

Stock Code: 2030



彰源企業股份有限公司
FROCH ENTERPRISE CO., LTD.

2023 Annual Report

Annual Report available at: MOPS website [http : //mops.twse.com.tw](http://mops.twse.com.tw)
Company website [http : //www.froch.com](http://www.froch.com)

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NOTES TO READERS

This document is presented in both Chinese version and English version.
In case when any discrepancies and/or differences between these two versions,
the Chinese version shall prevail.

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Title: Vice Chairman

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V. Name of Overseas Share Exchange Authority Where Securities are Listed, and Method of Inquiry: N/A

VI Company Website: <http://www.froch.com>

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A. Letter to Shareholders

The Company is mainly specialized in the professional manufacturing and sales of stainless steel tubes and pipes and stainless steel coil. In 2023, the combined sales (in weight) of stainless steel tubes and pipes is 115,874 tons, a decline of 4% compared with the previous year. In 2023, the combined sales (in weight) of stainless steel sheets and coils is 28,218 tons, a decrease of 23% compared with the previous year. In terms of the proportion of domestic and export sales, domestic sales accounted for 35%, and export sales accounted for 65%, and export sales were mainly distributed in Europe, Americas and the Middle East and other regions. We have made long-term efforts in sales to diversify the market and customers and minimize risks.

The weak price of nickel in 2023 resulted in the decline of the price of stainless steel. The primary reason is the capacity expansion in the supplying countries, but the global economic downturn resulted in a pile up of inventory which, in turn, discouraged the demand for stainless steel. Therefore, the supply in the market surpassed the demand. In summary, the nickel price in 2023 was lower than that in 2022. Consequently, the Company's revenue declined by 25% due to the falling sale price and falling demand by volume. Gross margin was also affected due to the decline of raw material prices, which fell from 13% as it was in 2022 to 7% in 2023. The business result of 2023 and the prospect of operation in 2024 is specified below:

1. 2023 Operating Results

(1) Results of Business Plans

Unit: NTD thousands

Products	2023 Performance	2022 Performance	Performance Comparison	Growth Rate %
Stainless Steel Tubes and Pipes	10,506,823	12,802,215	(2,295,392)	(17.93)
Stainless Steel Sheets and Coils	2,267,854	3,413,507	(1,145,653)	(33.56)
Others	82,222	32,269	49,953	154.80
Total Revenue	12,856,899	16,247,991	(3,391,092)	(20.87)

(2) Budget Execution

Unit: tonnes

Products	2023 Performance	2023 Forecast	Growth Rate %
Stainless Steel Tubes and Pipes	115,874	148,000	(21.71)
Stainless Steel Sheets and Coils	28,218	48,000	(41.21)
Tonnage Sold	144,092	196,000	(26.48)

(3) Profitability Analysis

Unit: NTD thousands

Aspects	2023	2021
Operating Profit to Paid-in Capital (%)	8.93	41.19
Pre-tax Income to Paid-up Capital (%)	3.33	36.75
Return on Assets (%)	1.49	6.34
Return on Shareholders' Equity (%)	1.01	14.56
Net Profit Margin (%)	0.40	4.56
Earnings per Share (NTD)	0.18	2.64

(4) Income and Expenses

Unit: NTD thousands

Aspects	2023	2023	Variation	Note
Net Cash Inflow (Outflow) from Operating Activities	574,114	2,652,888	(2,078,774)	1
Net Cash Inflow (Outflow) from Investing Activities	(380,187)	(180,527)	199,660	2
Net Cash Inflow (Outflow) from Financing Activities	(87,834)	(2,714,611)	(2,626,777)	3

Note 1: The decrease of net cash flow from operation is mainly because of the decline of inventory de-stock in this period.

Note 2: The increase of net cash flow from investment is mainly because of the acquisition of property, plant and equipment.

Note 3 The decrease of net cash flow from financing is mainly because of the decrease of outflow of long-term loans from banks.

(5) Research and Development

The Company's R&D efforts were primarily focused toward production procedure development, product quality improvement, and new product development. With respect to production procedure development, the Company either introduced advanced equipment and molds locally and abroad, or designed its own advanced equipment and molds to improve production technology, capability, and product quality.

For product quality improvement, the Company actively adopted various quality assurance management systems, and engaged the industry-academia cooperation in R&D projects to introduce smart devices to increase product quality. As for new product development, the Company actively conducted market surveys, introduced advanced equipment and molds locally and abroad, recruited professional talents for R&D, arranged intensive training for existing researchers, and actively tested and developed new product items. For related value-added materials and accessories, the researchers also actively conducted tests and developments. It not only could fulfill customers' special requirements to improve customer satisfaction but also benefitted the reduction on outsourcing costs.

2. Summary of 2024 Business Plan and Future Company Development Strategies

(1) Operational Guidelines and Strategies

1. Sales Plan:

(1) Increasing sales of stainless steel tubular products

The Company will continue the ongoing shift toward the sales of high value-adding products and expanding product line to increase the sales quantity.

(2) Actively expand the export market and strive for major domestic investment orders. Improve customer loyalty, diversify the market, and avoid being affected by the prosperity of a single industry or market.

2. Production Plan:

(1) Expanding and utilizing production capacity

The Company is specialized in the production of stainless steel pipe factory. We aim to increase product items and expand the coverage of customer demands.

(2) Reducing costs and expenses

The Company will focus on making improvements to manufacturing process, controlling over the unit cost of associated equipment and secondary materials proactively, and further improve the inventory turnover rate to reduce the capital cost caused by inventory backlog.

3. Financial Structure Plan:

The Company will focus on increasing revenue and profit from its core business activities, and will continue expanding the scale of its business activities and increasing earnings to improve the financial structure.

(2) Sales Forecast and Bases

1. The Company's sales forecast for 2024 is presented below:

Unit: tonnes

Item \ Year	2024 Consolidated Sales Forecast
Stainless Steel Tubes and Pipes	144,000
Stainless Steel Sheets and Coils	42,000
Total	186,000

2. Bases:

The weak price of nickel in 2023 extended to the beginning of this year, and the price still hovered at the bottom. The price is expected to rebound and remain stable in 2024. Externally, the economy of China is confronted by structural problems that the government has made tremendous efforts to control the situation with monetary policy. In addition, the era of high interest rates of USD has come to an end, and interest rate cuts are on the way. A weak USD is favorable for pushing up the price of raw materials. In general, the market is promising, and the demand for stainless steel products is expected to increase. In summary, the nickel price and stainless steel price in 2024 are expected to remain stable. The cost of inventory is more manageable, and the fluctuation of product sale prices will be mitigated. The product sale prices and volume are expected to be stable or may be even better. The Company will continue its R&D of products toward higher added value, which will strengthen the competitiveness and profitability of the Company.

The Company's core competitive advantage lies in its ability to develop high value-adding solutions and to develop advanced production processes ahead of competitors, such as in-line polishing of circular/rectangular tubes, in-line heat treatment, automatic packing, etc., which the Company has had significant success. From the product perspective, Froch has the most comprehensive product range to satisfy customers' diverse needs and deliver the ultimate one-stop shopping experience. From the quality perspective, in addition to the Company's ISO-9001 and ISO-14001 being certified by Lloyd's Register of Shipping in 1993 and 1999, respectively, the Company's quality assurance laboratory was also certified by Chinese National Laboratory Accreditation (CNLA) in 2001 (the same certificate in 2004 was renamed by Taiwan Accreditation Foundation as TAF). The Company subsequently received quality certification from JIS in 2009, pressure piping component certification in 2011, acquired multiple certificates by TUV by 2014. In terms of sales channels, the Company has a global distribution network that serves thousands of domestic customers and sells to more than 100 countries worldwide. The Company's diversified market exposure helps its competitiveness, it also lessens regulatory and economic impacts of a single market.

(3) Key Production and Sales Policies:

In 2024, the Company will continue enhancing inventory management and inventory turnover and reducing production costs and expenses. Through optimizing production and sales, the Company is expected to gear up overall competitiveness and increase market share.

(4) Development strategy of the Company in the future:

The Company will continue to develop expertise in manufacturing technologies and develop new sales channels at home and abroad, and continue to increase its market share so to further improve business performance.

3. Impacts of the External Competitiveness Environment, Regulations, and Macroeconomies:

- (1) Public infrastructures and major private investments may affect the development of the stainless steel industry.
- (2) Demand for stainless steel may be affected by the macroeconomic environment situations.
- (3) The regulatory environment has less impact on company operations, relative to other factors.

B. Company Profile

(I) Date of Establishment: October 5, 1984

(II) Company History:

1984:	◎The Company acquired factory land totaling 32,572 square meters at Tou-Liu Industrial Park, Yun-Lin County, with a capital of NTD4.2 million.
1985:	◎The Company completed Phase 1 of its factory construction, and purchased steel pipe arc welding and plasma arc welding equipment from Japan.
1986:	◎Chairman Ping-Yiao Chang won the 9th Model of Young Entrepreneur
1987:	◎The Company completed Phase 2 of its factory and laboratory construction, purchased a 30-tonnes of testing equipment including universal material tension tester, hardness tester, hydraulic tester, and chemical composition analyzer, and assembled a Quality Control Committee.
1988:	◎The Company completed Phase 3 of its warehouse and factory construction.
1988:	◎The Company was named Class A Quality Control Factory by the Product Inspection Bureau, Ministry of Economic Affairs, and was awarded certification mark for stainless steel pipes.
1988:	◎Stainless steel angle bars, stainless steel pipes for boiler heat exchangers, and health grade steel pipes were awarded certification mark by the National Bureau of Standards.
1990:	◎New office building was completed and commissioned into use.
	◎The Company completed its Phase 4 factory construction, made process improvements, and acquired new machinery and equipment.
	◎The Company arranged a package plant export to Malaysia, paving way for international collaboration.
1991:	◎Replaced outdated production machinery for improved efficiency.
	◎Received approval from the Securities Commission to convert into a public company.
	◎Bank of Communications participated in the Company's investments. A NTD102-million cash issue was made, increasing share capital to NTD300 million.
1993:	◎Quality management system was certified for ISO-9001 by Lloyd's Register of Shipping.
1995:	◎Capitalized NTD75 million of retained earnings, increasing share capital to NTD375 million.
	◎Phase 1 and Phase 2 construction of Tou-Liu second plant were completed.
1996:	◎Quality system was certified for ISO-9001/CNS 2682 by Merchandise Testing Bureau, Ministry of Economic Affairs.
	◎Capitalized NTD93,750,000 of retained earnings, increasing share capital to NTD468,750,000.
1997:	◎Capitalized NTD46,875,000 of retained earnings, increasing share capital to NTD515,625,000.

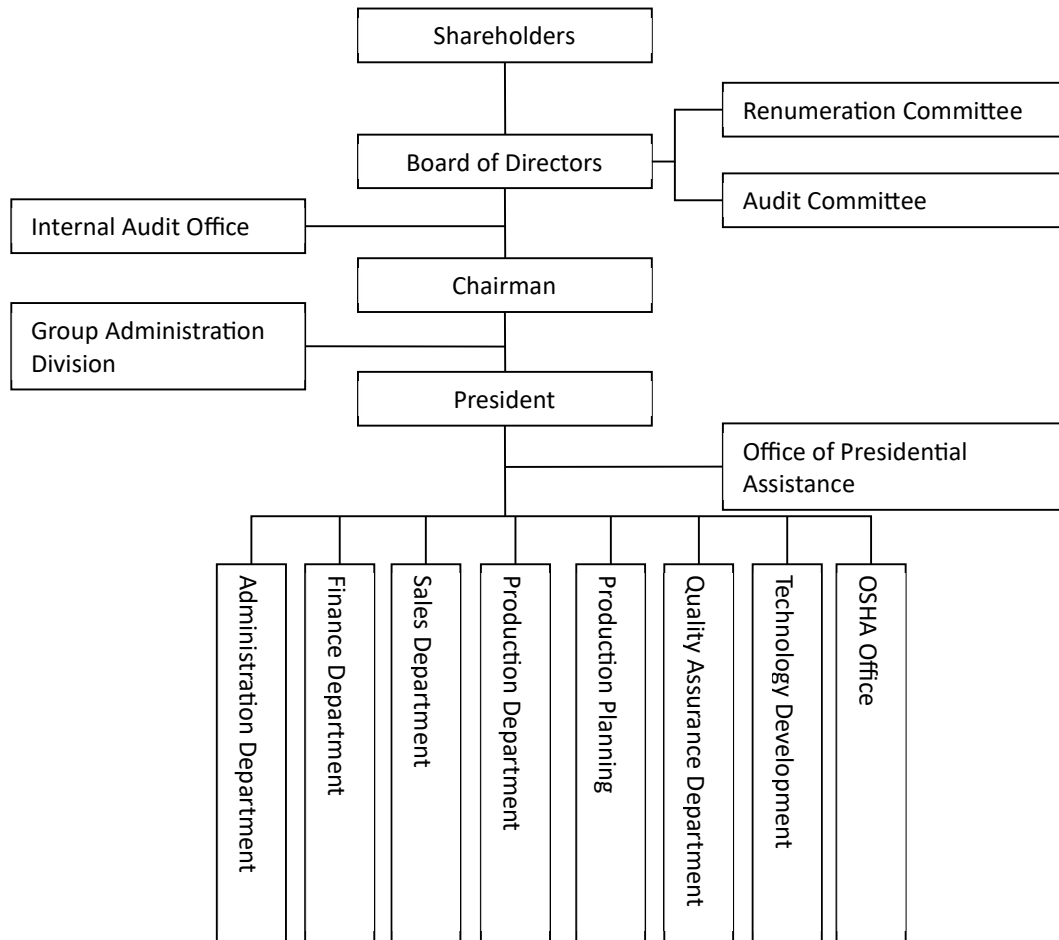
	◎ Plans for the construction of Yuanlin Plant.
1998:	◎ Production Management Section was re-organized into Production Management Department; furthermore, the organization was expanded to comprise 6 departments and 2 offices.
	◎ Phase 1 construction of Yuanlin Plant.
	◎ Capitalized NTD51,562,000 of retained earnings, increasing share capital to NTD567,187,000.
	◎ The Company's shares were listed for trading.
1999:	◎ Organization was expanded to comprise 8 departments and 2 offices.
	◎ Capitalized NTD85,079,000 of retained earnings, increasing share capital to NTD652,266,000.
	◎ Environmental management system was certified for ISO-14001 by Lloyd's Register of Shipping.
2000:	◎ Capitalized NTD78,272,000 of retained earnings, increasing share capital to NTD730,537,000.
	◎ Founded Froch Metal Industry (Suzhou) Co., Ltd. in the Mainland.
2001:	◎ Capitalized NTD73,054,000 of retained earnings, increasing share capital to NTD803,591,000.
	◎ The Company's quality assurance laboratory was certified for Chinese National Laboratory Accreditation (CNLA).
2003:	◎ Capitalized NTD40,179,000 of retained earnings, increasing share capital to NTD843,770,000.
	◎ Founded Century Nova Steel Co., Ltd. in the Mainland.
2004:	◎ Made the first domestic issue of unsecured convertible corporate bonds for a sum of NTD1 billion.
	◎ Capitalized NTD126,566,000 of retained earnings, increasing share capital to NTD970,337,000.
	◎ NTD439,209,000 of corporate bonds were converted into common shares, increasing share capital to NTD1,409,546,000.
2005:	◎ NTD122,584,000 of corporate bonds were converted into common shares, increasing share capital to NTD1,532,130,000.
	◎ Capitalized NTD275,783,000 of retained earnings, increasing share capital to NTD1,807,913,000.
2006:	◎ Capitalized NTD90,396,000 of retained earnings, increasing share capital to NTD1,898,309,000.
2007:	◎ Capitalized NTD474,577,000 of retained earnings, increasing share capital to NTD2,372,886,000.
2008:	◎ Capitalized NTD355,933,000 of retained earnings, increasing share capital to NTD2,728,819,000.
2009:	◎ "JIS G3459 Stainless Steel Pipe" products passed certification for JIS MARK (JQA).
	◎ "CNS13517 G3259 Large Diameter Stainless Steel Pipe" products were awarded certification mark by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs.

2010:	◎ The Company's laboratory passed TAF certification for ISO-17025.
2011:	◎ The Company's Wuxi Plant in the Mainland became a key subsidiary.
2013:	◎ The Company's Suzhou Plant in the Mainland became a key subsidiary.
2014:	◎ Founded Froch Stainless Co., Ltd. in the Mainland.
2015:	◎ Capitalized NTD136,441,000 of retained earnings, increasing share capital to NTD2,865,260,000.
2018:	◎ Construction of new Yuanfu Plant commenced.
2019:	◎ Froch Stainless Co., Ltd. became the Company's key subsidiary in the Mainland.
2020:	◎ Share capital reduction of NTD60,000,000 by invalidating treasury shares was conducted. The Company's share capital became NTD2,805,260,000.
2023:	◎ Invested in Morocco and established Froch Stainless Morocco SARL.

C. Corporate Governance Report

I. Organizational Structure

(I) Organizational Structure



(II) Responsibilities of Main Departments:

Department	Main Responsibilities
Group Administration Division	Oversees rules of headquarters and subsidiaries policies: financial planning, human resources planning, legal affairs, marketing, information management, and computer system management.
Office of Presidential Assistance	Responsible for devising company rules, project planning, computer systems maintenance, and computer data management throughout the Company.
Internal Audit Office	Responsible for the reinforcement of audit practices and improvement actions across all units.
Administration Department	Responsible for personnel, security guard, maintenance, general procurement, and general affairs.
Sales Department	Responsible for domestic and oversea sales, customer credit control, credit investigation, and market analysis.
Production Department	Responsible for production of stainless steel tubes and pipes and stainless steel sheets and coils.
Finance Department	Responsible for budgeting, accounting, fund scheduling and control, disbursement, property management, and tax and share-related matters.
Production Planning Department	Responsible for production scheduling, production-sale coordination, and purchasing of raw materials.
Quality Assurance Department	Responsible for product quality control and maintenance of the quality systems.
Technology Development Department	Responsible for product development, equipment improvement, equipment purchase, and technology research and development.
OSHA Office	Responsible for workers' safety and enhancing health management.

II. Background Information of Directors, President, Vice Presidents, Senior General Managers, and Heads of Divisions and Branches

(I) Directors' Background

1. Directors and Independent Director

April 17, 2023

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected/ Appointed	Date First Elected	Service Term	Shareholding when Elected		Current Shareholding		Shares Held by Spouse and Underage Children		Shareholding in the Name of a Third Party		Main Career (Academic) Backgrounds	Concurrent Duties in the Company and in Other Companies	Spouse or Relatives of Second Degree or Closer Acting as Managers or Directors			Remarks
							No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	Taiwan, R.O.C.	Ping-Yiao Chang	Male Age:71	2022.06.21	1984.09.15	3 years	17,547,946	6.12	17,547,946	6.26	8,388,978	2.99	None	None	Pacific Western University Froch Enterprise Co., Ltd. - Chairman	Shin Chieh Shin Co., Ltd. - Supervisor	Vice Chairman	Hsin-Ta Chang	Father and Son	Concurrent Position as President
Vice Chairman	Taiwan, R.O.C.	Hsin-Ta Chang	Male Age:47	2022.06.21	2007.06.13	3 years	21,648,931	7.56	21,648,931	7.72	840,830	0.30	None	None	Graduated from the Department of International Business, The University of Denver, U.S.A.	Shin Chieh Shin Co., Ltd. - Director	Chairman	Ping-Yiao Chang	Father and Son	1st Degree Relative to the Chairman
Director	Taiwan, R.O.C.	Tsao-Chi Yang	Male Age:52	2022.06.21	2022.06.21	3 years	0	0.00	0	0.00	None	0.00	None	None	Graduated from the Department of Chemical Engineering, Chinese Culture University	Froch Enterprise Co., Ltd. - General Manager of Procurement Division	None	None	None	None
Director	Taiwan, R.O.C.	Chun-Chi Lee	Male Age:52	2022.06.21	2022.06.21	3 years	0	0.00	0	0.00	609,684	0.22	None	None	Department of Business Administration, National Yunlin University of Science and Technology	Froch Enterprise Co., Ltd. - Senior General Manager of Finance Division	Chairman	Ping-Yiao Chang	None	1st Degree Relative to the Chairman
Director	Taiwan, R.O.C.	Shin Chieh Shin Co., Ltd.	Corporate Entity	2022.06.21	2019.06.13	3 years	28,206,372	10.05	28,206,372	10.05	None	None	None	None	None	None	None	None	None	None
Director	Taiwan, R.O.C.	Representative of Shin Chieh Shin Co., Ltd. -Ching-Yang Juan	Male Age:70	None	None	None	0	0.00	0	0.00	None	None	None	None	Director of Department of Substance Control and Prevention, Kaohsiung City Government	None	None	None	None	None
Independent Director	Taiwan, R.O.C.	Shun-Te Wen	Male Age:74	2022.06.21	2016.06.21	3 years	0	0.00	0	0.00	None	None	None	None	Head of Fengyuan Branch, National Taxation Bureau of the Central Area, Ministry of Finance	Longchen Paper & Packaging Co., Ltd. Independent Director	None	None	None	None
Independent Director	Taiwan, R.O.C.	Ying-Fang Lee	Male Age:72	2022.06.21	2019.06.13	3 years	0	0.00	0	0.00	None	None	None	None	Section Chief of Huwei Branch, National Taxation Bureau of the Central Area, Ministry of Finance	None	None	None	None	None
Independent Director	Taiwan, R.O.C.	Shu-Fu Wang	Male Age:67	2022.06.21	2019.06.13	3 years	0	0.00	0	0.00	None	None	None	None	Section Chief of the National Taxation Bureau of the Central Area, Ministry of Finance	None	None	None	None	None
Independent Director	Taiwan, R.O.C.	Huei-Guei Chen	Female Age:68	2022.06.21	2022.06.21	3 years	0	0.00	0	0.00	1,000	0.00	None	None	Manager of Huwei Branch, Land Bank of Taiwan	None	None	None	None	None

Explanation: Chairman acts concurrently as the President: Stainless steel is a mature industry; having the Chairman act concurrently as President enables greater control over raw material purchase and various corporate operations, whereas adopting a flatter organization allows the Company to make faster decisions and be more responsive to changes. The Company added an independent director to enhance supervision and check & balance within the organization.

2. Major Shareholders of Corporate Shareholders:

Name of Corporate shareholder	Corporate Shareholder's Major Shareholders
Shin Chieh Shin Co., Ltd.	Michel J Chang 26.0%
	Ping-Yiao Chang 13.2%
	Hsiu-Miao Lee 12.4%
	Hsin-Ta Chang 15.2%
	Li-Shen Chang 15.2%
	Hsi-Chen Chang 15.2%
	Fang-Yu Ni 2.8%

3. Major Shareholders of Major Corporate Shareholders: Not Applicable

Name of corporate entity	Corporate Entity's Major Shareholders
None	None

4. Information Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

<div><div>Criteria</div><div>Name</div></div>	<u>Professional Qualification and Experiences</u> (Note 1)	Compliance of Independence (Note 2)	Number of Positions as Independent Director in Other Public Companies
Chairman Mr. Ping-Yiao Chang	Pacific Western University. Chairman of FROCH Enterprise Co., Ltd. Possesses the capabilities of commerce, finance, leadership, and business operations. Not under any circumstances per Article 30 of the Company Act.	1. Concurrently serves as the Company’s President and is a director with the identity of managerial personnel. 2. Concurrently serves as a supervisor of the Company’s affiliates. 3. Top 10 individual shareholder of the Company. 4. Second-degree relatives with the Company’s Vice Chairman and Chairman.	N/A
Vice Chairman Mr. Hsin-Ta Chang	Graduated from Department of International Business, University of Denver. Vice Chairman of FROCH Enterprise Co., Ltd. Possesses the capabilities of commerce, marketing, leadership, and business operations. Not under any circumstances per Article 30 of the Company Act.	1. Concurrently serves as the Company’s Vice President and is a director with the identity of managerial personnel. 2. Concurrently serves as a director of the Company’s affiliates. 3. Top 10 individual shareholder of the Company. 4. Second-degree relatives with the Company’s Chairman.	N/A
Director Mr. Tsao-Chi Yang	Graduated from Chemical Engineering Department, Chinese Culture University Senior General Manager of Procurement Division, FROCH Enterprise Co., Ltd. Possesses the capabilities of business, purchasing and related operation. Have the ability necessary for business, purchasing and related operation. Not under any circumstances per Article 30 of the Company Act.	1. Concurrently serves as the Company’s General Manager of Procurement Division and is a director with the identity of managerial personnel.	N/A
Director Mr. Chun-Chi Lee	Graduated from Master of Finance, University of Colorado Senior General Manager of Tubular Export Department, FROCH Enterprise Co., Ltd. Possesses the capabilities of business, finance, and related operation. Not under any circumstances per Article 30 of the Company Act.	1. Concurrently serves as the Company’s Senior General Manager of Tubular Export Department and is a director with the identity of managerial personnel. 2. Second-degree relatives with the Company’s Chairman.	N/A
Director Mr. Ching-Yang Juan	Graduated from Master of Public Affairs, Tung Hai University Chief of Department of Substance Control and Prevention, Kaohsiung City Government Possesses the capabilities of legal affairs and leading related business. Not under any circumstances per Article 30 of the Company Act.	Meet the requirements for independence (Note 2).	N/A

Name \ Criteria	Professional Qualification and Experiences (Note 1)	Compliance of Independence (Note 2)	Number of Positions as Independent Director in Other Public Companies
Independent Director Mr. Shun-Te Wen	Graduated from Master of Business Administration, National Chung Cheng University. Chief of Fengyuan Branch, National Taxation Bureau of the Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance, and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.	According to the Company's "Articles of Incorporation" and the "Corporate Governance Best Practice Principles", directors are elected by the candidate nomination system. The Company has obtained written statements, work experiences, and current incumbency certificates, and family relationship table from the candidates and verify. Not any candidate, their spouses, and relatives within second degree serves as directors, supervisors or employees of the Company or its affiliates; holds shares of the Company; serves as director, supervisor, or employee of any company that has specific relationship with the Company; receives remuneration from entities that provide business, legal, finance, accounting and other services to the Company or its affiliates in the past two years.	One Longchen Paper & Packaging Co., Ltd.
Independent Director Mr. Ying-Fang Lee	Graduated from Master of Business Administration, National Chung Cheng University Director of Huwei Office, National Taxation Bureau of the Central Area, Ministry of Finance Possesses the capabilities of taxation, finance, and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.		N/A
Independent Director Mr. Shu-Fu Wang	Graduated from Accounting Department, Feng Chia University Director of National Taxation Bureau of Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance, and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.		N/A
Independent Director Ms. Huei-Guei Chen	Graduated from the Department of Economics, Feng Chia University Manager of Huwei Branch, Land Bank of Taiwan Possesses the capabilities of finance, leadership, and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.		N/A

Note 1: Professional qualifications and experiences: explain the professional qualifications and experiences of individual directors and supervisors. If they are members of the audit committee and possess with skills in accounting or finance, explain their accounting or financial background and work experience, and additionally explain whether they are not under any circumstances per Article 30 of the Company Act.

Note 2: Independent Directors: explain their independence, including but not limited to whether themselves, their spouses, or second-degree relatives are the directors, supervisors or employees of the Company or its affiliates; whether themselves, their spouses, or second-degree relatives (or in the name of others) hold the Company's share and the proportion; whether serve as a director, supervisor, or employee of any company that has specific relationship with the Company (refer to the provisions of Article 3, Paragraph 1. Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors and Matters to be Obeyed by Public Companies). The amount of remuneration received from entities that provide business, legal, finance, accounting and other services to the Company or its affiliates in the past two years.

4-1 Implementation of Diversity Policy of the the Board Members is as follow:

Diversity Aspects	Nationality	Gender	Concurrent as the Company's Employee	Age			Period of Serving as Independent Director			Professional Background			Professional Capability		
Name of Directors				Under 60	60 to 70	Over 70	Under 3 Years	3 Years to 6 Years	Over 6 Years	Management	Leadership & Decision Making	Risk Management	Finance and Accounting	Procurement	Industry Knowledge
Ping-Yiao Chang	Taiwan, R.O.C.	Male	√			√				√	√	√	√	√	√
Hsin-Ta Chang		Male	√	√						√	√	√	√	√	√
Tsao-Chi Yang		Male	√	√						√	√	√		√	√
Chun-Chi Lee		Male	√	√						√	√	√	√		√
Shin Chieh Shin Co., Ltd. Representative: Ching-Yang Juan		Male				√				√	√	√			√
Shun-Te Wen		Male				√			√	√	√	√	√		√
Ying-Fang Lee		Male				√		√		√	√	√	√		√
Shu-Fu Wang		Male			√			√		√	√	√	√		√
Huei-Guei Chen		Female			√		√			√	√	√	√		√

The Company's Board of Director is composed of nine directors. The Specific Management Goals and Achievements of the Diversity Policy of the Board are as follow:

Management Goals	Achievement
The number of independent directors exceeds one third of the number of directors	Achieved
The number of concurrent managerial personnel should not exceed one third of the number of directors	Unachieved
The term of Independent Directors does not exceed three terms	Achieved
Adequate Diversified Professional Knowledge and Skills.	Achieved

(2) Background Information of President, Vice Presidents, Senior General Managers, and Heads of Divisions and Branches

Unit: shares; %
April 17, 2024

Title	Nationality	Name	Gender	Date Elected/Appointed	Current Shareholding		Shares Held by Spouse and Underage Children		Shareholding in the Name of a Third Party		Main Career (Academic) Backgrounds	Concurrent Positions in Other Companies	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remarks
					No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage			Title	Name	Relationship	
President	Taiwan, R.O.C.	Ping-Yiao Chang	Male	1984.10.05	17,547,946	6.26	8,388,978	2.99	None	None	Pacific Western University Beittia Metals Co., Ltd. - Plant Manager	Supervisor of Shin Chieh Shin Co., Ltd.	Vice President	Hsin-Ta Chang	Father and Son	Concurrent Position as Chairman
Vice President	Taiwan, R.O.C.	Hsin-Ta Chang	Male	2021.01.01	21,648,931	7.72	840,830	0.30	None	None	Graduated from the Department of International Business, The University of Denver, U.S.A.	Director of Shin Chieh Shin Co., Ltd.	President	Ping-Yiao Chang	Father and Son	1st Degree Relative to the Chairman
Vice President	Taiwan, R.O.C.	Ren-Hsiang Lee	Male	1993.08.01	527,390	0.19	0	0.00	None	None	Business Administration Program, Tung Hai University Beittia Metals Co., Ltd. - Business Manager	None	None	None	None	None
Division Head	Taiwan, R.O.C.	Yi-Cheng Shih	Male	2014.01.01	1,209,206	0.43	60,381	0.02	None	None	Department of Business Administration, National Yunlin University of Science and Technology Formosa Taffeta Co., Ltd. - Accounting Section Chief	None	None	None	None	None
Division Head	Taiwan, R.O.C.	Wen-Chih Lee	Male	2014.01.01	126,029	0.04	0	0.00	None	None	Graduated from Postgraduate Program of Business Administration, Da-Yeh University	None	None	None	None	None
Division Head	Taiwan, R.O.C.	Chang-Chieh Huang	Male	2014.01.01	30,557	0.01	0	0.00	None	None	Graduated from AGSM, The University of New South Wales, Australia Yuen Foong Paper - Manager	None	None	None	None	None
Division Head	Taiwan, R.O.C.	Tsao-Chi Yang	Male	2017.04.01	0	0.00	0	0.00	None	None	Graduated from the Department of Chemical Engineering, Chinese Culture University	None	None	None	None	None
Division Head	Taiwan, R.O.C.	Wen-Hsiou Lee	Male	2017.04.01	8,182	0.00	0	0.00	None	None	Graduated from Mechanical Design Engineering, National Formosa University	None	None	None	None	None
Senior General Manager	Taiwan, R.O.C.	Han-Lin Chang	Male	2014.01.01	0	0.00	0	0.00	None	None	Graduated from the Department of Chemistry, National Taiwan University Xiamen Wei Mon Environmental Materials Co., Ltd. - Assistant Vice President	None	None	None	None	None
Senior General Manager	Taiwan, R.O.C.	Chun-Chi Lee	Male	2022.06.01	0	0.00	609,684	0.22	None	None	Graduated from Master of Finance, University of Colorado	None	President	Ping-Yiao Chang	Son-in-law	1st Degree Relative to the President
Corporate Governance Manager	Taiwan, R.O.C.	Wen-Chi Chang	Male	2022.06.29	0	0.00	0	0.00	None	None	Graduated from Master of Finance, National Yunlin University of Science and Technology	None	None	None	None	None

Explanation: The Vice President being a first degree relative of the Chairman: The Company assigns personnel solely based on professional capacity; this arrangement is considered justified and reasonable. The Company has added one more independent director to strengthen the supervisory function of the Board of directors.

(3) Compensation to Directors, the President, and Vice Presidents in the Last Year

1-1. Compensation to Directors

December 31, 2023

Unit: NTD thousands

Title	Name	Directors' Compensation								Sum of A, B, C, and D as a Percentage of Net Income after Tax (%)		Compensation Received as Employee												Sum of A, B, C, D, E, F, and G as a Percentage of Net Income after Tax (%)		Compensation from Parent Company or Business Investments other than Subsidiaries
		Benefits (A)		Pension (B)		Director Remuneration (C)		Fees for Services Rendered (D)				Salaries, Bonuses, Special Allowances etc. (E)		Pension (F)		Employee Remuneration (G)				Total Shares Exercisable through Employee Warrants		Number of New Restricted Shares Acquired as an Employee				
		The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company		All Companies Included in the Financial Statements		The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	
																Amt Paid in Cash	Amt Paid in Shares	Amt Paid in Cash	Amt Paid in Shares							
Chairman	Ping-Yiao Chang	0	0	0	0	0	0	204	204	0.40	0.40	4,592	4,592	0	0	11	0	11	0	0	0	0	0	943	943	None
Vice Chairman	Hsin-Ta Chang	0	0	0	0	0	0	204	204	0.40	0.40	2,943	2,943	108	108	6	0	6	0	0	0	0	0	640	640	None
Director	Tsao-Chi Yang	0	0	0	0	0	0	204	204	0.40	0.40	1,771	1,771	76	76	4	0	4	0	0	0	0	0	403	403	None
Director	Chun-Chi Lee	0	0	0	0	0	0	201	201	0.39	0.39	2,259	2,259	96	96	4	0	4	0	0	0	0	0	502	502	None
Director	Shin Chieh Shin Co., Ltd.	0	0	0	0	847	847	0	0	1.66	1.66	0	0	0	0	0	0	0	0	0	0	0	0	1.66	1.66	None
Director	Shin Chieh Shin Co., Ltd. Representative – Ching-Yang Juan	420	420	0	0	0	0	204	204	1.22	1.22	0	0	0	0	0	0	0	0	0	0	0	0	1.22	1.22	None
Director	Yi-Cheng Shih	820	820	0	0	0	0	204	204	2.01	2.01	0	0	0	0	0	0	0	0	0	0	0	0	2.01	2.01	None
Independent Director	Shun-Te Wen	420	420	0	0	0	0	204	204	1.22	1.22	0	0	0	0	0	0	0	0	0	0	0	0	1.22	1.22	None
Independent Director	Ying-Fang Lee	420	420	0	0	0	0	204	204	1.22	1.22	0	0	0	0	0	0	0	0	0	0	0	0	1.22	1.22	None
Independent Director	Shu-Fu Wang	420	420	0	0	0	0	204	204	1.22	1.22	0	0	0	0	0	0	0	0	0	0	0	0	1.22	1.22	None
Independent Director	Huei-Guei Chen	0	0	0	0	0	0	204	204	0.40	0.40	4,592	4,592	0	0	11	0	11	0	0	0	0	0	943	943	None

* Compensation received by director for providing service to any company included in the financial statements (e.g., consultancy service without the title of an employee) in the last year, except those disclosed in the above table: 0.

