating expenses	<u>852</u>
Total		<u><u>\$ 16,032</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, 2023**

**(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	\$ 2,865
Duc Hoa International J.S.C.	Payment for goods	9,209
Katec Creative Resources	Payment for goods	316
Eternity Corp.	Payment for goods	<u>381</u>
Subtotal		<u>12,771</u>
Non-related parties:		
Heng Yu Steel Enterprise Co., Ltd.	Payment for goods	175,190
Others (Note)	Payment for goods	<u>1,878,695</u>
Subtotal		<u>2,053,885</u>
Total		<u><u>\$ 2,066,656</u></u>

Note: Consisting of individual accounts of less than 5% of the total amount  
Please refer to Note 6(p) for details of other payables.

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF CONTRACT LIABILITIES**

**December 31, 2023**

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

<b>Items</b>	<b>Description</b>	<b>Amount</b>
Non-related parties:		
Dihua Construction	Payment for goods	\$ 75,643
Huaxiong Construction	Payment for goods	56,321
Yidong Construction	Payment for goods	50,869
Others (Note)		<u>1,049,260</u>
Total contract liabilities		<u><u>\$ 1,232,093</u></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, 2023**

**(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>
O-Bank	June 12, 2023 ~ June 12, 2026 Principal repaid at maturity	Repayment of loan and improvement of financial structure	1.6848%	\$ 500,000	None
Yuanta Bank	May 3, 2023 ~ April 20, 2025 Principal repaid at maturity	Repayment of loan and improvement of financial structure	1.67%	<u>500,000</u>	None
Total				<u><u>\$ 1,000,000</u></u>	



**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF GUARANTEE DEPOSITS**

**December 31, 2023**

**(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
Qianzhen Land	Rental deposits	1,630
Yungtay-Hitachi Construction Machinery Co., Ltd.	Performance guarantee	830
Others (Note)	Rental deposits and performance guarantee	<u>473</u>
Subtotal		<u>6,712</u>
Total		<u><u>\$ 7,016</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, 2023**

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

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Deformed steel bar	1,449,924 tons	\$ 31,677,380
Billet	13,991 tons	256,688
H-beams	513,080 tons	14,054,090
Universal plate	83,692 tons	2,456,475
I-beams	2,377 tons	83,241
Channel steel	39,849 tons	1,063,307
Raw material and other steel	2,143 tons	38,893
Others	- tons	<u>20,326</u>
Total operating revenue		49,650,400
Less: Sales returns		(753)
Sales allowances		<u>(294,053)</u>
Net operating revenue		<u><u>\$ 49,355,594</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING COSTS**

**For the year ended December 31, 2023**

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

Items	Amount	
	Subtotal	Total
Manufacturing:		
(a) Direct raw materials		
Beginning balance of raw materials	\$ 7,641,036	
Self-manufactured transferred in	58,852,547	
Purchases of raw materials	26,883,886	
Sale of raw materials	(8,021)	
Reclassification to manufacturing overhead	(479)	
Reclassification to donation expenses	(4,691)	
Reclassification to other expenses	(933)	
Transfer to material supplies	(737)	
Transfer to finished goods	(7,077)	
R&D scrap transferred in	2,722	
Roller scrap transferred in	9,541	
Ending balance of raw materials	(9,536,544)	
Cost of direct raw materials consumed		83,831,250
(b) Indirect raw materials		
Beginning balance of raw materials	2,177,873	
Purchases of raw materials	4,378,821	
Sale of material supplies	(2,535)	
Reclassification to manufacturing overhead	(1,476,675)	
Reclassification to deferred expenses and prepaid expenses	(344,652)	
Reclassification to construction in progress and equipment	(18,262)	
Transfer to finished goods	(1,392)	
Transfer from material supplies	737	
Ending balance of raw materials	(1,856,259)	
Reclassification to consigned goods	(4,387)	
Cost of indirect materials consumed		2,853,269
(c) Direct labor, net		1,071,253
(d) Manufacturing overhead, net		7,436,650
Manufacturing cost		95,192,422
(e) Cost of by-products		(1,285,830)
(f) Cost of finished goods (work in process)		93,906,592
Beginning balance of work in process	4,154,251	
Purchases of work in process	5,287,694	
Consigned goods transferred in	7,640	
Work in process transferred to raw materials	(39,627,489)	
Transfer to consigned goods	(171,861)	
Ending balance of work in process	(3,035,658)	
Reclassification to other expenses	9,189	
Subtotal		(33,376,234)
(g) Cost of finished goods		
Beginning balance of finished goods	1,842,081	
Finished goods transferred to raw materials	(17,939,228)	
Material supplies transferred to finished goods	1,053	
Raw materials transferred to finished goods	7,077	
Consigned goods transferred to finished goods	5,486	
Finished goods transferred to construction in progress and prepayment of equipment	(22,888)	
Consigned goods transferred to finished goods	3,151,452	
Transfer to consigned goods	(2,993,221)	
Ending balance of finished goods	(2,489,589)	
Reclassification to donation expenses	(70)	
Reclassification to other expenses	(2,135)	
Reclassification to deferred expenses	(3,290)	
Subtotal		(18,443,272)
Cost of work in process and finished goods		42,087,086
(h) Cost of by-products		
Beginning balance of by-products	-	
By-products manufactured	1,285,830	
By-product transferred to raw materials	(1,285,830)	
Ending balance of by-products	-	
Cost of by-products		-
(i) Cost of consigned goods		
Beginning balance of consigned goods	141,802	
Raw materials transferred in	4,387	
Work in process transferred in	171,861	
Finished goods transferred in	2,993,221	
Transfer to cost of equipment	566	
Transfer to work in process	(7,640)	
Transfer to finished goods	(3,151,452)	
Ending balance of consigned goods	(152,745)	
Cost of goods sold — manufacturing		
Selling:		
Beginning inventory	-	
Purchases	624,460	
Ending inventory	-	
Cost of goods sold — selling		624,460
Work in process		18,914
Adjustment for capacity variance		73,298
Revenue from sale of raw materials and scrap		(105,906)
Operating costs		<u><u>\$ 42,697,852</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF MANUFACTURING EXPENSES**

**For the year ended December 31, 2023**

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

<b>Items</b>	<b>Amount</b>
Indirect labor	\$ 451,031
Utilities expense	3,022,650
Depreciation	922,925
Amortization	9,840
Repair and maintenance	1,033,888
Equipment insurance	29,406
Labor insurance	134,491
Meal expenses	46,843
Pension	52,866
Fuel expenses	924,717
Cleaning expense	302,321
Professional service fee	187,421
Packaging fee	77,470
Others	<u>240,781</u>
Total	<u><u>\$ 7,436,650</u></u>

**TUNG HO STEEL ENTERPRISE CORPORATION**

**DETAILS OF OPERATING EXPENSES**

**For the year ended December 31, 2023**

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

<b>Item</b>	<b>Selling expenses</b>	<b>Administrative expenses</b>	<b>Total</b>
Salaries	\$ 82,271	659,359	741,630
Freight expense	709,913	157	710,070
Advertisement	21,237	871	22,108
Entertainment	13,886	4,777	18,663
Donation expense	30	19,126	19,156
Taxes	148	54,391	54,539
Depreciation	1,678	68,720	70,398
Amortizations	-	40	40
Professional service expense	-	42,108	42,108
Inspection expense	16,385	3,890	20,275
Meal expense	1,554	9,880	11,434
Labor pension	3,138	12,241	15,379
Labor insurance	2,582	23,706	26,288
National health insurance	3,409	15,941	19,350
Others	20,785	267,730	288,515
Total	<u>\$ 877,016</u>	<u>1,182,937</u>	<u>2,059,953</u>

**TUNG HO STEEL ENTERPRISE CORPORATION**  
**DETAILS OF NON-OPERATING INCOME AND EXPENSES**

**For the year ended December 31, 2023**

**(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	\$ 26,931
Net gain on financial liabilities at fair value through profit or loss	103,409
Net foreign exchange loss	(16,281)
Directors' remuneration and transportation fee	23,984
Technical service revenue	10,804
Foreign worker board and lodging income	3,634
Gain on disposal of metal shavings	2,463
Net loss on disposal of property, plant, and equipment	(2,008)
Net loss on asset damage compensation	980
Premium estimate accrued expenses/Overpayment accounts receivable transferred to other income	1,972
Guarantee deposits received- Extinguishing warranty claim transferred to income	3,086
Others	<u>15,617</u>
Total	<u><u>\$ 174,591</u></u>

## **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, 2023 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 26, 2024.

## **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 sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Consolidated Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 consolidated financial statements as of and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the consolidated financial statements are stated as follows:

#### **1. Revenue recognition**

Please refer to Note 4(p) “Revenue recognition” and Note 6(v) “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 top 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 valuation ;
- assessing whether the valuation 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(p) “Revenue recognition — Construction contracts” Note 5(c) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty on construction contracts”, and Note 6(v) “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(n) “Impairment of non-financial assets”, Note 5(b) “Impairment evaluation of property, plant and equipment”, and Note 6(i) “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 recalculation process on the value-in-use of the assets calculated by the Company's management.

**Other Matter**

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 Ko, Hui-Chih.

Taipei, Taiwan (Republic of China)  
February 26, 2024

#### **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, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollars)

		<b>December 31, 2023</b>		<b>December 31, 2022</b>				<b>December 31, 2023</b>		<b>December 31, 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 1,732,667	3	2,126,513	4	2100	Short-term loans (Note 6(l))	\$ 13,884,659	25	13,994,974	26
1110	Current financial assets at fair value through profit or loss (Note 6(b))	144,619	-	162,736	-	2110	Short-term notes and bills payable (Note 6(m))	-	-	599,500	2
1140	Current contract assets (Note 6(v))	4,426,703	8	3,828,719	7	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	60,861	-	14,979	-
1150	Notes receivable, net (Notes 6(d) and (v))	213,233	-	220,725	-	2130	Current contract liabilities (Note 6(v))	2,991,668	5	2,859,004	5
1170	Accounts receivable, net (including to related parties) (Notes 6(d), (v) and 7)	4,189,707	7	3,368,530	6	2150	Notes payable	17,807	-	77,748	-
1200	Other receivables (Notes 6(e) and 7)	229,780	1	28,234	-	2170	Accounts payable (including to related parties) (Note 7)	2,985,512	5	2,128,721	4
1310	Inventories (Note 6(f))	19,894,017	35	18,821,299	35	2200	Other payables (including to related parties) (Notes 6(q) and 7)	2,248,736	4	2,104,826	4
1410	Prepayments	315,208	1	252,390	-	2230	Current tax liabilities	710,236	1	579,559	1
1470	Other current assets (Note 8)	1,121,723	2	845,902	2	2250	Current provisions	702	-	1,909	-
	<b>Total current assets</b>	<u>32,267,657</u>	<u>57</u>	<u>29,655,048</u>	<u>54</u>	2280	Current lease liabilities (Note 6(o))	43,047	-	41,431	-
<b>Non-current assets:</b>						2322	Long-term loans, current portion (Note 6(n))	190,515	1	192,011	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	636,347	1	524,816	1	2399	Other current liabilities, others	12,992	-	10,590	-
1550	Investments accounted for using the equity method (Note 6(h))	1,503,674	3	1,557,111	3		<b>Total current liabilities</b>	<u>23,146,735</u>	<u>41</u>	<u>22,605,252</u>	<u>42</u>
1600	Property, plant and equipment (Note 6(i))	19,052,245	34	20,038,567	37	2540	<b>Non-current liabilities:</b>				
1755	Right-of-use assets (Note 6(j))	313,529	1	350,563	1	2570	Long-term loans (Note 6(n))	1,421,411	3	2,526,032	5
1760	Investment property, net (Notes 6(i) and (k))	1,923,110	3	1,924,962	4	2580	Deferred tax liabilities (Note 6(s))	169,431	-	187,580	-
1780	Intangible assets	167,964	-	179,458	-	2640	Non-current lease liabilities (Note 6(o))	140,808	-	163,840	-
1840	Deferred tax assets (Note 6(s))	84,931	-	85,542	-	2645	Net defined benefit liability, non-current (Note 6(r))	211,060	1	260,957	-
1900	Other non-current assets (Note 8)	54,732	-	79,491	-	2645	Guarantee deposits received (Note 7)	7,016	-	9,155	-
1911	Natural resources	8,730	-	11,543	-	2550	Non-current provisions	121,241	-	99,217	-
1915	Prepayments for equipment	53,505	-	69,445	-		<b>Total non-current liabilities</b>	<u>2,070,967</u>	<u>4</u>	<u>3,246,781</u>	<u>5</u>
1920	Refundable deposits (Note 8)	312,456	1	290,001	-		<b>Total liabilities</b>	<u>25,217,702</u>	<u>45</u>	<u>25,852,033</u>	<u>47</u>
	<b>Total non-current assets</b>	<u>24,111,223</u>	<u>43</u>	<u>25,111,499</u>	<u>46</u>	3100	<b>Equity (Note 6(t)):</b>				
<b>Total assets</b>		<u>\$ 56,378,880</u>	<u>100</u>	<u>54,766,547</u>	<u>100</u>	3200	Capital stock	7,302,138	13	7,302,138	13
						3200	Capital surplus	7,739,750	14	7,684,679	15
							Retained earnings:				
						3310	Legal reserve	5,127,305	9	4,718,218	9
						3320	Special reserve	486,844	1	157,889	-
						3350	Unappropriated retained earnings	10,697,520	19	9,254,928	17
							Total retained earnings	16,311,669	29	14,131,035	26
						3400	Other equity interest	(305,277)	(1)	(311,887)	(1)
							Total equity attributable to owners of the parent	31,048,280	55	28,805,965	53
						36XX	Non-controlling interests	112,898	-	108,549	-
							<b>Total equity</b>	<u>31,161,178</u>	<u>55</u>	<u>28,914,514</u>	<u>53</u>
							<b>Total liabilities and equity</b>	<u>\$ 56,378,880</u>	<u>100</u>	<u>54,766,547</u>	<u>100</u>