* Salary expenses recognized according to IFRS2 - "Share-based Payment," including employee warrants, restricted employee shares, and subscription to cash issues etc., that are counted as compensation: None.
Please explain the policy, system, standards, and structure by which the independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed:
The Board of Directors has been authorized under the Articles of Incorporation to set compensation standards in reference to peer companies' level. Compensation for the current Board of independent directors is determined based on the duties assumed (whether a convener) and the time committed.

1-2. Compensation Brackets Table

Range of Compensation Paid to Directors	Name of Directors			
	Sum of First 4 Compensations (A+B+C+D)		Sum of First 7 Compensations (A+B+C+D+E+F+G)	
	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements
Below NTD 1,000,000	Hsin-Ta Chang; Tsao-Chi Yang; Chun-Chi Lee; Ching-Yang Juan; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen	Hsin-Ta Chang; Tsao-Chi Yang; Chun-Chi Lee; Ching-Yang Juan; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen	Ching-Yang Juan; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen	Ching-Yang Juan; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen
NTD 1,000,000 (inclusive) - NTD 2,000,000 (non-inclusive)	Ping-Yiao Chang; Shun-Te Wen	Ping-Yiao Chang; Shun-Te Wen	Shun-Te Wen; Chun-Chi Lee	Shun-Te Wen; Chun-Chi Lee
NTD 2,000,000 (inclusive) - NTD 3,500,000 (non-inclusive)			Hsin-Ta Chang; Tsao-Chi Yang	Hsin-Ta Chang; Tsao-Chi Yang
NTD 3,500,000 (inclusive) - NTD 5,000,000 (non-inclusive)				
NTD 5,000,000 (inclusive) - NTD 10,000,000 (non-inclusive)	Shin Chieh Shin Co., Ltd.	Shin Chieh Shin Co., Ltd.	Ping-Yiao Chang; Shin Chieh Shin Co., Ltd.	Ping-Yiao Chang; Shin Chieh Shin Co., Ltd.
NTD 10,000,000 (inclusive) - NTD 15,000,000 (non-inclusive)				
NTD 15,000,000 (inclusive) - NTD 30,000,000 (non-inclusive)				
NTD 30,000,000 (inclusive) - NTD 50,000,000 (non-inclusive)				
NTD 50,000,000 (inclusive) - NTD 100,000,000 (non-inclusive)				
NTD 100,000,000 and above				
Total	Ping-Yiao Chang; Hsin-Ta Chang; Tsao-Chi Yang; Chun-Chi Lee; Ching-Yang Juan; Shun-Te Wen; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen; Shin Chieh Shin Co., Ltd.	Ping-Yiao Chang; Hsin-Ta Chang; Tsao-Chi Yang; Chun-Chi Lee; Ching-Yang Juan; Shun-Te Wen; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen; Shin Chieh Shin Co., Ltd.	Ping-Yiao Chang; Hsin-Ta Chang; Tsao-Chi Yang; Chun-Chi Lee; Ching-Yang Juan; Shun-Te Wen; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen; Shin Chieh Shin Co., Ltd.	Ping-Yiao Chang; Hsin-Ta Chang; Tsao-Chi Yang; Chun-Chi Lee; Ching-Yang Juan; Shun-Te Wen; Ying-Fang Lee; Shu-Fu Wang; Huei-Guei Chen; Shin Chieh Shin Co., Ltd.

2. Compensation to the President and Vice Presidents

111 年 12 月 31 日

2-1. Compensation to the President and Vice Presidents

Unit: NTD thousands

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Employee Remuneration (D)				Sum of A, B, C, and D as a Percentage of Net Income after Tax (%)		Compensation from Parent Company or Business Investments other than Subsidiaries
		The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company		All Companies Included in the Financial Statements		The Company	All Companies Included in the Financial Statements	
								Amount Paid in Cash	Amount Paid in Shares	Amount Paid in Cash	Amount Paid in Shares			
President	Ping-Yiao Chang	3,060	3,060	0	0	1,532	1,532	11	0	11	0	9.03	9.03	None
Vice President	Hsin-Ta Chang	2,241	2,241	108	108	702	702	6	0	6	0	6.00	6.00	
Vice President	Ren-Hsiang Lee	1,436	1,436	103	103	707	707	6	0	6	0	4.42	4.42	

Salaries of the Company's senior management are determined according to the Employee Management Policy. Performance bonus is proposed after taking into consideration the Company's overall operating performance, individual skills, special contributions, and other factors, which are subject to review and approval of the Remuneration Committee.

2-2. Compensation Brackets Table

Range of Compensation to the President and Vice Presidents	Names of President and Vice Presidents	
	Sum of First 4 Compensations (A+B+C+D)	
	The Company	All Companies Included in the Financial Statements
Below NTD 1,000,000		
NTD 1,000,000 (inclusive) - NTD 2,000,000 (non-inclusive)		
NTD 2,000,000 (inclusive) - NTD 3,500,000 (non-inclusive)	Hsin-Ta Chang; Ren-Hsiang Lee	Hsin-Ta Chang; Ren-Hsiang Lee
NTD 3,500,000 (inclusive) - NTD 5,000,000 (non-inclusive)	Ping-Yiao Chang	Ping-Yiao Chang
NTD 5,000,000 (inclusive) - NTD 10,000,000 (non-inclusive)		
NTD 10,000,000 (inclusive) - NTD 15,000,000 (non-inclusive)		
NTD 15,000,000 (inclusive) - NTD 30,000,000 (non-inclusive)		
NTD 30,000,000 (inclusive) - NTD 50,000,000 (non-inclusive)		
NTD 50,000,000 (inclusive) - NTD 100,000,000 (non-inclusive)		
NTD 100,000,000 and above		
Total	Ping-Yiao Chang; Hsin-Ta Chang; Ren-Hsiang Lee	Ping-Yiao Chang; Hsin-Ta Chang; Ren-Hsiang Lee

3-1. Compensation for Top-5 Paid Managers in a TWSE/TPEX Listed Company

5. A Compensation for Top Executive Managers in a TWSE/TFEX Listed Company														
Title	Name	Salary (A)		Pension (B)		Bonus and Allowances (C) (Note 3)		Employee Remuneration (D)				Sum of A, B, C, and D as a Percentage of Net Income after Tax(%)		Compensation from Parent Company or Business Investments other than Subsidiaries
		The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements	The Company		All Companies Included in the Financial Statements (Note 5)		The Company	All Companies Included in the Financial Statements	
								Amount Paid in Cash	Amount Paid in Shares	Amount Paid in Cash	Amount Paid in Shares			
President	Ping-Yiao Chang	3,060	3,060	0	0	1,532	1,532	11	0	11	0	9.03	9.03	None
Vice President	Hsin-Ta Chang	2,241	2,241	108	108	702	702	6	0	6	0	6.00	6.00	None
Head of Finance Division	Yi-Cheng Shih	1,041	1,041	58	58	1,485	1,485	4	0	4	0	5.08	5.08	None
Head of Marketing Division	Chang-Chieh Huang	1,704	1,704	96	96	555	555	4	0	4	0	4.63	4.63	None
Vice President	Ren-Hsiang Lee	1,436	1,436	76	76	707	707	4	0	4	0	4.36	4.36	None

3-2. Name of Managers Entitled to Employee Remuneration and Amount Entitled

2022						Unit: NTD thousands
Title		Name	Amount Paid in Shares	Amount Paid in Cash	Total	Total as a Percentage of Net Income after Tax (%)
Executives	President	Ping-Yiao Chang	0	11	11	0.02
	Vice President	Hsin-Ta Chang	0	6	6	0.01
	Vice President	Ren-Hsiang Lee	0	6	6	0.01
	Division Head	Yi-Cheng Shih	0	4	4	0.00
	Division Head	Wen-Chih Lee	0	4	4	0.00
	Division Head	Chang-Chieh Huang	0	4	4	0.00
	Division Head	Tsao-Chi Yang	0	4	4	0.00
	Division Head	Wen-Hsiou Lee	0	4	4	0.00
	Senior General Manager	Han-Lin Chang	0	4	4	0.00
	Senior General Manager	Chun-Chi Lee	0	4	4	0.00
	Assistant Manager	Wen-Chi Chang	0	11	11	0.02

4. Severance Pay and Pension

- (1) Amount Paid in the Most Recent Year (2023): None of the Company's Directors, President, or Vice Presidents had retired during the year; hence no such payment was made.
- (2) Severance Pay and Pension Provided and Expensed in the Most Recent Year (2023):
 - a. For employees who adopt the pension system introduced under the "Labor Pension Act" (i.e., the new scheme), the Company made pension contributions equal to 6% of employees' monthly salaries to the Bureau of Labor Insurance, and a sum of NTD16,314,000 was contributed in the current year.
 - b. For employees who adopt the pension system introduced under the "Labor Standards Act" (i.e., the old scheme), the Company made pension contributions equal to 2% of employees' monthly salaries into an account held under Bank of Taiwan (formerly Central Trust of China, which was merged into Bank of Taiwan in 2007) in the Labor Pension Supervisory Committee's name, and a sum of NTD2,157,000 was contributed in the current year.
 - c. Managers who do not have pension provided or contributed under either systems will be omitted from the above disclosure; for this reason, the Company should collectively disclose the sums provided or contributed for all managers (including those under the new and old schemes) and the amount of pension benefits or severance pay (which is different from redundancy pay in the case of layoff) payable in one lump sum or on a yearly basis as agreed in the respective contract for all managers retired in 2023: Does not apply to the Company.
- (3) Actual Payment of Pension Benefit or Severance Pay, or Amount of Pension Provision or Contribution Expensed In 2023:
 - a. NTD7,049,000 of severance pay and pension benefit were paid in 2023.
 - b. The Company had no other provision or contribution of pension or severance pay that was expensed during the year.

- (4) Amount of Compensation Paid in the Last 2 Years by the Company and All Companies Included in the Consolidated Financial Statements to the Company's Directors, President, and Vice Presidents, and Their Respective Proportions to Individual and Consolidated Net Income, as Well as the Policies, Standards, and Packages by which they were Paid, the Procedures through which Compensations Were Determined, and Their Association with Business Performance and Future Risks.

Unit: %

Aspect	2023		2022	
	The Company	Consolidated	The Company	Consolidated
Directors	31.80	31.80	3.64	3.64
President and Vice Presidents	19.45	19.45	1.36	1.36

Directors' compensation comprise remuneration allocated from earnings and travel allowances for participating in Board meetings. Directors' compensations are paid according to the terms of the Articles of Incorporation. President's and Vice Presidents' compensation are paid according to the Company's grade-based payment approval principles.

The Company reported NTD84,746,377 of pre-tax profit in 2023, and according to Article 10 of the Articles of Incorporation, profits must first be taken to reimburse previous losses if any, followed by employee remuneration of 1% and Board-approved director remuneration of no higher than 3%. For the corresponding year, director and employee remuneration have been proposed at 1% or NTD847,464 each.

III. Corporate Governance

(1) Functionality of the Board of Directors

In 2023, the Board of Directors held eight meetings in total, the presence of the Directors were as follows:

Title	Name	Attendance in Person	Attendance by Proxy	In-person Attendance Rate (%)	Remarks
Chairman	Ping-Yiao Chang	8	0	100	Re-elected
Vice Chairman	Hsin-Ta Chang	8	0	100	Re-elected
Director	Tsao-Chi Yang	8	0	100	Re-elected
Director	Chun-Chi Lee	7	0	88	Newly elected
Director	Shin Chieh Shin Co., Ltd. Representative-Ching-Yang Juan	8	0	100	Newly elected
Independent Director	Shun-Te Wen	8	0	100	Re-elected
Independent Director	Ying-Fang Lee	8	0	100	Re-elected
Independent Director	Shu-Fu Wang	8	0	100	Re-elected
Independent Director	Huei-Guei Chen	8	0	100	Newly elected

Other Mandatory Disclosures:

- I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions: Please see P.68~P.69 for detailed motions. All motions raised during the year have been approved as proposed without objection by all directors and independent directors.
 - (1) Conditions described in Article 14-3 of the Securities and Exchange Act.
 - (2) Any other documented objections or reservations raised by independent director against Board resolution in relation to matters other than those described above: None.
- II. Disclosure regarding avoidance of interest-conflicting motions to the directors, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: None.
- III. Enhancement goal to the functionality of the Board of Directors in the corresponding and the most recent year (e.g., establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements: Please see section (III) - "VI. Functionality of Remuneration Committee and other Functional Committees" in page 40-41.

IV. Execution of Board Performance Evaluation

Internal evaluation

Assessment Cycle	Assessment Period	Subject Assessed	Assessment Method	Assessment Context
Once a Year, Finished by 1 st Quarter Next Year	2023.01.01~2023.12.31	Board of Directors	Self-assessment of the Board	<ol style="list-style-type: none"> 1. Degree of Involvement to Company' Operations. 2. Promote the Quality of Board's Decisions 3. The Composition and Structure of the Board 4. The Selection of Directors and Their On-going Study. 5. Internal Control.

Once a Year, Finished by 1 st Quarter Next Year	2023.01.01~ 2023.12.31	Board Members	Self-assessment of the Board Members	<ol style="list-style-type: none"> 1. The Understanding of Company's Target and Missions. 2. Director's Recognition of Responsibilities. 3. Level of Involvement to Company's Operations. 4. Management of Internal Relationship and Communication. 5. Director's Professional Knowledge and On-going Study. 6. Internal Control.
Once a Year, Finished by 1 st Quarter Next Year	2023.01.01~ 2023.12.31	Functional Committees	Self-assessment of the Functional Committees (Audit Committee and Remuneration Committee)	<ol style="list-style-type: none"> 1. Level of Involvement to Company's Operations. 2. Recognition of the Responsibilities of the Functional Committees. 3. Promote the Decision Quality of the Functional Committees. 4. The Composition and Selection of the Members of the Functional Committees. 5. Internal Control.

■ External evaluation

The Company conducts an external evaluation once every 3 years. In September 2022, the "Taiwan Investor Relations Institute" was appointed to conduct an assessment on the performance of the Board from December 2021 to November 2022. The institute issued an assessment report in January 2023. The assessment conclusion and recommendations were presented to the Board in the session held on March 14, 2023.

The evaluation conclusions and recommendations of the Taiwan Investor Relations Institute are described as follows:

1. Set up a Committee on Sustainable Development.
2. Prepare a sustainability report based on the GRI Guidelines published by the Global Reporting Initiative (GRI).
3. Establish a policy on diversity of Board members.
4. Formulate succession plans for Board members and key management officers.
5. Develop Risk Management Policies and Procedures as approved by the Board.
6. Independent Director's separate communication with internal audit supervisor and accountant.
7. Regular internal performance evaluation of the functional Committee.
8. Establish a security risk management framework for capital flow.
9. Formulate intelligent property management plans.
10. The Code of Practice on Corporate Governance is amended to contain a provision that directors shall not trade in their shares during the closed period prior to the publication of financial reports.
11. Evaluate the independence and eligibility of certified accountants in accordance with the Audit Quality Index (AQI).
12. Submit independent annual financial statements as approved by the Board within 75 days following the end of the fiscal year.
13. Plan the date of the meeting of the Board for New Year and the main agenda in advance.

(2) Functionality of the Audit Committee:

Functionality of the Audit Committee

In this year, the Audit Committee held eight meetings (A), and the following independent directors were present:

Title	Name	No. of In-person Attendance (B)	Attendance by Proxy	In-person Attendance Rate (%) (B/A) (Note)	Remarks
Independent Director	Shun-Te Wen	8	0	100	Re-elected on 2022/06/21
Independent Director	Ying-Fang Lee	8	0	100	Re-elected on 2022/06/21
Independent Director	Shu-Fu Wang	8	0	100	Re-elected on 2022/06/21
Independent Director	Huei-Guei Chen	8	0	100	Newly elected on 2022/06/21

Other Mandatory Disclosures:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of Board of Directors meeting held, the discussed topics, the Audit Committee's resolution, and how the Company has responded to Audit Committee's opinions.

(1) Conditions described in Article 14-5 of the Securities and Exchange Act.

Date	Session	Motion (The particulars inscribed in Article 14-5 of the Securities and Exchange Act)	Independent Directors' Opinions
2023.03.14	1 st Meeting in 2023	1. Passed the 2023 financial statements year-end accounts. 2. Passed the 2023 Declaration of Internal Control System Self-assessment. 3. The motion of payment for the service of the certified public accountants for certification of the Company in 2023. 4. Passed the motion of endorsement and guarantee in favor of Centruy Nova Steel Co., Ltd. 5. Passed the amendment of "Articles of Incorporation". 6. The motion of the retirement of the Chief Financial Officer, Chief Accountant, and spokesperson and a change in the spokesperson.	Passed by all attending members of the Audit Committee
2023.04.14	2 nd Meeting in 2023	The motion of authorizing the Chairman to establish overseas subsidiaries within the limit of USD 30 million.	
2023.05.04	3 rd Meeting in 2023	1. Passed the motion of endorsement and guarantee in favor of Centruy Nova Steel Co., Ltd.	
2023.08.03	5 th Meeting in 2023	1. Passed the motion of the consolidated financial statements of the Company covering 2023 Q2.	
2023.11.03	6 th Meeting in 2023	1. Passed the motion of investment of USD 30 million for the acquisition of subsidiary by the Company. The motion of 100% of the equity of FROCH AFRICA CO., LTD. 2. Passed the motion of the amendment to the "Articles of Incorporation" of the Company.	
2023.12.14	7 th Meeting in 2023	1. Passed the motion of endorsement and guarantee in favor of Centruy Nova Steel Co., Ltd.	

(2) Other than those described above, there is not any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors.

II. Avoidance of involvements in interest-conflicting motions by independent directors, including details such as the name of independent director, the motion, the nature of conflicting interests, and the voting process: None of the Company's independent directors was required to avoid interest-conflicting motion.

III. Independent Directors' Communication with the Chief Internal Auditor and CPA (Include

the Communications for the major issues, means, and results over the Company's Financial and Business Situations:

1. Independent directors and the Chief Internal Auditor have communicated on audit issues for the current year.
2. CPAs and independent directors have communicated on the scope of financial planning, key audit issues, and regulation updates.

Date	Mode of communication	Topics for communication with the Chief Internal Auditor	Topics for communication with the certified public accountants for certification
2023/01/30	Exclusive panel discussion	Report on the pursuit of internal audits in December 2022 →noted and as stated, no other opinions.	-
2023/02/21	Exclusive panel discussion	Report on the pursuit of internal audits in January 2023 →noted and as stated, no other opinions.	-
2023/03/14	Exclusive panel discussion	Report on the pursuit of internal audits in February 2023 →noted and as stated, no other opinions.	A. Audit findings in 2022 and communication on the modified items →No adverse opinion B. The update of applicable laws governing finance and accounting → noted and as stated, no other opinion. C. Discussion on the latest topics → noted and as stated, no other opinion.
2023/03/14	Audit Committee	A. The pursuit of the Audit Plan for 2022 Q4 B. Report on Special Audit – Occupational Safety and Health Management →No adverse opinion	A. Auditors Report on audit findings and modified items in 2022. →No adverse opinion
2023/04/14	Exclusive panel discussion	Report on the pursuit of internal audits in March 2023 →noted and as stated, no other opinions.	-
2023/05/09	Exclusive panel discussion	Report on the pursuit of internal audits and report on corrective action addressing to audit defects in April 2023 →noted and as stated, no other opinions.	-
2023/05/09	Audit Committee	A. The pursuit of the Audit Plan for 2023 Q1 B. Report on Special Audit – analysis of capacity expansion and productivity of equipment and the volume of purchase orders →No adverse opinion	
2023/06/15	Exclusive panel discussion	Report on the pursuit of internal audits in May 2023 →noted and as stated, no other opinions.	-

2023/07/19	Exclusive panel discussion	Report on the pursuit of internal audits in June 2023 →noted and as stated, no other opinions.	-
2023/08/09	Exclusive panel discussion	Report on the pursuit of internal audits in July 2023 →noted and as stated, no other opinions.	A. Review result in 2023 Q2 →No adverse opinion B. Update of the topics of related administrative orders → noted and as stated, no other opinion. C. 2023 Audit Plan Update → noted and as stated, no other opinion.
2023/08/09	Audit Committee	A. The pursuit of the Audit Plan for 2023 Q2 B. Report on Special Audit – analysis of the power consumption of optoelectronic equipment. →No adverse opinion	A. Auditors Review Report in 2023 Q2. →No adverse opinion
2023/09/12	Exclusive panel discussion	Report on the pursuit of internal audits in August 2023 →noted and as stated, no other opinions.	-
2023/10/17	Exclusive panel discussion	Report on the pursuit of internal audits in September 2023 →noted and as stated, no other opinions.	-
2023/11/08	Exclusive panel discussion	Report on the pursuit of internal audits in October 2023 →noted and as stated, no other opinions.	-
2023/12/22	Exclusive panel discussion	Report on the pursuit of internal audits in November 2023 →noted and as stated, no other opinions.	-
2023/12/22	Audit Committee	A. The pursuit of the Audit Plan for 2023 Q3 B. Report on Special Audit – The cause of downgrade items, corrective action, and follow up the result. →No adverse opinion	-

Result of communication: The above has been reviewed or approved by the Audit Committee. The Independent Directors hold no adverse opinion.

(3) Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Practice Principles for TWSE/TPEX Listed Companies?"	✓		The Company's "Corporate Governance Principles" was passed during the Board of Directors meeting held on December 17, 2015, and was disclosed on the Company website and MOPS website.	No Deviation
II. Shareholding Structure and Shareholders' Privileges				
(I) Has the Company created a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations, and enforced them accordingly?		✓	(I) The Company has established the positions of spokesperson and acting spokesperson, and has also delegated professional share registration and investor service agents, "Investor Service Department of KGI Securities," to handle the queries and suggestions of shareholders. If a legal issue is concerned, the Company will appoint lawyers or legal professionals to handle the matters.	(I) No Deviation
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(II) The Company has delegated a professional share registration and investor service agent to handle share registration and transfer, and has appointed designated personnel to handle the declaration of changes in shareholding of insiders and shareholders. The status of shareholding of the shareholders is kept under control.	(II) No Deviation
(III) Has the Company established and implemented risk management practices and firewalls between the Company and related companies?	✓		(III) The authority and responsibility of asset and financial management between the Company and its affiliates are clearly defined. Any business transaction between the Company and its affiliates shall be deemed a transaction with an independent 3rd party. The Company has instituted the "Internal Control System Operation Procedure" and related regulations as guidance for regulating the control of the 9 major transaction cycles, such as sale and revenue, and the supervision and management of the subsidiaries for the proper pursuit of risk control and firewall mechanism over the affiliates/subsidiaries.	(III) No Deviation

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	✓		(IV) The Company has instituted the “Procedure for Handling Material Inside Information and Prevention of Insider Trade” for the governance of personnel of the Company and those who access information of the Company due to functions performed or controlling relations. Any act entailing insider trade will be prohibited. The Company also provides education for Directors, managers, and employees on the prevention of insider trade and other applicable legal rules at the time of orientation or through on-the-job training. In addition, the Company organizes training for Directors, managers, and employees in the prevention of insider trade and other applicable legal rules at least once a year. The Company has provided education and training for the Directors, Managers, and employees in different classes from November 3, 2023 to November 30, 2023 with 398 participants by head count.	(IV) No Deviation
III. Composition and Responsibilities of the Board of Directors (I) Has the Board devised diversity policies and specific management goals and implemented these policies?			The Company has fortified the function of the Board through the policy of diversity of the Board as stated in Chapter 3 of the “Code of Practice on Corporate Governance”. The nomination and election of the members of the Board of the Company was made in conformity to the internal code of the Company where the candidate nomination system is adopted. Further to the education and work experience of the candidate, the Company also assures the diversity and independence of the members in accordance with the “Regulations Governing the Election of Directors” and the “Code of Practice on Corporate Governance”.	(I) No Deviation

		✓	<p>1. The goal of diversity of the Board members:</p> <p>(1) The members of the Board shall be specialized in the knowledge related to the steel and iron industry, management, accounting, and finance, and also the competent in leadership and decision-making, operation judgment, corporate management, financial analysis, crisis management, industry specialization, and international market.</p> <p>(2) At least half of the members of the Board who do not hold positions as employees or managers of the Company for achieving the goal of monitoring.</p> <p>(3) Each Independent Director shall not hold more than 3 terms of office for assuring the status of independence.</p> <p>(4) At least 1 seat of the Directors shall be reserved for female.</p> <p>2. The attainment of the goal of diversity of the Board members:</p> <p>(1) In the regular session of the Shareholders' meeting in 2022, 9 Board members were elected (including 4 Independent Directors). They were complementary in performing the functions of the Board in terms of professional competence in industry experience, finance and banking, accounting, and law.</p> <p>(2) There are 4 Independent Directors on the Board and 1 Institutional Director. They do not hold positions as employees or managers to achieve the purpose of monitoring.</p> <p>(3) None of the 4 Independent Directors has assumed office for more than 3 terms. Meet the policy objective of diversity of Board members.</p> <p>(4) One of the Independent Director is female, which made the proportion of female Independent Director at 11% of all from 0%.</p>	
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other		✓	(II) The Company established the "Corporate Sustainable Development Committee" in October 2014 to create	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
functional committees at its own discretion?			a sound corporate management system, strengthen the management mechanism, and pursue corporate social responsibility and sustainable corporate development. The Chairman, Mr. Ping-Yaiao Chang, serves as the Director-General of the committee. The head of human resources serves as the convenor and a member responsible for tracking the performance of corporate governance, corporate social responsibility, and ethical corporate management, and reporting the results to the Board.	(II) No Deviation
(III) Has the Company established a set of policies and assessment tools for assessing Board performance, and conducted performance assessment on yearly basis? Are performance assessment results reported to the Board of Directors and used as reference for compensation, remuneration, and nomination decisions?		✓	(III) The Company has defined the performance goal for the realization of corporate management so as to enhance the function and operational efficiency of the Board, and has resolved to pass the motion of the institution of “Regulations Governing the Evaluation of Board Performance” pursuant to Article 37 of the Corporate Governance Best-Practice Principles for TWSE and TPEX Listed Companies. The Corporate Governance Officer of the Company collects information on the activities of the Board, fills in related questionnaires, and keeps records on the evaluation results. The results will be reported to the Board for review and improvement. Evaluation by an external team of scholars and experts will be conducted once every 3 years on the performance of the Board of the Company. The team will compile an analysis report on external evaluation.	(III) No Deviation

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			<p>Evaluation will be conducted by external scholars and experts once every 3 years:</p> <p>The last evaluation by experts was held in September 2022. The “Taiwan Investor Relations Institute” was delegated to conduct an evaluation of the Board on its performance in the period of December 2021 to November 2022. An evaluation report was presented in January 2023.</p> <p>Taiwan Investor Relations Institute (TIRI) was delegated to conduct “Evaluation of Board Performance” in 2022. TIRI and its staff hold an objective attitude toward the Company without affecting its status of independence. They conducted an evaluation of the five dimensions of the organization of the Board and professional development, the quality of decision-making of the Board, the performance of the Board’s function, internal control and risk management, and the participation of the Board in corporate social responsibility. The evaluation was conducted through the review of documents provided by the Company, self-assessment questionnaire, and interview via videoconferencing.</p> <p>TIRI has dispatched a team of three members, Chung-Lin Kuo, Shih-Hsiung Chien, and Huei-Yee Cheng, who are fully independent, to review the operation of the Board. This team has objectively and professionally examined the Board’s performance through supervision and exchange, and produced a report. The Company has taken the recommendations presented by this team in the report as a reference for the continued improvement of Board functions, and reported to the Board in the session on March 14, 2023.</p> <p>Conclusion and recommendations, and the state of improvement in 2023:</p> <p>(1) Establishment of functional committees under the Sustainable Development Committee.</p> <p>→ The Company has established the “Corporate Sustainable Development Committee” in October 2015. Chairman Ping-Yiao Chang acts as the Director-General. The head of human resources acts as the convenor and a member. The team leaders are the executive members of the committees. Status reports on the works have been presented to the Board in the sessions on March 14, May 9, August 9, and November 8 in 2023.</p>	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			<p>(2) Sustainability reports are prepared in accordance with the GRI Guidelines issued by the Global Sustainability Reporting Institute (GRI). → The company's 2022 Corporate Sustainability Report was compiled and announced in June 2023. It was written in accordance with the latest GRI Standards and has not been confirmed by a third-party verification unit. This year's corporate sustainability report is expected to be compiled and announced in June 2024. It is written in accordance with the latest GRI Standards and has not yet been confirmed by a third-party verification unit.</p> <p>(3) Formulate a policy for diversity of Board members. → The company elected a total of 9 directors (including 4 independent directors) at the 2022 General Meeting of Shareholders, with diverse and complementary industrial experience and professional capabilities in finance, accounting, and law, etc. The Board of directors includes 1 female independent director, and the proportion of female directors has increased from 0% to 11%. Moreover, the terms of the 4 independent directors shall not exceed three terms, which was in line with the management objectives of the Board diversity policy.</p> <p>(4) Formulate succession plans for Board members and key management. → The company regularly formulates director training plans based on the company's size, business, future strategic development and planning, and taking into account the professional knowledge required by the company's directors. The company's management levels have individual and clear job plans and designated agents. Through professional courses, the assignment and promotion of important projects and tasks, experience and rotation in different professional fields, the expansion of management scope and the formulation of company operating policies Participation. In order to facilitate the succession planning of important management levels, we cultivate leadership talents with strategic planning, decision-making ability, team leadership and humanistic care, and then evaluate successor candidates.</p>	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			<p>(5) The formulated risk management policies and procedures were approved by the Board of directors. → The company has invited external experts to provide guidance and formulate relevant risk management policies or strategies.</p> <p>(6) Independent communication between independent directors, internal audit supervisors and accountants. → Please refer to page 28 for the communication situation between independent directors, internal audit supervisor and accountants.</p> <p>(7) Conduct regular internal performance reviews on functional committees.</p> <p>(I) For the realization of corporate governance and upgrade of the function of the Board, the Company has instituted the “Regulations Governing the Evaluation of Board Performance” on December 10, 2020 at the resolution of the Board. Under the Regulations, the Board and the functional committees shall conduct an internal evaluation on performance at least once a year. The result of the internal evaluation of the Board and the functional committees in the current year (2023) was reported to the Board on May 9, 2024.</p> <p>(II) The scope of the evaluation of the performance of the Board and the functional committees covers the Board as a whole, individual Board members, and respective functional committees. The evaluation was carried out with items and indicators and scoring standards in conformity to the Regulations Governing the Evaluation of Board Performance.</p> <p>(A) Evaluation of the Performance of the Board of the Company</p> <p>1. The items of assessment cover the following dimensions:</p> <ol style="list-style-type: none"> Level of participation in the operation of the Company. The upgrade of the decision-making quality of the Board. The organization and structure of the Board. The election and continuing education of the Directors. Internal Control. 	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>2. The result of internal evaluation of Board performance of the Company in 2023 is shown below:</p> <p>(1) Period of evaluation: January 1, 2023 to December 31, 2023.</p> <p>(2) Scoring standard: The total scoring of each item at 80% or higher is regarded as “Good”. Scoring of 60% to 80% is regarded as “Acceptable”, and scoring below 60% is regarded as “Poor”.</p> <p>(3) Result of evaluation: The overall scoring of the performance of the Board is “Good.”</p> <p>(B) (Self) Assessment of individual Board members</p> <p>1. The items of assessment cover the following dimensions:</p> <p>a. Comprehension of the objective and mission of the Company.</p> <p>b. Understanding of the duties of Director.</p> <p>c. Level of participation in the operation of the Company.</p> <p>d. Cultivation of relations inside the Company and communications.</p> <p>e. Specialization and continuing education of the Directors.</p> <p>f. Internal Control.</p> <p>2. The result of Self-Assessment of individual Board members of the Company in 2023 is shown below:</p> <p>(1) Period of evaluation: January 1, 2023 to December 31, 2023.</p> <p>(2) Scoring standard: The total scoring of each item at 80% or higher is regarded as “Good”. Scoring of 60% to 80% is regarded as “Acceptable”, and scoring below 60% is regarded as “Poor”.</p> <p>(3) Result of evaluation: The overall scoring of the self-assessment of Board members is “Good.”</p> <p>(C) Evaluation of the performance of the functional committees of the Board.</p> <p>1. The items of assessment cover the following dimensions:</p> <p>a. Level of participation in the operation of the Company.</p> <p>b. Understanding of the duties of the functional committees.</p> <p>c. Upgrade the decision-making quality of the functional committees.</p> <p>d. The organization and structure of the functional committees.</p> <p>e. Internal Control.</p>	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			<p>2. The result of internal evaluation of performance of the functional committees of the Company in 2023 is shown below:</p> <p>(1) Period of evaluation: January 1, 2023 to December 31, 2023.</p> <p>(2) Scoring standard: The total scoring of each item at 80% or higher is regarded as “Good”. Scoring of 60% to 80% is regarded as “Acceptable”, and scoring below 60% is regarded as “Poor”.</p> <p>(3) Result of evaluation: The overall scoring of the performance of the the Audit Committee and Remuneration Committee is “Good.”</p> <p>(III) The above evaluation result will be served as a reference for the election of Board members or the nomination of Independent Directors of the members of the functional committees in accordance with Article 8 of the Board of Directors and Functional Committees Performance Evaluation Standard of the Company.</p> <p>(8) Establishment of the Information and Communication Security Risk Management framework. The Board resolved to pass the Regulations Governing Information and Communication Security Control and Information and Communication Security Risk Management Framework on November 8, 2023</p> <p>(9) The Intellectual Property Management Plan is underway.</p> <p>(10) The requirement of no stock trade for the Directors in the closing period was added to the Code of Practice on Corporate Governance. The Board passed the amendment to the “Procedure for Handling Material Inside Information and Prevention of Insider Trade” on November 8, 2023, which included (without limitation to) the prohibition of Directors in stock trade in the closing period of 30 days prior to the day of financial reporting and 15 days prior to the quarterly financial reporting day. In addition, trading of shares or other equity securities issued by the Company at the exchange or OTC market in the names of the Directors or the name of a third party before going public or within 18 hours after going public is also prohibited. The Company will alert the Directors and insiders of the closing period and the avoidance of trading stocks in their holding via email or communication software 20 days prior to the quarterly financial reporting day and 35 days prior to the annual financial reporting day.</p>	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(11) Assess the independence and competence of the certified public accountants retained as independent auditors with reference to the Audit Quality Indicators (AQI). A report on the independence of the certified public accountants retained as independent auditors was compiled on the basis of the assessment of the the certified public accountants with reference to the AQI on March 13, 2024.</p> <p>(12) The unaudited financial statements of the year were declared within 75 days after the end of the year after passing by the Board. Announcement and declaration of financial statements of 2023 has been made on March 13, 2024.</p> <p>(13) Planning for the time and key motions for the Board in the new fiscal year at an earlier time. The attendance of the Directors to Board meeting in 2023 was 98.6%. The schedule of the sessions of the Board in 2024 was presented to the Board on December 22, 2023 for distribution to the Directors.</p>	