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 Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

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

		<b>2023</b>		<b>2022 (Restated)</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Notes 6(v) and 7)</b>	\$ 60,961,908	100	59,217,013	100
5000	<b>Operating costs (Notes 6(f), (i), (j), (r), (w) and 7)</b>	<u>(52,315,715)</u>	<u>(86)</u>	<u>(51,767,274)</u>	<u>(87)</u>
5900	<b>Gross profit from operations</b>	<u>8,646,193</u>	<u>14</u>	<u>7,449,739</u>	<u>13</u>
6000	<b>Operating expenses:</b>				
6100	Selling expenses (Notes 6(i), (j), (r), (w) and 7)	1,126,406	2	930,469	2
6200	Administrative expenses (Notes 6(i), (j), (r), (w) and 7)	1,530,609	2	1,399,652	2
6450	Expected credit (reversal benefit) impairment losses (Note 6(d))	<u>(9,522)</u>	<u>-</u>	<u>1,837</u>	<u>-</u>
6500	<b>Total operating expenses</b>	<u>2,647,493</u>	<u>4</u>	<u>2,331,958</u>	<u>4</u>
6900	<b>Net operating income</b>	<u>5,998,700</u>	<u>10</u>	<u>5,117,781</u>	<u>9</u>
7000	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6(x))	37,311	-	17,264	-
7010	Other income (Notes 6(x) and 7)	102,946	-	109,450	-
7020	Other gains and losses (Notes 6(g), (x) and 7)	168,332	-	177,962	-
7050	Finance costs (Notes 6(o) and (x))	(434,699)	-	(298,015)	-
7060	Share of profit of associates accounted for using the equity method (Note 6(h))	<u>129,431</u>	<u>-</u>	<u>112,490</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>3,321</u>	<u>-</u>	<u>119,151</u>	<u>-</u>
7900	<b>Profit before tax</b>	6,002,021	10	5,236,932	9
7950	Less: income tax expenses (Note 6(s))	<u>1,292,896</u>	<u>2</u>	<u>1,293,313</u>	<u>2</u>
	Net profit for continuing operations	<u>4,709,125</u>	<u>8</u>	<u>3,943,619</u>	<u>7</u>
	<b>Profit (loss) from discontinued operations (Note 12(b)):</b>				
8100	Profit (loss) from discontinued operations, net of tax	<u>50,695</u>	<u>-</u>	<u>67,150</u>	<u>-</u>
8200	<b>Profit</b>	<u>4,759,820</u>	<u>8</u>	<u>4,010,769</u>	<u>7</u>
8300	<b>Other comprehensive income (loss):</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(s))	6,848	-	99,768	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	113,284	-	(153,646)	-
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	(1,490)	-	1,973	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>118,642</u>	<u>-</u>	<u>(51,905)</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	(122,960)	-	(11,347)	-
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>(122,960)</u>	<u>-</u>	<u>(11,347)</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>(4,318)</u>	<u>-</u>	<u>(63,252)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 4,755,502</u>	<u>8</u>	<u>3,947,517</u>	<u>7</u>
8600	<b>Profit attributable to:</b>				
8610	Owners of the parent	\$ 4,729,346	8	3,994,004	7
8620	Non-controlling interests	<u>30,474</u>	<u>-</u>	<u>16,765</u>	<u>-</u>
		<u>\$ 4,759,820</u>	<u>8</u>	<u>4,010,769</u>	<u>7</u>
8700	<b>Comprehensive income attributable to:</b>				
8710	Owners of the parent	\$ 4,742,992	8	3,936,864	7
8720	Non-controlling interests	<u>12,510</u>	<u>-</u>	<u>10,653</u>	<u>-</u>
		<u>\$ 4,755,502</u>	<u>8</u>	<u>3,947,517</u>	<u>7</u>
	<b>Basic earnings per share (in dollars) (Note 6(u))</b>				
9710	Continuing operations	\$	6.41		5.38
	Discontinued operation		<u>0.07</u>		<u>0.09</u>
		<u>\$</u>	<u>6.48</u>		<u>5.47</u>
	<b>Diluted earnings per share (in dollars) (Note 6(u))</b>				
9810	Continuing operations	\$	6.39		5.36
	Discontinued operation		<u>0.07</u>		<u>0.09</u>
		<u>\$</u>	<u>6.46</u>		<u>5.45</u>

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 Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings						Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2022	\$ 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)
Capital reduction 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 at December 31, 2022	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
Net income for the period	-	-	-	-	4,729,346	4,729,346	-	-	-	4,729,346	30,474	4,759,820
Other comprehensive income for the period	-	-	-	-	7,038	7,038	(104,984)	111,592	6,608	13,646	(17,964)	(4,318)
Total comprehensive income for the period	-	-	-	-	4,736,384	4,736,384	(104,984)	111,592	6,608	4,742,992	12,510	4,755,502
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	409,087	-	(409,087)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	328,955	(328,955)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,555,748)	(2,555,748)	-	-	-	(2,555,748)	-	(2,555,748)
Changes in equity of associates accounted for using the equity method	-	51	-	-	-	-	-	-	-	51	-	51
Other changes in capital surplus	-	55,020	-	-	-	-	-	-	-	55,020	-	55,020
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	(2)	(2)	-	2	2	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,161)	(8,161)
Balance as of December 31, 2023	\$ 7,302,138	7,739,750	5,127,305	486,844	10,697,520	16,311,669	(625,168)	319,891	(305,277)	31,048,280	112,898	31,161,178

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
<b>Cash flows from operating activities:</b>		
<b>Cash flows of continuing operations</b>	\$ 6,002,021	5,236,932
<b>Profit before tax of discontinued operations</b>	75,680	83,229
<b>Profit before tax</b>	<u>6,077,701</u>	<u>5,320,161</u>
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,566,817	1,545,426
Amortization expense	36,375	59,808
Expected credit reversal benefit	(9,517)	(28,643)
Net gain on financial assets or liabilities at fair value through profit or loss	(136,851)	(180,590)
Interest expense	434,948	301,608
Interest income	(40,930)	(18,934)
Dividend income	(38,018)	(45,386)
Share of profit of associates accounted for using the equity method	(129,431)	(112,490)
Loss on disposal of property, plant and equipment	5,206	3,073
Loss from disposal of subsidiaries	14,354	-
Impairment loss on non-financial assets	1,751	12,332
Unrealized foreign exchange gains	(32,341)	(7,813)
Prepayments for equipment transferred to expense	4,379	243
<b>Total adjustments to reconcile profit or loss</b>	<u>1,676,742</u>	<u>1,528,634</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets mandatorily measured at fair value through profit or loss	200,851	223,579
Increase in contract assets	(839,318)	(211,718)
(Increase) decrease in notes receivable	(23,805)	71,354
(Increase) decrease in accounts receivable	(944,321)	611,093
Increase in other receivables	(14,267)	(10,000)
(Increase) decrease in inventories	(1,088,183)	1,674,463
(Increase) decrease in prepayments	(63,379)	90,784
(Increase) decrease in other current assets	(281,896)	110,025
Increase in other operating assets	(30,190)	(44,710)
<b>Total changes in operating assets</b>	<u>(3,084,508)</u>	<u>2,514,870</u>
Increase in contract liabilities	357,770	326,398
Decrease in notes payable	(59,941)	(71,723)
Increase (decrease) in accounts payable	939,989	(895,019)
Increase (decrease) in other payables	147,859	(37,977)
Increase in provisions	20,817	19,742
Increase (decrease) in other current liabilities	2,462	(1,942)
Decrease in net defined benefit liability	(43,049)	(43,395)
<b>Total adjustments</b>	<u>(41,859)</u>	<u>3,339,588</u>
Cash inflow generated from operations	6,035,842	8,659,749
Interest received	43,968	17,973
Dividends received	210,699	154,112
Interest paid	(438,989)	(285,081)
Income taxes paid	(1,229,735)	(1,681,314)
<b>Net cash flows from operating activities</b>	<u>4,621,785</u>	<u>6,865,439</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(3,941)	(5,269)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	5,960	-
Proceeds from liquidation of financial assets at fair value through other comprehensive income	212	1,024
Proceeds from disposal of financial assets designated at fair value through profit or loss	45,048	-
Decrease (increase) in restricted assets	5,775	(4,130)
Acquisition of property, plant and equipment	(639,844)	(3,080,124)
Proceeds from disposal of property, plant and equipment	1,053	650
(Increase) decrease in refundable deposits	(26,557)	262,247
Acquisition of investment property	(3,304)	(1,414)
Increase in prepayments for equipment and land	(43,261)	(45,981)
<b>Net cash flows used in investing activities</b>	<u>(658,859)</u>	<u>(2,872,997)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	108,629,540	106,674,122
Decrease in short-term loans	(108,709,644)	(106,014,861)
Increase in short-term notes and bills payable	2,870,000	3,015,000
Decrease in short-term notes and bills payable	(3,470,000)	(2,515,000)
Proceeds from long-term loans	3,610,381	3,267,688
Repayments of long-term loans	(4,713,510)	(3,163,451)
Decrease in guarantee deposits received	(2,095)	(3,613)
Payment of lease liabilities	(48,330)	(48,119)
Cash dividends paid	(2,555,748)	(4,673,368)
Change in non-controlling interests	(26,125)	(6,111)
<b>Net cash flows used in financing activities</b>	<u>(4,415,531)</u>	<u>(3,467,713)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>58,759</u>	<u>71,390</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(393,846)</u>	<u>596,119</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>2,126,513</u>	<u>1,530,394</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,732,667</u>	<u>2,126,513</u>

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, 2023 and 2022**

**(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, sections, and steel plates.

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

The consolidated financial statements for the years ended December 31, 2023 and 2022 were approved and authorized for issuance by the Board of Directors on February 26, 2024.

**(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, 2023:

- 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”

The Consolidated Company has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

**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 Consolidated Company does not expect the following 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”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material policies**

The material 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(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 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) List of subsidiaries in the consolidated financial statements :

Investor	The name of subsidiaries	Business activity	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
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	Tung Ho Steel Vietnam Corp., Ltd. (THSVC)	Steel industry	100.00 %	100.00 %	
Tung Yuan International Corp.	3 Oceans International Inc.	Investment activities	66.51 %	66.32 %	
Tung Yuan International Corp.	Duc Hoa International J.S.C.	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 %	Note 1
Katec Creative Resources Corporation	Duc Hoa International J.S.C.	Quicklime manufacturing	2.71 %	- %	
Tung Ho Steel Vietnam Corp., Ltd.	Duc Hoa International J.S.C.	Quicklime manufacturing	1.29 %	- %	

Note 1: In September 2023, the Consolidated Company acquired a letter of intent to purchase the entire shares of Fujian Tung Kang Steel Co., Ltd. from a third party, which was approved during the board meeting of Goldham held on October 23, 2023. The above equity had been fully transferred on November 9, 2023, resulting in the Consolidated Company to classify its investment in Fujian Tung Kang Steel Co., Ltd. as discontinued operation.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)

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

(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 presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the 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 Consolidated 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 Consolidated 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.

(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 ;

(Continued)

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

(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.

(Continued)

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

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.

(Continued)

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

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

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).

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.

(Continued)

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

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

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.

#### **(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.

(Continued)



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

2) 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.

3) 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.

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.

4) 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.

(Continued)

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

(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.

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.

(Continued)

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

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

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) Non-current assets held for sale and discontinued operations (disposal group)

(i) Non-current assets held for sale and discontinued operations (disposal group)

Non-current assets or disposal group composed of assets and liabilities are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The components in the asset or disposal group are remeasured in accordance with the accounting policies of the Consolidated Company before being originally classified for sale. After being classified as held for sale, it is measured on the basis of the lower of its carrying amount and fair value less costs to sell. Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not in the scope of IAS 36 - Impairment of Assets. Such assets will continue to be measured in accordance with the Consolidated Company's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(ii) Discontinued operation

A discontinued operation is a component of Consolidated Company that either has been disposed of, or is classified as held for sale, and

- 1) represents a separate major line of business or geographical area of operations,
- 2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- 3) is a subsidiary acquired exclusively with a view to resale.

The operation should be classified as a discontinued operation at the earlier of its disposal date, or when that operation meets the held-for-sale criteria.

(Continued)

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

(k) 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.

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.

(l) 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

(Continued)

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

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

(m) 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.

(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

(Continued)

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

- 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.

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.

(Continued)

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

(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.

(n) 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.

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.

(o) 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.

(Continued)

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

(p) 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.

(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.

(Continued)



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

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.

(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.

(q) 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

(Continued)

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

- 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.

(r) 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.

(Continued)

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

(s) 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 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.

(Continued)

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

(t) 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.

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.

(u) 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.

(Continued)

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

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

(v) 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.

(w) 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% of the 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 cannot 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.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

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(y), Financial instruments

#### (6) Explanation of significant accounts

##### (a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 2,659	2,478
Checking and demand deposits	1,045,605	886,458
Term deposits	294,761	823,447
Repurchase agreement	<u>389,642</u>	<u>414,130</u>
Cash and cash equivalents in the statement of cash flows	<b><u>\$ 1,732,667</u></b>	<b><u>2,126,513</u></b>

(i) Please refer to Note 6(y) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Consolidated Company.

(ii) As of December 31, 2023 and 2022, 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.

(Continued)

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at fair value through profit or loss:		
Non-derivative financial assets		
Listed common shares	\$ <u>144,619</u>	<u>162,736</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ <u>60,861</u>	<u>14,979</u>

The Consolidated Company holds derivative financial instruments to hedge certain foreign exchange and interest rate risk exposures 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 liabilities:

	<u>December 31, 2023</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange purchased	USD <u>76,767</u>	Sell USD/buy NTD	2024.01.02~2024.03.29
	<u>December 31, 2022</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange purchased	USD <u>58,215</u>	Sell USD/buy NTD	2023.01.03~2023.03.31

None of the financial assets at fair value through profit or loss was pledged as collateral as of December 31, 2023 and 2022, respectively.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity investments at fair value through other comprehensive income:		
Listed common shares	\$ 436,936	366,344
Unlisted common shares	<u>199,411</u>	<u>158,472</u>
Total	\$ <u>636,347</u>	<u>524,816</u>

(Continued)

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

- (i) The Consolidated 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 Consolidated Company intends to hold for long-term for strategic purposes.
- (ii) For market risk, please refer to Note 6(y).
- (iii) None of the financial assets were pledged.
- (d) Notes and accounts receivable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable from operating activities	\$ 213,880	221,246
Accounts receivable-measured as amortised cost	4,206,117	3,400,134
Accounts receivable-related parties	777	1,921
Overdue receivables	49,439	63,628
Less: loss allowance	<u>(67,273)</u>	<u>(97,674)</u>
	<b><u>\$ 4,402,940</u></b>	<b><u>3,589,255</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 of the Steel Structure Department in China, Department in Vietnam and the other Departments were determined as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 131,938	0.019%	25
1 to 90 days past due	<u>15,312</u>	0%	<u>-</u>
	<b><u>\$ 147,250</u></b>		<b><u>25</u></b>

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

(Continued)



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

The loss allowance provision, except for the Steel Structure Department in China, Department in Vietnam, and the other Departments, were determined as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
With low risk	\$ 757,735	0.31%	6,211
With moderate risk	3,515,782	0.33%	11,591
With financial difficulties	49,446	100%	49,446
	<b>\$ 4,322,963</b>		<b>67,248</b>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</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>\$ 3,284,869</b>		<b>89,632</b>

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
1 to 60 days past due	<b>\$ 19,649</b>	<b>1,111</b>

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 97,674	160,188
Impairment losses recognized	12,520	4,888
Amounts written off	(20,900)	(35,124)
Impairment losses reversed	(11,991)	(33,531)
Foreign exchange (gains) losses	(36)	1,253
Loss of control over subsidiary	(9,994)	-
Balance at December 31	<b>\$ 67,273</b>	<b>97,674</b>

(Continued)

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

(e) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Receivables from disposal of stocks	\$ 5,086	-
Other receivables-related parties	26	165
Receivables from non-current assets held-for-sale	203,454	-
Others	21,214	28,069
	<b>\$ 229,780</b>	<b>28,234</b>

For the years ended December 31, 2023 and 2022, no other receivables were impaired resulted from overdue. For credit risk, please refer to Note 6(y).

(f) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Finished goods (including consigned goods)	\$ 2,932,814	2,255,746
Work in process (including consigned goods and goods in transit )	3,271,844	4,221,001
Raw materials (including goods in transit)	10,949,307	9,148,353
Material (including consigned goods and goods in transit)	2,740,052	3,196,199
Inventories, net	<b>\$ 19,894,017</b>	<b>18,821,299</b>

(i) None of the inventory was pledged as collateral as of December 31, 2023 and 2022, respectively.

(ii) For the years ended December 31, 2023 and 2022, cost of sales recognized was as follows:

	<b>For the years ended December 31, 2023</b>	<b>2022</b>
Cost of goods sold	\$ 46,511,066	46,026,541
(Gain from recovery) loss on the decline of inventory market price	(140,271)	157,549
Unallocated production overheads — capacity variance	164,684	193,055
Revenue from sales of materials and scrap	(196,367)	(298,722)
Total	<b>\$ 46,339,112</b>	<b>46,078,423</b>

(Continued)

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

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.

For the year ended December 31, 2023, the inventory experienced a reversal of the previously recognized impairment losses due to an increase in the net realizable value. This increase was primarily attributed to the rising prices of international raw materials such as iron ore, coking coal, and steel scrap, which resulted in higher market selling prices for the inventory.

- (iii) The Consolidated Company's processing costs recognized for providing services for the years ended December 31, 2023 and 2022, consisted of the following:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Processing costs	<u><u>\$ 365,737</u></u>	<u><u>239,617</u></u>

- (g) Loss control of subsidiaries

- (i) In September 2023, the Consolidated Company acquired a letter of intent to purchase the entire shares of Fujian Tung Kang Steel Co., Ltd. from a third party, at a disposal of CNY 51,610 thousand (equivalent to approximately \$228,219 thousand). Consequently, Goldham Development Co., Ltd. (Goldham) disposed its entire shares in Fujian Tung Kang Steel Co., Ltd., at the price mentioned above, based on a resolution approved during its board meeting held on October 23, 2023. All relevant registration procedures had been completed on November 9, 2023, resulting in Goldham's investment accounted for using the equity method to decrease by \$246,645 thousand, with the estimated taxes and fees, exchange differences on translation of foreign financial statements, and reversal of side-flow and counter-flow transaction profits in the previous year, amounting to \$12,644 thousand, \$34,928 thousand, and \$51,644 thousand, resulting in a loss on disposal of \$14,354 thousand (recognized as other gains and losses in the consolidated comprehensive income statement), respectively. Please refer to Note 6 (x) for details.

In order to ensure the safety of their equity trading fund security, Goldham entered into a capital supervision agreement with a buyer, entrusting Xiamen Bank Fuzhou Branch to supervise their transaction. According to the contract, upon completion of the ownership transfer, the fund incurred shall be remitted to a designated account. The amount of \$203,454 thousand was recorded as other receivables as of December 31, 2023, of which \$178,653 thousand (CNY 41,288) has been remitted to the supervision account jointly agreed by both parties to be frozen.

(Continued)

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

The details of the carrying amount of the assets and liabilities disposed by Fujian Tung Kang Steel Co., Ltd. was as follows:

Cash and cash equivalents	\$ 23,409
Notes receivable	31,171
Accounts receivable	132,290
Other receivables	1,123
Inventories	15,237
Current contract assets	241,334
Prepayments	933
Property, plant and equipment	94,012
Right-of-use assets	5,179
Refundable deposits	4,102
Other non-current assets	<u>16,589</u>
Carrying amount of net assets of previous subsidiaries	<u><u>\$ 565,379</u></u>
Notes and accounts payable	\$ 83,198
Other payables	10,387
Current contract liabilities	225,105
Guarantee deposits received	<u>44</u>
Carrying amount of net liabilities of previous subsidiaries	<u><u>\$ 318,734</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 on investments accounted for using the equity method that are individually insignificant was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amount of individually insignificant associates' equity	<u><u>\$ 1,503,674</u></u>	<u><u>1,557,111</u></u>
	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Attributable to the Consolidated Company:		
Net income from continuing operations	\$ 129,431	112,490
Other comprehensive income	<u>(1,490)</u>	<u>1,973</u>
Total	<u><u>\$ 127,941</u></u>	<u><u>114,463</u></u>

(Continued)

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

- (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 :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Katec Research & Development Corp.	\$ 11,293	9,411
Taiwan Steel Union Co., Ltd.	161,389	99,316
Total	<u>\$ 172,682</u>	<u>108,727</u>

- (iii) Collateral

None of the investments accounted for using the equity method was pledged as collateral as of December 31, 2023 and 2022.