(IV) Are external auditors' independence assessed on regular basis?			(IV) For assuring the independence of the certified public accountants retained as independent auditors and the reliability of financial reporting, the Finance Department conducted an assessment on the independence and competence of these certified public accountants pursuant to Article 47 of the Certified Public Accountant Act and the professional code of conduct and the AQI disclosure framework and samples once a year:	(IV) No Deviation																																
	✓		<table><tr><th>Item</th><th>Indicator</th><th>Key Content</th><th>Assessment Result</th></tr><tr><td rowspan="4">Dimension 1</td><td rowspan="4">Professional standing</td><td>Audit experience</td><td rowspan="4">The CPA office and the audit service team is well experienced for the job, and the training of these personnel has met the requirement of the Company in audit.</td></tr><tr><td>Training hours</td></tr><tr><td>Turnover rate</td></tr><tr><td>Professional support</td></tr><tr><td rowspan="4">Dimension 2</td><td rowspan="4">Quality control</td><td>The workload of the CPAs</td><td rowspan="4">The CPA office and the audit service team did not fail to control the quality of rendering audit service to the Company because of having too many cases for service.</td></tr><tr><td>Indulgence in the audit</td></tr><tr><td>Engagement quality control review (EQCR)</td></tr><tr><td>Quality support capacity</td></tr><tr><td rowspan="2">Dimension 3</td><td rowspan="2">Independence</td><td>Non-audit service</td><td rowspan="2">Conflict of interest/existence of potential incident/appointment to defend the Company/excessive affiliation/possible threat of the Company that affects the independence in audit simply does not exist between the audit team and the Company.</td></tr><tr><td>Excessive affiliation with customers</td></tr><tr><td rowspan="2">Dimension 4</td><td rowspan="2">Supervision</td><td>Disciplinary action on defective external audit</td><td rowspan="2">The CPA office and the audit team has not been punished by the competent authority regularly. The repetition of penalty is similar to or lower than the industry standard.</td></tr><tr><td>Letter from the competent authority urging for rectification</td></tr><tr><td>Dimension 5</td><td>Innovation capacity</td><td>Innovative planning or advocacy</td><td>The CPA office and the audit team made use of the cloud audit platform, tools, and applied digital know-how and audit support center to upgrade the overall audit quality and efficiency.</td></tr></table>	Item	Indicator	Key Content	Assessment Result	Dimension 1	Professional standing	Audit experience	The CPA office and the audit service team is well experienced for the job, and the training of these personnel has met the requirement of the Company in audit.	Training hours	Turnover rate	Professional support	Dimension 2	Quality control	The workload of the CPAs	The CPA office and the audit service team did not fail to control the quality of rendering audit service to the Company because of having too many cases for service.	Indulgence in the audit	Engagement quality control review (EQCR)	Quality support capacity	Dimension 3	Independence	Non-audit service	Conflict of interest/existence of potential incident/appointment to defend the Company/excessive affiliation/possible threat of the Company that affects the independence in audit simply does not exist between the audit team and the Company.	Excessive affiliation with customers	Dimension 4	Supervision	Disciplinary action on defective external audit	The CPA office and the audit team has not been punished by the competent authority regularly. The repetition of penalty is similar to or lower than the industry standard.	Letter from the competent authority urging for rectification	Dimension 5	Innovation capacity	Innovative planning or advocacy	The CPA office and the audit team made use of the cloud audit platform, tools, and applied digital know-how and audit support center to upgrade the overall audit quality and efficiency.	
Item	Indicator	Key Content	Assessment Result																																	
Dimension 1	Professional standing	Audit experience	The CPA office and the audit service team is well experienced for the job, and the training of these personnel has met the requirement of the Company in audit.																																	
		Training hours																																		
		Turnover rate																																		
		Professional support																																		
Dimension 2	Quality control	The workload of the CPAs	The CPA office and the audit service team did not fail to control the quality of rendering audit service to the Company because of having too many cases for service.																																	
		Indulgence in the audit																																		
		Engagement quality control review (EQCR)																																		
		Quality support capacity																																		
Dimension 3	Independence	Non-audit service	Conflict of interest/existence of potential incident/appointment to defend the Company/excessive affiliation/possible threat of the Company that affects the independence in audit simply does not exist between the audit team and the Company.																																	
		Excessive affiliation with customers																																		
Dimension 4	Supervision	Disciplinary action on defective external audit	The CPA office and the audit team has not been punished by the competent authority regularly. The repetition of penalty is similar to or lower than the industry standard.																																	
		Letter from the competent authority urging for rectification																																		
Dimension 5	Innovation capacity	Innovative planning or advocacy	The CPA office and the audit team made use of the cloud audit platform, tools, and applied digital know-how and audit support center to upgrade the overall audit quality and efficiency.																																	
			As assessed by the Finance Department of the Company, Chien-Chen Su, CPA, Shao-Chun Wu, CPA and other members of the audit team did not act in defiance of the principle of independence or being																																	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			significantly incompetent, and have met the independence and competence standard of the Company. They are well qualified to act as the independent auditors for the Company. The Finance Department has presented the 2023 assessment report to the Audit Committee and the Board for finalization on March 13, 2024.	
IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of Board meetings and shareholder meetings, and preparation of Board/shareholder meeting minutes)?			<p>The Company has established the position of Corporate Governance Officer on March 23 2021. Manager Wen-Chi Chang of Finance Department was appointed as the Corporate Governance Officer of the Company by the 14th term of the Board in its 22nd session dated June 9 2022.</p> <p>The primary function of the Corporate Governance Officer:</p> <p>(I) Administer the convention of the Board and Shareholders' meeting and related matters as required by law.</p> <p>(II) Compilation of the minutes of Board meeting and Shareholders' meeting on record.</p> <p>(III) Assist the Directors in assumption of office and continuing education.</p> <p>(IV) Provide information and materials for the Directors pertinent to their assigned duties.</p> <p>(V) Assist the Directors in matters pertinent to law and compliance.</p> <p>(VI) Other tasks as specified in the Articles of Incorporation of the Company or agreement.</p> <p>The performance of duties in 2023:</p> <p>(I) Assistance to the Directors in performing their assigned duties, and supply them with the required information and arrangement of continuing education:</p> <ol style="list-style-type: none"> 1. Keep track on the latest development of the regulatory environment related to corporate management and corporate governance with routine update. 2. Provide the Directors with the required information on the Company, assure smooth communication between the Directors and the function heads, and review the level of classification of related information. 3. Assist to arrange meetings for the Independent Directors, Chief Internal Auditor, and the independent auditors for understanding of the financial position and operation of the Company. 	

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
	✓		<p>4. Assist the Directors in the annual planning of continuing education and course arrangement.</p> <p>(II) Assistance to the Board and Shareholders' meeting in the aspect of compliance in the meeting procedure and resolution.</p> <p>1. Report to the Board, Independent Directors, and Audit Committee on the status of corporate governance and assure that the Shareholders' meeting and the Board convene in compliance with applicable laws and the Code of Practice on Corporate Governance.</p> <p>2. Assist and remind the Directors on the law to be observed in performing their assigned duties or formal decision-making in the sessions of the Board.</p> <p>(III) Prepare the agenda for the meetings of the Board and notify the Directors 7 days beforehand. Call for the meetings of the Board and provide meeting materials. Give reminders to Directors on recusal from motions that entail conflict of interest, and complete the compilation of the minutes of Board meeting on record within 20 days after the meeting.</p> <p>(IV) Registration of the date of Shareholders' meeting in advance as required by law, production of meeting notice, meeting handbook, minutes of meeting on record and registration on any amendment to the Articles of Incorporation or election of Directors within the mandatory time limit.</p> <p>(V) Other tasks as specified in the Articles of Incorporation of the Company or agreement were accomplished.</p> <p>Hours of continuing education of the Corporate Governance Officer in 2023: Initial term of office: 18 hours in the 1st year is required, which have been completed.</p> <p>2022/07/13 2 hours TWSE and TPEX Advocacy of Sustainable Development Road Map and Topics on Industry</p> <p>2022/10/28 3 hours Securities and Futures Institute Advocacy of Prevention of Insider Trade in 2022</p> <p>2023/04/20 12 hours Accounting Research and Development Foundation Continuing Education for Chief Accounting Officers of Securities Issuers, Securities Dealers and Securities Exchange</p> <p>2023/05/19 Accounting Research and Development Foundation The update policy and legal rules governing corporate governance and common defects</p>	No Deviation

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers, and suppliers)?	✓		<p>The Company values the rights and comments of the stakeholders and has arranged a special area for stakeholders on the official website. The Company has also established the positions of spokesperson and acting spokesperson as the channels for communication with outsiders. The stakeholders may communicate with the functional departments with business transactions such as the sales division, financial department, and purchase department. The Company can and will properly respond to the stakeholders on concerned topics, including sustainable development.</p> <p>[Related channels for communication]</p> <p>Investor relation: spokesperson hsin-ta.chang@froch.com Customers: Marketing Division, marketing@froch.com Suppliers: Purchase Division, suppliers@froch.com Employees: Administration Department, humanresources@froch.com</p> <p>Topics to the concern of stakeholders will be responded by designated personnel.</p> <p>No feedback from the stakeholders in 2023 The Corporate Governance Officer has reported to the status of implementation to the Board on May 9, 2024.</p> <p>The status of implementation was disclosed on the pages of the website.</p>	No Deviation

Assess Criteria		Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
		Yes	No	Summary	
Stakeholders to the Company include shareholders, customers, suppliers, and employees. Stakeholders may use the functional departments for business transactions as channels for communication, such as the Business Division, Finance Department, and Purchase Department, for the ongoing smooth operation with the Company. The Company seeks to maintain a positive relationship with its stakeholders and has established the positions of a spokesperson and an acting spokesperson as channels for communication. The methods of contact are shown below:					
Stakeholders	Degree of Importance	Topics of Concern	Communication Channels and Frequency	Track of Record	Channels
Customers	We value customer satisfaction, and will provide high quality products to create value for the customers.	<ul style="list-style-type: none">• Economic performance• Customer health and safety• Marketing and labeling• Customer privacy• Brand management• Product and service innovation	<ul style="list-style-type: none">• Customer satisfaction survey (annually)• Visit customers or reception for customer visit (as needed)• Overseas exhibition (from time to time)• Customer/suppliers areas established at the official website	<ul style="list-style-type: none">• The customer satisfaction survey result indicated satisfaction at 98.72%. The Company has established the window for customer service, and will respond to the needs and expectation of the customers properly. The result will be reported to the monthly business meeting• Substantive result in 2023: (1) Customer satisfaction is congruent with the annual objective of ISO 9001 (2) Cases of customer complaint are congruent with the annual objective of ISO 9001 (3) Delivery of purchase orders is congruent with the annual objective of ISO 9001.	<ul style="list-style-type: none">• Marketing Division: Telephone: 05-5576868• Service Email: marketing@froch.com• Customer inquiry hotline: 0800-556888-9
Investors	The support of the customers is the driving force for the sustainable development of an enterprise. Therefore, we shall protect the right of the investors and establish a viable governance system with sustainable corporate development.	<ul style="list-style-type: none">• Product and service innovation• Economic performance• Marketing and labeling• Ethical corporate management• Law and compliance• Sustainable supply chain management• Reduce the waste of resources• GHG management• Water resources management	<ul style="list-style-type: none">• Regular session of Shareholders’ meeting (annually)• Institutional Investor Conference (annually)• Annual Report and Financial Statements Disclosure (Annually and quarterly)• Disclosure at MOPS website (from time to time)• Designated email IP and contact telephone number	<ul style="list-style-type: none">• Shareholders’ meeting convened in regular session on June 15, 2023• Participated in the online institutional investor conference held by KGI Securities on June 8, 2023• Quarterly disclosure of reviewed/audited financial statements• Announcement of revenue status annually at MOPS website• Disclosure of 28 pieces of material information at MOPS website	<ul style="list-style-type: none">• Service Email: Spokesperson: hsin-ta.chang@froch.com• Acting Spokesperson: Kuei-Ling.liao@froch.com Telephone: 05-5571-668#626• Share registration and investor service agent KGI Securities Telephone: 02-23892999• The Corporate Governance Officer: Telephone: 05-5571-668#621 Email: governance@froch.com

Assess Criteria			Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
			Yes	No	Summary	
Stakeholders	Degree of importance	Topics of concern	Communication channels and frequency		Track of record	channels
Suppliers	Indispensable partners on the road to sustainable corporate development	<ul style="list-style-type: none"> • Purchase in practice • Economic performance • Sustainable supply chain management • Customer health and safety 	<ul style="list-style-type: none"> • Supplier evaluation (annually) • Undertaking of business ethics and integrity • Visit to suppliers (from time to time) • Customer/suppliers areas established at the official website 		<ul style="list-style-type: none"> • The Company evaluates the suppliers at regular intervals. In the event of material breach of the code of conduct, the Company will reduce the purchase from the supplier as a penalty until corrective action has been taken. • The Company Is on good terms with the suppliers in the long run, and the product and service of the Company rely on the stable supply of raw materials, parts, and components from several suppliers. In addition, the Company will also make use of its influence in the industry to work in cooperation with the supplying partners in the prevention of pollution to the environment, and violation of labor human rights. 	<ul style="list-style-type: none"> • Purchase Division: Telephone: 05-5571-3099 #561 Email: suppliers@froch.com
Employees	Employees are vital for the operation and sustainable development of the Company	<ul style="list-style-type: none"> • Occupational safety and health • Labor-management relations • Law and compliance 	<ul style="list-style-type: none"> • Information on announcement and notices will be disclosed on the official website of the Company and the personal email of the employees (from time to time) • Meeting of the Employee Welfare Committee (4 times a year) • The Occupational Safety and Health Committee meeting at each plant site (4 times a year) • Labor-Management Meeting at each plant site (4 times a year) • Medical service by physicians at the plant site (routine) • Education of new knowledge in healthcare by in-house nurses at the plants (from time to time) • Complaint hotline 		<ul style="list-style-type: none"> • Employee Welfare Committee convened 4 times • Occupational Safety and Health Committee convened 4 times • Labor-Management Meeting convened 4 times • Medial attention and health consultation service once a month • Education by in-house nurses of the plant provided 6 times a year • No suggestion and complaint was heard in this year 	<ul style="list-style-type: none"> • Administration Department Telephone: 05-5571-667#501 Email: community@froch.com

Assess Criteria			Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
			Yes	No	Summary	
Stakeholders	Degree of	Topics of concern	Communication channels and		Track of record	channels
Government Institutions	Complying with applicable legal rules and policy requirement of the government	<ul style="list-style-type: none"> Occupational safety and health Reduce the waste of resources Human right assessment Forced or compulsory labor Customer health and safety 	<ul style="list-style-type: none"> Law and compliance Document correspondence Meeting of competent authority on policy advocacy 		<ul style="list-style-type: none"> Participation in the conference and training of the advocacy of law with 657 participants by head count for a total of 2,498 hours. 	<ul style="list-style-type: none"> Finance Department Telephone: 05-5571-668#621 Email: finance@froch.com Administration Department Telephone: 05-5571-667#501 Email: administra@froch.com
Community and Private Organizations	The Company persists in making efforts in social charity and advocating environmental protection for the perpetual circulation of positive force in society under the principle of taking from society and giving back to society.	<ul style="list-style-type: none"> Water resources management Corporate citizen and charity Local community 	<ul style="list-style-type: none"> Visit to the local official representatives by designated personnel (from time to time) Participation in community events Participation in charity events 		<ul style="list-style-type: none"> Organization of/Participation in community events Spending on charity events and donation amounting to NT\$1,026,000 	<ul style="list-style-type: none"> Administration Department Telephone: 05-5571-667#501 Email: administra@froch.com

Channel for Reporting and Grievance Addressing	This channel was established for the pursuit of the ethical code of conduct and ethical corporate management policy of the Company for assuring sustainable development.	<p>Any question and comment from the stakeholders are welcome. We shall explain to you in sincerity Stakeholder hotline: 0800-556888-9 Email: assist.president@froch.com</p> <p>Regulations of Froch Enterprise Co., Ltd. Governing the Processing of Reporting on Illegal, Immoral or Unethical Practices</p> <p>I. (Base) This set of Regulations is instituted for the proper pursuit of the ethical code of conduct and ethical corporate management policy of the Company for assuring sustainable development. Therefore, all insiders and outsiders are encouraged to report any act of defiance against the law, moral code, and ethical corporate management principle.</p> <p>II (Purpose) The system of grievance redress mechanism was established for hearing the complaints from insiders and outsiders as a means for the proper pursuit of the moral code and ethical corporate management principles established by the Company, and assuring the legitimate rights of the informants and parties concerned.</p> <p>III. (Channels for Reporting) If any act of defiance against the “ethical corporate management best-practice principles,” “code of conduct” or applicable laws was discovered, report to the designated body of Company through the following channels. Email for reporting: assist.president@froch.com Reporting hotline 0800-556888-9 Report in writing: send to “Office of the President, No. 122, Gongye Road, Douliu Industrial Park, Yunlin County.”</p> <p>IV. (Processing Procedure)</p> <ol style="list-style-type: none">1. The informant shall report in real name through the channels specified in Article III of the Regulations, and provide adequate information to facilitate the investigation (including the name of the party concerned, the department, the title, the date of the incident and the detail). Any report without real name will not be accepted. If the content of the report entails an investigation, the case will be referred to relevant departments for further action and will be listed as reference for review in internal control.2. The “Office of the President” is the designated body for responding to complaints. If the report of the complaints involves a Director or a senior executive, the case will be reported to the level of Independent Directors.3. If the case is proven to be true, the accused will be subject to disciplinary action by the Company or punishment by law. The Company will allow the accused to explain or file a complaint before making a decision on punishment. If the designated body for responding to reports and complaints discovers a material breach of the internal code of the Company or an incident that may inflict material damage to the Company during the investigation, it will compile the findings into a report and inform the Independent Directors in writing.4. If the personnel of the designated body decline to respond without justifiable reason, or the supervisor of the accused has acknowledged the illegal, immoral, or unethical practice of the accused but failed to take proper action before the complaint was heard, the parties concerned will be subject to disciplinary action under the internal code of the Company.5. The Company will keep the identity of the informants or the personnel participating in the investigation and the content of investigation in strict confidence to avoid unfair or retaliatory action to these persons. If the parties concerned face unfair treatment or retaliation or other similar action due to the act of reporting the incident or participating in the investigation, they are urged to report to the designated body.6. The acceptance of the report, the investigation process, and the findings will be tracked on record in hard copy or soft copy, which will be kept safely in due diligence.7. If the incident being reported has been proven to be true, and the reporting of this incident entails significant contribution or economic benefit to the Company, the informants shall be appropriately rewarded by the President under special petition. <p>V. (Miscellaneous) Anything not mentioned in the Regulations shall be governed by applicable laws and other internal rules and regulations of the Company.</p> <p>VI. (Implementation) The designated body of the Company charged with grievance redress mechanism shall report to the Board on the complaint or incident being reported, the handling process, and review of the incident in the aftermath for corrective action.</p>		
VI. Does the Company engage a share service agency to handle shareholder meeting affairs?	✓		Shareholder meeting affairs are primarily handled by the Stock Administration Department of KGI Securities Co., Ltd.	No Deviation

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			Stock Agency Service, KGI Securities Address: 5F, No. 2, Chongqing South Road Section I, Taipei Telephone: (02)23892999	
VII. Information Disclosure				
(I) Has the Company established a website that discloses financial, business, and corporate governance-related information?	✓		(I) The Company has a website that promptly discloses financial information, Board decisions, and stakeholders' information to investors and the general public.	(I) No Deviation
(II) Has the Company adopted other means to disclose information (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of institutional investor conferences via the Company website)?	✓		(II) The Company has appointed a designated body to collect and disclose related information. The Company has also established the system of spokesperson responsible for the disclosure of material inside information of the Company as required by law. The Company has been invited to the online institutional investor conference held by KGI Securities on June 8, 2023 to explain the state of operation of the Company. Related information has been posted at the MOPS website and the official website of the Company.	(II) No Deviation
(III) Does the Company publish and submit its annual financial report within two months after the end of the fiscal year, and publish and file its financial report for the first, second and third quarters and its operating situation for each month before the prescribed deadline?		✓	(III) The Company has announced and declared our annual report within the time limit (in 75 days), and also the financial reports covering Q1, Q2 and Q3 (in 45 days), and the monthly business report (10 days before each month) pursuant to Article 36 of the Securities and Exchange Act and other requirements. The Company did not announce our annual financial report within 2 months after the end of the fiscal year. The Financial Statements of 2023 has been announced and declared on March 13, 2024.	(III) Not Applicable

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
VIII.Does the Company have other information that enables a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and purchase of liability insurance for directors and supervisors)?	✓		<p>Employee rights and care:</p> <p>The Company treats the employees in good faith and protect their legitimate right under the Labor Standards Act. The Company seeks to build up positive relation with the employees under mutual trust and dependence by providing good welfare system and education and training system so that they could live in a good life.</p> <p>The Labor-Management Meeting and the Employee Welfare Committee convene once quarterly. In 2023, the Company has completed the discussion on topics of prenatal care inspection (paternal) leave, meals for the employees, domestic and overseas pleasure trips and activities, health examination for the employees.</p> <p>Investor relation:</p> <p>The Company has a spokesperson and an acting spokesperson, and has also delegated the Stock Agency Service Department of KGI Securities to respond to the questions and suggestions of the shareholders in concerted effort.</p> <p>The Company has been invited to the online institutional investor conference held by KGI Securities on June 8, 2023 to explain the state of operation of the Company. Cash dividend payment was accomplished on August 2, 2023 (at NT\$1.5/share).</p> <p>Supplier relation:</p> <p>The Company is in positive interaction with the suppliers in the long run. The product and service of the Company rely on the stable supply of raw materials, parts, and components from several suppliers. In addition, the Company will also make use of its influence in the industry to work in cooperation with the supplying partners in the prevention of pollution to the environment and violation of labor human rights.</p> <p>Stakeholder relation:</p> <p>The Company is engaged in positive interaction with major stakeholders so that they can understand the state of operation of the Company promptly. The Company can also understand the demand and expectation of the major stakeholders for timely response.</p> <p>Continuing education of the Directors:</p> <p>All Directors have participated in the “2023 Version of Corporate Governance and Evaluation of Board Performance in Practice” and the risk and prevention of the legal liability of Directors and Supervisors organized by TIRI on September 12, 2023 for 6 hours with accreditation of the training hours.</p>	No Deviation

Assess Criteria	Implementation			Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>Risk management policy and the pursuit of the risk assessment standard:</p> <p>Different internal rules and regulations have been instituted under the law for the management and assessment of different risks. For information, refer to the section of response in risk management in the 2023 Sustainability Report of the Company.</p> <p>The pursuit of customer policy:</p> <p>The Company is on good terms with the customers for creating profit for the Company. For information, refer to the section of the commitment and goal for customer relation in the 2023 Sustainability Report of the Company.</p> <p>The professional liability insurance for the protection of the Directors:</p> <p>The Board resolved to take professional liability insurance for the Directors on December 14, 2022.</p>	
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified.	Improvement instructions are shown in the table below.			

Improvement indicators	Note to corrective action for improvement
Has the Company made the policy of diversity of the Board members and disclosed the substantive management objective and the attainment of the objectives of the policy of diversity on the official website and annual report of the Company? [Priority for Corrective Action]	<p>The Company has fortified the function of the Board through the policy of diversity of the Board as stated in Chapter 3 of the "Code of Practice on Corporate Governance". The nomination and election of the members of the Board of the Company was made in conformity to the internal code of the Company where the candidate nomination system is adopted. Further to the education and work experience of the candidate, the Company also assures the diversity and independence of the members in accordance with the "Regulations Governing the Election of Directors" and the "Code of Practice on Corporate Governance".</p> <p>1. The goal of diversity of the Board members:</p> <p>(1) The members of the Board shall be specialized in the knowledge related to the steel and iron industry, management, accounting, and finance, and also the competent in leadership and decision-making, operation judgment, corporate management, financial analysis, crisis management, industry specialization, and international market.</p> <p>(2) At least half of the members of the Board who do not hold positions as employees or managers of the Company for achieving the goal of monitoring.</p> <p>(3) Each Independent Director shall not hold more than 3 terms of office for assuring the status of independence.</p> <p>(4) At least 1 seat of the Directors shall be reserved for female.</p> <p>2. The attainment of the goal of diversity of the Board members:</p> <p>(1) In the regular session of the Shareholders Meeting in 2022, 9 Board members have been elected (including 4 Independent Directors). They are complementary in performing the functions of the Board in terms of professional competence in industry experience, finance and banking, accounting, and law.</p>

	<p>(2) There are 4 Independent Directors in the Board and 1 Institutional Director. They do not hold positions as employees or managers for achieving the purpose of monitoring.</p> <p>(3) None of the 4 Independent Directors has assumed office for more than 3 terms. Meet the policy objective of diversity of Board members.</p> <p>(4) One of the Independent Director is female, which made the proportion of female Independent Director at 11% of all from 0%.</p> <p>The policy of diversity of Board members and the pursuit of policy has been disclosed on the Company website and MOPS website.</p>
Has the Company disclosed the professional qualifications and experience of the members of the Audit Committee, and gravity of work in the year and the operation? [Priority for Corrective Action]	The curriculum vitae, authority and responsibility of the Directors and the members of the functional committees, and the state of operation and the policy of diversity have been disclosed on the official website of the Company.
Has the Company disclosed the information on separate occasions of communication between the Independent Directors, Chief Internal Auditor, and the independent auditors (like the means of communication on matters pertinent to the financial reporting of the Company, the state of operation and financial position, the content of communications and the result) on the official website of the Company. [Priority for Corrective Action]	<p>Refer to p. 27–29 for information on the communication between the Independent Directors, Chief Internal Auditor, and the independent auditors (including materiality in financial position and operation of the Company, and the means and result of the communication).</p> <p>The information on the communication between the Independent Directors, Chief Internal Auditor and the independent auditors has been disclosed in the annual report and official website of the Company.</p>
Is the list of dominant shareholders disclosed on the official website of the Company, including shareholders holding more than 5% of the shares issued by the Company? If the number of such shareholders falls below 10, disclose the names, quantity and proportion of shareholding of the top 10 shareholders by proportion of shareholding. [Priority for Corrective Action]	The names, quantity and proportion of shareholding of shareholders holding more than 5% of the shares issued by the Company will be disclosed on the official website of the Company after the day of quarterly financial reporting.
Is the information on financial position, operation, and corporate governance of the Company disclosed on the official website of the Company? [Priority for Corrective Action]	The curriculum vitae, authority and responsibility of the Directors and the members of the functional committees has been disclosed on the official website of the Company.
Has the Company appointed a full-time (part-time) designated body charged with the making of ethical corporate management policy and preventive plans and supervision of policy pursuit, and disclosed the operation of the designated body and the performance on the official website and the annual report of the Company, and reported at least once a year to the Board? [Priority for Corrective Action]	The Company has appointed the General Administration Division as the designated body charged with ethical corporate management. This body will report to the Board on the progress of work for the whole year. Related information has been disclosed on the official website of the Company.
Is the information on employee welfare policies, retirement system and the implementation of these policies and systems on the official website and the annual report of the Company? (Priority for corrective action)	Is the information on employee welfare policies, retirement system and the implementation of these policies and systems on the official website and the annual report of the Company? (Priority for corrective action)
Is the information on the measures for the protection of the personal safety of the workers and the environment, and the implementation of these measures on the official website and the annual report of the Company? [Priority for corrective action]	The information on the measures for the protection of the personal safety of the workers and the environment, and the implementation of these measures has been disclosed on the official website and the Sustainability Report of the Company.
Has the Company made the policies of diversity at the workplace and the advocacy of gender equality and disclosed related information on the pursuit of these policies?	The Company has made the policies of diversity at the workplace and the advocacy of gender equality and disclosed related information on the pursuit of these policies on the official website and Sustainability Report of the Company.

Continuing education for the Directors and Independent Directors in 2023:

Date	Course name	Organizer	Members
2023/09/12	2023 Version of the Evaluation of Corporate Governance and Board Performance 3 hours	Taiwan Investor Relations Institute (TIRI)	All the Directors and Independent Directors: Ping-Yiao Chang, Hsin-Ta Chang, Tiao-Chi Yang, Chun-Chi Lee, Ching-Yang Juan, Shun-Te Wen, Ying-Fang Lee, Shu-Fu Wang, and Huei-Kuei Chen.
2023/09/12	The Legal Liability of the Directors and Supervisors and the Immediate and Prevention of Risks 3 hours	Taiwan Investor Relations Institute (TIRI)	All the Directors and Independent Directors: Ping-Yiao Chang, Hsin-Ta Chang, Tiao-Chi Yang, Chun-Chi Lee, Ching-Yang Juan, Shun-Te Wen, Ying-Fang Lee, Shu-Fu Wang, and Huei-Kuei Chen.

(4) Disclose the Composition, Responsibilities, and Functionality of the Remuneration Committee, if Available:

1. Information of Remuneration Committee Members:

Criteria Role (Note 1) Name		Professional Qualification and Experiences (Note 2)	Compliance of Independence (Note 3)	Number of Positions as Remuneration Committee Member in Other Public Companies
Independent Director (Convenor)	Shun-Te Wen	Graduated from Master of Business Administration, National Chung Cheng University. Chief of Fengyuan Branch, National Taxation Bureau of the Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance, and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.	According to the Company's "Articles of Incorporation" and the "Corporate Governance Practice Principles", directors are elected by the candidate nomination system. The company has obtained written statements, work experiences, and current incumbency certificates, and family relationship table from the candidates and verify. Not any candidate, their spouses, and relatives within second degree serves as directors, supervisors or employees of the Company or its affiliates; holds shares of the Company; serves as director, supervisor, or employee of any company that has specific relationship with the Company; receives remuneration from entities that provide business, legal, finance, accounting and other services to the Company or its affiliates in the past two years.	N/A
Independent Director	Ying-Fang Lee	Graduated from Master of Business Administration, National Chung Cheng University Director of Huwei Office, National Taxation Bureau of the Central Area, Ministry of Finance Possesses the capabilities of taxation, finance, and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.		N/A
Independent Director	Shu-Fu Wang	Graduated from Accounting Department, Feng Chia University Director of National Taxation Bureau of Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance, and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.		N/A
Independent Director	Huei-Guei Chen	Graduated from the Department of Economics, Feng Chia University Manager of Huwei Branch, Land Bank of Taiwan Possesses the capabilities of finance, leadership, and corporate governance to promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act.		N/A

Note 1: Please specify the relevant working years, professional qualifications and experiences, and independence of each member of the Remuneration Committee in the form. If they are independent directors, it can be remarked to refer to Appendix 1 on page OO for related information (1) on directors and supervisors. Please fill in the column of Role as independent directors or others respectively (if it is the convener, please add a note).

Note 2: Professional qualifications and experiences: describe the professional qualifications and experiences of individual Remuneration Committee members.

Note 3: Compliance with Independence: explain the compliance of independence of the Remuneration Committee members, including but not limited to whether themselves, their spouses, relatives within the second degree, serve as directors, supervisors or employees of the Company or its affiliates; the number of shares held and its proportion by themselves, their spouses, second degree relatives (or in the name of others); whether serve as a director, supervisor or employee in the Company's affiliates (please refer to subparagraphs 5-8, paragraph 1, Article 6 of 'Regulations Governing the Appointment and Exercise of Power by the Remuneration Committee of a Company whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange'); the amount of remuneration received from entities that provide business, legal, financial, accounting and other services to the Company or its affiliates in the last two years.

2. Functionality of the Remuneration Committee

I. The Company's Remuneration Committee consists of 4 members.

II. Service duration of the 5th committee: Between June 21, 2022 and June 20, 2025. The Remuneration Committee held 3 meetings in 2023, details of members' attendance are as follows:

Title	Name	No. of in-person attendance (B)	Attendance by proxy	In-person attendance rate (%) (B/A) (Note)	Remarks
Convener	Shun-Te Wen	3	0	100%	Re-elected on 2022/06/21
Committee Member	Ying-Fang Lee	3	0	100%	Re-elected on 2022/06/21
Committee Member	Shu-Fu Wang	3	0	100%	Re-elected on 2022/06/21
Committee Member	Huei-Guei Chen	3	0	100%	Newly elected on 2022/06/21

Other Mandatory Disclosures:

- In the event where the Remuneration Committee's proposal is rejected or amended in a Board of Directors meeting, please describe the date and session of the meeting, details of the motion, the Board's resolution, and how the Company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the Board of Directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
- Should any committee member object or express reservation to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None.
- Operation status in 2023:

Meeting (session)/date	Content of the motions	Follow-up action	Resolution of the Remuneration Committee	Response to the resolution of the Remuneration Committee
2023/03/14	The motion of the retirement of the Chief Financial Officer, Chief Accountant, and spokesperson and a change in the acting spokesperson.	The motion in the change in spokesperson The information on the change in related personnel is specified below: Acting Spokesperson – Kuei-Ling Liao, Deputy Manager Chief Financial Officer – Wen-Chi Chang, Manager Chief Accountant –	Passed as stated in the motion by all members of the Remuneration Committee.	The motion presented from the Remuneration Committee has been passed by the Board with all the Directors in session after passing by all members of the Remuneration Committee.

			Wen-Chi Chang, Manager		
			With effect on 2023/03/15.	Passed as stated in the motion by all members of the Remuneration Committee.	The motion presented from the Remuneration Committee has been passed by the Board with all the Directors in session after passing by all members of the Remuneration Committee.
	2023/06/15	Assess the remunerations to the Directors and the Managers (at the level of Vice Presidents and above) in 2022 for relevance with industry standard.	The remuneration for related personnel is only at 85% and 54% of the industry standard. The payroll scale and special bonus ratio for these personnel is justifiable for the time being, and no adjustment is necessary.	Passed as stated in the motion by all members of the Remuneration Committee.	Report to the Shareholders' meeting on 2024/06/12 on the resolution made on 2023/11/08
	2023/11/08	Discussion on the motion of the remunerations to the Directors and the managers in 2023.	According to the Articles of Incorporation of the Company, if the Company has earnings in 2023, appropriate for covering carryforward loss in the first place and the remainder shall be available as distributable income where the employees shall be entitled to 1% and the Directors shall also be entitled to 1% of the remainder as remuneration. This motion is subject to the resolution of the Remuneration Committee, finalization of the Board, and report to the Shareholders' meeting.		

(5) Fulfillment of Sustainable Development, and Deviation and Causes of Deviation from Sustainable Development Best Practice Principles for a TWSE/TPEX Listed Companies:

Assess Criteria	Implementation (Note 1)			Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
I. Does the Company establish a governance structure and have a dedicated (or involved) unit to promote sustainable development? Is the sustainable development unit run by senior management that is authorized by the Board of Directors and supervised by the Board of directors?		✓	The Company has established the “Corporate Sustainable Development Committee” in October 2015. Chairman Ping-Yiao Chang acts as the Director-General. The head of human resources acts as the convenor and a member. The team leaders are the executive members of the committees. This committee is charged with 5 dimensions of development, namely, “corporate governance,” “product responsibility,” “energy saving and carbon reduction,” “environment, safety and health management,” and “social participation” based on which the framework and foundation for the advocacy of corporate sustainability of Froch Enterprise will be unfolded. The pursuit: refer to pp. 78–81 of the Annual Report	Plan to have dedicated unit to report to the Board of Directors
II. Has the Company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?		✓	The Company’s Sustainable Development Committee conducts risk assessment on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of significance, and invites external agencies to assist in formulating relevant strategies. The identified ESG risk issues include "environmental aspects: Energy management, water and drainage, discharge and waste management; social aspects: employment relations, occupational safety and health, training and education, and diversity of the workforce; corporate governance aspects: economic performance, market position, procurement practices and compliance risks.	External experts have been engaged to assist in formulating relevant risk management policies or strategies.

Risk management:

Types of risks	Description of Risks	Risk Management Strategy (Responding Measures)
Sustainable Environment	Increasing volume of GHG emission	1. The Research Development Division plays a leading role in this function and calls for regular meetings to review the goals of energy saving and carbon reduction, and the state of improvement, and to collect related information for reporting to senior management.
	Unable to save energy effectively	2. The carbon management platform will be introduced to assure the accomplishment of organizational inspection and carbon footprint tracking on time to meet the demands of the stakeholders. The Company could also find out the hot spots for improvement at the same time. 3. The corrective actions for improvement include the setup of photovoltaic equipment, speeding up the replacement of obsolete high power consumption equipment, and the introduction of high performance energy materials and technologies.
	Increasing volume of waste effluent	1. The production line units are responsible for regulating the consumption of water, and reducing water consumption and the treatment of effluent. 2. Replacement of the obsolete pipework at the plants to avoid waste caused by leaking and reduce the volume of effluent requiring treatment.
	Increasing volume of solid wastes for disposal/ Recycling rate stayed low	1. The Administration Department is responsible for keeping statistics on and advocate the reduction of solid waste. 2. Statistics on the generation of solid waste will be compiled on a monthly basis. The statistical data will be presented to senior management for reference. Plant administration will be asked to map out policies for reducing solid waste on the basis of this statistical data.
	Water and power shortage	1. Monthly evaluation of water consumption of each production line and assure the production lines regulate their own consumption volume. 2. Replacement of obsolete water recycling equipment and use of the recycled water in the production process cooling tower so that water resources could be fully utilized.
	Tropical storms, floods	1. After the announcement of a maritime warning of a tropical storm by the Central Weather Bureau, the Office of Occupational Safety and Health will announce the information to alert related functional units to take precautions and update the status of the tropical storm in line with the news update from the Central Weather Bureau.
	Violation of environmental protection laws	1. Environmental protection policy: Complying with applicable laws, risk management, pollution prevention, energy saving and waste reduction, communication and consultation, health improvement, participation by all, continued improvement. 2. Laws in effect will be reported to the Environment, Safety and Health Meeting and related functional units will be informed to comply with these applicable laws to avoid violation of the laws governing environmental protection. 3. No record on violation of environmental protection laws in the period of 2022–2023
Employees	Occupational injuries (Including the impact of COVID-19)	1. The Occupational Safety and Health Committee convenes quarterly to review the status of information security protection. 2. The Environment, Safety and Health Meeting convenes monthly to review the result of short-term action plans, defects, and corrective actions.
	Fatigue (prolonged hours of work)	1. Employees accepting the annual health examination will fill in the work hours themselves. Interviews between employees assigned to high-risk duties (heavy workload) and in-house nurses will be arranged, with follow-up action. 2. The Occupational Safety and Health Committee convenes quarterly to review the status of information security protection.
	High employee turnover rate (Labor shortage problem)	The employee turnover rate in 2023 was 29%. The Company will fill the vacancies. Respective functional units will also make arrangements for the duties and make adjustments accordingly to avoid affecting production and operations.

Types of risks	Description of risks	Risk management strategy (responding measures)
Operational Performance	The risk of integrity	The Company has made the ethical corporate management policy, which is inscribed in the text of the Ethical Corporate Management Best-Practice Principles with disclosure on the official website and the annual report of the Company. For the proper pursuit of the ethical corporate management policy and prevention of any unethical practices to the best of effort. Information on the pursuit of ethical corporate management and the variation from the Ethical Corporate Management Best-Practice Principles, and the causes of the variation will be disclosed on the official website of the Company in order to establish an effective mechanism for corporate governance and risk control, and create a positive environment for sustainable corporate development.
	Inadequate transparency of information disclosure	1. In the future, institutional investor conference will be held twice a year and will be hosted by the spokesperson. The status of operation and the prospect will be explained to the investors. 2. In the event of material incident affecting the financial position of the Company, material information will be disclosed to the public at once. 3. In the event of query of the disclosure of company information, contact the spokesperson or the acting spokesperson.
	Decline of competitiveness in market	1. Development of new sale channels and visit to the customers to recommend products. 2. Education and training for the management team to develop the capacity of the sales personnel and build up the performance indicators for the executives.
	Information System Security Incident	1. Determine if the incident is an information security incident, the type of incident, and level of the incident. 2. Report to the immediate superior officer by the level of the incident. In case of emergency, report by telephone/email. If the incident has already affected the operation of the users, it shall be notified related functional units. 3. Take remedy to reduce the intensity of damage. If it is necessary, activate the backup mechanism in due procedure. If legal liability entailed, keep track on the incident properly (backup). 4. Analysis of the cause of the incident and solution If it is necessary, introduce an additional protective mechanism and conduct analysis and assessment to determine the procedure, time, and resources required for eliminating the problem, and proceed upon approval. 5. Determine the system, equipment or environment required for recovery, and proceed with the recovery plan where necessary. 6. Review the mean-end consequence and the handling process of the incident, and map out the improvement mechanism.
	Product responsibility (Confronting recall/removal)	1. Refinement of product quality control and the mechanism of return and exchange. 2. Bolstering the consultation and communication with customers for a better understanding of customer expectation, which could be served as the basis for the adjustment of the production plan. 3. If the customers have special requirements of environmental technology standards, comply accordingly to meet customer needs.
	Interruption of supply chain	1. Short-term risk: holidays on New Year and festivals with low information transparency. Response: quick response by information search and investigation with follow-up action. 2. Mid-term risk: the spread of the pandemic for which most countries imposed quarantine, and the postponement of production schedules caused an impact on production and material supply. Response: Compile information on customer feedback and production as quickly as possible, adjust production and resource allocation, and mitigate potential influence to the lowest level. Keep abreast of the status of materials, production, and human resources allocation. Response: Activate the supplier BCP investigation mechanism, keep abreast of the information on material supply and switch to other plants for verification if necessary. 3. Long-term risk: Sudden surge of product demand that prompt for urgent supply Response: Keep the delivery lead-time under control and the trend of inventory changes, and take preemptive action to avoid the risk of material shortage. Response: Enhance the buffer level of inventory and purchase from a greater variety of sources to reduce dependence on a particular supplier for overall agility in operation.

<p>III. Environmental Issues</p> <p>(I) Has the Company developed an appropriate environmental management system, given its industry characteristics?</p> <p>(II) Is the Company committed to achieving efficient use of energy, and using recycled materials that less impact the environment?</p> <p>(III) Does the Company assess current and potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?</p> <p>(IV) Does the Company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water, and waste?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p></p> <p></p> <p>✓</p> <p></p>	<p>(I) The Company has been certified by LRQA for ISO-14001 - Environmental management system. Actions are being taken to treat and reuse wastewater and improve raw material efficiency for energy conservation and waste reduction.</p> <p>(II) Companywide classification, recycling, and reduction of wastes. Control the wasteful use of related resources and monitor to assure efficient use and no waste. Furthermore, solar panels have been installed on rooftop to generate green energy and to minimize impact on the environment.</p> <p>(III) In addition to purchasing business interruption insurance, the Company also evaluates the effect climate change has on market risk, supply disruption risk, and disaster risk, and will continue coordinating with stakeholders to minimize impact. For information on climate, refer to P. 76.</p> <p>(IV) Emission volume of nitrogen oxides, sulfur oxides, and other gases of significant concern as well as water usage volume, waste volume etc. have been disclosed in the corporate social responsibility report. In addition, monthly and quarterly statistics on waste output, waste disposal, air pollution, wastewater treatment, and soil remediation are also included in the report.</p>	<p>(I) No Deviation</p> <p>(II) No Deviation</p> <p>(III) No Deviation.</p> <p>(IV) No Deviation</p>
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Energy-related information

- Energy consumption volume in the organization

The Company adopts the ISO 14001 environmental management system and the ISO 14064-1 GHG emission volume inspection standard to pursue “the advocacy of energy saving and carbon reduction and reduction and improvement of energy consumption” with continued review and improvement so as to reduce the consumption of energy and the cost of energy, and intensify the management of energy. In 2023, energy consumption was mostly consumed in the production of products. The statistics on power consumption at different plants and the Business Department are shown below.

Area	2021 (10Mwh)	2022 (10Mwh)	2023 (10Mwh)
Taiwan	2759.77	2560.67	2410.66

Explanation: production process was adjusted in 2022 to upgrade production efficiency and reduce equipment utilization rate for the eventual reduction of power consumption.

- Energy consumption volume outside the organization

The electricity consumed by the Company is purchased from Taiwan Power Company, which is used in the plant sites and business locations. Related measures for energy saving have been advocated in the consumption process so as to reduce the capacity of power consumption. The electricity purchased by the Company was not used outside the facility.

- Energy density

The primary process of power consumption in the Company is the production of stainless steel pipes, stainless steel sheets and coils. The production volume is tracked by “metric ton.” Energy density is expressed by the capacity of power consumption (kWh) per unit production of product (metric tons), indicated by (kWh/metric ton).

Affected by the economic slowdown in 2023, the Company experienced a decline in customer orders, which resulted in a decrease in energy consumption. However, the public facilities at the plants still need to keep running, making basic energy consumption necessary. Therefore, the energy density at the plants in 2023 is still higher than that in 2022.

The following shows the energy density of the major manufacturing plants and the variation in 2021–2023:

Area	Density in 2021 (power consumption capacity/production volume)	Density in 2022 (power consumption capacity/production volume)	Density in 2023 (power consumption capacity/production volume)	Note to the variation
Taiwan	235.06	260.65	265.88	Production volume fell in 2023 but public facilities still need power supply, which resulted in a higher density than 2022.

- Reduction of energy consumption

For the effective mitigation of pollution to the environment and reduction of the GHG emission, efforts have been made to assure the reasonable and most efficient use of energy under the management cycle of P-D-C-A for continued improvement. Obsolete equipment has been replaced year after year. Energy saving and carbon reduction were pursued under the principle of engineering control and administrative management every year. The efficient use of energy and the recycling and reuse of resources through energy saving, reduction of waste and the efficient use of energy were adopted to reduce the consumption of energy.

The main plant and the Talian Plant of the Company have spelled out the plans for energy saving in 2022 and 2023, respectively. Energy consumption has been reduced and the result is shown below.

Area	Energy saving in 2021 (electricity by kWh)	Energy saving in 2022 (electricity by kWh)	Energy saving in 2023 (electricity by Kwh)	Note to the items of energy saving
Taiwan	583764	252081	143637	Replacement of 250 LED lights annually in the period of 2020–2023. Lighting in 2020 lasted for 6000 hours. In the period of 2021–2023, the lighting was lasted for 5280 hours per year, which reduced the energy saving for the lighting from the level of 2020. In 2021 and 2022, the reorganization of the sanding belt of the polishing machine and the increase in the frequency of replacement, these activities upgraded production efficiency, which in turn helped to achieve the goal of energy saving.

● Reduce the energy demand in products and services

In supporting the government policy of green energy, the Company has planned and installed photovoltaic equipment for power generation at Yuanshan Plant and Yuanfu Plant. The capacity at Yuanshan Plant is 1,995.84 kW and the capacity at Yuanfu Plant is 1,920 kW. Photovoltaic power generation devices will be planned to install at other plants to meet operation need.

Area	Energy saving in 2020 (electricity by kWh)	Energy saving in 2021 (electricity by kWh)	Energy saving in 2022 (electricity by kWh)	Energy saving in 2023 (electricity by Kwh)	Note to the installation of photovoltaic equipment
Taiwan	3,883,144	4,738,937	4,738,937	4,790,728	Photovoltaic equipment has been installed at the capacity of 1,995.84 kW/1,920 kW in April 2019/June 2020 respectively. The electricity generated was sold to Taiwan Power Company.

Carbon emission related information

The trend of the low carbon economy worldwide compelled enterprises to play an increasingly essential role in the management of environmental risk. In the management of carbon emission, the Company controls the emission volume of GHG through collecting carbon emission data, and assures proper management and continued improvement of carbon emission.

There are overlapping activities in different plants that the emission volume of each plant is hard to differentiate that the statistics will be based on the emission of the whole group.

The collection of data and compilation of statistics on GHG emission volume of the whole group in 2023 were based on the volumes of Scope 1, Scope 2, and Scope 3. The Company will base its installation of photovoltaic equipment for energy saving and continued improvement on the results of carbon emissions, production processes, and desk work activities of the whole group.

The company calculates and controls the density of GHG based on the volume of emissions from Scope 1, which includes direct GHG emissions from materials and products, Scope 2, which includes indirect GHG emissions from energy, including outsourced power supply and petrochemical fuels, and Scope 3, which includes GHG emissions from other sources and the production volume of each plant. This information will serve as a reference for improving energy consumption.

The collection of data on carbon emission and density in 2023 is shown in the table below:

Taiwan									
Types	Scope 1			Scope 2			Scope 3		
Item	Emission of carbon dioxide (CO ₂ e equivalent)	Production volume (metric tons)	Carbon dioxide density (CO ₂ e/metric tons)	Emission of carbon dioxide (CO ₂ e equivalent)	Production volume (metric tons)	Carbon dioxide density (CO ₂ e/metric tons)	Emission of carbon dioxide (CO ₂ e equivalent)	Production volume (metric tons)	Carbon dioxide density (CO ₂ e/metric tons)
2022	6124	98241	0.0623	13090	98241	0.1332	74830	98241	0.7617
2023	4969	90666	0.0548	11932	90666	0.1316	337423	90666	3.7216

- The emission of Nox, Sox, and other major gases.

Since the Company's establishment, we have been a professional manufacturer of stainless steel materials, and we have always been committed to sustainable development. In the face of global warming and environmental change, we are committed to working with the environment to achieve our common goal of sustainable development. In practice, we are committed to effectively controlling substances that are hazardous to the environment during the production process to prevent pollution.

The table below shows the emission volume of different air pollutants from the Company in 2023. The Company has installed pollution control devices to all fixed pollution sources to control the emission of pollutants including Nox, VOCs, and particulates. There is no substance emitted that may cause damage to the ozone layer. The Company has also installed air pollution prevention devices, such as dust collectors and rinsing devices, and conducts inspections and tests to declare the emission volume of air pollutants as required by the laws governing air pollution control. The air pollutants collected by the devices will be properly treated before release. The value of the test on air pollutants was controlled below the required level of the environmental protection laws. It is not necessary to install additional devices for this purpose at this time.

Taiwan						
Year	Major gases					
	NOx (metric tons)	SOx (metric tons)	POPs (metric tons)	VOCs (metric tons)	Particulates (metric tons)	Hazardous air pollutants (metric tons)
2022	3.516	0	-	0.229	0.171	-
2023	3.720	0	-	0.242	0.188	-

Solid wastes related information

- The generation of solid wastes and related significant impact

For the effective management of the storage of solid wastes, the Company selected appropriate locations at each plant for the cautious storage of solid wastes after sorting by category. If some solid waste can be reused, the Company will appoint qualified contractors recognized by the competent authority of environmental protection for the cleanup and consider recycling for reuse and treatment by qualified contractors.

- Managing solid wastes related significant impact

The Company has properly controlled the flows of solid wastes and removed and recycled solid wastes by qualified contractors with caution. All the hazardous solid wastes of the Company were removed and treated by qualified contractors of Taiwan for assuring the lawful treatment of solid wastes.

- The generation of solid wastes

The Company has collected data and compiled statistics on solid wastes by category and generation volume for proper control and understanding of the situation so as to handle the solid wastes lawfully.

Area	Types of solid wastes	2021	2022	2023
	Unit	Metric ton	Metric ton	Metric ton
Taiwan	Inorganic sludge	800.84	578.65	528.09
	Plastic mixture waste (packing materials for raw material)	54.251	113.13	63.58
	Dumped lubricants	(Generated without cleanup)	40.26	3.35
	Other unitary non-hazardous metallic waste or metallic waste mixtures	(Generated without cleanup)	5.12	(Generated without cleanup)
	General industrial wastes (household waste)	82.539	125.01	79.31
	Dumped wood	3.35	(Generated without cleanup)	(Generated without cleanup)
	Non-hazardous collected dust and mixtures.	51.78	115.47	120.03

For plants that generate dumped sludge and lubricants, the Company has appointed legitimate contractors for removal, recycling, and reuse. Dumped lubricant will be collected and stored by authorized unit of the Company and referred to legitimate firms for recycling and reuse. General industrial waste will be referred to cleanup plant for removal and sent to public incinerators for incineration. The cleanup and treatment of waste have been done in conformity to applicable legal rules.

- The handling of solid wastes

Unit: metric ton

Area	Types of solid wastes	2022			2023		
	Ways of treatment	Reuse	Regenerated	Others	Reuse	Regenerated	Others
Taiwan	Inorganic sludge	565.53	-	-	528.09	-	-
	Plastic mixture waste (raw material packing materials)	No	-	-	No	-	-
	Dumped lubricants	40.26	-	-	3.35	-	-
	Scrap metal waste (non-recyclable scrap metal)	No	-	-	No	-	-
	General industrial wastes (household waste)	No	-	-	No	-	-
	Others (please specify)		-	-		-	-
Explanation	<p>1. Explain the ways of reuse or regeneration of different types of solid wastes by each plant/section/department, and fill in the treatment method in the space below (for example, as construction material, for refining into fuel, and so on) If there is no reuse or regeneration, put down “no” in the space below.</p> <p>2. If there is reuse or regeneration of solid wastes, put down the ways of reuse or regeneration and also the quantity (by metric ton) in the space below.</p>						

Water resources related information

● Mutual influence of shared water resources

The findings from the scenario simulation by using the Aqueduct tool of the World Resources Institute (WRI) indicated that the risk of water shortage in ASEAN countries in 2030 will be 20–40%. To tackle the problem of water shortage, the management of water resources will be a material topic. The Company is located at Douliu of Taiwan, which falls outside the regions of water supply pressure.

We receive our water supply from Taiwan Water Corporation, and have also obtained access to ground water, which we use, to meet our water consumption needs during production. The purpose of using running water and ground water is for the production process – cooling/rinsing/ preventive device-rinsing tower/and also household use. In dealing with the problem of water shortage resulting from extreme weather, we recycle and reuse water in the cooling system, as we understand that the decrease in water supply caused by climate change means that saving water consumption is a common issue for the whole world. The method of recycling the water from the rinsing tower is an adjustment to the management of water resources, advocating for saving water and recycling and reusing water. This effectively helps to mitigate the impact of water shortage.

For the effective treatment of wastewater to the standard of control or discharge, some plants of the Company have installed a wastewater treatment facility and discharge the wastewater after treatment.

The following table shows the consumption of water by the plants and business units of the Company and the installation of the wastewater treatment facility:

Area	Use running water	Use running water/ground water	Recycle and reuse of water from cooling system	Wastewater treatment facility
Taiwan	V	V	No	V

● Managing discharge-related impacts

Some of our plants have facilities for the treatment of wastewater and can directly discharge the wastewater from production in conformity with the control standard of the industrial park or the effluent standard before discharge. Plants equipped with facilities for treating wastewater work in conjunction with the administration of the industrial park to take samples from the effluent 1–2 times a month. In case of nonconformity, proceed with the content stated on the documents approved by the competent authority for water pollution control to take emergency measures in tackling the problem. In addition, the Company has delegated a third-party institution to test the content of water pollutants to avoid the impact of effluent on the environment and assure the content of the effluent conforms to the water pollutant control standard at the industrial park.

Water pollutants will be treated at the plants equipped with treatment facilities before discharge, and will be directed to the exclusive sewage system for effluent arranged by the industrial park for further treatment at the treatment center of the park. The content of the effluent is in compliance with the control and discharge standard of applicable legal rules governing water pollution control.

The data and result of the testing on the content of effluent from the plant sites are shown in the table below:

Plant	Discharge mode	Industrial wastewater (cubic meters) (2023)	Fill in the data								
			2021			2022			2023		
			SS (mg/L)	BOD (mg/L)	COD (mg/L)	SS (mg/L)	BOD (mg/L)	COD (mg/L)	SS (mg/L)	BOD (mg/L)	COD (mg/L)
Taiwan	■Controlled □Release	15,190m3	Mean value at 9.70	Mean value at 17.58	Mean value at 55.52	Mean value at 16.23	Mean value at 13.87	Mean value at 36.57	Mean value at 12.36	Mean value at 9.65	Mean value at 55.94
Control standard: standard of Douliu Industrial Park			480	480	480	480	480	480	480	480	480

- Water extraction volume

The Company uses running water and ground water for meeting the demand in production process and household consumption. The volume of water consumption is shown in the table below:

Plant	Extraction volume in 2021 (megaliters)	Extraction volume in 2022 (megaliters)	Extraction volume in 2023 (megaliters)	Regions with pressure of water resources
Taiwan	149.990	121.716	106.611	No

- Discharge volume

The Company uses running water and ground water to meet the demand in production process and household consumption. Wastewater will be treated by related treatment facilities and discharged to the water treatment plant of the industrial park by respective plants or departments depending on their needs for further treatment and discharge.

The volume of effluent from respective plant sites and departments is shown in the table below:

Taiwan			
Year	Discharge volume in 2022 (megaliters)	Discharge mode	Regions with pressure of water resources
2022	86.45 megaliters	<input type="checkbox"/> Surface water <input checked="" type="checkbox"/> Effluent treatment plant (industrial park)	No
2023	69.34 megaliters	<input type="checkbox"/> Surface water <input checked="" type="checkbox"/> Effluent treatment plant (industrial park)	No

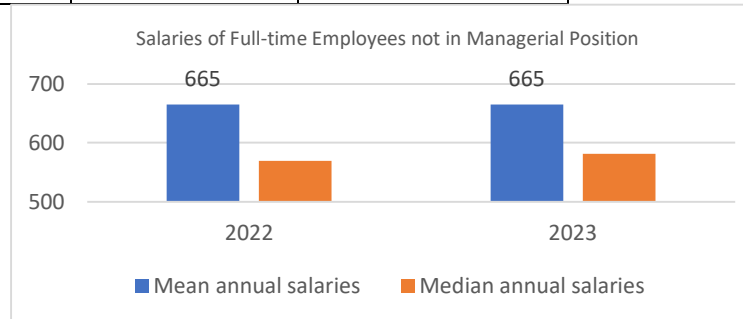
IV. Social Issues		Yes	No	Summary (Note 2)	
(I) Has the Company developed its policies and procedures in accordance with laws and International Human Rights Conventions?	✓			(I) Duly observe the labor laws and human rights regulations of Taiwan, and the international human right conventions with the expectation of building up a friendly work environment through harmonious and solid labor-management foundation to reduce the risk of labor-management dispute.	(I) No Deviation
(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	✓			(II) In addition to granting parental leaves as required by law, the Company also offers birth subsidies as an incentive for childbirth. Meanwhile, regular birthday cake, domestic trips, and specific-years-of-service foreign tours are arranged as part of employees' benefits. Employees are further entitled to 1% share of profits earned by the Company, as stipulated in the Articles of Incorporation, which is paid in the form of remuneration.	(II) No Deviation
(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓			(III) The Company has a dedicated unit in place to inspect the work environment and prevent work safety accidents. Ventilation and cooling systems have been installed to reduce the stuffiness and heat of the factory environment; in addition, electrolyte supplements have been placed at drinking water machines to help replenish energy. Apart from annual health examinations, the Company organizes extra health examinations for employees working in special areas and hires nurse for emergency treatment and health seminar within plant premises.	(III) No Deviation
(IV) Has the Company implemented an effective training program that helps employees develop skills over their career?	✓			(IV) In addition to regular skills training, the Company arranges external training programs as a way to improve employees' skills, and also implements a rotation system to complete employees' work experience.	(IV) No Deviation

(V) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling, etc., in all products and services offered, and implemented consumer or customer protection policies and complaint procedures?	✓		(V) All of the Company's products are manufactured in compliance with relevant rules and standards, and have been covered by product liability insurance. In terms of consumers' interest, the Company has a set of standard procedures for handling customers' grievance and feedback, and communicates with customers through a single contact window for speed and efficiency.	(V) No Deviation
(VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health, or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	✓		(VI) The Company assesses its suppliers on a regular basis. Suppliers that commit violation will have purchases reduced until corrections are made.	(VI) No Deviation

Employee Benefits

- Salaries of full-time employees not in managerial position **Unit: person/NT\$1,000**

Full-time employees not in managerial position	Employee population (annual average)	Mean annual salaries	Median annual salaries
2022	608	655	569
2023	602	655	581
Difference	-6	0	+12



- Fringe benefits for full-time employees

Employee Benefit Items

Bonus or gift for the three major festivals depending on the business performance of the year, like the Labor Day, Mid-Autumn Festival, and year end. Personal leave, sick leave, occupational injury leave, administrative leave, maternity leave, bereavement leave, matrimonial leave, family care leave, menstrual leave, prenatal leave, paternal leave, and annual leave are provided under the law. Employees may take leave as needed with peace of mind.

● Parental leave

Leave of absence for parental leave/year	Gender	Statistics		
		2021	2022	2023
Number of employees entitled to parental leave.	Male	0	3	0
	Female	0	3	0
Number of employees taking leave of absence for parental leave.	Male	0	3	0
	Female	0	3	0
Number of employees to be returned to duties after parental leave (A)	Male	0	3	0
	Female	0	3	0
Number of returning employees after parental leave (B) (including returning before the end of the leave)	Male	0	3	3
	Female	0	2	0
Returning rate (B/A)	Male	0%	67%	0%
	Female	0%	67%	0%
Number of returning employees after parental leave in the previous year and still in employment after returning to duties for 12 months (C)	Male	1	0	2
	Female	0	0	2
Staying rate (C/B of the previous year)	Male	100%	0%	67%
	Female	0%	0%	100%
<p>Note 1: The number of employees entitled to parental leave is based on the number of male and female employees who have applied for maternity leave and paternal leave in the last 3 years.</p> <p>Note 2: Returning rate = (the number of employees returning to duties in the year/the number of employees to be returned to duties in the year)*100%.</p> <p>Note 3: Staying rate = (number of employees who returned to duties in the previous year and still in employment after 12 months of returning to duties/the number of employees returning to duties in the previous year)*100%.</p>				

Occupational Health and Safety

- **Occupational Safety and Health Management System**

The Company pursues safety and health management in all aspects under the occupational safety and health management system framework and through the planning, execution, checking and improvement (P-D-C-A) cycle of safety and health to create a safety and healthy work environment. The Company also spares no effort in providing education and training, identifying the risks deriving from operations, and complying with applicable laws through the establishment of related systems, documentation, and systematization. High risk tasks are singled out for risk control and management, and are listed as a part of emergency response or managed with special standards. The technical capacity, expense, cost, and the degree of influence of respective plants are considered and sorted out for management as the priority for corrective action. These efforts are made to create a safe and healthy workplace so that the workers can have a safe and healthy work environment. In addition, the Company also make tremendous effort to provide different forms of protection for eliminating hazards and reducing risk.

- **Identification of hazards, assessment of risks, and investigation of accidents**

The Company proceeds with the identification and assessment of hazards and opportunities of the process/region/personnel/facilities of all production process, activities or services in accordance with the “Procedures for the Identification of Hazards and Assessment of Risks” in order to identify possible hazards deriving from all activities of materials, machine, equipment, operation environment, personnel, customers, contractors and suppliers. The Company sorts out the items entailing high risk that require immediate corrective action, including engineering rectification, fortification of the management system or supply of personal protective gears by the nature of the risk and related control measures, and establishes related goals and solutions of occupational safety and health management for effective improvement and reduction of operation risk.

The Company is a business entity entailing obvious risk. As such, we have established strict control measures in all operational procedures to avoid occupational disasters. In operating dangerous machines and equipment (fixed crane, mobile crane, high pressure equipment and so on), the Company complies with applicable legal rules and conducts voluntary inspections at regular intervals to ensure the safe use of these machines and equipment.

In case of hazards during operation, the Company will investigate the cause of the accident in accordance with the “Procedure for Reporting, Handling, Investigation, and Management of Occupational Disasters” and take immediate and necessary measures for rectification and prevention. The Company will also educate the personnel of related departments on the causes of the accidents and the preventive measures to be taken through case study sharing to avoid the recurrence of the same or similar accidents.

- **Occupational health service/health enhancement for the workers**

The Company provides health examinations for all employees and migrant workers in accordance with the “Regulations Governing Health Examination and Management.” Consultation services will also be provided by in-house professional nurses and contract-based medical experts on the basis of the results of the health examination to explain and give recommendations to employees taking the examination on topics of health and hygiene.

The findings from the health examination in 2023 indicated that 75 employees have health problems. Health consultation has been provided to these employees by the in-house professional nurses for 12 instances and related health services and supervision have also been appropriately arranged.

- **Participation, consultation and communication on the works related to occupational safety and health**

The Company has established the “Occupational Safety and Health Committee” under law for the review and coordination of matters pertinent to occupational safety and health to assure the protection of the right of the workers and the expression of opinions of the labor to its entirety. The function of the Occupational Health and Safety Committee is the study, coordination and recommendation of matters pertinent to occupational safety and health. This committee is staffed with 1 Director-General, 1 Deputy Director-General (Executive Secretary), 7 representatives from the workers and other 20 members. The organization is specified below:

1. Director-General: This position is held by the Vice President of Sales Division.
2. Member (Executive Secretary): This position is held by the General Manager of Production Division.
3. Occupational safety and health staff: they are the occupational safety and health management administrator, staff, and the function heads of the plants.
4. Engineering staff related to occupational safety and health: the heads of the Technology Development Division and Engineering Section.
5. Medical staff in the health service of the workers: the in-house nurses of the plants.
6. Representatives from workers: the representatives nominated by the representatives to the Labor-Management Meeting.

The content of the Occupational Safety and Health Committee aims to review the items required by applicable laws governing occupational safety and health. The members will propose related motions on occupational safety and health for discussion, and follow up with occupational related accidents that occurred in the plants in the last 3 months and also the findings from the annual health examination to reinforce the work safety of the employees at the plants. The committee also advocates applicable laws governing safety and health and strengthens the awareness of safety and health among the employees so that they can properly observe the rules of safety and health at the workplace and can properly use protective gear. The occupational safety and health staff will conduct audits on safety and health issues from time to time.

The Occupational Safety and Health Committee convened 4 times in 2023. Topics of occupational safety and health have been discussed. Related functional units will carry out the resolutions of the committee on the basis of the results of the discussion of the members, and take appropriate corrective and preventive action to upgrade related issues of safety and health management.

- Training of the workers related to occupational safety and health

The Company has established the “Procedure for Education and Training” to upgrade the personal professional competence of individual employees and the occupational safety and health performance of the Company. Annual programs for education and training will be scheduled to meet the needs of the employees in professional competence at the workplace through on-the-job training. This will help to develop a positive attitude toward safe operation. In addition to the training of professional competence, such as licensing and certification of basic occupational safety and health management, operation supervisors, and equipment operators training, the Company has also arranged for related personnel to receive professional training as supervisors of chemical substances operation and dust work operation, according to the nature of the task to be performed, and obtain the necessary license and certificate.

The Company has organized 3 classes of in-house occupational safety and health training whereby employees have been arranged to attend external professional institutions to receive training for professional licensing and certification. This will help to enrich the knowledge of occupational safety and health among the employees and make them qualified for carrying out management of occupational safety and health.

- Prevention and Mitigation of the Impacts directly associated with business relation

The Company has provided charts on safety information for the reference of the operators to protect the safety and health of employees in the use of chemicals in production so that they could understand how to prevent hazards. The volume of using and discharge of controlled chemical substances have also been tracked and inspected. Related areas are also subject to control. In the area where operation may generate dust, like the polishing process, dust collection equipment has been installed to control the drifting of dust. In the wiping process of stainless steel coils, environmentally friendly grease remover is used to wipe out the grease stains to protect the health of the employees. The occupational safety and health unit inspects and supervise the use of ear plugs from time to time to protect the health of the employees at workplace.