- (i) Property, plant and equipment

The cost, depreciation and impairment of the property, plant and equipment of the Consolidated Company for the years ended December 31, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Land improvements</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Miscellaneous equipment</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost or deemed cost:</b>								
Balance as of January 1, 2023	\$ 5,478,223	24,889	10,069,127	30,233,984	470,783	389,632	211,154	46,877,792
Loss of control of subsidiary	-	-	(132,052)	(187,801)	(21,711)	-	-	(341,564)
Additions	8,076	2,352	68,918	234,978	37,020	27,502	265,807	644,653
Reclassification in	63,256	-	29,767	83,512	97	(36,807)	(82,357)	57,468
Disposals	-	-	(23,465)	(48,573)	(13,117)	(39)	-	(85,194)
Effects of exchange rates and others	-	-	(63,375)	(137,011)	(2,983)	-	(839)	(204,208)
Balance as of December 31, 2023	<u>\$ 5,549,555</u>	<u>27,241</u>	<u>9,948,920</u>	<u>30,179,089</u>	<u>470,089</u>	<u>380,288</u>	<u>393,765</u>	<u>46,948,947</u>
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 of subsidiary	-	-	-	-	-	-	(92,087)	(92,087)
Additions	2,000,653	-	342,000	540,786	29,918	22,425	140,556	3,076,338
Reclassification in	401,899	24,889	119,442	68,341	-	-	(51,066)	563,505
Disposals	-	-	(11,399)	(44,317)	(7,416)	-	-	(63,132)
Effects of exchange rates and others	-	-	(2,473)	(9,484)	200	-	(354)	(12,111)
Balance as of December 31, 2022	<u>\$ 5,478,223</u>	<u>24,889</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>
<b>Accumulated depreciation and impairment losses:</b>								
Balance as of January 1, 2023	\$ -	-	4,575,293	21,952,131	311,801	-	-	26,839,225
Depreciation	-	2,548	275,870	1,188,065	41,271	-	-	1,507,754
Loss of control of subsidiary	-	-	(106,148)	(172,404)	(15,914)	-	-	(294,466)
Disposals	-	-	(22,131)	(43,381)	(12,699)	-	-	(78,211)
Effects of exchange rates and others	-	-	(15,285)	(60,699)	(1,616)	-	-	(77,600)
Balance as of December 31, 2023	<u>\$ -</u>	<u>2,548</u>	<u>4,707,599</u>	<u>22,863,712</u>	<u>322,843</u>	<u>-</u>	<u>-</u>	<u>27,896,702</u>
Balance as of January 1, 2022	\$ -	-	4,308,168	20,815,813	279,264	-	-	25,403,245
Depreciation	-	-	272,660	1,174,609	39,162	-	-	1,486,431
Reclassification in	-	-	4,613	-	-	-	-	4,613
Disposals	-	-	(11,263)	(41,211)	(6,935)	-	-	(59,409)
Effects of exchange rates and others	-	-	1,115	2,920	310	-	-	4,345
Balance as of December 31, 2022	<u>\$ -</u>	<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>
<b>Carrying value</b>								
Balance as of December 31, 2023	<u>\$ 5,549,555</u>	<u>24,693</u>	<u>5,241,321</u>	<u>7,315,377</u>	<u>147,246</u>	<u>380,288</u>	<u>393,765</u>	<u>19,052,245</u>
Balance as of December 31, 2022	<u>\$ 5,478,223</u>	<u>24,889</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>

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (i) Several agricultural lands of the Company were temporarily registered under other individuals' names due to the restrictions imposed on Agricultural Development Act article 33. In order to preserve the rights and obligations of both parties and its ownership of the land, the Company changed the registration procedures for some of its agricultural lands to trust registration method, except for certain parcels of land, which are still being registered under other individuals' names due to specific reasons. All relevant registration procedures had been completed as of December 31, 2023, with details as follows:

<u>Accounts</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ 380,288	389,632
Investment property	499,124	499,124
	<u><b>\$ 879,412</b></u>	<u><b>888,756</b></u>

- (ii) Impairment

For the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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" and "Land improvements", 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 as collateral as of December 31, 2023 and 2022.

(Continued)

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

(j) Right-of-use assets

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

	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
<b>Cost:</b>						
Balance at January 1, 2023	\$ 330,800	49,570	91,483	24,639	5,802	502,294
Loss of control of subsidiary	(6,497)	-	-	-	-	(6,497)
Additions	5,258	7,739	-	14,364	1,284	28,645
Disposal	(8,250)	(7,010)	-	(7,796)	(1,479)	(24,535)
Effect of exchange rates	(5,657)	(224)	(3,081)	-	-	(8,962)
Balance at December 31, 2023	<u>\$ 315,654</u>	<u>50,075</u>	<u>88,402</u>	<u>31,207</u>	<u>5,607</u>	<u>490,945</u>
Balance at January 1, 2022	\$ 350,422	49,593	91,825	17,770	5,412	515,022
Loss of control of 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 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>
<b>Accumulated depreciation:</b>						
Balance at January 1, 2023	\$ 65,924	28,968	42,528	11,242	3,069	151,731
Loss of control of subsidiary	(1,318)	-	-	-	-	(1,318)
Depreciation for the period	19,927	15,104	10,790	7,112	974	53,907
Disposal	(8,250)	(6,923)	-	(7,796)	(1,070)	(24,039)
Effect of exchange rates	(788)	(229)	(1,848)	-	-	(2,865)
Balance at December 31, 2023	<u>\$ 75,495</u>	<u>36,920</u>	<u>51,470</u>	<u>10,558</u>	<u>2,973</u>	<u>177,416</u>
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 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>
<b>Carrying amount:</b>						
Balance at December 31, 2023	<u>\$ 240,159</u>	<u>13,155</u>	<u>36,932</u>	<u>20,649</u>	<u>2,634</u>	<u>313,529</u>
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>

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

(k) Investment property

	<u>Land and improvements</u>	<u>Building and structures</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance as of January 1, 2023	\$ 1,864,939	269,585	2,134,524
Additions	<u>3,304</u>	<u>-</u>	<u>3,304</u>
Balance as of December 31, 2023	<u><u>\$ 1,868,243</u></u>	<u><u>269,585</u></u>	<u><u>2,137,828</u></u>
Balance as of January 1, 2022	\$ 1,863,525	269,585	2,133,110
Additions	<u>1,414</u>	<u>-</u>	<u>1,414</u>
Balance as of December 31, 2022	<u><u>\$ 1,864,939</u></u>	<u><u>269,585</u></u>	<u><u>2,134,524</u></u>
<b>Accumulated depreciation and impairment losses:</b>			
Balance as of January 1, 2023	\$ -	209,562	209,562
Depreciation for the period	<u>-</u>	<u>5,156</u>	<u>5,156</u>
Balance as of December 31, 2023	<u><u>\$ -</u></u>	<u><u>214,718</u></u>	<u><u>214,718</u></u>
Balance as of January 1, 2022	\$ -	204,170	204,170
Depreciation for the period	<u>-</u>	<u>5,392</u>	<u>5,392</u>
Balance as of December 31, 2022	<u><u>\$ -</u></u>	<u><u>209,562</u></u>	<u><u>209,562</u></u>
<b>Carrying amount:</b>			
Balance as of December 31, 2023	<u><u>\$ 1,868,243</u></u>	<u><u>54,867</u></u>	<u><u>1,923,110</u></u>
Balance as of December 31, 2022	<u><u>\$ 1,864,939</u></u>	<u><u>60,023</u></u>	<u><u>1,924,962</u></u>
<b>Fair value:</b>			
Balance as of December 31, 2023			<u><u>\$ 7,897,575</u></u>
Balance as of December 31, 2022			<u><u>\$ 7,019,293</u></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, 2023 and 2022, the carrying value is \$972,857 thousand and \$969,553 thousand, respectively.

(Continued)



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

- (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 and the third hierarchy of input value.
- (iv) For the ownership registration and trust agency of the land acquired from investment property in the name of another person, please refer to Note 6(i).
- (v) None of the investment property was for pledged as collateral as of December 31, 2023 and 2022.

(l) Short-term loans

- (i) The details of the Consolidated Company's short-term loans were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Letters of credits	\$ 72,950	367,774
Unsecured bank loans	<u>13,811,709</u>	<u>13,627,200</u>
	<b><u>\$ 13,884,659</u></b>	<b><u>13,994,974</u></b>
Unused short-term credit lines (including notes and bills payable)	<b><u>\$ 25,675,102</u></b>	<b><u>22,566,658</u></b>
Range of interest rates	<b><u>1.50%~6.829%</u></b>	<b><u>0.42%~7.80%</u></b>

(m) Short-term notes and bills payable

- (i) The details of the Consolidated Company's short-term notes and 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			<u>(500)</u>
Total			<b><u>\$ 599,500</u></b>

Please refer to Note 6(l) for unused credit lines.

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

(n) Long-term loans

The details of the Consolidated Company's long-term loans were as follows:

<b>December 31, 2023</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	TWD	1.67~1.90%	2024.11.24 ~2026.06.12	\$ 1,040,381
Unsecured bank loans	USD	5.48%~6.05%	2024.01.17 ~2025.01.17	571,545
Less : current portion				(190,515)
Total				<u><u>\$ 1,421,411</u></u>
Unused credit lines				<u><u>\$ 4,420,919</u></u>

<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>

(o) Lease liabilities

The details of the Consolidated Company's lease liabilities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u><u>\$ 43,047</u></u>	<u><u>41,431</u></u>
Non-current	<u><u>\$ 140,808</u></u>	<u><u>163,840</u></u>

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u><u>\$ 2,824</u></u>	<u><u>3,029</u></u>
Income from sub-leasing right-of-use assets	<u><u>\$ 463</u></u>	<u><u>-</u></u>
Expenses relating to short-term leases	<u><u>\$ 29,370</u></u>	<u><u>32,392</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><u>\$ 4,909</u></u>	<u><u>3,840</u></u>

(Continued)

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

The amounts recognized in the statement of cash flows by the Consolidated Company were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<b>\$ 84,970</b>	<b>87,380</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 2 to 5 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 1 to 3 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.

(iii) Short-term rental fees

Short-term rental fees included the discontinued operation fees of \$677 thousand, \$949 thousand for years months ended December 31, 2023 and 2022, respectively.

(p) Operating lease

There were no significant changes in operating lease for the years ended December 31, 2023 and 2022. Please refer to note 6(k) to the consolidated financial statements for the year ended December 31, 2023.

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**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, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 59,010	52,022
One to two years	10,024	34,024
Two to three years	8,922	2,879
Three to four years	6,975	2,951
Four to five years	6,915	1,065
Over five years	<u>82,309</u>	<u>6,922</u>
	<b><u>\$ 174,155</u></b>	<b><u>99,863</u></b>

The operating lease revenues for the December 31, 2023 and 2022, were \$51,358 thousand and \$51,159 thousand.

(q) Other payables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 900,320	743,157
Freight payable	191,409	236,025
Utilities payable	322,165	237,311
Sales bonuses payable	272,014	294,356
Waste disposal payable (including to related parties)	99,262	95,934
Cash dividends payable (including from prior years)	-	44,132
Taxes payable	119,562	140,138
Repair and Maintenance payable	94,396	114,086
Equipment payable	19,077	11,460
Other operating and manufacturing overhead payable(including to related parties)	<u>230,531</u>	<u>188,227</u>
	<b><u>\$ 2,248,736</u></b>	<b><u>2,104,826</u></b>

The above payables are planned to be paid within one year. Please refer Note 6(y) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

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

(r) 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, 2023</b>	<b>December 31, 2022</b>
Present value of the defined benefit obligation	\$ 1,433,862	1,507,094
Fair value of the plan assets	<u>(1,222,802)</u>	<u>(1,246,137)</u>
Net defined benefit liabilities	<b><u>\$ 211,060</u></b>	<b><u>260,957</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, 2023 and 2022, the balance of the Consolidated Company's pension fund at Bank of Taiwan amounted to \$1,222,802 thousand and \$1,246,137 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, 2023</b>	<b>2022</b>
Balance as of January 1	\$ 1,507,094	1,571,887
Service cost and interest expense for the period	24,323	22,360
Remeasurements of the net defined benefit liabilities :		
— Experience adjustments	6,817	(9,257)
Profit or loss from past service cost	3,280	-
Benefits paid	<u>(107,652)</u>	<u>(77,896)</u>
Balance as of December 31	<b><u>\$ 1,433,862</u></b>	<b><u>1,507,094</u></b>

(Continued)

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

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>2023</b>	<b>2022</b>
Balance as of January 1	\$ 1,246,137	1,167,900
Interest income	12,760	5,994
Remeasurements of the net defined benefit liabilities :		
— Return on plan assets (excluding interests for the period)	13,665	90,378
Contributions from employer	57,892	59,761
Benefits paid	(107,652)	(77,896)
Balance at December 31	<u><u>\$ 1,222,802</u></u>	<u><u>1,246,137</u></u>

The expenses recognized in profit or loss for the Consolidated Company were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Service cost for the period	\$ 9,253	14,572
Net interest expense of net defined benefit liabilities	2,310	1,865
Service cost for prior periods	3,280	-
	<u><u>\$ 14,843</u></u>	<u><u>16,437</u></u>

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Operating costs	\$ 9,768	12,899
Selling expenses	434	564
Administrative expenses	4,641	2,974
	<u><u>\$ 14,843</u></u>	<u><u>16,437</u></u>

4) Actuarial assumptions

The principal assumptions of the Company's actuarial valuation were as follows :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Discount rates	1.00 %	1.00 %
Rates of increase in future salary	2.00 %	2.00 %

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

The Company expects to make a contribution of \$57,801 thousand to its defined benefit plans in the following year, beginning December 31, 2023. The weighted average duration of the defined benefit obligation is 5.6 years.