- Workers covered by the occupational safety and health management system workers in 2023

The Company responded to the request of Central Taiwan Occupational Safety and Health Center/Yunlin County Government Labor and Youth Affairs Department in safety and health inspection. This helped monitor and control the population of the plant site and conduct internal audits to disclose related information. We were able to effectively monitor and control the situation. In 2023, the total employee population of the Company was 617 persons. The workers under the occupational safety and health management system and the types of inspection are specified below:

Management system/applicable legal rules	Type of inspection	Number of Employees	Ratio	Remark
Occupational Safety and Health Act	Internal audit	580	$(580/591) \times 100\% = 98.14\%$	Number of Employees of the 9 major plant sites
	(Central Taiwan Occupational Safety and Health Center/Yunlin County Government Labor and Youth Affairs Department)	438	$(438/591) \times 100\% = 77.11\%$	The labor inspection institution mainly aims at the on-site inspection of the production sites.

Information on Occupational Injuries and Diseases

For the elimination of hazards and reducing risks, and the upgrade of safety and health at workplace, the prevention of occupational hazards will be the vital goal of the Company. Occupational accidents occurred between 2021 and 2023. An equipment operator was injured when they were dragged into the machine during operation and suffered cuts from a sharp object or fell onto the floor. The Company's occupational safety and health function responded immediately, conducting an investigation and taking corrective action. Examples of corrective action include the supply of protective gear, protection of hardware, strengthening of protection during operation, and increased education and training to prevent similar accidents from happening again.

The Company has provided protective gear for employees in the event of potential dangers on the shop floor. Additionally, health examinations have been provided to employees. The use of protective gear and the results of health examinations indicate that our employees have not suffered from occupational diseases.

● Employees/non-employees – Statistics on the occupational injuries and diseases

Statistics on the occupational injuries and diseases

Types/year		2021	2022	2023
Total working hours experienced (Note 1)		1513392	1475252	1439922
Fatal accidents caused by occupational injuries	Number	0	0	0
	Ratio	0	0	0
Serious occupational injury	Number	0	0	0
	Ratio	0	0	0
Recordable occupational injury	Number	5	4	0
	Ratio	3.3038	2.7114	7.6393
Occupational diseases	Number	0	0	0
	Ratio	0	0	0
Recordable occupational diseases	Number	0	0	0
	Ratio	0	0	0

● Employees/non-employees – Statistics on the types of occupational injuries and diseases

Employees/non-employees – Statistics on the types of occupational injuries and diseases

Types/year		2021	2022	2023	Note to corrective action addressing to hazards
Types of occupational injuries	Pinching and dragging into machine	0	2	3	Intensify protection of equipment and advocacy on occupational safety with utmost attention
	Falling	0	0	0	Pursuit of 5S requirements and assurance of clean workplace
	Falling object	2	2	1	Reinforce the support of objects to assure stable adherence during operation, and demand a high level of safety for operation at high altitude. Personnel shall stay away from handling objects.
	Cut and scratches	2	0	2	Provide protective gloves
	Falling down, rolling down	1	0	0	Protective fence for operation platforms at high altitude
	Bumping	0	0	4	Seek assistance from colleagues where necessary. In collaborative operation, mutual confirmation of the commands is necessary, and pay utmost attention to the locations of one another.
	Improper move	0	0	1	Employees are reminded not to rush in the operation, and pay attention to the safety of the surrounding environment at all times.

Information on Education and Training

- The average hours of education and training for each employee in one year

Statistics/year		2020	2021	2022	Explain by words on the difference of the training hours of employees in the previous year
Average hours of training for each employee (Note 1)		3.97	3.54	4.44	Remark: Make full effort in pursuing the education and training development strategy, design a viable training program for the supervisors and managers at all levels to satisfy the development need of the Company and the business goal. Key programs have been launched in 2023 to improve the participation of employees in the training.
Average hours of training of employees by gender (Note 2)	Female	3.84	1.97	2.92	
	Male	3.99	3.81	4.63	
Average hours of training of employees by type of duty (Note 3)	Direct	3.56	3.57	4.12	
	Indirect	4.36	3.52	4.73	
<p>Note 1: Average training hours for each employee: Total training hours for all employees in the year/total population of employees at the end of the year.</p> <p>Note 2: Average training hours for each female employee: Total training hours for all female employees in the year/total population of female employees at the end of the year.</p> <p>Note 3: Average training hours for employee of specific type of duty: Total training hours for all employees of specific type of duty in the year/total population of employees of specific type of duty at the end of the year.</p>					

- Program for upgrading the occupational skill and assistance in transition

Type of Assistance	The Types and Scopes of Programs Launched and the Assistance Provided
Training programs for the upgrade of occupational skills of the employees	Froch Enterprise supports the development policy of the Company and provides effective training of professional knowledge and skills in the orientation of new employees, on-the-job, in rotation of duties, and in promotion to improve operational efficiency and work quality. This will help to interweave corporate development and employee skill development plan for successful corporate development of the organization and competence in sustainable development. Human resources development is for all levels, both genders, and all ages of employees, from new entrants to management level. Learning activities will be designed to fit the kind of vocation skills for relevant levels and duties to help the employees in developing their skills and capacity in different aspects, and upgrading the overall competitiveness of the enterprise.
Assistance in continued employment (retirement or termination of employment relation)	The Company will circulate the "Survey on Intent of Retirement" form to the employees in the year prior to their retirement. The employees about to retire will fill in this form with countersignature by the function head of the employee. Employees who plan to retire shall apply with the Company 60 days (inclusive) in advance. On receiving the application for retirement, the Company shall make approval 15 days prior to the day of retirement.

● Percentage of employees receiving routine inspection on performance and career development.

Employees under review in 2023		Number of Employees under Review	Total Number of Employees	Percentage
Gender	Male	473	512	92.38%
	Female	81	89	91.01%
Employee by type of duty	Direct	248	268	92.54%
	Indirect	306	333	91.89%

V. Does the Company prepare sustainable report or any report disclosing non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?		✓	The Company is expected to complete preparation and publication of its 2023 sustainable development report by June 2024; however, the report is prepared using the latest GRI Standards but not assured by a third-party certifier.	It will enhance the completeness of the information obtained and complete assurance.
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VI. If the Company has established CSR principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles:
The Company has implemented its own corporate responsibility code of conduct to guide its duties as a corporate citizen and fulfill its commitments to employees, shareholders, and consumers. In addition to making transparent disclosures, the Company also makes proactive efforts to participate in green actions, environmental protection initiatives, charity, and community activities. All above actions are in alignment with the Company's "Sustainable Development Best Practice Principles."

VII. Other information useful to the understanding of corporate social responsibilities:

1. Environmental Protection: Treatment and recycling measures have been implemented for wastewater, waste soil, and waste.
2. Community Involvement and Community Service: Services such as neighborhood watch and neighborly activities are arranged on regular basis.
3. Contribution to the Society: The Company continues to practice corporate social responsibilities with its corporate mission of Rooting Humanity, Respecting Customer, Protecting Earth, and Securing Life.
4. Charity: Donations are made to charity organizations from time to time.
5. Consumers' interest: A 0800 consumer service hotline have been setup.
6. Human rights: The Company subscribes to public liability insurance and employee group insurance coverage.

Note 1: If Actual Governance is specified "Yes," please explain the key policies, strategies and measures taken and the execution progress; if Actual Governance is specified "No," please provide reasons and explain any policy, strategy and measure planned for the future.

Note 2: If the Company has prepared a sustainable report, Actual Governance may be completed by providing page references to the sustainable report instead.

Note 3: Material principles refer to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

(6) Fulfillment of Business Integrity Management and Deviation and Causes of Deviation from Business Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies.

1. Business Integrity Management

Assess Criteria	Actual Governance			Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Establishment of Integrity Policies and Solutions				
(I) Has the Company stated in its internal policy or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment?	✓		(I) The Company has specified in its "Employee Management Policy" that all workers must duly perform their duties and maintain confidentiality of any secret gained at work. Employees are also bound to protect reputation of the Company, and may not speak or conduct private activity in the Company's name without authorization.	(I) No Deviation
(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Business Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		(II) The Company provides proper training for employees to ensure that they fully understand the Company's policies and applicable laws.	(II) No Deviation
(III) Has the Company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Business Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies" or other business conducts that are prone to integrity risks?	✓		(III) New recruits are subject to credit background investigation prior to hiring; employees who are prone to risk of dishonesty given their work duties are required to sign confidentiality agreements. It has been stipulated in the Company's policies that employees who profit from acts of dishonesty will be required to compensate counterparties for the losses suffered; in addition, the Company will also terminate employment contract and pursue legal actions against such employees for criminal liabilities.	(III) No Deviation

Assess Criteria	Actual Governance			Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
II. Enforcement of Business Integrity				
(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?		✓	(I) Agreements signed between the Company and trading counterparty do not contain an integrity clause; however, the underlying business arrangements are fair and transparent, and work in favor of ensuring integrity on both sides.	(I) Not applicable
(II) Does the Company have a unit that enforces business integrity directly under the Board of Directors? Does this unit report its progress regarding implementation of business integrity policy and prevention against dishonest conducts to the Board of Directors on a regular basis (at least once a year)?	✓		(II) The Company has designated its group administration division to be the unit responsible for business integrity. The Division reports its progress to directors after each year.	(II) No Deviation
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests, and actively execute the policies?	✓		(III) The Company prefers making purchase from independent parties and avoids transacting and trading with stakeholders where possible. Transaction with stakeholder may be conducted under exceptional circumstances, but will still be subject to proper procedures such as open price inquiry and comparison. When transacting with a stakeholder that has voting right in the Company, the stakeholder will have the right to explain the transaction, but must be absent and recuse from the voting process.	(III) No Deviation
(IV) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	✓		(IV) The Company has adopted effective accounting and internal control systems to support business integrity. Internal auditors have been assigned to perform audits on the above systems and report to the Board of Directors on a regular basis.	(IV) No Deviation
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	✓		(V) The Company promotes its integrity code of conduct in weekly and monthly meetings, so that employees are made aware and may enforce accordingly.	(V) No Deviation

Assess Criteria	Actual Governance			Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>III. Whistleblowing System</p> <p>(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?</p> <p>(II) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?</p> <p>(III) Does the Company have appropriate measures in place to protect whistleblowers from retaliation?</p>	<p>✓</p> <p></p> <p>✓</p>	<p></p> <p>✓</p> <p></p>	<p>(I) The Company has a set of "Employee Grievance Handling Guidelines" in place. Awareness on grievance rules is promoted regularly, and a grievance/opinion mailbox has been created to serve as a complaint channel. The Human Resource Division receives complaints and convenes personnel/grievance review meetings afterwards to discuss how complaints are to be handled; these decisions are subject to President's approval.</p> <p>(II) The Company has specified in its standard operating procedures that all grievances are to be investigated and handled in a confidential manner that protects the privacy and character of the parties involved.</p> <p>(III) The Company maintains confidentiality over informant's identity to protect them. In addition, employees are constantly informed on legitimate grievance channels that are available to them.</p>	<p>(I) No Deviation</p> <p>(II) Not Applicable</p> <p>(III) No Deviation</p>
<p>IV. Enhanced Information Disclosure</p> <p>Has the Company disclosed its integrity principles and progress onto its website and MOPS?</p>	<p>✓</p>		<p>(I) The corporate website discloses not only the Company's operational information, but also its integrity code of conduct.</p>	<p>(I) No Deviation</p>
<p>V. If the Company has established business integrity policies in accordance with "Business Integrity Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No Deviation</p> <p>The Company has instituted the Ethical Corporate Management Best-Practice Principles and the regulations governing the reporting of illegal, immoral, or unethical practices, and has posted related information on its official website. The Company operates in accordance with the aforementioned principles and regulations, which conform to the Ethical Corporate Management Best-Practice Principles for TWSE and TPEX Listed Companies.</p>				
<p>VI. Other information relevant to understanding the Company's business integrity (e.g., review of business integrity principles): None.</p> <p>The Company duly observes the Company Act, Securities and Exchange Act, legal rules governing companies listed at TWSE and TPEX, and other applicable laws as the foundation for the pursuit of ethical corporate management. Any unethical practices exhibited by counterparties of trade in business transactions are also strictly prohibited. The Company has instituted the "Ethical Corporate Management Best-Practice Principles," and the "Ethic Code of Conduct" on December 17, 2015, and also the "Regulations Governing the Reporting of Immoral or Unethical Practices" on December 22, 2023 for the proper pursuit of ethical corporate management.</p>				

(7) Climate-related information

1. The performance of climate-related information

Item	Content	Reply
1	Specify the effort of the Board and the management in the supervision and governance of climate-related risks and opportunities.	<p>1. The Board of the Company has established the “Corporate Sustainable Development Committee (known as “ESG Committee”. The President acts as the convener of this committee and the function includes sustainable environment, corporate social responsibility, corporate governance, ethical corporate management, risk management, human resources development, intellectual property, and information security.</p> <p>2. “Corporate Sustainable Development Committee” presents the annual plan and result of implementation to the Board.</p>
2	Specify in what way identified climate-related risks and opportunities affect the business, strategy, and financial position of the Company.	<p>1. Business: the supply structure changed the mechanism of products and services, and affected the market.</p> <p>2. Strategy: attune to climate change</p> <p>3. Financial position: additional cost of operation may incur that dictated for a change in the policy.</p>
3	Specify the influence of extreme weather incidents and transformation on financial position	<p>Extreme weather incidents: may cause damage to the assets (equipment/facilities) or the interruption of the supply chain (raw materials)</p> <p>Transformation: support low carbon, and technology improvement and innovation in order to upgrade the overall competitiveness of the Company.</p>
4	Specify in what way the identification, assessment and management of risk be integrated into the overall risk management system.	<p>1. Seek understanding of potential and significant risks through routine attention to the international/domestic regulatory environment as a reference for the decision-making of the Company.</p> <p>2. Routine meetings for discussion and routine reporting on the progress.</p>
5	If scenario analysis is adopted in the assessment of the resilience in response to the risk of climate change, specify the scenarios, parameters, hypotheses, factors of analysis and major impact on financial position.	<p>1. Moderate scenario: warming is kept under control that entails lower level of risk.</p> <p>2. Critical scenario: warming cannot be kept under control soon enough that led to extreme weather which in turn intensify the risk of disaster.</p> <p>3. Carbon related fees may affect financial position.</p>
6	If there is a plan of transformation for managing climate-related risks, specify the content of the plan, and the indicators and objectives adopted for the identification and management of substantive risks and the risk of transformation.	<p>1. Responses: Continue to pay attention to climate-related information released by the government.</p> <p>2. Substantive risks: “The responsible units proceed with related preparation in operation, response measures to unusual climate condition with confirmation through oversight and inspection.”</p>
7	If internal carbon pricing is adopted as the planning tool, specify the basis on which the price was set.	The Company has not yet designed the internal carbon pricing mechanism. We could only wait and see the further regulatory effort of the government.

8	If climate-related goals have been set, specify the activities, scope of GHG emissions, and the planning schedule, as well as the information on the annual attainment rate under these goals. If carbon offsets or regenerated energy certificates (RECs) are used to achieve related goals, specify the amount, sources, and quantity of carbon for offsetting, or the quantity under the RECs.	Short-term goal (2–3 years): The volume of GHG emission in 2025 will be 5% less than the volume of 2023. (Example: replacement of lighting fixture/replace the air compressor with devices with frequency converter. Mid-term goal (7–8 years): The volume of GHG emission in 2030 will be 20% less than the volume of 2023. (Example: Energy efficiency of Taiwan improved/regenerated energy plan). Long-term goal: 2050 carbon neutrality (Example: Energy efficiency of Taiwan improved/carbon offset/substitute of fuel and raw materials)
9	GHG inspection and assurance.	Fill in the form of “GHG inspection and assurance.”

GHG inspection and assurance.

1、The Company conduct GHG inspection in accordance with the following standards:

- (1) Greenhouse Gas Protocol (GHG Protocol)
- (2) ISO 14064-1 released by International Organization for Standardization (ISO).

2、Assurance providers must conform to the rules of assurance of Sustainability Reports instituted by Taiwan Stock Exchange Corporation and TPEX.

3、Subsidiaries may fill in separate forms, and compile the data into the forms (Example: by country, region), or fill in combined information in the same form.

4、The density of GHG emission volume may be calculated by unit product/service or revenue. Yet, the data on the calculation of revenue (in NT\$1,000) shall at least be disclosed (Note 2).

5、The proportion of the emission volume of business locations or subsidiaries to the total emission volume of the Company not included in the inspection shall be limited to 5%. The aforementioned total emission volume refers to the emission volume calculated in accordance with Note 1 for filling in the form and the mandatory scope of inspection.

6、Summarize the content of the Assurance Report issued by the assurance provider in explaining the status of assurance, and upload the Assurance Opinion (Note 3).

<p>Basic information on the Company</p> <p>■ Companies with stated capital of more than NT\$10 billion, steel and iron enterprises, cement enterprises.</p> <p><input type="checkbox"/> Companies with stated capital of NT\$5 billion to NT\$10 billion</p> <p><input type="checkbox"/> Companies with stated capital less than NT\$5 billion</p>	<p>According to the sustainable development road map for TWSE and TPEX listed companies, the following must be disclosed</p> <p>■ Inspection on parent company only <input type="checkbox"/> Inspection of subsidiaries included in the combined financial statements.</p> <p>■ Assurance on parent company only <input type="checkbox"/> Assurance on subsidiaries included in the combined financial statements.</p>
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Scope 1	Total emission volume (Metric ton CO ₂ e)	Density (Metric ton CO ₂ e/NT\$1,000) (Note 2)	Assurance provider	Note to assurance provider (Note 3)
Parent company	4,969	0.0548	LRQA LRQA	The scope of GHG inspection and assurance of the Company in 2023 includes: all production and business locations of the Company. Note: The net income after tax of the Company amounted to NT\$50,950 thousand in 2023. The density stands for the GHG generated for every NT\$1,000 of revenue.
Subsidiaries	NA	NA	No	No
Total	4,969	0.0548	No	No
Scope 2	Total emission volume (Metric ton CO ₂ e)	Density (Metric ton CO ₂ e/NT\$1,000) (Note 2)	Assurance provider	Note to assurance provider (Note 3)
Parent company	11,932	0.1316	LRQA LRQA	The scope of GHG inspection and assurance of the Company in 2023 includes: all production and business locations of the Company. Note: The net income after tax of the Company amounted to NT\$50,950 thousand in 2023. The density stands for the GHG generated for every NT\$1,000 of revenue.
Subsidiaries	NA	NA	No	No
Total	11,932	0.1316	No	No
Scope 3 (voluntary disclosure)	NA	NA	No	No

- (8) If the Company has established corporate governance principles or related guidelines, references to such principles should be disclosed: The rules and regulations of the Company related to corporate governance have been posted on the MOPS website of Taiwan Stock Exchange Corporation, under the index of “Corporate Governance” – “Establishment of the Rules and Regulations for corporate governance.” Investors may access <https://www.mops.com.tw> for inquiry, or download from the website of Froch Enterprise <https://www.froch.com/tw>

- (9) Other important information material to the understanding of corporate governance within the Company:

Information on the organization and function of the Sustainable Development Committee

The Company has established the “Corporate Sustainable Development Committee” in October 2015. Chairman Ping-Yiao Chang acts as the Director-General. The head of human resources acts as the convenor and a member. The team leaders are the executive members of the committees. This committee is charged with 5 dimensions of development, namely, “Corporate Governance,” “Product Responsibility,” “Energy Saving and Carbon Reduction,” “Environment, Safety and Health Management,” and “Social Participation”

based on which the framework and foundation for the advocacy of corporate sustainability of Froch Enterprise will be unfolded.

The Company also established the position of Corporate Governance Officer on March 23, 2021 to align with international development trends. The Board resolved to appoint Wen-Chi Chang, General Manager of the Finance Department, as the Corporate Governance Officer on June 9, 2022. He will work in conjunction with the “Corporate Sustainable Development Committee” in planning the work for sustainable development, such as environmental management and climate action.

The committee shall perform the following functions in assisting the Board to achieve the goal of sustainable development and the advocacy of corporate sustainable development work:

- (1) Merge the corporate culture with the topics of sustainable development in the future, map out the mission, vision, and development policy.
- (2) Review the pursuit of sustainable development and the result, and report to the Board at regular intervals.
- (3) Pay attention to the topics for the concern of the stakeholders, and the supervision of the communication plan.
- (4) Other resolutions of the Board to be carried out by the committee.

Members of the Sustainable Development Committee

Title	Members	Primary function
Director-General	Ping-Yiao Chang, Chairman	●Business policy ●Operational performance
Convener of the committee	Head of Human Resources Division	●Labor-Management Relations ●Training and education ●Information security
Executive members	Person in charge of operation governance team	●Financial performance ●Corporate governance ●Internal audit ●Law and compliance ●Risk management
Executive members	Person in charge of the product responsibility team	●Production process of product and dispensing of materials ●Product responsibility
Executive members	Person in charge of the energy saving and carbon reduction team	●Carbon inspection ●Energy management
Executive members	Person in charge of environment, safety and health management team	●Environment management ●Testing of production process for environmental protection ●Dumps, effluent and solid wastes ●Environmental protection performance and spending ●Occupational safety and health
Executive members	Person in charge of the social participation team	●Human resources ●Customers and suppliers ●Community participation

The performance of the Sustainable Development Committee in the previous year

Date	Content	Report to the Board
2016/05/31	The content of the 2015 Corporate Social Responsibility Report and Implementation Result	No

2017/05/31	The content of the 2016 Corporate Social Responsibility Report and Implementation Result	No
2018/05/31	The content of the 2017 Corporate Social Responsibility Report and Implementation Result	No
2019/05/31	The content of the 2018 Corporate Social Responsibility Report and Implementation Result	No
2020/05/29	The content of the 2019 Corporate Social Responsibility Report and Implementation Result	No
2021/05/31	The content of the 2020 Corporate Social Responsibility Report and Implementation Result	No
2022/05/04	Organization GHG inspection report and discussion on status of progress	Second session of the Board in 2022
2022/05/31	The content of the 2021 Corporate Social Responsibility Report and Implementation Result	No
2022/08/03	Organization GHG inspection report and discussion on status of progress	Fifth session of the Board in 2022
2022/11/03	Organization GHG inspection report and discussion on status of progress	Sixth session of the Board in 2022
2023/03/14	Organization GHG inspection report and discussion on status of progress	First session of the Board in 2023
2023/05/09	Organization GHG inspection report and discussion on status of progress	Third session of the Board in 2023
2023/05/31	The content of the 2022 Corporate Social Responsibility Report and Implementation Result	No
2023/08/09	Organization GHG inspection report and discussion on status of progress	Fifth session of the Board in 2023
2023/11/08	Organization GHG inspection report and discussion on status of progress	Seventh Session of the Board in 2023
2024/03/13	Organization GHG inspection report and discussion on status of progress	First session of the Board in 2024
2024/05/09	Organization GHG inspection report and discussion on status of progress	Second session of the Board in 2024
2024/05/31	The content of the 2023 Corporate Social Responsibility Report and Implementation Result	No

The Corporate Governance Officer reported to the Board of the Company on corporate governance in action on 2023/8/9/:

Types	5 Dimensions	Planned Items	Content of the Plan and Implementation
Environment	Energy saving and carbon reduction	Advocacy of energy saving and carbon reduction and perform the corporate responsibility in sustainability	1. Energy management: Improvement of the equipment at the plants that help to save energy.
			2. Water pollutants and solid waste management: Perform the responsibility of monitoring, following up, and visiting the contractor to ensure all solid waste has been properly handled.
			3. Water and effluent: Upgrade the equipment for high efficiency of water treatment, mitigate the impact on the surrounding environment.
	Environment, safety and health management	Intensify the advocacy and bolster the policy of occupational safety and health	1. All the working conditions at the plants shall be complying with applicable laws.
			2. Exercise drills on responding to emergency and fire safety to familiarize the emergency respond procedure.
			3. Organize lectures and seminars for the bonded warehouse staff for licensing and certification to meet the requirement of the customs.
Society	Social participation	Continue to advocate labor-management harmony	No material issue of labor-management relations and no illegal incidents.
		Launch education and training to realize self-learning for growth of the employees.	Provide programs on diversity of professional skills so that employees can upgrade themselves.
Governance	Corporate governance	Enhancing corporate governance	1. Calling for the annual institutional investor conference The institutional investor conference in 2023 has been held on June 8, 2023.
			2. The Company has uploaded the English version of the annual report 16 days prior to the day of the Shareholders' meeting.

			The Chinese and English versions of the annual report for the 2022 Shareholders' meeting have been uploaded on May 24, 2023. Accomplished 20 days before.
			3. Appointment of TIRI to conduct external evaluation on the performance of the Board once every 3 years. The Board has completed the external performance evaluation in 2022.
		Upgrade corporate performance	Continue to advocate cost reduction, enhancement of product value, and improvement of operation performance.
	Product responsibility	Quality Assurance	Assuring products meet customer needs and safety under the ISO 9001 and ISO 14001 management systems, production and inspection conform to the rules and regulations of ASTM, JIS, EN, and CNS to provide customer service before and after sale to meet the goal of quality assurance and traceability for improvement.

(9) Disclosures Relating to the Execution of Internal Control System:

1. Declaration of Internal Control System

Froch Enterprise Co., Ltd.
Declaration of Internal Control System

Date: March 13, 2024

The following declaration has been made based on the 2022 self-assessment of the Company's internal control system:

1. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the Board of Directors and executives, and that such a system has been implemented within the Company. The goals of this system are to provide reasonable assurance for business performance and efficiency (including profitability, performance, asset security etc.), reliable financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness, design, and execution of its internal control system.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective from January 1 to December 31, 2023. This system (including supervision and management of subsidiaries) has provided reasonable assurance with regards to the Company's operational performance, efficiency, target accomplishment, reliability, timeliness, and transparency of reported financial information, and compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and must be disclosed to the public. Any illegal misrepresentation or omission in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration was passed unanimously during the Board of directors meeting held on March 14, 2023.

2. If the internal control system was reviewed by an external CPA, the result of such review shall be disclosed: None.

(10) Penalties imposed against the Company for regulatory violation, or penalties against insiders for violation of internal control policy in the most recent year up until the publication date of this annual report; describe areas of weakness and any corrective actions taken: None.

(11) Major Resolutions Passed in Shareholder Meetings and Board of Directors Meetings Held in the Last Year up until the Publication Date of this Annual Report:

1. Significant Shareholder Meeting Resolutions:

Shareholders	Date	Major Resolutions	Execution
Shareholders Meeting	2023.06.15	<ol style="list-style-type: none"> 1. Acknowledgment of 2022 business report and financial statements. 2. Acknowledgment of 2022 earnings appropriation. 3. Amendments to the Company's "Articles of Incorporation." 	2022 Earnings Appropriation: Cash dividends were paid at NTD 1.5 per share. Ex dividend date: July 11, 2023; cash dividend payment date: August 2, 2023.

2. Significant Board of Directors Meeting Resolutions:

(1) Significant Resolutions Made by the Board of Directors in 2023 are as Follows:

Board Meeting	Date	Major Resolutions
Board Meeting	2023.03.14	<ol style="list-style-type: none"> 1. Passed the 2022 financial statements year-end accounts. 2. Passed the 2022 earnings appropriation proposal. 3. Passed the 2022 Declaration of Internal Control System Self-Assessment. 4. Passed independence assessment for the Company's financial statement auditors. 5. Passed the motion of payment for the service of the independent auditors for the Company in 2023. 6. Passed the motion of the prior approval of retaining the independent auditors in rendering non-assurance service principle. 7. Passed the motion of endorsement and guarantee in favor of Century Nova Steel Co., Ltd. 8. Passed the motion of the amendment to the "Articles of Incorporation" of the Company. 9. The motion of the retirement of the Chief Financial Officer, Chief Accountant, and spokesperson and a change in the spokesperson. 10. Passed the motion of the amendment to the "Code of Practice on Corporate Governance" of the Company. 11. The topics and date for the 2023 Shareholders' meeting in regular session
Board Meeting	2023.04.14	<ol style="list-style-type: none"> 1. The motion of authorizing the Chairman to establish overseas subsidiaries within the limit of USD 30 million. 2. Passed the motion of the content of the motions for the 2023 Shareholders' meeting in regular session.
Board Meeting	2023.05.09	<ol style="list-style-type: none"> 1. Passed the motion of replacing the independent auditors of the Company. 2. Passed the motion of the consolidated financial statements of the Company covering 2023 Q1 3. Passed the motion of endorsement and guarantee in favor of Centruy Nova Steel Co., Ltd.
Board Meeting	2023.06.15	<ol style="list-style-type: none"> 1. Passed the motion of the ex-dividend day and the no trading period. 2. Passed the motion of borrowing from banks for cash dividend payment.

Board Meeting	Date	Major Resolutions
Board Meeting	2023.08.09	<ol style="list-style-type: none"> 1. Passed the motion of the consolidated financial statements of the Company covering 2023 Q2. 2. Passed the motion of seeking mid-term overseas financing from China Export and Import Bank.
Board Meeting	2023.09.12	<ol style="list-style-type: none"> 1. Passed the motion of investment of USD30 million for the acquisition of the subsidiary FROCH AFRICA CO., LTD. 2. Passed the motion of the amendment to the “Articles of Incorporation” of the Company.
Board Meeting	2023.11.08	<ol style="list-style-type: none"> 1. Passed the motion of the consolidated financial statements of the Company covering 2023 Q3 2. Passed the motion of endorsement and guarantee in favor of Centruy Nova Steel Co., Ltd. 3. Passed the motion of the job functions of the Information Security Officer and the institution of the “Regulations Governing Information and Communication Security Control.” 4. Passed the motion of establishing the “Procedure for the Compilation and Verification of Sustainability Report” 5. Passed the motion of amendment to the “Procedure for Handling Material Inside Information” and Renamed it as “Procedure for Handling Material Inside Information and Prevention of Insider Trade.” 6. Passed the motion of amendment to the “Regulations Governing the Evaluation of Board Performance.”
Board Meeting	2022.12.22	<ol style="list-style-type: none"> 1. Passed the motion of 2024 Annual Audit Plan 2. Passed the motion of the approval of salaries by the Remuneration Committee in 2023. 3. Passed the motion of the renewal of the limit of bank loans agreement at expiration of the term and reporting to the shareholders’ meeting for approval of the renewal of loans. 3. Passed the motion of amendment to the “Regulations Governing the Reporting of Unlawful And Immoral or Unethical Practices.” 5. Passed the motion of assessment of the independence of the independent auditors.

*Resolution: all the above motions were passed by all Directors in session at unanimous consent.

*The pursuit: pursuit in accordance with the resolution.

(2) Significant Resolutions Made by the Board of Directors in 2023 up until the Publication Date of Annual Report are as Follows:

Board Meeting	Date	Major Resolutions
Board Meeting	2024.03.13	<ol style="list-style-type: none"> 1. Passed the 2023 financial statements annual accounts. 2. Passed the 2023 earnings appropriation proposal. 3. Passed the 2023 Declaration of Internal Control System Self-Assessment. 4. Passed the motion of cancellation of the previous amendment to the “Articles of Incorporation” of the Company. 5. Passed the motion of payment for the service of the certified public accountants (independent auditors) for the Company in 2024. 6. Passed the motion of the prior approval of retaining the independent auditors in rendering non-assurance service. 7. Passed the motion of amendment to “The Organization Code of the Audit Committee” 8. Passed the motion of the topics and date for the 2024 shareholders’ meeting in regular session

For related announcements, please visit " MOPS" (<http://mops.twse.com.tw>)

(12) Documented Opinions or Declarations Made by Directors or Independent Directors Against Board Resolutions in the Most Recent Year, up until the Publication Date of this Annual Report: None.

(13) Resignation or Dismissal of the Chairman, President, Head of Accounting, Head of Finance, Chief Internal Auditor, or Head of R&D in the Most Recent Year up until the Publication Date of this Annual Report:

April 14, 2024

Title	Name	Date OnBoard	Date Departed	Reasons for Resignation or Departure
Financial Executive Accounting Executive Spokesperson	Yi-Cheng Shih	1994.01.01	2023.03.15	Retirement

IV. Information of CPAs

(1) Disclosure of CPAs' Remuneration:

Unit: NTD thousands

Name of Accounting Firm	Name of CPA	Audit Period	Audit Remuneration	Non-audit Remuneration	Total	Remarks
Deloitte & Touche Taiwan	Ting-Chien Su	2023.01.01~2023.12.31	3,060	300	3,360	.
	Li-Tong Wu	2023.01.01~2023.12.31				

* Any Replacement of Accounting Firm and Reduction in Audit Remuneration Paid Compared with the Previous Year: None.

* Any Reduction in Audit Remuneration y More than 15% Compared to the Previous Year: None.

V. Change of CPA:

1. Information Relating to the Former CPA

Date of Reappointment	2019 Q4 (2022 has no such circumstance)		
Reasons and Details of the Reappointment	An Internal Rotation within Deloitte & Touche Taiwan		
Whether the termination of audit service was initiated by the client or by the auditor	Parties Involved		CPA
	Situation		
	Service Terminated by		Not Applicable
Service not Accepted/ Continued by		Not Applicable	Not Applicable
Reasons for Issuing Opinions other than Unmodified Opinion in the Last 2 Years	None		
Any Disagreement with the Issuer	Yes		Accounting Policy or Practice
			Disclosure of Financial Statements
			Audit Coverage or Procedures
			Others
	None	✓	
	Explanation		
Other Disclosures (Disclosures Deemed Necessary under Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Guidelines)	None		

2. Information Relating to the Succeeding CPA:

Name of Accounting Firm	Deloitte & Touche Taiwan
Name of CPA	CPA Ting-Chien Su CPA Shao-Chun Wu.
Date of Appointment	2023 Q1
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	Not applicable
Written Disagreements from the Succeeding Auditor against Opinions Made by the Former CPA	None

3. Former CPA's Reply to Note 3, Items 1 and 2, Subparagraph 2, Article 20 - 2 of the Guidelines: None.

VI. Any of the Company's Chairman, President, or any Executive Involved in Financial or Accounting Affairs being Employed by the Accounting Firm or any of Its Affiliated Company in the last Year: None.

VII. Details of Shares Transferred or Pledged by Directors, Executives, or Shareholders with more than 10% Ownership Interest in the Last Year, up until April 14, 2024.