The principal assumptions of the subsidiaries' actuarial valuation were as follows :

	<b>For the years ended December 31, 2023</b>
Discount rates	1.25 %
Rates of increase in future salary	2.00 %

The subsidiaries' expects to make a contribution of \$136 thousand to its defined benefit plans in the following year, beginning December 31, 2023. The weighted average duration of the defined benefit obligation is 24.2 years.

### 5) 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, 2023		
Discount rate	\$ (12,540)	12,875
	<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	\$ 52,284	(48,040)
	<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**

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 2023 and 2022.

(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.

The Consolidated Company's pension costs under the defined contribution plan were \$75,819 thousand and \$75,600 thousand for 2023 and 2022, respectively. The payment was made to the Bureau of the Labor Insurance.

(s) Income tax

(i) The details of income tax expense were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 1,310,198	1,260,759
Adjustment for prior periods	<u>249</u>	<u>14,436</u>
	<u>1,310,447</u>	<u>1,275,195</u>
Deferred tax expenses		
The origination and reversal of temporary differences	<u>(17,551)</u>	<u>18,118</u>
Income tax expenses (Not including sell discontinued operation profits income tax)	<u><u>\$ 1,292,896</u></u>	<u><u>1,293,313</u></u>

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

The reconciliation of income tax expense and income before income tax for the years ended December 31, 2023 and 2022, were as follows :

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Income before income tax	<b>\$ 6,006,021</b>	<b>5,236,932</b>
Income tax using the Company's domestic tax rate	\$ 1,201,204	1,047,387
Effect of difference in income tax rates between foreign investees	33,187	121,313
Permanent difference	(103,453)	(171,137)
Current investment tax credits used	(7,620)	(7,414)
Changes of unrecognized temporary difference	73,966	184,693
Losses from current periods of unrecognized deferred tax assets	37,473	61,062
Recognition of carryforward losses not recognized in prior periods	-	(7,309)
Over-estimation from prior periods	77	(1,428)
Surtax on unappropriated earnings	60,019	77,455
Difference between administrative remedy and assessment by the tax authority	-	15,864
Use carryforward losses on unrecognized deferred tax assets	(4,738)	(27,135)
Other adjustments	2,781	(38)
Total	<b>\$ 1,292,896</b>	<b>1,293,313</b>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liabilities as of December 31, 2023 and 2022.

2) Unrecognized deferred tax assets

The items of unrecognized deferred tax assets were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Tax effect of deductible temporary differences	\$ 39,293	78,940
Temporary differences related to investment in subsidiary	748,919	635,306
Loss carry-forward	356,815	306,503
	<b>\$ 1,145,027</b>	<b>1,020,749</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.

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

As of December 31, 2023 and 2022, the Consolidated Company's unused loss carry-forwards that were not recognized as deferred tax assets were \$2,678,757 thousand and \$2,684,531 thousand, the deductible deadline were December 31, 2031 and 2030.

3) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows :

		Reserve for land appreciation tax	Others	Total			
Deferred tax liabilities:							
Balance as of January 1, 2023	\$	167,174	20,406	187,580			
Recognized in income tax expense		-	(18,162)	(18,162)			
Exchange difference on translation of financial statements of foreign operating institutions		-	13	13			
Balance as of December 31, 2023	\$	<u>167,174</u>	<u>2,257</u>	<u>169,431</u>			
Balance as of January 1, 2022	\$	167,174	2,779	169,953			
Recognized in income tax expense		-	17,755	17,755			
Recognized in other comprehensive income		-	(136)	(136)			
Exchange difference on translation of financial statements of foreign operating institutions		-	8	8			
Balance as of December 31, 2022	\$	<u>167,174</u>	<u>20,406</u>	<u>187,580</u>			
		Unrealized loss on financial assets	Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts	Loss carry-forward	Others	Total	
Deferred tax assets:		Defined benefit plans					
Balance as of January 1, 2023	\$	11,115	2,935	13,052	13,197	45,243	85,542
Recognized in income tax expense		(9,307)	9,237	(1,905)	(7,938)	9,302	(611)
Balance as of December 31, 2023	\$	<u>1,808</u>	<u>12,172</u>	<u>11,147</u>	<u>5,259</u>	<u>54,545</u>	<u>84,931</u>
Balance as of January 1, 2022	\$	19,794	1,009	14,957	6,414	44,257	86,431
Recognized in income tax expense		(8,679)	1,926	(1,905)	7,309	986	(363)
Exchange difference on translation of financial statements of foreign operating institutions		-	-	-	(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>

- (iii) The Company's income tax return had 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**

(t) Capital and other equity

(i) Capital

As of December 31, 2023 and 2022, the Company's government-registered total authorized capital amounted to \$15,000,000 thousand, with par value per share of \$10 (in dollars), and total issued ordinary shares amounted to 730,214 thousand shares. All issued shares were paid up upon issuance.

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 of total issued shares and outstanding shares were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
(in shares)		
Total issued shares	<u><b>66,187,923</b></u>	<u><b>66,187,923</b></u>
Outstanding shares	<u><b>4,919,192</b></u>	<u><b>4,919,192</b></u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</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	190,496	190,445
Others	<u>164,779</u>	<u>109,759</u>
	<u><b>\$ 7,739,750</b></u>	<u><b>7,684,679</b></u>

(Continued)

## **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**

According to the Company Act, the Company is required to allocate ten percent of the post-tax net profit as legal reserve, until it equals to the total capital. 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, 2023.

(Continued)

## 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.

To promote climate change adaptation and mitigation, actively manage carbon risks, reduce operational impacts, the Company stipulates "Appropriation and use of special reserve in response to climate change adaptation and mitigation", and in accordance with the method sets aside a special reserve. This reserve is used for climate change adaptation and mitigation projects or plans, such as energy-saving equipment or upgrading equipment energy efficiency updates, research and development of energy-saving technologies, and low-carbon product development technology. The Company passed the stockholders' resolution to set aside "special reserve for climate change adaptation and mitigation" amounting to \$174,957 thousand.

#### 3) Earnings distribution

The amounts of cash dividends on the 2022 and 2021 earnings distribution had been approved during the Company's Board of Directors on February 22, 2023 and March 10, 2022, respectively. The relevant dividend distributions to shareholders were as follows :

	<b>2022</b>		<b>2021</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Cash dividends distributed to ordinary shareholders	\$ 3.50	<u><b>2,555,748</b></u>	6.40	<u><b>4,673,368</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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On February 26, 2024, the Company's Board of directors resolved to appropriate the 2023 earnings. The relevant divided distributions to shareholders was as follows:

	<b>2023</b>	
	<b>Amount per share (in dollars)</b>	<b>Total amount</b>
Dividends per ordinary share (in dollars)		
Cash dividend appropriated for ordinary shareholders	\$ 4.20	<u><u><b>3,066,898</b></u></u>

(iv) Other equity interest, (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance as of January 1, 2023	\$ (520,184)	208,297	(311,887)
Exchange differences on translation:			
The Consolidated Company	(104,984)	-	(104,984)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Consolidated Company	-	111,592	111,592
Others :			
The Consolidated Company	<u>-</u>	<u>2</u>	<u>2</u>
Balance as of December 31, 2023	<u><u><b>\$ (625,168)</b></u></u>	<u><u><b>319,891</b></u></u>	<u><u><b>(305,277)</b></u></u>
Balance as of January 1, 2022	\$ (514,902)	357,013	(157,889)
Exchange differences on translation:			
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)
Other:			
The Consolidated Company	<u>-</u>	<u>4,398</u>	<u>4,398</u>
Balance as of December 31, 2022	<u><u><b>\$ (520,184)</b></u></u>	<u><u><b>208,297</b></u></u>	<u><u><b>(311,887)</b></u></u>

(Continued)

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

(u) Earnings per share

The Company's earnings per share were calculated as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Basic earnings per share (in dollars)</b>		
Continuing operations	\$ 6.41	5.38
Discontinued operation	<u>0.07</u>	<u>0.09</u>
Total	<u><b>\$ 6.48</b></u>	<u><b>5.47</b></u>
<b>Net income attributable to ordinary shareholders of the Company</b>		
Continuing operations	\$ 4,678,651	3,926,854
Discontinued operation	<u>50,695</u>	<u>67,150</u>
Total	<u><b>\$ 4,729,346</b></u>	<u><b>3,994,004</b></u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u><b>730,214</b></u>	<u><b>730,214</b></u>
<b>Diluted earnings per share (in dollars)</b>		
Continuing operations	\$ 6.39	5.36
Discontinued operation	<u>0.07</u>	<u>0.09</u>
Total	<u><b>\$ 6.46</b></u>	<u><b>5.45</b></u>
<b>Net income attributable to ordinary shareholders of the Company</b>		
Continuing operations	\$ 4,678,651	3,926,854
Discontinued operation	<u>50,695</u>	<u>67,150</u>
Total	<u><b>\$ 4,729,346</b></u>	<u><b>3,994,004</b></u>
Weighted-average number of outstanding ordinary shares (in thousands)	730,214	730,214
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	<u>2,441</u>	<u>3,008</u>
Weighted-average number of outstanding ordinary shares (in thousands) (after adjustments of the effect of dilutive potential ordinary shares)	<u><b>732,655</b></u>	<u><b>733,222</b></u>

(Continued)

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

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

For the year ended December 31, 2023								
	Sale of goods		Construction contracts		Rendering of services		Total	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operations	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Primary geographical markets:								
Taiwan	\$ 45,223,553	-	9,970,503	656	461,586	-	55,655,642	656
The United States	87,742	-	-	-	-	-	87,742	-
Asia	3,669,836	-	-	543,085	862	-	3,670,698	543,085
Others	1,544,835	-	-	-	2,991	-	1,547,826	-
	<u>\$ 50,525,966</u>	<u>-</u>	<u>9,970,503</u>	<u>543,741</u>	<u>465,439</u>	<u>-</u>	<u>60,961,908</u>	<u>543,741</u>
Main products/service lines:								
Deformed bars	\$ 35,282,556	-	-	-	-	-	35,282,556	-
Sections	14,762,378	-	-	-	-	-	14,762,378	-
Billets	256,670	-	-	-	-	-	256,670	-
Rendering of services	-	-	-	-	465,439	-	465,439	-
Metal structure	-	-	9,459,139	543,741	-	-	9,459,139	543,741
Civil engineering	-	-	511,364	-	-	-	511,364	-
Others	224,362	-	-	-	-	-	224,362	-
	<u>\$ 50,525,966</u>	<u>-</u>	<u>9,970,503</u>	<u>543,741</u>	<u>465,439</u>	<u>-</u>	<u>60,961,908</u>	<u>543,741</u>
For the year ended December 31, 2022								
	Sale of goods		Construction contracts		Rendering of services		Total	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Primary geographical markets:								
Taiwan	\$ 43,735,182	-	8,580,900	52,070	310,619	-	52,626,701	52,070
The United States	31,185	-	-	-	-	-	31,185	-
Asia	5,074,900	-	-	703,038	422	-	5,075,322	703,038
Others	1,478,645	-	-	-	5,160	-	1,483,805	-
	<u>\$ 50,319,912</u>	<u>-</u>	<u>8,580,900</u>	<u>755,108</u>	<u>316,201</u>	<u>-</u>	<u>59,217,013</u>	<u>755,108</u>
Main products/service lines:								
Deformed bars	\$ 32,392,188	-	-	-	-	-	32,392,188	-
Sections	16,414,597	-	-	-	-	-	16,414,597	-
Billets	1,046,771	-	-	-	-	-	1,046,771	-
Rendering of services	-	-	-	-	316,201	-	316,201	-
Metal structure	-	-	8,329,088	755,108	-	-	8,329,088	755,108
Civil engineering	-	-	251,812	-	-	-	251,812	-
Others	466,356	-	-	-	-	-	466,356	-
	<u>\$ 50,319,912</u>	<u>-</u>	<u>8,580,900</u>	<u>755,108</u>	<u>316,201</u>	<u>-</u>	<u>59,217,013</u>	<u>755,108</u>