(1) Details of Shares Transferred or Pledged by Directors, Executives, or Shareholders with more than 10% Ownership Interest:

Title	Name	2023		As of April 14, 2024	
		Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged	Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged
Chairman	Ping-Yiao Chang	0	0	0	0
Vice Chairman	Hsin-Ta Chang	0	0	0	0
Director	Tsao-Chi Yang	0	0		
Director	Chun-Chi Lee	0	0	0	0
Director * Also a major shareholder	Shin Chieh Shin Co., Ltd.	0	0	0	0
Director	Shin Chieh Shin Co., Ltd. Representative – Ching-Yang Juan	0	0	0	0
Independent Director	Shun-Te Wen	0	0	0	0
Independent Director	Ying-Fang Lee	0	0	0	0
Independent Director	Shu-Fu Wang	0	0	0	0
Independent Director	Huei-Guei Chen	0	0	0	0

Title	Name	2023		As of April 14, 2024	
		Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged	Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged
Vice President	Ren-Hsiang Lee	0	0	0	0
Division Head	Wen-Chih Lee	(261,000)	0	(171,000)	0
Division Head	Chang-Chieh Huang	0	0	0	0
Division Head	Wen-Hsiou Lee	0	0	0	0
Senior General Manager	Han-Lin Chang	0	0	0	0
Assistant Manager	Wen-Chi Chang	0	0	0	0

Note 1: Shareholders with more than 10% ownership interest shall be highlighted as major shareholders and listed separately.

- (2) Disclosure of Share Transfer or Pledge where the Counterparty is a Related Party:
None.

VIII. The Relationships among Top-10 Shareholders

Name	Shares Held in Own Name		Shares Held by Spouse and Underage Children		Shares Held in the Names of Others		Relationship Characterized as Spouse or Relative of Second Degree or Closer among the Top-10 Shareholders. (Note 2)		Remarks
	No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage	Name	Relationship	
Shin Chieh Shin Co., Ltd.	28,206,372	10.05	0	0	None	None	None	None	None
Person-in-charge of Shin Chieh Shin Co., Ltd. - Chia-Chi Fan Spouse - Yu-Hua Chang Underage child - Ching-Chun Fan	854	0.00	653	0.00	None	None	None	None	None
Shin Chieh Shin Co., Ltd. Representative – Ching-Yang Juan Spouse- Hsiu-Yen Tsai	0	0	0	0	None	None	None	None	None
Hsin-Ta Chang	21,648,931	7.72	840,830	0.30	None	None	Ping-Yiao Chang	Father	Hsiu-Miao Lee: Mother
Ping-Yiao Chang	17,547,946	6.26	8,388,978	2.99	None	None	Hsiu-Miao Lee	Spouse	Hsin-Ta Chang: Son
Li-Shen Chang	9,242,780	3.29	0	0	None	None	Ping-Yiao Chang	Father	Hsiu-Miao Lee: Mother
Hsiu-Miao Lee	8,388,978	2.99	17,547,946	6.26	None	None	Ping-Yiao Chang	Spouse	Li-Shen Chang: Son
Li Chieh Shin Co., Ltd.	7,128,000	2.54	0	0	None	None	None	None	None
Person-in-charge of Li Chieh Shin Co., Ltd. - Li-Shen Chang Spouse - Shu-Yu Pai Underage child - Chen-Wei Chang	9,242,780	3.29	0	0	None	None	Ping-Yiao Chang	Father	Hsiu-Miao Lee: Mother
JP Morgan Chase Bank Custody JP Morgan Limited Investment Account	1,525,032	0.54	0	0	None	None	None	None	None
Yo-Ching Chen	1,442,000	0.51	0	0	None	None	None	None	None
Citibank in its Capacity as Master Custodian for Investment Account of DFA Emerging Market Core Securities	1,209,384	0.43	0	0	None	None	None	None	None
Citibank in its Capacity as Master Custodian for Investment Account of Subdivision Emerging Markets Valuation Fund	1,037,734	0.37	0	0	None	None	None	None	None

Note 1: All top-10 shareholders shall be listed. For corporate shareholders, the name of the corporate entity and the name of the representative shall be shown separately.

Note 2: Percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.

Note 3: Relationships among the abovementioned shareholders (including corporate and natural-person shareholders) shall be disclosed.

**IX. Investments Jointly Held by the Company, the Company's Directors,
Executives, and Businesses Directly or Indirectly Controlled by the Company;
Disclose Shareholding in Aggregate of the above Parties:**

December 31, 2022; unit: shares

Business Investments	Held by the Company		Held by Directors, Executives, and Directly or Indirectly Controlled Businesses		Aggregate Ownership	
	No. of Shares	Shareholding Percentage (%)	No. of Shares	Shareholding Percentage (%)	No. of Shares	Shareholding Percentage (%)
Century Nova Steel Co., Ltd.	49,000,000	100	0	0	49,000,000	100
Froch Enterprise International Co., Ltd.	3,550,000	100	0	0	3,550,000	100
Froch Stainless Co. Ltd.	500,000	100	0	0	500,000	100
Froch Africa Co., Ltd.	7,500,000	100	0	0	7,500,000	100
Froch Metal (Suzhou) Co., Ltd.	0	100	0	0	0	100
Century Nova Steel Co., Ltd. (Wuxi)	0	100	0	0	0	100
Froch International Trading Co. Ltd.	0	100	0	0	0	100
Froch Stainless Co., Ltd. (Wuxi)	0	100	0	0	0	100

D. Capital Overview

I. Capital and Outstanding Shares

(1) Source of Capital

1. Changes in Share Capital:

April 17, 2023 / Unit: thousand shares; NTD thousands

Year / Month	Face Value per Share (NTD)	Authorized Capital		Paid-up capital		Remarks		
		No. of Shares	Amount	No. of Shares	Amount	Sources of Share Capital	Paid with Properties other than Cash	Others
September 1984	1,000	4,200	4,200	4,200	4,200	Share Capital Paid in Cash 4,200	None	None
June 1986	1,000	28,000	28,000	28,000	28,000	Cash Issuance 23,800	None	None
August 1988	1,000	53,000	53,000	53,000	53,000	Cash Issuance 25,000	None	None
June 1989	10	13,800	138,000	13,800	138,000	Cash Issuance 85,000	None	None
September 1989	10	19,800	198,000	19,800	198,000	Cash Issuance 60,000	None	None
May 1991	10	30,000	300,000	30,000	300,000	Cash Issuance 102,000	None	None
April 1995	10	37,500	375,000	37,500	375,000	Capitalization of Earnings 75,000	None	(Note 1)
March 1996	10	46,875	468,750	46,875	468,750	Capitalization of Earnings 93,750	None	(Note 2)
May 1997	10	51,562	515,625	51,562	515,625	Capitalization of Earnings 46,875	None	(Note 3)
March 1998	10	56,718	567,187	56,718	567,187	Capitalization of Earnings 51,562	None	(Note 4)
May 1999	10	65,226	652,265	65,226	652,265	Capitalization of Earnings 85,078	None	(Note 5)
May 2000	10	73,053	730,537	73,053	730,537	Capitalization of Earnings 78,272	None	(Note 6)
May 2001	10	80,359	803,591	80,359	803,591	Capitalization of Earnings 73,054	None	(Note 7)
May 2003	10	96,377	963,771	84,377	843,771	Capitalization of Earnings 40,179	None	(Note 8)
July 2004	10	200,000	2,000,000	97,034	970,336	Capitalization of Earnings 126,565	None	(Note 9)
September 2004	10	200,000	2,000,000	124,842	1,248,422	Conversion from Corporate Bonds 278,086	None	None
December 2004	10	200,000	2,000,000	140,954	1,409,545	Conversion from Corporate Bonds 161,123	None	None
March 2005	10	200,000	2,000,000	153,213	1,532,130	Conversion from Corporate Bonds 122,584	None	(Note 10)
June 2005	10	300,000	3,000,000	180,791	1,807,913	Capitalization of Earnings 275,783	None	(Note 11)
July 2006	10	300,000	3,000,000	189,830	1,898,309	Capitalization of Earnings 90,396	None	(Note 12)
July 2007	10	300,000	3,000,000	237,288	2,372,886	Capitalization of Earnings 474,577	None	(Note 13)
July 2008	10	300,000	3,000,000	272,881	2,728,819	Capitalization of Earnings 355,932	None	(Note 14)
September 2015	10	300,000	3,000,000	286,526	2,865,260	Capitalization of Earnings 136,441	None	(Note 15)
August 2020	10	400,000	4,000,000	280,526	2,805,260	Capital Reduction with Treasury Share 60,000	None	(Note 16)

Note 1: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (84)-Tai-Tsai-Cheng-(1)-29969 issued on May 23, 1995.
Note 2: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (85)-Tai-Tsai-Cheng-(1)-56672 issued on September 16, 1996.
Note 3: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (86)-Tai-Tsai-Cheng-(1)-69840 issued on September 6, 1997.
Note 4: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (87)-Tai-Tsai-Cheng-(1)-82228 issued on September 25, 1998.
Note 5: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (88)-Tai-Tsai-Cheng-(1)-59754 issued on July 1, 1999.
Note 6: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (89)-Tai-Tsai-Cheng-(1)-61339 issued on July 24, 2000.
Note 7: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (90)-Tai-Tsai-Cheng-(1)-143951 issued on July 10, 2001.
Note 8: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (92)-Tai-Tsai-Cheng-(1)-0920130134 issued on July 7, 2003.
Note 9: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (93)-Tai-Tsai-Cheng-(1)-0930129506 issued on July 5, 2004.
Note 10: Change of capital was approved by the Ministry of Economic Affairs under Letter No. Jing-Shou-Shang-09401064070 dated April 18, 2005.
Note 11: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0940124958 dated June 22, 2005.
Note 12: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0950127961 dated July 3, 2006.
Note 13: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0960036624 dated July 16, 2007.
Note 14: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0970039263 dated August 14, 2008.
Note 15: This increase of capital was approved by Financial Supervisory Commission under Letter No. Jin-Guan-Zheng-Fa-1040026146 dated July 15, 2015.
Note 16: This reduction was approved by Department of Commerce, MOEA under Letter No. Jing-Shou-Shang-10901157460 dated August 31, 2020.

2. Categories of Outstanding Shares:

April 17, 2023 Unit: shares; NTD thousands

Share Category	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	280,526,027	119,473,973	400,000,000	

3. Information Relevant to the Aggregate Reporting Policy: Not Applicable

(2) Shareholder Structure:

April 17, 2023

Shareholder Structure Number	Government Institutions	Financial Institutions	Other Legal Entities	Natural Persons	Foreign Institutions and Foreigners	Total
Number of Shareholders	0	0	197	53,093	93	53,383
Number of Shares Held	0	0	37,868,329	234,367,224	8,290,474	280,526,027
Shareholding Percentage (%)	0	0	13.5	83.54	2.96	100.00

Note: The Company has no Mainland investor; shareholding by Mainland investors is 0%.

All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Chinese investors' holding interests: A Chinese investor refers to an individual, legal entity, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.

(3) Diversity of Ownership:

1. Common Shares

April 17, 2023 Unit: people; shares; %

Shareholding Range	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 to 999	23,374	1,088,859	0.39
1,000 to 10,000	25,866	77,771,030	27.72
10,001 to 20,000	1,788	27,100,197	9.66
20,001 to 30,000	546	14,158,993	5.05
30,001 to 40,000	260	9,255,143	3.30
40,001 to 50,000	170	7,940,085	2.83
50,001 to 100,000	230	16,220,203	5.78
100,001 to 200,000	97	13,455,861	4.80
200,001 to 400,000	29	8,420,616	3.00
400,001 to 600,000	8	3,987,369	1.42
600,001 to 800,000	2	1,263,684	.45
800,001 to 1,000,000	3	2,486,830	.89
1,000,000 and above	10	89,498,331	10
Total	52,674	280,526,027	53,383

2 Diversity of Preferred Share Ownership: Not Applicable

(4) List of Major Shareholders

Shows the Names of Top- 10 Shareholders and Those with More than 5% Ownership, and the Quantity and Percentage of Shares Held.

April 17, 2023

Name of Major Shareholders	Number of Shares Held	Shareholding Percentage
Shin Chieh Shin Co., Ltd.	28,206,372	10.05
Hsin-Ta Chang	21,648,931	7.72
Ping-Yiao Chang	17,547,946	6.26
Li-Shen Chang	4,713,780	1.68
Hsiu-Miao Lee	8,388,978	2.99
Li Chieh Shin Co., Ltd.	3,955,000	1.41
JP Morgan Chase Bank Custody JP Morgan Limited Investment Account	1,450,384	0.52
Yo-Ching Chen	1,340,000	0.48
Citibank in its Capacity as Master Custodian for Investment Account of DFA Emerging Market Core Securities	1,209,206	0.43
Citibank in its Capacity as Master Custodian for Investment Account of Subdivision Emerging Markets Valuation Fund	1,037,734	0.37

(5) Information Relating to Market Price, Net Worth, Earnings, and Dividends per Share for the Last 2 Years

Unit: NTD

Aspect \ Year		2022	2023	Year-to-date as of March 31, 2024 (Note 8)
Market Price per Share (Note 1)	High	41.65	25	19.95
	Low	21.25	17	17.8
	Average	26.90	20.94	18.85
Net Worth per Share (Note 2)	Before dividend	18.63	17.18	-
	After dividend	17.13	16.68	-
EPS	Weighted Average Outstanding Shares (in thousands)	280,526	280,526	-
	Earnings (losses) per Share (Note 3)	2.64	0.18	-
Dividend per Share	Cash Dividend	1.50	0.5	-
	Stock Dividend	0	-	-
	Cumulative Undistributed Dividend (Note 4)	0	0	-
Analysis of Investment Return	P/E ratio (Note 5)	10.19	116.33	-
	Price to Dividend Ratio (Note 6)	17.93	41.88	-
	Cash Dividend Yield (Note 7)	5.58	2.39	-

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's Board of Directors is presented in the table.

Note 3: Where stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year is disclosed separately.

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

Note 6: Price to Dividends Ratio = average closing price per share for the year / cash dividend per share.

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

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of this annual report. For all other fields, calculations are based on data as at the publication date of this annual report.

(6) Dividend Policy and Execution

1. The Company's Dividend Policy:

Annual profit concluded by the Company are subject to employee remuneration of 1%, which the Board of Directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet set criteria are entitled to receive remuneration. Up to 3% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the Board of Directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings.

Profits must first be reserved to offset against cumulative losses, if any, before the remainder can be distributed as employee or director remuneration in the above percentages.

Annual profit concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserves; however, no further provision is needed when legal reserves have accumulated to the same amount as the Company's paid-up capital. Any profit remaining must then be subject to provision or reversal of special reserves, as the laws may require. The residual balance can then be added to undistributed earnings carried from previous years and distributed as shareholder dividends or retained at Board of Directors' proposal, subject to resolution in a shareholder meeting.

The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic or foreign competition, and shareholders' interests. No less than 50% of distributable earnings must be paid as dividend for the current year, but the Company may decide to withhold earnings if the amount of distributable earnings is less than 10% of paid-up capital. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 20% of total dividends.

2. Dividend Distribution Proposed for the Coming Annual General Meeting of Shareholders:

The Company reported net income of NTD 741,216,299 for 2022; having considered future investment opportunities and industry characteristics, the Board of Directors passed a proposal during the meeting dated March 14, 2023 to pay cash dividends at NTD 1.50 per share.

(7) Impacts of Proposed Share Dividends on the Company's Business Performance and Earnings per Share.

Year		Item	2023
Opening paid-up Capital (NTD thousands)			2,805,260
Dividends for the Current Year	Cash Dividends per Share (NTD)		0.50
	Share Dividends per Share from Capitalization of Earnings		—
	Share Dividends per Share from Capitalization of Reserves)		—
Changes in Business Performance	Operating profit (NTD thousands)		Not applicable
	Year-on-year Percentage Variation of Operating Profit (%)		Not applicable
	Net Income after Tax (NTD thousands)		Not applicable
	Year-on-year Percentage Variation of Net Income (%)		Not applicable
	Earnings per Share (NTD)		Not applicable
	Year-on-year Percentage Variation of Earnings per Share (%)		Not applicable
	Yearly Average Return on Investment (a Reciprocal of Yearly Average PE Ratio) (%)		Not applicable
Estimated EPS	If Capitalized Earnings	Estimated EPS	Not applicable

Year			Item	2023
and PE Ratio	were Entirely Distributed as Cash Dividends Instead	Estimated Yearly Return on Investment (%)		Not applicable
		Estimated EPS (NTD)		Not applicable
	Without Capitalization of Reserves	Estimated Yearly Return on Investment (%)		Not applicable
		Estimated EPS (NTD)		Not applicable
	Without Capitalization of Reserves and if Capitalized Earnings were Entirely Distributed as Cash Dividends Instead	Estimated Yearly Return on Investment (%)		Not applicable

(8) Allocation of Employee, and Director Remuneration from Previous Year's Earnings:

1. Percentage or Range of Employee or Director Remuneration Stated in the Articles of Incorporation:

According to the Company's Articles of Incorporation, earnings concluded from a year are to be allocated in the following order:

- (1) Reimbursement of losses from previous years.
- (2) Provision for or reversal of special reserve, if necessary; afterwards, the Board of Directors will propose an earnings appropriation plan based on the following principles for resolution in a shareholder meeting:
 - a. Director remuneration no more than 3%
 - b. Employee remuneration of 1%
 - c. Any balance remaining will be added to undistributed earnings carried from previous years, which the Board of Directors may decide to retain partially and distribute the remainder, subject to resolution in a shareholder meeting. In principle, no less than 50% of current year's available earnings must be paid as dividends, and at least 20% of shareholders' dividends must be paid in cash.

2. There was no change in the basis for estimating employee or director remuneration and share dividend; the amounts estimated were indifferent to the amounts paid.

3. Employees' Remuneration Proposed and Resolved by the Board of Directors:

- (1) Board of Directors resolution date: 2024/3/13
- (2) Types and amount of dividends distributed:
 - a. Proposed cash payment to employees - NTD 847,464.
 - b. Proposed director remuneration - NTD 847,464.
- (3) Disclose the amount, causes, and treatments of any differences between the amount paid and the amount estimated in the year the expense was recognized: None
- (4) Proposed employee share-based payment as a percentage of after-tax profit plus employees total compensation for the current period: Not Applicable
- (5) Earnings per share after taking into account the proposed employee remuneration and director remuneration: NTD 0.18.

4. Actual payment of employee or director remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies): No Difference

- (1) Board of Directors resolution date: 2023/3/14
- (2) Types and amount of dividends distributed:
 - a. Proposed cash payment to employees 9,775,574.
 - b. Proposed director remuneration 9,775,574.

- (9) Completed Buyback of the Company's Shares in the Most Recent Years and up until the Publication Date of this Annual Report: The Company has made a total of 17 share buybacks Since 2011. The most recent buybacks were 16th and 17th in 2020; details are as follows.

Incidence	16th	17th	
Purposes of Buyback	maintain company's credit standing and shareholders' equity	maintain company's credit standing and shareholders' equity	
Buyback Date	2020/03/17-2020/5/06	2020/05/12-2020/07/06	
Type of Shares Bought Back	ordinary shares	ordinary shares	
Buyback Volume	3,000,000 shares	3,000,000 shares	
Total Amount of Buyback (including fees)	NTD 29,173,412	NTD 32,001,230	
Amount of Shares Bought Back as a Percentage of Planned buyback (%)	100	100	
Cumulative Holding of the Company's Shares	0	0	
Number of Shares Retired and Transferred	3,000,000 shares	3,000,000 shares	
Cumulative Holding of the Company's Shares as a Percentage of Outstanding shares	0%	0%	

- II. Corporate Bonds: None.
- III. Preferred Shares: None.
- IV. Global Depositary Receipts: None.
- V. Employee Share Subscription Rights: None.
- VI. New Employee Restricted Shares: None.
- VII. New Shares Issued for Merger or Acquisition: None.
- VIII. Progress on Planned Use of Capital:

Up until the quarter immediately preceding the publication date of annual report, the Company had no uncompleted securities offering or any securities offering completed in the last three years that had yet to yield the designed outcome.

E. Operational Overview

I. Business Activities

(I) Scope of Business

1. Main Business Activities

- Iron and Steel Refining
- Steel Rolling and Extruding
- Iron and Steel Casting
- Iron and Steel Secondary Processing
- Other Metal Products Manufacturing
- Surface Treatments

2. Proportions of Business Activities

Unit: NTD thousands

Product	2023 Sales Amount	as a Percentage of Annual Sales (%)
Stainless Steel Tubes and Pipes	10,506,823	81.72
Stainless Steel Sheets and Coils	2,267,854	17.64
Others	82,222	0.64
Total	12,856,899	100.00

3. Current Products and Services of the Company

- Industrial Stainless Steel Pipes
- Stainless Steel Tubes for Mechanical Structure
- Stainless Steel Angle Bars
- Stainless Steel Sheets and Coils
- Commissioned Processing

4. New Product Development Plans

- Research and Production of Titanium Pipes
- Development of New Materials and New Production Technologies

(II) Industry Overview

1. Current and Future Industry Prospects

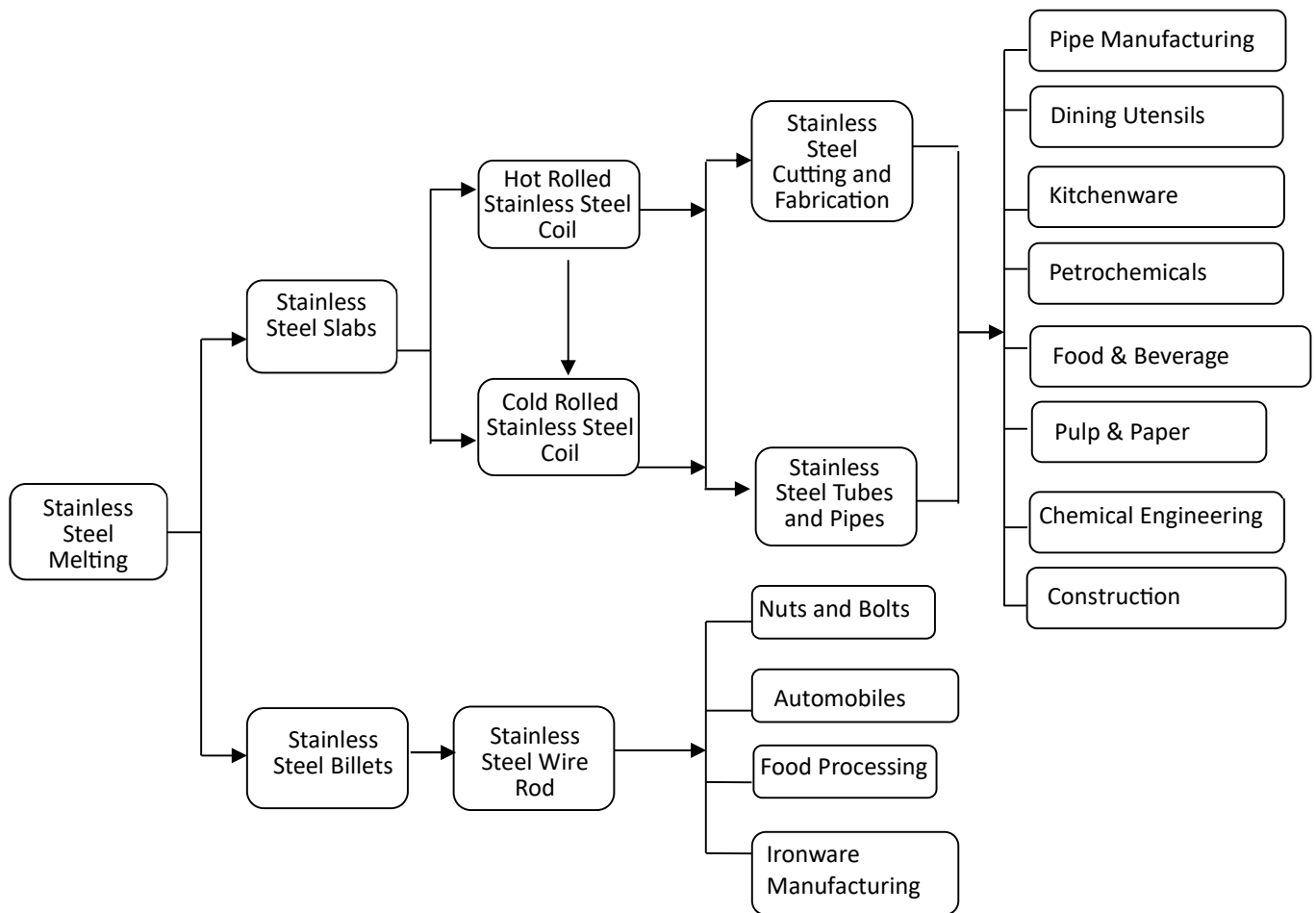
The Company's main business activities are the production of stainless steel tubes, pipes, sheets, coils, and angle bars. Steel is an essential material in the modern society. From metal products manufacturing, machinery, transportation equipment, construction, to electrical equipment, virtually all the above industries

rely on steel as the basic material, which is why growth of the steel industry is closely related to the overall economy.

From a global perspective, the U.S., Europe, and countries around the world have resolved to tariff as a way of protecting their own industries, which poses significant stress to Taiwan as an export-driven economy. The Company's Mainland subsidiaries, too, experienced slower growth due to a decline in local economic activities. However, the introduction of a series of economic stimulus and initiatives should prove beneficial in the future. Competition within the domestic market remains intense, but thanks to growing demands from emerging markets and the favorable investment environment the government has created, the Company will be looking to expand export sales while at the same time take advantage of increased local demand for stainless steel from new infrastructure projects. Lastly, given the rising environmental protection awareness around the world, the Company is optimistic about creating new opportunities by capitalizing on the high recyclability and reusability of stainless steel materials.

2. Association between Upstream, Midstream, and Downstream Industry Participants

The Company manufactures industrial stainless steel pipes and structural stainless steel tubes, which places it in the midstream of the stainless steel supply chain. The stainless steel industry is closely connected to other industries such as construction, transportation equipment, petrochemical, pulp and paper, food and beverage, and machinery due to the favorable properties of stainless steel in resisting against oxidation and corrosion. The association among upstream/midstream/downstream of the stainless steel industry is as follows: :



3. Product Trends

(1) Replacing Carbon Steel Pipes and Seamless Stainless Steel Pipes

Stainless steel pipes possess several advantages over carbon steel pipes, including better resistance against heat, acid, and corrosion, and require no further surface treatment. As a result, stainless steel pipes are gradually replacing conventional carbon steel pipes around the world. Due to recent improvements in electric fusion welding technology, welded stainless steel pipes can now be made at quality no inferior than seamless stainless steel pipes, while offering advantages such as lower cost and greater flexibility, welded stainless steel pipes now have the potential to replace their seamless counterparts.

(2) Increasing Importance of Oversea Sales and the Mainland Market

As product quality stabilizes within the domestic stainless steel pipes industry, participants are actively exploring overseas sales and turning to foreign markets for new growth opportunities. The export volume in the recent three years were: 132,180 tons of stainless steel products in 2021, 106,438 tons in 2022, and 104,245 tons in 2023. In the past three years, the export volume of Taiwan's stainless steel products has been fluctuating, but still has a considerable influence on the overall international market share.

4. Domestic Product Competition

The Company specializes in the manufacturing of stainless steel pipes, and the sales of which accounts for approximately 74.62% of the Company's individual revenue in 2023. Other local public-listed stainless steel pipe manufacturers include YC INOX and Ta Chen Stainless; sale of stainless steel pipes accounts for 60.14% of revenue in YC INOX and 44.84% of revenue in Ta Chen Stainless.

Table 1: Domestic Production Value of Welded Stainless Steel Pipes

Unit: NTD thousands

Item	Froch			YC INOX			Ta Chen Stainless		
	Revenue	Stainless Steel Pipes		Revenue	Stainless Steel Pipes		Revenue	Stainless Steel Pipes	
Year	Amount	Amount	Percentage	Amount	Amount	Percentage	Amount	Amount	Percentage
2019	8,708,539	6,232,272	71.57%	16,308,739	7,681,747	47.10%	7,584,694	3,918,991	51.67%
2020	7,745,032	5,642,367	72.85%	12,717,152	6,841,412	53.80%	6,237,417	3,089,392	49.53%
2021	11,540,839	7,825,792	67.80%	17,777,919	9,478,885	53.31%	15,232,827	5,816,931	38.19%
2022	12,271,437	8,825,661	71.92%	16,262,547	9,444,165	58.14%	14,587,913	6,277,859	43.03%
2023	9,259,594	6,909,517	74.62%	13,624,052	8,192,834	60.14%	9,545,301	4,280,580	44.84%

Source: Audited Individual Financial Reports of Various Companies between 2018 to 2022.

The Company has reached economies of scale in a competitive stainless steel pipe market. Not only the departments are capable of working closely with each other, the Company also adopts a market-driven approach that emphasizes on customers' needs, timely service, product R&D, and quality enhancement. The Company possesses competitive advantage in the following areas:

(1) Comprehensive Product Range to Satisfy Customers' Diverse Needs

The Company is dedicated to maintaining a comprehensive product

range by expanding product items according to market demand, and has been constantly developing stainless steel pipes of various sizes. From 1/4-inch to 80-inch, the Company produces diversified products to satisfy customers' one-stop shopping needs and to support market expansion, and to minimize risks associated with single product items.

(2) Strong R&D Capabilities; Leading in the Development of High Value-added Products

The Company has had emerging success with the automation of processes such as in-line polishing of circular/rectangular pipes, in-line annealing of pipe mills, and automated measurement and cutting, etc.; all of which have the potential to improve capacity utilization and product quality. Meanwhile, new pipes featuring large diameters, thick walls, and new materials are being developed to maintain advantage over other manufacturers.

(3) Best Product Quality in the Industry

From the quality perspective, the Company's quality management system has been certified for ISO9001 and ISO14001 by Lloyd's Register of Shipping in 1993 and 1999 respectively. Furthermore, the Company's quality assurance laboratory was certified by Chinese National Laboratory Accreditation (CNLA) in 2001 (which was later renamed Taiwan Accreditation Foundation or TAF in 2004). The Company leads other manufacturers not only in X-ray examination of large diameter pipe welds, but also became a manufacturer certified with JIS product certification in 2009, and subsequently obtained the approval of pressure pipe components and TUV certificates.

(4) Complete Service Network

Aside from increasing market share in the domestic stainless steel pipe industry, the Company also sells products to the rest of the world through Internet and amicable interaction with trade partners. In addition to building and maintaining a tight marketing network, the Company develops deep into

the market needs, adapts to market dynamics, conducts differentiated market strategies in different markets.

(III) Technological Research and Development

1. The Company's R&D efforts are primarily focusing toward production procedure development, product quality improvement, operator techniques enhancement, and new product development. With respect to production procedure development, the Company introduced advanced equipment and molds locally and abroad, or designed its own advanced equipment and molds to improve production technology, capability, and product quality.

For product quality improvement, the Company actively adopted product assurance systems and certifications, explored new production equipment and procedural improvements, and took actions to enhance product quality.

In terms of operator techniques enhancement, the Company not only assigned employees to various local and abroad conferences, but also invited experts from around the world to train employees to keep them up to date with the latest professional knowledge and technical levels. As for new production process, the Company actively conducted market surveys, introduced advanced equipment and molds locally and abroad, recruited professional talents for R&D, arranged intensive training for existing researchers, and actively tested and developed new product items.

Significant R&D accomplishments were made in 2009; in terms of product assurance, the Company adopted and passed certification for JIS; in terms of product development, the Company commenced production of steel sheets and coils and was successful in the development of new surface treatment technology.

2. R&D Personnel and Expense:

Unit: NTD thousands

Year	R&D Expense	People	Post-graduates (Masters, Ph.D.)	University	College	Senior High School
2018	49,698	55	0	6	3	46
2019	18,870	53	0	8	4	41
2020	12,602	50	0	8	4	38
2021	14,427	45	0	8	4	33
2022	14,351	46	0	8	4	34

3. Research Achievements:

2005~2008	1. Circular tubes in-line polishing technology 2. Rectangular tubes in-line polishing technology 3. Pipe-making machine in-line annealing project 4. Titanium pipe development project
2009	1. Adoption and certification of JIS quality management system 2. Stainless steel sheets and coils production technology development project 3. Pickling process development project
2010	1. Warehouse and logistics development project
2011	1. Improvement of polishing process
2014	1. Special materials manufacturing process improvement and redesign of existing equipment

4. R&D Projects:

Unit: NTD thousands

Project	Project Focus	Time	Expected R&D Amount
The Company is a manufacturer of stainless steel tubes and pipes and sheets and coils, and operates in a mature industry where breakthroughs in production technology and equipment are less frequent. For this reason, the Company's R&D budgets are mainly directed toward improvement of existing production procedures and machinery, and do not qualify as new "science, technology, quantitative tool, or statistical method" stipulated in Statute for Industrial Innovation.			The estimated investment is NT \$15,000.

(IV) Long and Short-term Business Plans

1. Short-term Business Plans

- Improvement and development of titanium pipe welding technology
- Research of new production procedures for stainless steel tubes and pipes
- Enhancement of employee training

2. Long-term Business Plans

- Position worldwide for increased sales and global market share
- Grow the sales of stainless steel sheets and coils for higher market share
- Systematic talent training for business sustainability

II. Market, Production and Sales Overview

(I) Market Analysis

1. Regions where Products are Mainly Sold

Unit: NTD thousands

Sales Destination \ Year		2021		2022		2023	
		Amount	%	Amount	%	Amount	%
Domestic Sale		5,424,033	35.59	6,088,040	37.47	4,531,503	35.25
Oversea Sales	Europe	1,244,906	8.17	1,395,246	8.59	1,068,379	8.31
	Asia	4,586,625	30.10	4,889,670	30.09	4,509,855	35.07
	Americas	2,273,497	14.92	2,144,619	13.20	1,574,552	12.25
	Others	1,709,711	11.22	1,730,416	10.65	1,172,610	9.12
Total		15,238,772	100.00	16,247,991	100.00	12,856,899	100.00

2. Main Competitors and Market Share

(1) Main Competitors

Domestic Market: YC INOX.

Oversea Markets: YC INOX, Ta Chen Stainless.

(2) Market Share

Below is a comparison between Taiwan's total export volume of welded stainless steel pipes and the Company's export sales in the last two years, based on the 2023 steel product import and export statistics published by Taiwan Steel & Iron Industries Association:

Unit: tonnes

Aspect \ Year	2022		2023	
	Tonnage	Growth %	Tonnage	Growth %
Total Export Volume	106,438	(19.47)	104,245	(2.06)
Volume Sold by the Company	38,334	(10.94)	35,090	(8.46)
As a Percentage of Total Export (%)	36.02	10.63	33.66	(6.55)

3. Future Market Supply, Demand and Growth

The Company is a professional manufacturer of stainless steel tubes and pipes. The anti-corrosive, high temperature-resistant, and high pressure-resistant qualities combined with polished surface make stainless steel tubes and pipes increasingly popular among users. As income per capita and living standard

increase, consumers increase demand for stainless steel. Growth of demand for stainless steel is especially rapid in China, stainless steel has become popular, and is now widely used in many industries. To capitalize on the world's increasing demand, the Company will continue looking for ways to reduce cost with the economies of scale, while at the same time develop high value-added products that would maximize profits.

4. The Favorable and Unfavorable Factors for Future Development and Response Strategies

(1) Favorable Factors

- ◆ The Company is mainly involved in the manufacturing and sales of stainless steel tubes and pipes; having incorporated for more than 30 years, the Company prides itself for being a long standing, much experienced, and professionally managed businesses in the industry.
- ◆ Backed by many years of experience, the Company constantly introduces new equipment and technology into production. With systematic production procedures, it applies strict quality control to ensure compliance with standards in the Republic of China, Japan, and the U.S. As a result, the Company's products are widely used by businesses local and abroad.
- ◆ The Company was the first among other manufacturers to have quality management system certified for ISO-9001 by Lloyd's Register of Shipping and the nation's Product Inspection Bureau. The Company's environmental management system was certified for ISO-14001 by Lloyd's Register of Shipping in 1999, and its quality assurance laboratory passed certification for CNLA later in 2001. Having products certified by professional institutions local and abroad is beneficial to the Company's competitiveness in the market.
- ◆ The Company not only has a sizable production capacity, but also possesses the flexibility to make products from 1/4-inch to 80-inch, and is therefore able to meet customers' diverse needs.
- ◆ Demand for stainless steel is expected to grow consistently, driven by

applications such as aeronautics, nuclear power, automobiles, and robotics. Additionally, Taiwan consumers' preference for higher quality goods grows on the yearly basis. In fact, Taiwan's infrastructures remain inadequate compared to other developed countries, hence there is still significant room for growth of stainless steel tubes and pipes.

(2) Unfavorable Factors

- ◆ Ongoing increase in local wages causes manufacturing costs to rise.
- ◆ Nickel is a key material for making stainless steel, and the price of which is highly susceptible to international supply and demand. As a result, the price of stainless steel produced in Taiwan is easily affected by international nickel price.

(3) Response Strategies

- ◆ Improve manufacturing procedures through automation and efficiency enhancement.
- ◆ Closely monitor international markets for changes in nickel price, and prepare for adjusting of stainless steel price.

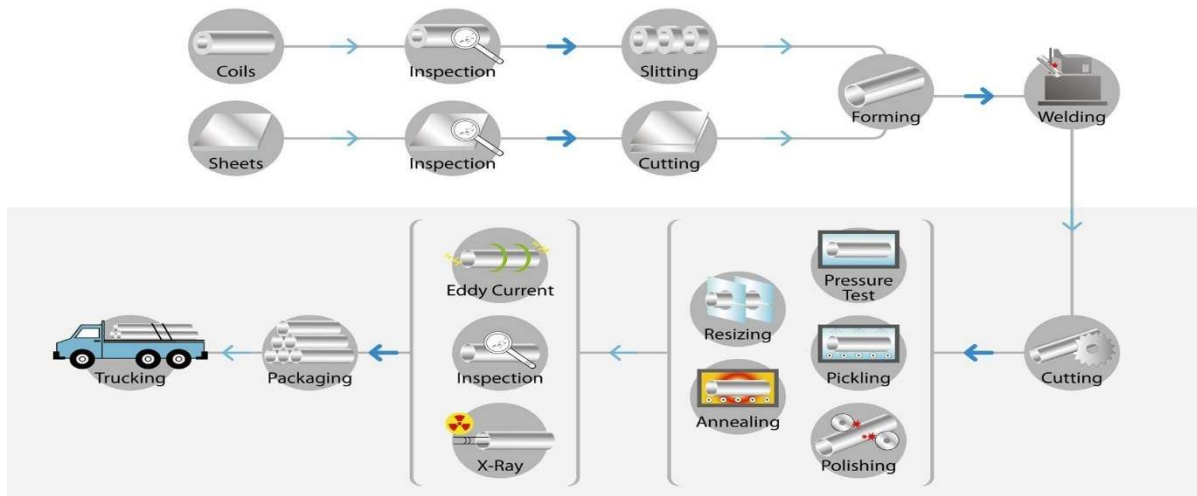
(II) Main Product Applications and Production Processes

1. Main Product Applications

The Company's main products currently include: stainless steel tubes, stainless steel pipes, stainless steel angle bars, and stainless steel flat bars. Stainless tubes and pipes manufacturing forms part of the basic materials sector, as it offers wide range of applications that are crucial to living and industrial activities. It is an essential material to light and heavy industries from furniture, transportation equipment, machinery manufacturing, petrochemical, construction, to metal processing. Purposes and functions of the Company's key products are summarized below:

Main Products	Purpose
Tubes	Mechanical Structure, Renovation, Furniture, Hand Railing, Anti-theft Window, Hygiene Equipment, Heat Exchanger, Dairy Industry, etc.
Pipes	Anti-corrosion, High Temperature-resistant, High pressure-resistant, Semiconductor, Petrochemical, Food and Beverage, Pulp and Paper, Dyeing, etc.
Sheets and Coils	Buildings, Furniture, Renovation, Kitchen Ware, Tanks and Vessels, etc.

2. Production Process



3. Supply of Key Materials

Cold-rolled and hot-rolled stainless steel sheets and coils are the key materials used by the Company. Stainless steel coils are sourced from domestic suppliers including YUSCO and Walsin Lihwa, and foreign suppliers including TISCO and Fujian Fuxin in Mainland China. Raw materials are sourced mainly from domestic suppliers, and new suppliers are progressively added to ensure the consistency and quality of supply. Overall, the Company expects ample supply of resources in the future.

4. Main Suppliers and Customers List

(1) Suppliers Representing More than 10% of Total Purchases in any of the Previous Two Years, and the Amount and Percentage of Purchase

Unit: NTD thousands ; %

Item	2022				2023				As of 2024 Q1			
	Name	Amount	As a Percentage of Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	As a Percentage of Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	As a Percentage of Annual Net Purchases (%)	Relationship with the Issuer
1	AAB	3,338,443	29.91	None	AAB	3,413,639	31.89	None	AAD	718,591	27.69	None
2	CAA	2,728,571	24.44	None	CAA	2,244,459	20.96	None	AA	489,681	18.87	None
3	AAD	1,900,622	17.02	None	AAD	2,174,631	20.31	None	CAA	341,338	13.15	None
4	Others	3,196,947	28.63	None	Others	2,873,119	26.84	None	Others	1,045,392	40.29	None
	Net Purchase	11,164,583	100.00	-	Net Purchase	10,705,848	100.00	-	Net Purchase	2,595,002	100.00	-

(2) Customers Representing More than 10% of Net Sales in any of the Previous

Two Years, and the Amount and Percentage of Sale:

None of our customer accounts for more than 10 percent of total sales in the recent two years.

5. Production Volume and Value in the Last Two Years

Unit: tonnes; NTD thousands

Main Products	Production Volume/Value	2022			2023		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Stainless Steel Tubes and Pipes		210,000	115,054	10,101,698	210,000	111,635	8,983,055
Stainless steel Sheet and Coils		60,000	29,088	2,612,516	60,000	23,485	1,902,850
Total		270,000	144,142	12,714,214	270,000	135,120	10,885,905

6. Sales Volume and Value in the Last Two Years

Unit: tonnes; NTD thousands

Main Products	Year Sales Volume/ Value	2022				2023			
		Domestic Sale		Oversea Sale		Domestic Sale		Oversea Sale	
		Volume		Value		Volume		Value	
Stainless Steel Tubes and Pipes		39,262	4,117,651	83,714	8,684,564	37,433	3,398,623	80,436	7,108,200
Stainless steel Sheet and Coils		22,779	1,938,120	14,102	1,475,387	14,418	1,105,434	13,800	1,162,420
Others		201	32,269	0	0	102	27,446	562	54,776
Total		62,242	6,088,040	97,816	10,159,951	51,953	4,531,503	94,798	8,325,396

III. Employee Information in the Last 2 Years up until the Publication Date of This Annual Report

Employee Numbers in the Last 2 Years:

March 31, 2023

Year		2021	2022	March 31, 2023
People	Indirect Labor	496	476	480
	Direct Labor	412	403	417
	Total	908	879	897
Average Age		40.76	41.42	41.53
Average Years of Service		9.07	9.64	9.55
Academic Background	Doctoral Degree	1	1	1
	Master's Degree	9	9	9
	Bachelor's Degree	271	267	267
	Senior High School	424	404	386
	Below Senior High School	203	198	234

IV Expenditure for Environmental Protection

The Company is a professional manufacturer of stainless steel tubes and pipes; it has wastewater treatment and dust collection equipment in place to mitigate environmental impact of processes such as polishing and pickling. Dedicated personnel have been assigned to supervise pollution treatment and prevention works on site as required by the Occupational Safety and Health Act, while an Environmental Protection Administration-certified institution has been engaged to conduct unscheduled inspections. These severe pollution prevention efforts are what enabled the Company to fully comply with the discharge standards imposed by the Environmental Protection Administration.

(I) Description of Compliance Regarding Pollution Facility Installation Permit, Payment of Pollution Prevention Expenses, or Appointment of Environmental Protection Personnel, where Required by Law:

1. Application for Pollutive Facility Installation Permit or Pollutant Discharge Permit

Aspect	Certificate No.	Permit Validity
Permit for Handling of Stationary Pollution Sources	Fu-Huan-Kon-Cao-Zheng-P0327-05	2020.07.02-2025.07.01
Permit for Handling of Stationary Pollution Sources	Fu-Huan-Kon-Cao-Zheng-P0326-05	2020.06.08-2025.06.07
Permit for Handling of Stationary Pollution Sources	Fu-Huan-Kon-Cao-Zheng-P0324-04	2022.07.10~2027.07.09

2. Payment of Pollution Prevention Expenses: None

3. Assignment of Dedicated Environmental Protection Personnel

Name	Permit Category	Qualification Reference No.
Wen-Hsiou Lee	Class B Air Pollution Controller	88-Huan-Shu-Shun-Zheng-FB260955
Shu-Chen Lin	Class A Air Pollution Controller	95-Huan-Shu-Shun-Zheng-FA070234

(II) Investment and Purpose in Pollution Prevention Equipment, and Possible Benefits

December 31, 2023

Name of Equipment	Set	Date Acquired	Cost of Investment	Remaining Book Value	Purpose and Expected Benefits
Wastewater Treatment for Plant 1	1 set	80.12	3,571,428	0	To Ensure that Discharge of Wastewater Complied with Environmental Protection Requirements
Wastewater Treatment for Plant 2	1 set	85.06	12,292,306	788,727	

- (III) Efforts Undertaken by the Company to Rectify Pollution in the Last Two Years and up until the Publication Date of Annual Report; in Case where Dispute had Arisen due to Pollution, Describe the Progress of Such Dispute: None
- (IV) Losses and Penalties Suffered due to Pollution of the Environment in the Last Two Years up until the Publication Date of Annual Report; Disclose Future Response Strategies and Possible Expenses:
- In 2022, the gaseous pollutants emitted by the Company's official vehicles exceed the emission standards, and was fined NT\$3,000. After adjustment and repair, it has passed the re-inspection.
- (V) Describe the Current State of Pollution and how Improvements may Affect the Company's Earnings, Competitiveness, and Capital Expenditure; Estimate Major Capital Expenditures on Environmental Protection in the Next 3 Years: None
- (VI) Compliance with EU ROHS Directives:
- All of the Company's products comply with ROHS, hence the standard has no significant impact on the Company's business and financial performance.

V. Labor Relations

(I) Welfare Measures and Implementation

1. The Company founded "Froch Enterprise Co., Ltd. Employee Welfare Committee" and created a set of Employee Welfare Committee Basic Principles in December 1994. The Employee Welfare Committee has a total of 9 members; one member position is reserved for the Chairman, whereas the remainder is elected by employees.
2. Employee Welfare Committee meetings are held at least once every six months and may be called on a special meeting if necessary. The committee organizes various activities such as year-end party, lotteries, birthday celebration, and domestic and foreign trips, etc.
3. Social Insurance Coverage and Protections are Provided for Employees who are Entitled Under Local Laws.

The Company has always been mindful of employees' compensation and benefits, and strives to create a positive and joyful work environment through talent training, enforcement of labor regulations, and protection of employees' interests. Employees are able to communicate and resolve issues with the Company through channels such as departmental meetings and labor-management meetings. The Company adopts a human-oriented management approach, advocating unity and cohesiveness between labor and management as the key to ongoing performance enhancement and sustained growth.

(II) Education training

1. Training activities are arranged by the Education training Committee. The committee plans and executes training courses depending on the integrated needs of employees of different grades and functions, and is responsible for the evaluation and training of internal instructors as well as the selection of external instructors.

2022 Progress:

(A) All Employees:

Internal Training				External Training			
Course	Number of Employees	Course Duration (HR)	Expense	Course	Number of Employees	Course Duration (HR)	Expense
JIS MARK expression management regulations	20	2.0		Important notice and practice in "Shareholders' meeting" and "the Company Act."	3	6.0	9,000
JIS MARK accreditation of quality management case study	23	3.0		Focus Study on the practice of internal audits	2	6.0	6,000
Training in packing process	50	2.5		Seminar of identifying hazards to safety and health and the establishment of voluntary management system	5	4.0	804
Training of polishing personnel	27	1.0		Training in the protection of ionizing radiation	9	5	19,951
Training and exercising drill of disaster prevention and rescue	49	1.5		Education of occupational safety and health	5	6.0	410
Training for quality inspection	65	11.0		Seminar of the Prevention and Management of chemical hazards	1	3.0	0
Training in general education	21	4.5		Common occupational hazards in enterprises and the prevention	1	3.0	0
Training of heat processing personnel	44	2.0		Seminar of the prevention of accidents of operating fork-lift trucks.	1	4.0	0
Training of warehouse management personnel	46	3.0		Summit of Occupational Safety and Health in the Iron and Steel Industry	2	3.0	0

Introduction to the principle of product codes	38	4.0				
Inspection and testing	18	8.0				
Training in information system security	56	1.0				
Training in pipe manufacturing	305	10.5				
International Trade in Focus	19	2.0				
Training in slitting process	62	3.0				
On-the-Job Training in occupational safety	324	1.5				

(B) Executives:

Date	Course	Organizer	Participants	Jobs Title	Hours
2023/09/12	1. 2023 Version of the Evaluation of Corporate Governance and Board Performance and Practice: 3 hours 2. The Legal Liability of the Directors and Supervisors and the Response to and Prevention of Risks: 3 hours	Taiwan Investor Relations Institute (TIRI)	Ping-Yiao Chang, Chairman	President	6
			Hsin-Ta Chang	Vice President Manager	6
			Tsao-Chi Yang	Division Manager	6
			Chun-Chi Lee	Assistant Vice President	6
2023/07/12 2023/07/19	Continuing Education for Chief Accounting Officers of Securities Issuers, Securities Dealers and Securities Exchange	Securities and Futures Institute	Chief Accountant: Wen-Chi Chang	General Manager	30
2023/05/19	The update policy and legal rules governing corporate governance and common defects	Accounting Research and Development Foundation	The Corporate Governance Officer: Wen-Chi Chang	General Manager	3
2023/04/20 2023/04/21	Continuing Education for Chief Accounting Officers of Securities Issuers, Securities Dealers and Securities Exchange	Accounting Research and Development Foundation	The Corporate Governance Officer: Wen-Chi Chang	General Manager	12
2022/10/28	Advocacy of Prevention of Insider Trade in 2022	Securities and Futures Institute	The Corporate Governance Officer: Wen-Chi Chang	General Manager	3
111/07/13	Information Session for Industry-specific Sustainable Development Roadmap	Taiwan Stock Exchange and Taipei Exchange	The Corporate Governance Officer: Wen-Chi Chang	General Manager	2

The Company has established the position of Corporate Governance Officer on March 23 2021. Manager Wen-Chi Chang of Finance Department was appointed as the Corporate Governance Officer of the Company by the 14th term of the Board in its 22nd session dated June 9 2022. The Corporate Governance Officer shall receive 18 hours of training starting from the day of assuming office except for the initial term of office. The required hours of training have been completed on 2023/05/19.

2. The Company encourages employees to obtain certifications that are relevant to their work duties, and to share their knowledge, concepts, and techniques among colleagues. Any certificates obtained are updated onto professional employees' profile sheet and taken into consideration during performance evaluation. For information on the continuing education, training of employees and the implementation, refer to (V) of this annual report, on the advocacy of sustainable development and variation from the Sustainable Development Best-Practice Principles for TWSE and TPEX Listed Companies, and the reasons- IV Social Topics

(III) Pension System and Execution

The Company assembled its Labor Pension Supervisory Committee in October 1986 according to the Labor Standards Act. A set of Employee Retirement Rules has been created and is approved by Yun-Lin Government under Letter No. Fu-Lao-Dong-0941502404.

Following the implementation of new "Labor Pension Act" in July 1, 2005, employees who opted for the old scheme are still subject to the abovementioned retirement policy, whereas employees who opted for the new scheme have had monthly pension contributions paid at 6% of salary into their respective pension accounts.

(IV) Work Environment and Implementation of Employee Safety and Protection Measures

- (1) Some of the Company's production equipment operate under environments such as high heat (e.g., annealing furnace), dust (e.g., polishing), and noise. These environments are tested by external service providers every six months as required by law. The Company deployed cooling equipment at appropriate locations to reduce environmental temperature that are susceptible to high heat; furthermore, saline supplements are provided and prevention awareness is being promoted to address safety concerns in high heat environment. As for dusty and noisy environments, the Company installed dust collection devices and makes proper adjustments to working hours and shifts so that workers are not exposed to a single environment for prolonged periods of time. Employees working in special environments are also entitled to specialized health examinations. Furthermore, employees are encouraged to communicate and reflect potential hazards in the working environment, and in doing so contribute to the creation of a zero-hazard workplace.
- (2) The Company sees employees as its important asset, and therefore recognizes employees' secure life as part of its corporate mission, for which it strives to create a workplace culture of safety, non-discrimination, and mutual respect.
- (3) Equipment Safety:
 - Hazardous machines (cranes, pressure vessels etc.) are inspected by professional third parties on a yearly basis, and inspection results are retained on record.
 - Contractors are informed of safety and environmental protection issues when contracting and whenever work is performed on site. Contractors are also required to sign a "Contractor Pre-work Safety Notice" as acknowledgment.
 - Operators are required to wear safety helmets and ear plugs.
- (4) Environmental Health:
 - 5S random inspections are being performed.
- (5) Healthcare:
 - Existing employees are subjected to general health examination once a year.
 - Employees working in an X-RAY environment are subjected to special health examination once a year.
 - Health examinations must be conducted by medical institutions jointly approved by the Ministry of Labor and the Ministry of Health and Welfare,

Executive Yuan.

- Any occupational injury occurred at the workplace must be tended to immediately, and followed up with investigation and analysis and filed on record.

(6) Fire Safety:

- The Company has complete fire safety system such as sprinklers, escape sling, emergency lighting etc. installed according to the Fire Services Act.

The Ministry of Labor promulgated the “Guideline for Handling the Violation of Occupational and Safety Act and Labor Inspection Act” on July 27, 2022 for the proper enforcement of the rules and regulations under the Occupational Safety and Health Act (hereinafter, occupational safety law) and the reduction of occupational hazards. The Company violated the Occupational Safety and Health Act in 2023. The cause of violation and corrective action in the aftermath:

- According to the administrative penalty decision Lao-Zhi-Shou-Zi No. 1120201017 dated March 1, 2023, the Company failed to enforce Paragraph 1 of Article 92 of the occupational safety enforcement rules in setting up equipment or protective measures to avoid hanging objects above workers or allow workers to pass through the route with hanging object above in operation. It is necessary to use slings strong enough to support the lifting of objects to prevent falling. The failure of the Company to do so is a violation of Subparagraph 5, Paragraph 1, Article 6 of the Occupational Safety and Health Act.

The Company has taken good care of the employee and paid for the medical expenses, and applied for compensation. The Company will continue its care for the employee and the employee will return to duties after recovery. The Company has intensified the training of occupational safety and established stricter rules regulating the use of crane and elevator with proper implementation of these rules.

Assuring occupational safety and health at workplace is fundamental to sustainable development. The Company duly observes applicable laws and creates a safe and healthy work environment.

(V) Corporate Social Responsibilities (CSR)

The Company allocates resources to sponsor charity, the underprivileged, and development of cultural capacity in local areas. Examples of actions taken to promote CSR image include:

- Participating in the "Caring Library" program by Taiwan Reading Culture Foundation, where the Company purchased and donated 50 cartons of books to co-reading organizations, and organized the training of the head readers of reading clubs to promote reading habit and level among the public.
- Sponsoring concert performance featuring the Taichung City Symphony Orchestra, and in doing so spread the art of music to the local community and general public for a more harmonic society.
- Sponsoring Huashan Social Welfare Foundation and Genesis Social Welfare Foundation as a gesture of cohesiveness.

(VI) Work and Professional Ethics

The Company has a set of "Employee Management Policy" that outlines the level of work and professional ethics expected from employees. The following are the rules that employees are expected to follow:

1. Comply with employee manual, internal regulations, announcements, and departmental instructions.
2. Protect the Company's reputation, and refrain from commenting publicly on issues that concern the Company's interests unless permitted.
3. Duly perform duties and maintain confidentiality of any business matters.
4. Take good care of company properties and exercise cost awareness; no bringing company properties off premises unless permitted.
5. Engage external parties with modesty; no despising or humiliating the counterpart nor conducting any action that compromises the Company's reputation.
6. Teamworking and refrain from quarreling, fighting, slandering, or any action that disrupts the proper order.
7. Avoid strike, sloppiness, and any action that undermines production or operations.
8. Obligation to protect the Company. Take initiative in salvaging, rescuing, and performing security works in the event of natural disaster or accident.
9. For the security of the Company's network environment, do not download image, music, or video files over the internet or log in to websites that are irrelevant to work.
10. Refrain from speaking or acting out of moral standards to the extent that violates or degrades on the dignity, personal freedom, or job performance of other employees.
11. A sexual harassment complaint mailbox has been placed at the security office to be used as a grievance channel.

Employees are evaluated on a monthly basis using a variety of indicators to ensure compliance with the above rules and to promote proper values.

(VII) Employment Agreements and Disputes

The Company has always adopted a self-management approach that involves all parties in business operations. Through proposals, monthly departmental meetings, and operational meetings, employees are able to communicate with the management on any issue from production-sales coordination, business performance, to workforce updates. The Company has been able to maintain harmonic employment relations, and hence no employment dispute or loss had occurred.

(VIII) Losses Arising as a Result of Employment Dispute in the Last Two Years up until the Publication Date of This Annual Report; Quantify the Estimated Losses and State any Response Actions, as well as Reasons if Losses Cannot Be Reasonably Estimated:None.

(IX) Certification of Personnel Involved in Finance Information: Preparing.

VI. Information and Communication Security Management and Insider Material Information Handling Procedures:

(I) Information and communication security management

The Board resolved on 2023/11/08 to establish the “Information and Communication Risk Management Framework,” and the “Regulations Governing Information Security Control” The IT Office is the competent authority of information security charged with the security of the information machine room, computer information data file security, cyber security, email security management, access control of the information system, and to create a secure and reliable computer operation environment for assuring information, system, equipment, and cyber security of the Company, and protecting the interest of the Company and the sustainable running of the information systems of all functional units. Provide routine education and training to ensure employees are familiar with the information security policy, standards, and processes of the Company. Ensure that employees are alert about security and reduce the risk of information incidents. The training will ensure that employees comply with the information security policy and requirements. The CPA Office dispatches its personnel to audit the process security and related matters of the information system of the Company regularly. The head of the IT Office is the designated administrator of information security. This person shall report to the President on the pursuit of information security from time to time and report to the Board on the pursuit of information security and the results at least once a year. Designated personnel charged with information security are also appointed to design and enforce information security. The organization operation mode – the PDCA (Plan-Do-Check-Act) management cycle is adopted to assure the attainment of the goal of reliability with continued improvement.

The Company will report to the Board on the result of information security enforcement at least once a year: The Company will report to the Board on the result of information security enforcement at least once before the end of 2024, and disclose the status of enforcement and reporting date at its official website. No material information and communication incident in the previous year to the date this report was printed.

(II) Insider Material Information Handling Procedures

The Company has established a set of "Insider Material Information Handling Procedures" to promote proper handling and disclosure while prevent improper leakage of insider material information, and thereby ensure the consistency and accuracy of information disseminated to the outside world. Furthermore, executives of the Company proactively participate in corporate governance-related training courses.

VII. Major Contracts:

Nature of Contract	Parties Involved	Contract Start/End Date	Key Content	Restrictive Clauses
Syndicated Loan	A syndicate of 10 lenders	2023.02.18~2030.12.17	Total credit limit: NTD 5.8	1. Current ratio must not fall below 100% (inclusive);

Agreement	including Land Bank of Taiwan		billion	<ol style="list-style-type: none"> 2. Debt ratio must not exceed 250% (inclusive); 3. Shareholders' equity must not fall below NTD2.8 billion; 4. Interest coverage ratio must be above 1.5 times (inclusive).
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F. Financial Overview

I. Concise Balance Sheet and Comprehensive Income Statement for the Last 5 Years

(1) Concise Individual Balance Sheet – Enterprise Accounting Standard (EAS) compliant

Unit: NTD thousands

Account \ Year		Financial Information for the Last 5 Years (Note 1)				
		2019	2020	2021	2022	2023
Current Assets		4,069,936	4,498,188	6,814,165	4,737,288	4,628,758
Property, Plant and Equipment		2,985,737	3,215,921	3,219,692	3,220,923	3,235,851
Intangible Assets		0	0	0	0	0
Other Assets		2,710,378	2,834,897	3,241,097	3,251,905	3,422,227
Total Assets		9,766,051	10,549,006	13,274,954	11,210,116	11,286,836
Current Liabilities	before Dividend	3,038,848	3,541,001	5,486,104	3,769,093	2,754,503
	after Dividend	3,182,111	3,681,264	6,047,156	4,189,882	2,894,766
Non-current Liabilities		2,733,854	3,098,636	2,833,999	2,215,668	3,712,205
Total Liabilities	before Dividend	5,772,702	6,639,637	8,320,103	5,984,761	6,466,708
	after Dividend	5,915,965	6,779,900	8,881,155	6,405,550	6,606,971
Equity Attributable to Parent Company Shareholders		3,993,349	3,909,396	4,954,851	5,225,355	4,820,128
Share Capital		2,865,260	2,805,260	2,805,260	2,805,260	2,805,260
Capital Reserves		464,646	463,471	463,471	463,471	463,471
Retained Earnings (Cumulative Losses)	before Dividend	910,404	871,528	1,936,088	2,126,650	1,759,443
	after Dividend	767,141	731,265	1,375,036	1,705,861	1,619,180
Other Equities		(246,961)	(230,890)	(249,968)	(170,026)	(208,046)
Treasury Stock		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	before Dividend	3,993,349	3,909,369	4,954,851	5,225,355	4,820,128
	after Dividend	3,850,086	3,769,106	4,393,799	4,804,566	4,679,865

(II) Concise Consolidated Balance Sheet

Unit: NTD thousands

Account \ Year		Financial Information for the Last 5 Years (Note 1)					
		2019	2020	2021	2022	2023	2024 Q1
Current Assets		6,257,013	7,066,286	9,641,081	7,431,538	6,975,352	7,117,761
Property, Plant and Equipment		4,145,835	4,376,031	4,506,451	4,582,139	4,705,374	4,763,465
Intangible Assets		0	0	0	0	0	0
Other Assets		232,399	225,675	281,628	210,444	196,657	163,984
Total Assets		10,635,247	11,667,992	14,429,160	12,224,121	11,877,383	12,045,210
Current Liabilities	before Dividend	3,895,107	4,643,101	6,625,658	4,764,506	3,334,078	3,646,458
	after Dividend	4,038,370	4,783,364	7,186,710	5,185,295	3,474,341	3,646,458
Non-current Liabilities		2,746,791	3,115,522	2,848,651	2,234,260	3,723,177	3,480,957
Total Liabilities	before Dividend	6,641,898	7,758,623	9,474,309	6,998,766	7,057,255	7,127,415
	after Dividend	6,785,161	7,898,886	10,035,361	7,419,555	7,197,518	7,127,415
Equity Attributable to Parent Company Shareholders		3,993,349	3,909,369	4,954,851	5,225,355	4,820,128	4,917,795
Share Capital		2,865,260	2,805,260	2,805,260	2,805,260	2,805,260	2,805,260
Capital Reserves		464,646	463,471	463,471	463,471	463,471	463,471
Retained Earnings (Cumulative Losses)	before Dividend	910,404	871,528	1,936,088	2,126,650	1,759,443	1,727,348
	after Dividend	767,141	731,265	1,375,036	1,705,861	1,619,180	1,727,348
Other Equities		(246,961)	(230,890)	(249,968)	(170,026)	(208,046)	(78,284)
Treasury Stock		0	0	0	0	0	0
Non-Controlling Interests		0	0	0	0	0	0
Total Equity	before Dividend	3,993,349	3,909,369	4,954,851	5,225,355	4,820,128	4,917,795
	after Dividend	3,850,086	3,769,106	4,393,799	4,804,566	4,679,865	4,917,795

Note 1: Financial information for 2024 Q1 was audited by CPA.

(III) Concise Individual Comprehensive Income Statement - Enterprise Accounting Standard (EAS) compliant

Unit: NTD thousands except for earnings per share, which is in NTD

Account \ Year	Financial Information for the Last 5 Years				
	2019	2020	2021	2022	2023
Sales Revenue	8,708,539	7,745,032	11,540,839	12,271,437	9,259,594
Gross Profit	783,960	618,023	2,151,559	1,787,783	684,526
Operating Profit (Loss)	257,686	82,379	1,247,397	956,388	196,314
Non-Operating Income and Expenses	79,095	58,190	260,849	1,618	(113,263)
Pre-Tax Profit	336,781	140,529	1,508,246	958,006	83,051
Net Income from Continuing Operations	268,254	108,351	1,204,560	741,216	50,950
Loss from Discontinued Operations	0	0	0	0	0
Net Income (Loss)	268,254	108,351	1,204,560	741,216	50,950
Other Comprehensive Income	(100,352)	12,107	(18,815)	90,340	(35,388)
Total Comprehensive Income	167,902	120,458	1,185,745	831,556	15,562
Net Income Attributable to Parent Company Shareholders	268,254	108,351	1,204,560	741,216	50,950
Net Income Attributable to Non-controlling Equities	0	0	0	0	0
Comprehensive Income Attributable to Parent Company Shareholders	167,902	120,458	1,185,745	831,556	15,562
Comprehensive Income Attributable to Non-controlling Equities	0	0	0	0	0
EPS	0.94	0.38	4.29	2.64	0.18

(IV) Concise Consolidated Comprehensive Income Statement

Unit: NTD thousands except for earnings per share, which is in NTD

Account \ Year	Unit: NTD thousands except for earnings per share, which is in NTD					
	2019	2020	2021	2022	2023	2024 Q1
Sales Revenue	11,984,206	10,560,947	15,238,772	16,247,991	12,856,899	2,872,735
Gross Profit	1,219,082	938,028	2,816,637	2,179,793	937,079	180,001
Operating Profit (Loss)	498,072	234,868	1,726,963	1,155,396	250,479	(18,498)
Non-Operating Income and Expenses	(104,803)	(46,552)	(69,138)	(124,505)	(156,941)	(6,580)
Pre-Tax Profit	393,269	188,316	1,657,825	1,030,891	93,538	(25,078)
Net Income from Continuing Operations	268,254	108,351	1,204,560	741,216	50,950	(32,095)
Loss from Discontinued Operations	0	0	0	0	0	0
Net Income (Loss)	268,254	108,351	1,204,560	741,216	50,950	(32,095)
Other Comprehensive Income	(100,352)	12,107	(18,815)	90,340	(35,388)	129,762
Total Comprehensive Income	167,902	120,458	1,185,745	831,556	15,562	97,667
Net Income Attributable to Parent Company Shareholders	268,254	108,351	1,204,560	741,216	50,950	(32,095)
Net Income Attributable to Non-controlling Equities	0	0	0	0	0	0
Comprehensive Income Attributable to Parent Company Shareholders	167,902	120,458	1,185,745	831,556	15,562	97,667
Comprehensive Income Attributable to Non-controlling Equities	0	0	0	0	0	0
EPS	0.94	0.38	4.29	2.64	0.18	(0.11)

Note 1: Financial information for 2023 Q1 was audited by CPA.

(V) Names of Financial Statements Auditors in the Last 5 Years and Audit Opinions

1. Names of Financial Statement Auditors in the Last 5 Years and Audit Opinions

Year	Accounting firm	Name of CPA	Opinion
2019	Deloitte & Touche Taiwan	Ting-Chien Su, Li-Tong Wu	Unmodified Opinion
2020	Deloitte & Touche Taiwan	Ting-Chien Su, Li-Tong Wu	Unmodified Opinion
2021	Deloitte & Touche Taiwan	Ting-Chien Su, Li-Tong Wu	Unmodified Opinion
2022	Deloitte & Touche Taiwan	Ting-Chien Su, Li-Tong Wu	Unmodified Opinion
2023	Deloitte & Touche Taiwan	Ting-Chien Su, Shao-Chun Wu.	Unmodified Opinion

2. Reason for Change of CPA in the Last 5 Years

The change in the Company's financial statement auditor was due to internal rotation within the accounting firm.

II. Financial Analysis for the Last 5 Years

(I) Individual Financial Analysis - Enterprise Accounting Standard (EAS) compliant

Analysis \ Year		Financial Information for the Last 5 Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt to Assets Ratio (%)	59.11	62.94	62.68	53.39	57.29
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	225.31	217.92	241.91	231.02	263.68
Solvency	Current Ratio (%)	133.93	127.03	124.21	125.69	168.04
	Quick Ratio (%)	36.93	34.68	32.76	35.07	50.90
	Times Interest Earned (Times)	4.19	2.45	17.01	10.41	1.69
Operating Efficiency	Receivables Turnover (Times)	10.50	10.00	11.34	11.37	10.04
	Average Cash Collection Days	35	36	32	32	36
	Inventory Turnover (Times)	2.59	2.32	2.29	2.52	2.64
	Accounts Payable Turnover (Times)	49.54	48.14	58.26	78.72	197.73
	Average Inventory Turnover Days	141	158	159	145	138
	Property, Plant and Equipment Turnover (Times)	2.98	2.50	3.59	3.81	2.87
	Total Asset Turnover (Times)	0.88	0.76	0.97	1.00	0.82
Profitability	Return on Assets (%)	3.58	1.83	10.74	6.72	1.30
	Return on Equity (%)	6.69	2.74	27.18	14.56	1.01
	Pre-tax Profit to Paid-up Capital (%)	11.75	5.01	53.76	34.15	2.96
	Net Profit Margin (%)	3.08	1.40	10.44	6.04	0.55
	EPS (NTD)	0.94	0.38	4.29	2.64	0.18
Cash Flow	Cash Flow Ratio (%)	17.92	(5.07)	(12.90)	69.20	1.49
	Cash Flow Adequacy Ratio (%)	134.88	86.44	34.61	77.75	68.74
	Cash Reinvestment Ratio (%)	3.03	(3.61)	(12.69)	20.89	(3.47)
Degree of Leverage	Operating Leverage	1.55	2.77	1.13	1.17	1.88
	Financial Leverage	1.69	(5.75)	1.08	1.12	2.56
	<p>Please Elaborate Reasons for Changes in Financial Ratio in the Last 2 Years. (Unnecessary if the Variation was Less than 20%)</p> <ol style="list-style-type: none"> Operating Capability The increase in the turnover rate of accounts payable is due to the easing of transportation issues this year and there are no accounts payable for materials in transit, resulting in an increase in the ratio. Solvency and Profitability Times Interest Earned, Return on Assets, Return on Equity, Pre-tax Profit to Paid-up Capital, Net Profit Margin, and EPS are all affected by wide fluctuations in nickel price, making it difficult to control operating costs and thus compress the gross profit. It has led to a decrease in the above related ratios. Cash Flow Cash Flow Ratio, Cash Flow Adequacy Ratio, Cash Reinvestment Ratio had decreased or become negative as they were affected by cash outflow from operating activities, due to the purchase increase of the inventory. Degree of Leverage Operating Leverage decreased, due to the increase of operating profits. Financial Leverage turned positive, due to larger increase of operating profits than financial cost savings, mainly. 					