(Continued)



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

(ii) Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Notes receivable	\$ 213,880	221,246	292,600
Accounts receivable	4,206,894	3,413,472	4,048,723
Overdue receivables	49,439	63,628	63,178
Less: allowance for impairment	(67,273)	(102,021)	(160,188)
Total	<b><u>\$ 4,402,940</u></b>	<b><u>3,596,325</u></b>	<b><u>4,244,313</u></b>
Contract assets — construction contract	<b><u>\$ 4,426,703</u></b>	<b><u>3,828,719</u></b>	<b><u>3,617,001</u></b>
Contract liabilities — advance receipts	\$ 1,737,086	1,385,809	1,381,809
Contract liabilities — construction contract	1,254,582	1,473,195	1,150,797
Total	<b><u>\$ 2,991,668</u></b>	<b><u>2,859,004</u></b>	<b><u>2,532,606</u></b>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amounts of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$1,385,809 thousand and \$1,336,905 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.

(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, 2023 and 2022, the Company's estimated employee compensation amounted to \$149,342 thousand and \$132,352 thousand, and the remuneration of directors amounted to \$119,474 thousand and \$105,881 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, 2023 and 2022. 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, 2023 and 2022, are identical to those of the actual distributions.

(Continued)

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

(x) Non-operating income and expenses

(i) Interest income

	For the years ended December 31			
	2023		2022	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Interest income from bank deposits	\$ 31,335	3,619	13,928	1,670
Other interest income	5,976	-	3,336	-
	<u>\$ 37,311</u>	<u>3,619</u>	<u>17,264</u>	<u>1,670</u>

(ii) Other income

	For the years ended December 31			
	2023		2022	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Rental income	\$ 58,165	276	60,840	450
Dividend income	38,018	-	45,386	-
Scrap income	6,763	2,927	3,224	574
	<u>\$ 102,946</u>	<u>3,203</u>	<u>109,450</u>	<u>1,024</u>

(iii) Other gains and losses

	For the years ended December 31			
	2023		2022	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Losses on disposal of property, plant and equipment	\$ (4,313)	(893)	(2,996)	(77)
Foreign exchange losses	(638)	(4,176)	(22,965)	(443)
Gain on financial assets at fair value through profit or loss	136,851	-	180,590	-
Compensation (loss) gain	(4,582)	-	3,437	-
Impairment loss on non-financial assets (Note)	(1,751)	-	(12,332)	-
Losses on disposal of subsidiary	(14,354)	-	-	-
Others	57,119	(2,336)	32,228	10,714
	<u>\$ 168,332</u>	<u>(7,405)</u>	<u>177,962</u>	<u>10,194</u>

(Continued)

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

(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 \$1,751 thousand and \$12,332 thousand as other gains and losses under non-operating income for the years ended December 31, 2023 and 2022. The input value used in its fair value evaluation belongs to level 3 of the fair value hierarchy.

(iv) Finance costs

	For the years ended December 31			
	2023		2022	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Interest Expense				
Bank loans	\$ 429,094	248	295,271	3,593
Interest on domestic commercial papers	5,091	-	2,176	-
Lease liabilities	2,851	-	3,029	-
Less: interest capitalization	(2,337)	-	(2,461)	-
	<u>\$ 434,699</u>	<u>248</u>	<u>298,015</u>	<u>3,593</u>

(y) 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, 2023 and 2022, the maximum exposure to credit risk amounted to \$5,917,637 thousand and \$4,605,453 thousand, respectively.

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.

(Continued)

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

(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, 2023</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 15,496,585	15,569,227	13,848,701	282,471	898,842	539,213	-
Current financial liabilities at fair value through profit or loss	60,861	60,861	60,861	-	-	-	-
Lease liabilities	183,856	191,964	22,807	22,361	36,853	60,686	49,257
Accounts and notes payable	3,003,319	3,003,319	3,003,319	-	-	-	-
Other payables	2,248,736	2,248,736	2,248,736	-	-	-	-
Guarantee deposits received	7,016	7,016	7,016	-	-	-	-
	<u>\$ 21,000,373</u>	<u>21,081,123</u>	<u>19,191,440</u>	<u>304,832</u>	<u>935,695</u>	<u>599,899</u>	<u>49,257</u>
<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>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(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, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets							
Monetary items							
USD	\$	6,267	30.71	192,460	36,645	30.71	1,125,368
EUR		2	33.98	68	2	32.72	65
JPY		6,450	0.2172	1,401	736	0.2324	171
CNY		49,601	4.327	214,624	24	4.408	106

(Continued)

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

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial liabilities							
<u>Monetary items</u>							
USD	\$	41,727	30.71	1,281,436	106,533	30.71	3,271,628
EUR		47	33.98	1,597	1,473	32.72	48,197
JPY	-	-	-	47,463	0.2324	11,030	

Since the Consolidated Company has many kinds of functional currency, the information on foreign exchange losses on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, the foreign exchange losses (including realized and unrealized portions) amounted to \$4,814 thousand and \$23,408 thousand, 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, loans, and accounts receivable, which were denominated in different foreign currencies. The overall effects to net income for the years ended December 31, 2023 and 2022 assuming the NTD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2023 and 2022 were as follows:

	Effect of appreciation on profit after tax	Effect of depreciation on profit after tax
December 31, 2023		
USD	\$ (8,712)	8,712
EUR	(12)	12
JPY	11	(11)
CNY	1,717	(1,717)
	<u>\$ (6,996)</u>	<u>6,996</u>
	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2022		
USD	\$ (17,170)	17,170
EUR	(385)	385
JPY	(87)	87
CNY	1	(1)
	<u>\$ (17,641)</u>	<u>17,641</u>

(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.

(Continued)

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

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 profit after tax will decrease by \$123,973 thousand and \$133,704 thousand for the years ended December 31, 2023 and 2022 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 :

	For the years ended December 31,	
	2023	2022
Security price on reporting date	Other comprehensive income (after tax)	Other comprehensive income (after tax)
Increase 1%	\$ 4,369	3,663
Decrease 1%	\$ (4,369)	(3,663)

(vi) Fair value of financial instruments

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 :

	Book value	December 31, 2023			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets—stocks listed on domestic stocks	\$ 144,619	144,619	-	-	144,619
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic stocks	436,936	436,936	-	-	436,936
Unquoted equity instruments measured at fair value	199,411	-	-	199,411	199,411
Subtotal	636,347	436,936	-	199,411	636,347

(Continued)

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

		December 31, 2023			
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,732,667	-	-	-	-
Notes and accounts receivable	4,402,940	-	-	-	-
Other receivables	229,780	-	-	-	-
Refundable deposits and pledged deposits	503,950	-	-	-	-
Subtotal	6,869,337	-	-	-	-
Total	\$ 7,650,303	581,555	-	199,411	780,966
Derivative financial liabilities — forward foreign exchange contracts	\$ 60,861	-	60,861	-	60,861
Financial liabilities measured at amortized cost					
Short-term loans	13,884,659	-	-	-	-
Long-term loans (including current portion)	1,611,926	-	-	-	-
Notes and accounts payable	3,003,319	-	-	-	-
Other payables	2,248,736	-	-	-	-
Lease liabilities (including current portion)	183,855	-	-	-	-
Guarantee deposits received	7,016	-	-	-	-
Subtotal	20,939,511	-	-	-	-
Total	\$ 21,000,372	-	60,861	-	60,861

	December 31, 2022				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial asset – Stocks listed on domestic stocks	\$ 162,736	162,736	-	-	162,736
Subtotal	162,736	162,736	-	-	162,736
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic stocks	366,344	366,344	-	-	366,344
Unquoted equity instruments measured at fair value	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	-	-	-	-
Total	\$ 6,731,966	529,080	-	158,472	687,552

(Continued)

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

	December 31, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities—foreign exchange forward 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 (including current portion)	205,271	-	-	-	-
Guarantee deposits received	9,155	-	-	-	-
Subtotal	21,838,238	-	-	-	-
Total	\$ 21,853,217	-	14,979	-	14,979

2) 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.

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.

(Continued)



## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

3) Transfers between Level 1 and Level 2

There were no transfers in either direction in the years ended December 31, 2023 and 2022.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	<u>Unquoted equity instruments</u>
January 1, 2023	\$ 158,472
Purchased	3,941
Capital reduction and return of shares	(5,960)
Liquidation	(212)
Total gains recognized in other comprehensive income	<u>43,170</u>
December 31, 2023	<u><u>\$ 199,411</u></u>
January 1, 2022	\$ 175,372
Purchased	5,269
Disposals	(1,024)
Total losses recognized in other comprehensive income	<u>(21,145)</u>
December 31, 2022	<u><u>\$ 158,472</u></u>

(Continued)

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

For the years ended December 31, 2023 and 2022, total gains or losses that were included in “unrealized gains and losses on financial assets at fair value through other comprehensive income” were as follows:

	<u>2023</u>	<u>2022</u>
Total gains (losses) recognized in other comprehensive income (Note)	\$ <u><u>42,681</u></u>	<u><u>(19,139)</u></u>

Note: Total gains recognized in other comprehensive income presented in unrealized gains and losses from financial assets at fair value through other comprehensive income.

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	· Market comparable companies	· Multiplier of P/E ratio (1.19~4.83, and 0.73~3.06as of December 31, 2023 and 2022)	·The higher the multiplier, the higher the fair value
		· Discount rate for lack of marketability (18.94%~35.70%, and 13.44%~34.83%, as of December 31, 2023 and 2022)	·The higher the discount rate marketability, the lower the fair value
	· Asset method	·Net asset value	·Not applicable
		·Discount rate for lack of marketability (8.33%~29.96%, and 8.50%~33.00%, as of December 31, 2023 and 2022)	·The higher the discount rate marketability, 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 assumptions	Changes in fair value reflected in other comprehensive income	
Input			Favorable	Unfavorable
December 31, 2023				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Discount rate for lack of marketability 8.33%~35.70%	5%	\$ 12,264	(12,264)
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Discount on circulation 13.44%~34.83%	5%	10,556	(10,556)

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.

(z) 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

(Continued)

**TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**  
**Notes to the 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.

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.

(Continued)

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

(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.

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 \$30,096,021 thousand as of December 31, 2023. 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 93 to 7 for the year ended December 31, 2023. The external sales for the year ended December 31, 2023 was about \$1,487,000 thousand, which was 2% 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.

(Continued)

## TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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.

#### 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.

#### (aa) 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, 2023 and 2022, were as follows :

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 25,217,702	25,852,033
Less: cash and cash equivalents	<u>1,732,667</u>	<u>2,126,513</u>
Net liabilities	26,950,369	27,978,546
Total equity	<u>31,161,181</u>	<u>28,914,514</u>
Total capital	<b><u>\$ 58,111,550</u></b>	<b><u>56,893,060</u></b>
Debt-to-capital ratio	<b><u>46.38 %</u></b>	<b><u>49.18 %</u></b>

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

As of December 31, 2023, there were no changes in the Consolidated Company's approach to capital management during the period.

(ab) 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, 2023 and 2022, were as follows:

	For the years ended December 31,	
	2023	2022
Reclassification of refundable deposits to property, plant and equipment	\$ <u>-</u>	<u>426,788</u>
Reclassification of prepayment of land and equipment to property, plant and equipment	\$ <u>61,016</u>	<u>129,268</u>
Changes in unrealized gains (losses) on financial instruments	\$ <u>113,284</u>	<u>(153,646)</u>
Foreign exchange differences arising from foreign operations	\$ <u>(122,960)</u>	<u>(11,347)</u>
Increase in property, plant and equipment	\$ 644,653	3,076,338
Add: Payable for equipment as of January 1	11,460	15,246
Less: Payable for equipment as of December 31	<u>(24,185)</u>	<u>(11,460)</u>
Cash paid	\$ <u><u>631,928</u></u>	<u><u>3,080,124</u></u>

Reconciliation of liabilities arising from financing activities were as follows:

	Cash flows				Non-cash changes		December 31, 2023
	January 1, 2023	Acquisition	Repayment	Other	Effect of exchange rates	Other	
Short-term loans	\$ 13,994,974	108,629,540	(108,709,637)	-	(30,218)	-	13,884,659
Long-term loans (including current portion)	2,718,043	3,610,381	(4,713,510)	-	(2,988)	-	1,611,926
Short-term notes and bills payable	600,000	2,870,000	(3,470,000)	-	-	-	-
Deposits received	9,155	-	(2,139)	-	-	-	7,016
Lease liabilities	<u>205,271</u>	<u>-</u>	<u>(48,330)</u>	<u>-</u>	<u>(1,731)</u>	<u>28,645</u>	<u>183,855</u>
Total liabilities from financing activities	\$ <u><u>17,527,443</u></u>	<u><u>115,109,921</u></u>	<u><u>(116,943,616)</u></u>	<u><u>-</u></u>	<u><u>(34,937)</u></u>	<u><u>28,645</u></u>	<u><u>15,687,456</u></u>
	Cash flows				Non-cash changes		December 31, 2022
	January 1, 2022	Acquisition	Repayment	Other	Foreign exchange	Other	
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	<u>231,886</u>	<u>-</u>	<u>(48,119)</u>	<u>-</u>	<u>(11,437)</u>	<u>32,941</u>	<u>205,271</u>
Total liabilities from financing activities	\$ <u><u>16,212,893</u></u>	<u><u>112,956,810</u></u>	<u><u>(111,746,044)</u></u>	<u><u>-</u></u>	<u><u>70,843</u></u>	<u><u>32,941</u></u>	<u><u>17,527,443</u></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 (The Consolidated Company become an associate in November 2022)
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
Hop Tsuen Investment Co., Ltd.	The entity's chairman is the same as the Company
Anyao Investment Co., Ltd.	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 of the Consolidated Company	

(b) Significant related-party transactions

(i) Sales revenue

- 1) The amounts of significant sales by the Consolidated Company to related parties and the balance of outstanding accounts receivable were as follows:

	<u>Sales</u>		<u>Accounts receivable</u>	
	<u>For the years ended</u>		<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates	\$ <u>6,458</u>	<u>19,615</u>	<u>777</u>	<u>1,921</u>

The selling price and credit terms for sales to related parties are not significantly different from those to other customers.

(ii) Purchases from related parties

The amounts of significant purchases by the Consolidated Company from related parties and the balance of outstanding accounts payable were as follows:

	<u>Purchases</u>		<u>Accounts payable</u>	
	<u>For the years ended</u>		<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates	\$ -	576	-	-
Other related parties	<u>1,530</u>	<u>1,474</u>	<u>381</u>	-
	\$ <u>1,530</u>	<u>2,050</u>	<u>381</u>	-

(Continued)



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

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms were no different from the payment terms given by other vendors.

(iii) Guarantees and endorsement

The details of regarding balances of financing endorsement were as follows:

Expressed in thousands of USD

		<b>December 31, 2023</b>			
		<b>Highest balance for the period</b>	<b>Ending amount (Note)</b>	<b>Actual amount usage</b>	
Associates	USD\$	10,500	USD	10,500	USD 5,250

		<b>December 31, 2022</b>			
		<b>Highest balance for the 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 For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Associates	\$	3,284	3,329
Other related parties		4,575	4,544
	\$	<b>7,859</b>	<b>7,873</b>

		<b>Miscellaneous revenue For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Associates	\$	3,000	2,035
Other related parties		304	974
	\$	<b>3,304</b>	<b>3,009</b>

		<b>Operating expenses For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Associates	\$	5,736	4,196

(Continued)

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

		<b>Donations</b>	
		<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Other related parties-Tung Ho Steel Foundation	\$	<u><u>4,980</u></u>	<u><u>2,846</u></u>

		<b>Manufacturing expenses</b>	
		<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Associates	\$	48,443	15,170
Other related parties		-	755
	\$	<u><u>48,443</u></u>	<u><u>15,925</u></u>

<b>Relationship</b>	<b>Other receivables</b>		<b>Other payables</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Associates	\$ -	-	7,261	1,825
Other related parties	26	165	-	-
	<u><u>\$ 26</u></u>	<u><u>165</u></u>	<u><u>7,261</u></u>	<u><u>1,825</u></u>

<b>Relationship</b>	<b>Deposits received</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Associates	<u><u>\$ 304</u></u>	<u><u>304</u></u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

		<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$	43,697	45,683
Post-employment benefits		1,555	1,631
	\$	<u><u>45,252</u></u>	<u><u>47,314</u></u>

As of years ended December 31, 2023 and 2022, the Consolidated Company provided two cars that cost \$5,840 thousand for the key management personnel.

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

**(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, 2023</b>	<b>December 31, 2022</b>
Other current and non-current assets	Customs guarantee and performance guarantee	\$ 191,494	214,888
Refundable deposits - term deposits	Performance guarantee	61,166	7,278
		<u><u>\$ 252,660</u></u>	<u><u>222,166</u></u>

**(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, 2023</b>	<b>December 31, 2022</b>
Guarantees securities amounts	<u><u>\$ 322,455</u></u>	<u><u>161,228</u></u>

- (ii) The amounts of guaranteed notes issued by the Consolidated Company were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bank credit limit	\$ 19,056,148	17,576,294
Leases	200	200
Guaranteed payment for purchases of raw materials	81,800	81,800
	<u><u>\$ 19,138,148</u></u>	<u><u>17,658,294</u></u>

- (iii) The amount of unused outstanding letters of credit was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unused outstanding letters of credit	<u><u>\$ 1,873,562</u></u>	<u><u>1,026,426</u></u>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(Continued)

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

**(12) Other**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

	For the year ended December 31, 2023						For the year ended December 31, 2022					
	Classified as operating costs		Classified as operating expenses		Total		Classified as operating costs		Classified as operating expenses		Total	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Employee benefits												
Salaries	1,965,580	12,633	906,700	13,764	2,872,280	26,397	1,826,571	13,423	794,760	16,796	2,621,331	30,219
Labor and health insurance	178,834	699	56,825	815	235,659	1,514	160,710	719	54,116	852	214,826	1,571
Pension expenses	66,429	589	22,470	1,174	88,899	1,763	69,365	986	20,510	1,176	89,875	2,162
Remuneration of directors	-	-	151,576	-	151,576	-	-	-	105,881	-	105,881	-
Other personnel expenses	65,752	1,034	15,378	875	81,130	1,909	60,179	962	15,121	1,009	75,300	1,971
Depreciation expenses	1,446,462	6,609	112,067	1,679	1,558,529	8,288	1,414,184	8,886	120,311	2,045	1,534,495	10,931
Amortization expenses	27,251	-	9,124	-	36,375	-	44,590	-	15,218	-	59,808	-

(b) Discontinued operation

As note 6(g), the Consolidated Company acquired a letter of intent in September 2023 to purchase the entire equity of Fujian Tung Kang Steel Co., Ltd., resulting in its investment to be classified as a discontinued operation. However, since the business of Fujian Tung Kang Steel Co., Ltd. had been operating as December 31, 2022, the consolidated income statement of the previous period has been restated to separately reflect both the discontinued and continuing operations of its business.

The operating results of the discontinued operations are as follows:

	For the years ended December 31,	
	2023	2022
The operating results of the discontinued operations:		
Operating revenue	\$ 543,741	755,108
Operating costs	(428,296)	(691,821)
Gross operating profit	115,445	63,287
Operating expenses	(38,934)	5,481
Non-operating income	76,511	68,768
Non-operating income and expenses	(831)	14,461
Profit before tax	75,680	83,229
Income taxes	(24,985)	(16,079)
Net income for the period	50,695	67,150
Basic earnings per share (in dollars)	\$ 0.07	0.09
Diluted earnings per share (in dollars)	\$ 0.07	0.09

(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 the year ended December 31, 2023:

**(i) Lending 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 3 and 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 (USD 70,000)	1,074,850 (USD 35,000)	- (USD 0)	4.8405%-6.60135%	2	-	Operating capital	-		-	3,104,828	6,209,656

- 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 please fill in 1.
- (2) Those necessary for short-term fund circulation please fill in 2.
- Note 3: The Company increased the capital of Tung Ho Steel Vietnam Corp., Ltd., at the amount of USD5,000 thousand, through debts for equity swaps based on its board meeting held on July 4, 2023.
- Note 4: The valid quota of financing to other parties as of December 31, 2023.
- 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 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 (Note 7)	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 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 (Note 1)										
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd.	2	15,524,140	591,564 (USD 9,400) (CNY 70,000)	216,350 (USD 0) (CNY 50,000)	23,820 (USD 0) (CNY 5,505)	-	0.70 %	15,524,140	Y	N	Y
0	The Company (Note 2, 3)	THSVC	2	15,524,140	16,844,435 (USD548,500)	11,900,125 (USD 387,500)	4,483,475 (USD 145,994)	-	38.33 %	15,524,140	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	356,543 (USD 11,610)	322,455 (USD 10,500)	322,455 (USD 10,500)	161,228 (USD 5,250)	-	45.22 %	713,086 (USD 32,220)	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 USD23,220 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: \$15,524,140 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: \$15,524,140 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.
- Note 9: As of the reporting date, the relevant matters concerning the disposal of Fujian Tung Kang Steel Co., Ltd., including the share transfer registration, which had been completed on November 9, 2023, the income tax assessment for data transfer and equity transactions, which were yet to be approved, as well as the cancellation of bank’s endorsement and guarantees, which were still in progress, were bring been conducted by Goldham.

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(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	130,815	1.68 %	130,815	1.75 %	None
The Company	Stock—Adlink	-	(a)	223,000	13,804	0.10 %	13,804	0.44 %	None
The Company	Stock—Shiao Kang Warehousing Corp.	One of its directors	(b)	1,788,045	14,561	19.87 %	14,561	19.87 %	None
The Company	Stock—Hexawave Photonic System, Inc.	-	(b)	2,564,023	19,521	6.36 %	19,521	6.41 %	None
The Company	Stock—Overseas Investment & Development Corp.	-	(b)	1,000,000	14,210	1.11 %	14,210	1.11 %	None
The Company	Stock—Power World Fund, Inc.	One of its directors	(b)	677,245	9,176	5.68 %	9,176	5.68 %	None
The Company	Stock—Universal Venture Fund, Inc.	One of its directors	(b)	558,255	8,866	4.76 %	8,866	4.76 %	None
The Company	Stock—Tung Jiang Investment Corp.	One of its directors	(b)	-	45,018	9.11 %	45,018	9.11 %	None
The Company	Stock—Taiwan Aerospace Corp.	-	(b)	1,621,441	49,763	1.20 %	49,763	1.20 %	None
The Company	Stock—Universal Venture Capital Investment Corp.	-	(b)	2,800,000	27,010	2.33 %	27,010	2.33 %	None
The Company	Stock—IBT	-	(b)	1,312,993	9,021	4.17 %	9,021	4.17 %	None
The Company	Stock—Chien Shing Harbour Service Co., Ltd	One of its directors	(b)	8,203,800	378,195	9.35 %	378,195	9.35 %	None
The Company	Stock—Taiwan High Speed Rail Corporation	-	(b)	1,913,376	58,741	0.03 %	58,741	0.03 %	None
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	2,265	3.75 %	2,265	3.75 %	None

The account titles were as follows:

(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: None

(vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None

(vii) Information regarding related-party purchases and sales exceeding 100 million or 20% of the Company's paid-in capital:

(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	(2,613,768)	(5.30)%	Payable within 60 days	-	-	65,507	1.53%	
The Company	Tung Kang Steel Structure Corp.	Subsidiary	Purchase	136,204	0.37%	OA10/OA30	-	-	(2,865)	(0.14)%	
The Company	THSVC	Subsidiary	Purchase	4,437,062	11.93%	Payment within 30 days from signing the contract	-	-	-	-%	
The Company	Duc Hoa International J.S.C.	Subsidiary	Purchase	214,575	0.58%	10 days after B/L	-	-	(9,209)	(0.44)%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary	Purchase	2,613,768	55.14%	Payable within 60 days	-	-	(65,507)	(11.89)%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary	Sale	(136,204)	(1.41)%	OA10/OA30	-	-	2,865	6.28%	
THSVC	The Company	Subsidiary	Sale	(4,437,062)	(54.58)%	Payment within 30 days from signing the contract	-	-	-	-%	
Duc Hoa International J.S.C.	The Company	Subsidiary	Sale	(214,575)	(74.71)%	10 days after B/L	-	-	9,209	62.95%	

Note : The transactions have already been written off in the consolidated financial statements.

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- (viii) Information regarding receivables from related parties exceeding 100 million or 20% of the Company's paid-in capital: None
- (ix) Information regarding trading in derivative financial instruments: Please refer to Note 6(b).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the year ended December 31, 2023:

(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	2,703,250	General conditions	4.40%
0	The Company	Tung Kang Steel Structure Corp. and its subsidiaries	1	Accounts receivable	89,435	OA60	0.16%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Sales	58,827	General conditions	0.10%
1	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	2	Accounts receivable	3,008	Receive within 30 days	0.01%
2	THSVC	The Company	2	Sales	4,437,062	General conditions	7.28%
3	Tung Yuan International Corp. and subsidiaries	The Company	2	Sales	214,575	General conditions	0.35%
3	Tung Yuan International Corp. and subsidiaries	The Company	2	Accounts receivable	9,209	General conditions	0.02%

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.

(b) Information on investments:

The following is the information on investments for the year ended December 31, 2023 (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, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	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 %	713,101	82	21,263	21,263	Subsidiary (Note1)
The Company	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction.	1,775,138	1,775,138	201,121,339	97.48 %	4,022,717	201,121,339	1,197,759	1,170,093	Subsidiary (Note1)
The Company	Katec R&D Corp.	Taiwan	Waste recycling	35,352	35,352	5,646,398	46.19 %	89,863	5,646,398	34,206	15,800	Associate
The Company	Goldham Development Ltd.	British Virgin Islands	Investment activities	307,100 (USD10,000)	460,650 (USD15,000)	10,000,000	100.00 %	296,090	15,000,000	(15,374)	36,270	Subsidiary (Note1,2)
The Company	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	917,424	24,829,009	504,622	112,610	Associate
The Company	Katec Creative Resources Corporation	Taiwan	Waste recycling	914,478	1,211,535	61,391,933	99.02 %	641,180	95,736,860	27,513	27,632	Subsidiary (Note1)
The Company	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	655,000	655,000	65,500,000	100.00 %	627,660	65,500,000	33,848	33,908	Subsidiary (Note1)
The Company	Tung Ho Steel Vietnam Corp., Ltd.	Vietnam	Steel industry	6,407,467	6,244,967	-	100.00 %	3,099,081	-	(383,794)	(383,606)	Subsidiary (Note1)
The Company	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 %	49,097	5,400,000	(8,147)	(2,933)	Associate
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	46,732 (USD1,510)	56,506 (USD1,840)	572,000	66.51 %	9,447	902,000	(15)	(33)	Subsidiary (Note1)
Tung Yuan International Corp.	Duc Hoa International J.S.C.	Vietnam	Quicklime manufacturing	115,746 (USD3,769)	115,746 (USD3,769)	8,154,419	96.00 %	129,655	8,154,419	14,578	13,995	Subsidiary (Note1)

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	270,788	25,000,000	4,486	4,486	Subsidiary (Note1)
Katec Creative Resources Corporation	Duc Hoa International J.S.C.	Vietnam	Quicklime manufacturing	3,823	-	230,335	2.71 %	4,218	230,335	14,578	395	Subsidiary (Note1)
Tung Ho Steel Vietnam Corp., Ltd.	Duc Hoa International J.S.C.	Vietnam	Quicklime manufacturing	1,366 (VND 1,094,447)	-	109,446	1.29 %	1,554	109,575	14,578	188	Subsidiary (Note1)

1 USD=30.71NTD

1 VND= 0.001248NTD

Note1: The transactions were written off in the consolidated financial statements.

Note2: Reversal of trading gains side-flow and counter-flow in the previous years to subsidiary, Fujian Tung Kang Steel Co., Ltd., at the amount of \$51,644 thousand. Please refer to Note 6(g).

(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, 2023	Investment flows (Note 4)		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2, 5)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,596,920 (USD 52,000)	( 2 )	564,051 (USD 18,367)	-	-	564,051 (USD 18,367)	11,294	35.00%	35.00 %	3,953	447,290	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	214,970 (USD 7,000)	( 2 )	409,364 (USD 13,330)	-	153,550 (USD 5,000)	255,814 (USD 8,330)	50,695	100.00%	100.00 %	50,695	-	-

Note 1: List of the method of investment

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2023, 1 USD=30.71 NTD, 1 CNY=4.327 NTD.

Note 3: For the years ended December 31, 2023, 1 USD=31.15 NTD, 1 CNY=4.395 NTD.

Note 4:Fujian Tung Kang Steel Co., Ltd. completed the registration for its capital reduction in August 2023, with the amount of paid-in capital being reduced from USD15,000 thousand to USD7,000 thousand, resulting in the return of shares to be USD8,000 thousand, of which, the amount of \$5,000 thousand had been remitted to the Company in October 2023.

Note 5:Fujian Tung Kang Steel Co., Ltd. has been sold based on a resolution approved during Goldham’s board meeting held in October 2023. All related registration procedures for the equity transfer had been completed on November 9, 2023.

(ii) Limitation on investment in Mainland China:

(In thousands of NTD/USD)

Accumulated Investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note)
819,865 (USD26,697)	819,865 (USD26,697)	18,628,967

Note: 60% of net equity.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(Continued)



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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Shen Yuan Investment Co., Ltd.		108,715,999	14.88 %
Mao Sheng Investment Co., Ltd.		65,122,877	8.91 %
He Zhao Investment Co., Ltd.		62,835,750	8.60 %

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

In June 2023, the Consolidated Company adjusted the basis of measurement of segment profit and loss, which is different from the most recent quarterly consolidated financial statements. After the adjustment, the reportable segments are separated based on the principle of whether the strategic divisions are independent in terms of resource allocation and management. Therefore, nature of product, process similarity and shared purchase and sales resources are regarded as a single operating segment, the Consolidated Company therefore distinguishes two reportable segments, previous segment information has been restated.

- (i) Steel Segment: Including the Taipei Headquarters, Taoyuan Processing Center, Taoyuan Plant, Taichung Port Logistics Center, Miaoli Plant, Kaohsiung Plant, Daye Plant and THSVC, mainly engaged in the manufacture and sale of steel products.
- (ii) Steel Structure Segment: Including Tung Kang Steel Structure Corp., Tung Kang Engineering & Construction Corp., Fujian Tung Kang Steel Co., Ltd., mainly engaged in steel structure processing, steel structure engineering and civil construction engineering.

(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.

(Continued)

# TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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.

For the year ended December 31, 2023					
	Steel Segment	Steel Structure	Others	Adjustments and eliminations	Total
Revenue:					
Revenue from external customers	\$ 50,342,830	10,652,972	509,848	-	61,505,650
Intersegment revenue	7,141,694	145,221	401,067	(7,687,982)	-
<b>Total revenue</b>	<b>\$ 57,484,524</b>	<b>10,798,193</b>	<b>910,915</b>	<b>(7,687,982)</b>	<b>61,505,650</b>
Interest expense	\$ (439,554)	(6,746)	(294)	11,646	(434,948)
Interest revenue	35,110	9,828	7,430	(11,438)	40,930
<b>Reportable segment profit or loss</b>	<b>\$ 5,321,257</b>	<b>1,512,976</b>	<b>95,392</b>	<b>(851,924)</b>	<b>6,077,701</b>
<b>Reportable segment assets</b>	<b>\$ 55,603,547</b>	<b>7,534,382</b>	<b>2,932,556</b>	<b>(9,691,605)</b>	<b>56,378,880</b>
<b>Reportable segment liabilities</b>	<b>\$ 22,121,901</b>	<b>2,987,191</b>	<b>268,753</b>	<b>(160,143)</b>	<b>25,217,702</b>
For the year ended December 31, 2022					
	Steel Segment	Steel Structure	Others	Adjustments and eliminations	Total
Revenue:					
Revenue from external customers	\$ 49,902,234	9,416,417	653,470	-	59,972,121
Intersegment revenue	2,943,966	287,994	165,221	(3,397,181)	-
<b>Total revenue</b>	<b>\$ 52,846,200</b>	<b>9,704,411</b>	<b>818,691</b>	<b>(3,397,181)</b>	<b>59,972,121</b>
Interest expense	\$ (307,866)	(13,652)	(1,722)	21,632	(301,608)
Interest revenue	33,254	4,633	2,452	(21,405)	18,934
<b>Reportable segment profit or loss</b>	<b>\$ 4,099,686</b>	<b>1,130,235</b>	<b>3,541</b>	<b>86,699</b>	<b>5,320,161</b>
<b>Reportable segment assets</b>	<b>\$ 55,201,392</b>	<b>7,119,472</b>	<b>3,060,286</b>	<b>(10,614,603)</b>	<b>54,766,547</b>
<b>Reportable segment liabilities</b>	<b>\$ 23,622,326</b>	<b>3,104,441</b>	<b>162,013</b>	<b>(1,036,747)</b>	<b>25,852,033</b>

(c) Products information

Revenue from the external customers of the Consolidated Company was as follows :

Product Name	For the years ended December 31,	
	2023	2022
Deformed bars	\$ 35,282,556	32,392,188
Sections	14,762,378	16,414,597
Billets	256,670	1,046,771
Construction Contracts	10,514,244	9,336,008
Others	689,801	782,557
Less:the operating revenue on discontinued operations	(543,741)	(755,108)
	<b>\$ 60,961,908</b>	<b>59,217,013</b>

(Continued)

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

(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>2023</b>	<b>2022</b>
Net revenue from external customers :		
Taiwan	\$ 55,656,298	52,678,482
China	543,085	732,556
Vietnam	3,691,869	5,006,771
Others	1,614,397	1,554,312
Less:the operating revenue on discontinued operations	<u>(543,741)</u>	<u>(755,108)</u>
	<b><u>\$ 60,961,908</u></b>	<b><u>59,217,013</u></b>
<b>Geographic information</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Non-current assets :		
Taiwan	\$ 17,925,969	18,349,848
China	-	104,583
Vietnam	3,951,572	4,478,056
Others	<u>8,730</u>	<u>11,543</u>
	<b><u>\$ 21,886,271</u></b>	<b><u>22,944,030</u></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>2023</b>	<b>2022</b>
Customer A from sections	<b><u>\$ 3,273,681</u></b>	<b><u>3,474,604</u></b>