(II) Consolidated Financial Analysis

Analysis \ Year		Financial Information for the Last 5 Years (Note 1)					
		2019	2020	2021	2022	2023	2024 Q1
Financial Structure (%)	Debt to Assets Ratio (%)	62.45	66.49	65.66	57.25	59.42	59.17
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	162.58	160.53	173.16	168.20	181.56	179.79
Solvency	Current Ratio (%)	160.64	152.19	145.51	155.98	209.21	204.48
	Quick Ratio (%)	61.90	56.91	50.39	53.65	78.87	69.95
	Times Interest Earned (Times)	4.19	2.70	16.71	8.94	1.58	0.33
Operating Efficiency	Receivables Turnover (Times)	10.55	10.28	11.38	11.29	10.51	9.77
	Average Cash Collection Days	35	36	32	32	35	37
	Inventory Turnover (Times)	2.76	2.37	2.37	2.57	2.66	2.48
	Payables Turnover (Times)	65.17	63.41	75.22	120.47	276.28	80.10
	Average Inventory Turnover Days	132	154	154	142	137	147
	Property, Plant and Equipment Turnover (Times)	2.92	2.53	3.43	3.58	2.77	2.48
	Total Asset Turnover (Times)	1.13	0.95	1.17	1.22	1.07	0.96
Profitability	Return on Assets (%)	3.47	1.77	9.88	6.34	1.49	(0.07)
	Return On Equity (%)	6.69	2.74	27.18	14.56	1.01	(2.64)
	Pre-tax Profit to Paid-up Capital (%)	13.73	6.71	59.10	36.75	3.33	(3.58)
	Net Profit Margin (%)	2.24	1.03	7.90	4.56	0.4	(1.12)
	EPS (NTD)	0.94	0.38	4.29	2.64	0.18	(0.11)
Cash Flow	Cash Flow Ratio (%)	19.11	(4.52)	(7.49)	55.77	17.22	1.14
	Cash Flow Adequacy Ratio (%)	145.65	96.66	21.55	79.70	41.67	40.54
	Cash Reinvestment Ratio (%)	4.97	(3.63)	(5.85)	19.41	1.27	0.33
Degree of Leverage	Operating Leverage	1.45	2.01	1.15	1.23	2.13	(2.85)
	Financial Leverage	1.33	1.89	1.07	1.13	2.77	0.33
	<p>Please Elaborate Reasons for Changes in Financial Ratio in the Last 2 Years. (Unnecessary if the Variation was Less than 20%)</p> <ol style="list-style-type: none"> Operating Capability The increase in the turnover rate of accounts payable is due to the easing of transportation issues this year and there are no accounts payable for materials in transit, resulting in an increase in the ratio. Solvency and Profitability Times Interest Earned, Return on Assets, Return on Equity, Pre-tax Profit to Paid-up Capital, Net Profit Margin, and EPS are all affected by wide fluctuations in nickel price, making it difficult to control operating costs and thus compress the gross profit. It has led to a decrease in the above related ratios. Cash Flow Cash Flow Ratio, Cash Flow Adequacy Ratio, Cash Reinvestment Ratio had decreased or become negative as they were affected by cash outflow from operating activities, due to the purchase increase of the inventory. Degree of Leverage Operating Leverage decreased, due to the increase of operating profits. Financial Leverage turned positive, due to larger increase of operating profits than financial cost savings, mainly. 						

- A. Financial Structure
- (1) Debt to asset ratio = total liabilities/ total assets.
 - (2) Long- term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment.
- B. Solvency
- (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments)/current liabilities.
 - (3) Times Interest Earned = net profit before interest and tax/interest expenses for the current period.
- C. Operating Efficiency
- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average cash collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of sales / average inventory balance.
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average inventory turnover days = 365 / inventory turnover.
 - (6) Property, plant, and equipment turnover = net sales / average net property, plant, and equipment balance.
 - (7) Total asset turnover = net sales / average total assets.
- D. Profitability
- (1) Return on assets = (after tax net income + interest expenses x (1 - tax rate)) / average asset balance.
 - (2) Return on equity = after tax net income / average shareholders' equity.
 - (3) Net profit margin = after tax net income / net sales.
 - (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
- E. Cash flow
- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / (capital expenditure + increase in inventory + cash dividends) for the last 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long- term investments + other non- current assets + working capital).
- F. Degree of leverage:
- (1) Degree of operating leverage = (net sales - variable operating costs and expenses) / operating profit.
 - (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

III. Audit Committee's Review Report on the Latest Financial Statements

Froch Enterprise Co., Ltd.

Audit Committee's Review Report

We have reviewed the Company's 2023 business report, financial statements (including individual and consolidated financial statements), and earnings appropriation proposal prepared by the Board of Directors. The financial statements (including individual and consolidated financial statements) have been audited by CPAs Ting-Chien Su and Li-Tong Wu of Deloitte & Touche Taiwan, with which they issued an independent auditor's report of unmodified opinion. The Audit Committee has found no misstatement in the above business reports, financial statements, or earnings appropriation. We hereby report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

Hereby presented for approval.

The 2024 Annual General Meeting

Froch Enterprise Co., Ltd.

Audit Committee convener Shun-Te Wen

March 13, 2024

IV. Latest Individual Financial Statements and Independent Auditor's Report:

Please see pages 105 to 159 of this annual report

V. Latest Consolidated Financial Statements and Independent Auditor's Report:

Please see pages 160 to 219 of this annual report

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements 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.

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

Revenue Recognition

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

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

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

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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 parent company only 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 entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 378,112	3	\$ 437,777	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	22,637	-	22,376	-
Notes receivable from unrelated parties (Notes 4, 8 and 17)	160,928	2	199,314	2
Notes receivable from related parties (Notes 4, 17 and 23)	240	-	-	-
Trade receivables from unrelated parties (Notes 4, 8 and 17)	770,921	7	660,435	6
Trade receivables from related parties (Notes 4, 17 and 23)	13,611	-	32,315	-
Other receivables (Note 23)	53,740	1	29,409	-
Inventories (Notes 4 and 9)	3,083,313	27	3,296,833	29
Prepayments	143,500	1	58,629	1
Other current assets	<u>1,756</u>	<u>-</u>	<u>200</u>	<u>-</u>
Total current assets	<u>4,628,758</u>	<u>41</u>	<u>4,737,288</u>	<u>42</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	3,267,609	29	3,100,492	28
Property, plant and equipment (Notes 4, 11 and 24)	3,235,851	29	3,220,923	29
Right-of-use assets (Notes 4, 12 and 23)	63,314	1	57,628	-
Deferred tax assets (Notes 4 and 19)	13,681	-	14,269	-
Prepayments for equipment	62,446	-	64,450	1
Refundable deposits (Note 23)	<u>15,177</u>	<u>-</u>	<u>15,066</u>	<u>-</u>
Total non-current assets	<u>6,658,078</u>	<u>59</u>	<u>6,472,828</u>	<u>58</u>
TOTAL	<u>\$ 11,286,836</u>	<u>100</u>	<u>\$ 11,210,116</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 2,272,370	20	\$ 2,577,105	23
Contract liabilities - current (Notes 4 and 17)	115,022	1	163,666	1
Notes payable to unrelated parties	24,699	-	21,553	-
Notes payable to related parties (Note 23)	3,028	-	3,028	-
Trade payables to unrelated parties	9,315	-	16,476	-
Trade payables to related parties (Note 23)	8,615	-	20	-
Other payables (Notes 14 and 23)	150,381	1	173,842	2
Current tax liabilities (Notes 4 and 19)	39,191	1	219,230	2
Lease liabilities - current (Notes 4, 12 and 23)	37,538	-	34,620	-
Current portion of long-term borrowings (Notes 13 and 24)	92,069	1	557,474	5
Other current liabilities	<u>2,275</u>	<u>-</u>	<u>2,079</u>	<u>-</u>
Total current liabilities	<u>2,754,503</u>	<u>24</u>	<u>3,769,093</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	3,345,078	30	1,836,431	17
Deferred tax liabilities (Notes 4 and 19)	318,435	3	324,636	3
Lease liabilities - non-current (Notes 4, 12 and 23)	26,288	-	23,191	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	17,414	-	26,420	-
Guarantee deposits (Note 23)	<u>4,990</u>	<u>-</u>	<u>4,990</u>	<u>-</u>
Total non-current liabilities	<u>3,712,205</u>	<u>33</u>	<u>2,215,668</u>	<u>20</u>
Total liabilities	<u>6,466,708</u>	<u>57</u>	<u>5,984,761</u>	<u>53</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	25	2,805,260	25
Capital surplus	463,471	4	463,471	4
Retained earnings				
Legal reserve	404,189	4	329,028	3
Special reserve	170,026	2	249,968	2
Unappropriated earnings	1,185,228	10	1,547,654	14
Other equity	<u>(208,046)</u>	<u>(2)</u>	<u>(170,026)</u>	<u>(1)</u>
Total equity	<u>4,820,128</u>	<u>43</u>	<u>5,225,355</u>	<u>47</u>
TOTAL	<u>\$ 11,286,836</u>	<u>100</u>	<u>\$ 11,210,116</u>	<u>100</u>

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

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 9,259,594	100	\$ 12,271,437	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>8,575,068</u>	<u>93</u>	<u>10,483,654</u>	<u>85</u>
GROSS PROFIT	<u>684,526</u>	<u>7</u>	<u>1,787,783</u>	<u>15</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	351,201	4	664,276	6
General and administrative expenses	<u>137,011</u>	<u>1</u>	<u>167,119</u>	<u>1</u>
Total operating expenses	<u>488,212</u>	<u>5</u>	<u>831,395</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>196,314</u>	<u>2</u>	<u>956,388</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,511	-	1,529	-
Other income (Notes 18 and 23)	18,504	-	7,882	-
Other gains and losses (Note 18)	14,679	-	98,934	1
Finance costs (Notes 18 and 23)	(119,666)	(1)	(101,771)	(1)
Share of profit or loss of subsidiaries accounted for using the equity method (Notes 4 and 10)	<u>(31,291)</u>	<u>-</u>	<u>(4,956)</u>	<u>-</u>
Total non-operating income	<u>(113,263)</u>	<u>(1)</u>	<u>1,618</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	83,051	1	958,006	8
INCOME TAX EXPENSE (Notes 4 and 19)	<u>32,101</u>	<u>1</u>	<u>216,790</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>50,950</u>	<u>-</u>	<u>741,216</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	3,290	-	12,997	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	(658)	-	(2,599)	-

(Continued)

FROCH ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (38,020)	-	\$ 79,942	1
Other comprehensive income (loss) for the year, net of income tax	(35,388)	-	90,340	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 15,562</u>	<u>-</u>	<u>\$ 831,556</u>	<u>7</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.18</u>		<u>\$ 2.64</u>	
Diluted	<u>\$ 0.18</u>		<u>\$ 2.64</u>	

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

(Concluded)

FROCH ENTERPRISE CO., LTD.

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

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

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

FROCH ENTERPRISE CO., LTD.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 83,051	\$ 958,006
Adjustments for:		
Depreciation expense	173,192	158,963
Expected credit reversed on trade receivables	(2,605)	(255)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	(1,407)	2,340
Finance costs	119,666	101,771
Interest income	(4,511)	(1,529)
Share of loss of subsidiaries	31,291	4,956
Gain on disposal of property, plant and equipment	(5,947)	(120)
Write-down of inventories	-	21,618
Reversal of write-down of inventories	(10,164)	-
Net loss on foreign currency exchange	16,802	511
Gain on lease modification	-	(802)
Changes in operating assets and liabilities		
Notes receivable	38,531	27,908
Trade receivables	(101,910)	337,642
Other receivables	(23,864)	37,464
Inventories	223,684	1,622,675
Prepayments	(84,871)	(21,285)
Other current assets	(1,556)	618
Contract liabilities	(48,644)	(86,614)
Notes payable	3,146	(24,349)
Trade payables	1,864	(119,182)
Other payables	(26,314)	(76,949)
Other current liabilities	196	(3,346)
Net defined benefit liabilities	(5,716)	(16,699)
Cash generated from operations	373,914	2,923,342
Interest received	4,511	1,529
Interest paid	(118,996)	(101,991)
Income tax paid	(218,411)	(215,021)
Net cash generated from (used in) operating activities	41,018	2,607,859
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(14,069)	(8,621)
Proceeds from sale of financial assets at fair value through profit or loss	15,215	-
Net cash outflow on acquisition of subsidiary	(236,428)	-
Payments for property, plant and equipment	(148,146)	(102,583)
Proceeds from disposal of property, plant and equipment	19,937	120
Increase in refundable deposits	(111)	-
Increase in prepayments for equipment	(2,249)	(14,747)
Net cash used in investing activities	(365,851)	(125,831)

(Continued)

FROCH ENTERPRISE CO., LTD.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	\$ (304,735)	\$(1,484,510)
Proceeds from long-term borrowings	2,547,650	-
Repayments of long-term borrowings	(1,504,408)	(465,094)
Proceeds from guarantee deposits received	-	4,028
Repayment of the principal portion of lease liabilities	(47,198)	(34,040)
Dividends paid to owners of the Company	<u>(420,789)</u>	<u>(561,052)</u>
Net cash generated from (used in) financing activities	<u>270,520</u>	<u>(2,540,668)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(5,352)</u>	<u>555</u>
NET DECREASE IN CASH	(59,665)	(58,085)
CASH AT THE BEGINNING OF THE YEAR	<u>437,777</u>	<u>495,862</u>
CASH AT THE END OF THE YEAR	<u>\$ 378,112</u>	<u>\$ 437,777</u>

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

(Concluded)

FROCH ENTERPRISE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. GENERAL INFORMATION

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

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

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries and branches in other countries) that use currency

which is different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Profits or losses resulting from downstream transactions is eliminated in full only in the parent company's financial statements. Profit or loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company's financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

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

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

a. Measurement categories

1) Financial assets at FVTPL

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

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

2) Financial assets at amortized cost

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

- a) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

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

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

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

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

b. Impairment of financial assets

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

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

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

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c. Derecognition of financial assets

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

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

j. Revenue recognition

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

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

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

k. Leases

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

1) The Company as lessor

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

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

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold

interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

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

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

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

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

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

l. Borrowing costs

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

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

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

n. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

6. CASH

	December 31	
	2023	2022
Cash on hand	\$ 760	\$ 760
Bank deposits	<u>377,352</u>	<u>437,017</u>
	<u>\$ 378,112</u>	<u>\$ 437,777</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

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

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2023	2022
<u>Notes receivable</u>		
Notes receivable - operating	\$ 162,556	\$ 201,327
Less: Allowance for impairment loss	<u>(1,628)</u>	<u>(2,013)</u>
	<u>\$ 160,928</u>	<u>\$ 199,314</u>

	December 31	
	2023	2022
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 771,101	\$ 662,835
Less: Allowance for impairment loss	<u>(180)</u>	<u>(2,400)</u>
	<u>\$ 770,921</u>	<u>\$ 660,435</u>

a. Notes receivable

The aging of notes receivable is as follows:

	December 31	
	2023	2022
Not past due	\$ 162,556	\$ 201,327
Past due	<u>-</u>	<u>-</u>
	<u>\$ 162,556</u>	<u>\$ 201,327</u>

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2023</u>									
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$ 767,766	\$ -	\$ 3,200	\$ 135	\$ -	\$ -	\$ -	\$ -	\$ 771,101
Loss allowance (Lifetime ECLs)	-	-	(160)	(20)	-	-	-	-	(180)
Amortized cost	<u>\$ 767,766</u>	<u>\$ -</u>	<u>\$ 3,040</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 770,921</u>
<u>December 31, 2022</u>									
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$ 641,884	\$ 37	\$ 7,373	\$ 13,541	\$ -	\$ -	\$ -	\$ -	\$ 662,835
Loss allowance (Lifetime ECLs)	-	-	(369)	(2,031)	-	-	-	-	(2,400)
Amortized cost	<u>\$ 641,884</u>	<u>\$ 37</u>	<u>\$ 7,004</u>	<u>\$ 11,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,435</u>

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

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 4,413	\$ 6,057
Less: Reversal of net remeasurement of loss allowance	(2,605)	(255)
Less: Amounts written off	<u>-</u>	<u>(1,389)</u>
Balance at December 31	<u>\$ 1,808</u>	<u>\$ 4,413</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Finished goods	\$ 867,705	\$ 1,119,941
Work in progress	692,260	598,867
Raw materials	1,453,346	1,375,864
Supplies	47,521	55,830
Inventory in transit	<u>22,481</u>	<u>146,331</u>
	<u>\$ 3,083,313</u>	<u>\$ 3,296,833</u>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of inventories	\$ 8,585,232	\$10,462,036
Write-down (reversal) of inventories	<u>(10,164)</u>	<u>21,618</u>
	<u>\$ 8,575,068</u>	<u>\$10,483,654</u>

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

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee	December 31			
	2023		2022	
	Amount	%	Amount	%
Century Nova Steel Co., Ltd.	\$2,419,754	100	\$2,466,254	100
Froch Enterprise International Co., Ltd.	506,737	100	501,054	100
Froch Stainless Co., Ltd.	104,662	100	133,184	100
Froch Africa Co., Ltd.	<u>236,456</u>	100	<u>-</u>	-
	<u>\$3,267,609</u>		<u>\$3,100,492</u>	

In 2023, the Company invested US\$7,500 thousand to establish Froch Africa Co., Ltd. with 100% equity, and indirectly invested € 5,500 thousand in the establishment of Froch Stainless Morocco with 100% equity. The above investment was approved by the Investment Review Commission of the Ministry of Economic Affairs.

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

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Company	\$ 3,007,812	\$ 2,989,457
Assets leased under operating leases	<u>228,039</u>	<u>231,466</u>
	<u>\$ 3,235,851</u>	<u>\$ 3,220,923</u>

a. Assets used by the Company

	For the Year Ended December 31, 2023						
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Beginning balance	\$ 1,241,386	\$ 807,803	\$ 2,558,601	\$ 82,179	\$ 662,628	\$ 23,933	\$ 5,376,530
Additions	25,897	-	87,467	10,634	11,120	15,213	150,331
Disposals	-	-	(67,385)	(6,571)	-	-	(73,956)
Reclassified	-	-	6,415	863	1,685	(4,710)	4,253
Ending balance	<u>\$ 1,267,283</u>	<u>\$ 807,803</u>	<u>\$ 2,585,098</u>	<u>\$ 87,105</u>	<u>\$ 675,433</u>	<u>\$ 34,436</u>	<u>\$ 5,457,158</u>
<u>Accumulated depreciation</u>							
Beginning balance	\$ -	\$ 270,870	\$ 1,695,298	\$ 68,646	\$ 352,259	\$ -	\$ 2,387,073
Additions	-	15,363	81,987	3,402	21,487	-	122,239
Disposals	-	-	(53,395)	(6,571)	-	-	(59,966)
Ending balance	<u>\$ -</u>	<u>\$ 286,233</u>	<u>\$ 1,723,890</u>	<u>\$ 65,477</u>	<u>\$ 373,746</u>	<u>\$ -</u>	<u>\$ 2,449,346</u>
Net ending balance	<u>\$ 1,267,283</u>	<u>\$ 521,570</u>	<u>\$ 861,208</u>	<u>\$ 21,628</u>	<u>\$ 301,687</u>	<u>\$ 34,436</u>	<u>\$ 3,007,812</u>

For the Year Ended December 31, 2022							
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Beginning balance	\$ 1,322,444	\$ 807,803	\$ 2,461,742	\$ 81,046	\$ 657,583	\$ 8,536	\$ 5,339,154
Additions	-	-	58,805	1,350	5,215	15,471	80,841
Disposals	-	-	(6,965)	(217)	(170)	-	(7,352)
Reclassified	(81,058)	-	45,019	-	-	(74)	(36,113)
Ending balance	<u>\$ 1,241,386</u>	<u>\$ 807,803</u>	<u>\$ 2,558,601</u>	<u>\$ 82,179</u>	<u>\$ 662,628</u>	<u>\$ 23,933</u>	<u>\$ 5,376,530</u>
<u>Accumulated depreciation</u>							
Beginning balance	\$ -	\$ 255,525	\$ 1,621,301	\$ 65,725	\$ 330,746	\$ -	\$ 2,273,297
Additions	-	15,345	80,962	3,138	21,683	-	121,128
Disposals	-	-	(6,965)	(217)	(170)	-	(7,352)
Ending balance	<u>\$ -</u>	<u>\$ 270,870</u>	<u>\$ 1,695,298</u>	<u>\$ 68,646</u>	<u>\$ 352,259</u>	<u>\$ -</u>	<u>\$ 2,387,073</u>
Net ending balance	<u>\$ 1,241,386</u>	<u>\$ 536,933</u>	<u>\$ 863,303</u>	<u>\$ 13,533</u>	<u>\$ 310,369</u>	<u>\$ 23,933</u>	<u>\$ 2,989,457</u>

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

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

Buildings

Main buildings 15-60 years

Others 6-60 years

Machinery and equipment 3-36 years

Transportation equipment 4-15 years

Other equipment 2-60 years

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

b. Assets leased under operating leases

For the Year Ended December 31, 2023					
	Land	Land Improvements	Buildings	Other Equipment	Total
<u>Cost</u>					
Beginning Balance	<u>\$ 151,098</u>	<u>\$ 4,312</u>	<u>\$ 117,961</u>	<u>\$ 19,275</u>	<u>\$ 292,646</u>
Ending Balance	<u>\$ 151,098</u>	<u>\$ 4,312</u>	<u>\$ 117,961</u>	<u>\$ 19,275</u>	<u>\$ 292,646</u>

(Continued)

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

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

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

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

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

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

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 22,932	\$ 57,488
Buildings	1,162	140
Machinery and Equipment	<u>\$ 39,220</u>	<u>\$ -</u>
	<u>\$ 63,314</u>	<u>\$ 57,628</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 53,212</u>	<u>\$ 77,847</u>
Depreciation charge for right-of-use assets		
Land	\$ 34,615	\$ 34,373
Buildings	470	35
Machinery and Equipment	<u>12,441</u>	<u>-</u>
	<u>\$ 47,526</u>	<u>\$ 34,408</u>

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 37,538</u>	<u>\$ 34,620</u>
Non-current	<u>\$ 26,288</u>	<u>\$ 23,191</u>

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

	December 31	
	2023	2022
Land	1.09-2.40	1.09
Buildings	1.09-2.39	1.09
Machinery and Equipment	2.25-2.46	-

c. Material leasing activities and terms - as lessee

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

The Company leases certain land and buildings for the use of factories and offices with lease terms of 2 to 5 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to low-value asset leases	\$ 1,763	\$ 844
Total cash outflow for leases	<u>\$ (50,171)</u>	<u>\$ (35,920)</u>

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

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Unsecured borrowings		
Letter of credit borrowings	\$ 1,266,370	\$ 547,772
Line of credit borrowings	<u>1,006,000</u>	<u>2,029,333</u>
	<u>\$ 2,272,370</u>	<u>\$ 2,577,105</u>
<u>Interest rates (%)</u>		
Letter of credit borrowings	1.75-2.05	1.63-2.13
Line of credit borrowings	1.85-2.05	1.50-2.13

b. Long-term borrowings

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

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

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

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

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

14. OTHER PAYABLES

	December 31	
	2023	2022
Payables for salaries or bonuses	\$ 71,190	\$ 70,175
Payables for freight	18,013	16,045
Payables for compensation of employees and remuneration of directors	4,920	28,520
Payables for purchases of equipment	2,551	366
Others	<u>53,707</u>	<u>58,736</u>
	<u>\$ 150,381</u>	<u>\$ 173,842</u>

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

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

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

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

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

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

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

16. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

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

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

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

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

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

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

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

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

17. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	\$ 9,238,152	\$12,250,170
Other operating revenue		
Revenue from sale of electricity	21,341	21,109
Revenue from processing service	<u>101</u>	<u>158</u>
	<u>\$ 9,259,594</u>	<u>\$12,271,437</u>

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and trade receivables	<u>\$ 945,700</u>	<u>\$ 892,064</u>	<u>\$ 1,256,033</u>
Contract liabilities - current			
Sale of goods	<u>\$ 115,022</u>	<u>\$ 163,666</u>	<u>\$ 250,280</u>

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

b. Disaggregation of revenue

	For the Year Ended December 31	
	2023	2022
Asia	\$ 5,422,610	\$ 6,979,889
America	1,574,552	2,144,619
Europe	1,068,379	1,395,246
Middle East	586,794	929,066
Others	<u>585,817</u>	<u>801,350</u>
	<u>\$ 9,238,152</u>	<u>\$12,250,170</u>

18. COMPREHENSIVE INCOME FOR THE YEAR

Net profit comprised of the following items:

a. Other income

	For the Year Ended December 31	
	2023	2022
Rental income (Note 23)	\$ 16,088	\$ 3,943
Others	<u>2,416</u>	<u>3,939</u>
	<u>\$ 18,504</u>	<u>\$ 7,882</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	\$ 5,947	\$ 120
Gain (loss) on fair value changes of financial assets at FVTPL	1,407	(2,340)
Net foreign exchange gains	12,243	101,241
Others	<u>(4,918)</u>	<u>(87)</u>
	<u>\$ 14,679</u>	<u>\$ 98,934</u>

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 118,456	\$ 100,735
Interest on lease liabilities	<u>1,210</u>	<u>1,036</u>
	<u>\$ 119,666</u>	<u>\$ 101,771</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 149,984	\$ 136,442
Operating expenses	<u>23,208</u>	<u>22,521</u>
	<u>\$ 173,192</u>	<u>\$ 158,963</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Salary expenses	\$ 424,041	\$ 443,284
Labor and health insurance costs	42,008	41,298
Post-employment benefits		
Defined contribution plan	16,361	16,222
Defined benefit plans (Note 15)	317	384
Remuneration of directors	847	9,776
Other employee benefits	<u>18,150</u>	<u>24,201</u>
Total employee benefits expense	<u>\$ 501,724</u>	<u>\$ 535,165</u>

	For the Year Ended December 31	
	2023	2022
An analysis of employee benefits expense by function		
Operating costs	\$ 321,121	\$ 318,988
Operating expenses	<u>180,603</u>	<u>216,177</u>
	<u>\$ 501,724</u>	<u>\$ 535,165</u>

The average number of employees in 2023 and 2022 was 627 and 638, respectively. The average number of directors who were not employees were both 5. The number of employees and directors is based on the records of employee benefits.

The average employee benefit expense in 2023 and 2022 was \$805 thousand and \$830 thousand, respectively, and the average employee salary expense was \$682 thousand and \$700 thousand, respectively. The average employee salary change was 3%.

The Company established an audit committee to replace the supervisory system.

The remuneration, emoluments and business execution expenses of the directors of the Company are based on the industry norm, the attendance situation of the directors and the Company's Articles; the remuneration of managers and employees included salaries, retirement pensions, bonuses and compensation. The remuneration is determined in accordance with the individual contributions, qualifications, operating performance, degree of responsibility and industry norm. The remuneration of directors and key executives, according to the Company's Articles, is determined by the Board of directors and the remuneration committee based on the Company's overall operation performance, future trends, the individual participation in the Company's operation and the contribution value. Relevant performance appraisal and remuneration reasonableness are reviewed in a timely manner and submitted to the remuneration committee and the Board of directors, in order to achieve a balance between the Company's sustainable operation and risk control.

f. Compensation of employees and remuneration of directors

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

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

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

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

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

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

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 22,818	\$ 194,129
Income tax on unappropriated earnings	16,780	25,211
Adjustments for prior years	(1,226)	(22)
Deferred tax		
In respect of the current year	<u>(6,271)</u>	<u>(2,528)</u>
Income tax expense recognized in profit or loss	<u>\$ 32,101</u>	<u>\$ 216,790</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 83,051</u>	<u>\$ 958,006</u>
Income tax expense calculated at the statutory rate (20%)	\$ 16,610	\$ 191,600
Nondeductible expenses in determining taxable income	46	1
Tax-exempt income	(109)	-
Income tax on unappropriated earnings	16,780	25,211
Adjustments for prior years' tax	<u>(1,226)</u>	<u>(22)</u>
Income tax expense recognized in profit or loss	<u>\$ 32,101</u>	<u>\$ 216,790</u>

b. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	<u>\$ 39,191</u>	<u>\$ 219,230</u>

c. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2023				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 12,015	\$ (2,033)	\$ -	\$ 9,982
Defined benefit obligations	1,744	(1,744)	-	-
Others	510	3,189	-	3,699
	<u>\$ 14,269</u>	<u>\$ (588)</u>	<u>\$ -</u>	<u>\$ 13,681</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 278,856	\$ (6,258)	\$ -	\$ 272,598
Defined benefit obligations	-	(601)	658	57
Land appreciation tax	45,775	-	-	45,775
Others	5	-	-	5
	<u>\$ 324,636</u>	<u>\$ (6,859)</u>	<u>\$ 658</u>	<u>\$ 318,435</u>
For the Year Ended December 31, 2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 7,692	\$ 4,323	\$ -	\$ 12,015
Defined benefit obligations	7,683	(3,340)	(2,599)	1,744
Others	-	510	-	510
	<u>\$ 15,375</u>	<u>\$ 1,493</u>	<u>\$ (2,599)</u>	<u>\$ 14,269</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 279,847	\$ (991)	\$ -	\$ 278,856
Land appreciation tax	45,775	-	-	45,775
Others	49	(44)	-	5
	<u>\$ 325,671</u>	<u>\$ (1,035)</u>	<u>\$ -</u>	<u>\$ 324,636</u>

d. Income tax assessments

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

20. EARNINGS PER SHARE

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

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

21. CAPITAL MANAGEMENT

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

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

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

22. FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy

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

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

- c. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 22,637	\$ 22,376
Financial assets at amortized cost (1)	1,392,729	1,374,316
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	5,910,545	5,190,919

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

- d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

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

Sensitivity analysis

The Company is mainly exposed to the US dollar. If the exchange rate of the functional currency changed by 1% against the US dollar, the net profit before tax would have changed by \$6,064 thousand and \$4,784 thousand respectively for the years ended December 31, 2023 and 2022, respectively.

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

b) Interest rate risk

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

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

	December 31	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 63,826	\$ 57,811

Cash flow interest rate risk

Financial assets	377,292	436,957
Financial liabilities	5,709,517	4,971,010

Sensitivity analysis

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rates of 25 basis point (0.25%) would have resulted in a decrease in the interest expense before tax by approximately \$13,331 thousand and \$11,335 thousand for the years ended December 31, 2023 and 2022, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

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

Non-derivative Financial Liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>December 31, 2023</u>					
Non-interest bearing	\$ 193,667	\$ 2,371	\$ -	\$ 462	\$ 4,528
Lease liabilities	4,549	9,099	24,744	26,668	-
Variable interest rate liabilities	<u>156,330</u>	<u>713,944</u>	<u>1,494,165</u>	<u>2,229,064</u>	<u>1,116,014</u>
	<u>\$ 354,546</u>	<u>\$ 725,414</u>	<u>\$ 1,518,909</u>	<u>\$ 2,256,194</u>	<u>\$ 1,120,542</u>
<u>December 31, 2022</u>					
Non-interest bearing	\$ 212,651	\$ 2,269	\$ -	\$ 462	\$ 4,527
Lease liabilities	2,923	5,846	26,307	23,348	-
Variable interest rate liabilities	<u>200,330</u>	<u>807,839</u>	<u>2,126,410</u>	<u>1,321,013</u>	<u>515,418</u>
	<u>\$ 415,904</u>	<u>\$ 815,954</u>	<u>\$ 2,152,717</u>	<u>\$ 1,344,823</u>	<u>\$ 519,945</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
<u>December 31, 2023</u>				
Lease liabilities	\$ 38,392	\$ 26,668	\$ -	\$ -
Variable interest rate liabilities	<u>2,364,439</u>	<u>2,229,064</u>	<u>1,021,906</u>	<u>94,108</u>
	<u>\$2,402,831</u>	<u>\$2,255,732</u>	<u>\$1,021,906</u>	<u>\$ 94,108</u>
<u>December 31, 2022</u>				
Lease liabilities	\$ 35,076	\$ 23,348	\$ -	\$ -
Variable interest rate liabilities	<u>3,134,579</u>	<u>1,321,013</u>	<u>371,150</u>	<u>144,268</u>
	<u>\$3,169,655</u>	<u>\$1,344,361</u>	<u>\$ 371,150</u>	<u>\$ 144,268</u>

b) Financing facilities

	December 31	
	2023	2022
Amount used	\$ 7,389,263	\$ 5,334,174
Amount unused	<u>7,315,595</u>	<u>8,184,218</u>
	<u>\$14,704,858</u>	<u>\$13,518,392</u>

23. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
Century Nova Steel Co., Ltd.	Subsidiary
Froch stainless Morocco Co., Ltd.	Subsidiary
Santorics Metals Co., Ltd.	Others
Beittia Metals Co., Ltd	Others
Ren-Xiang Li	Others
Ping-Yiao Chang	Others
Hsiou-Miao Lee	Others
Hsin-Ta Chang	Others
Li-Shen Chang	Others

b. Sales of goods

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales	Others		
	Santorics Metals Co., Ltd.	\$ 412,915	\$ 571,820
	Beittia Metals Co., Ltd	9,732	-
	Subsidiaries	<u>3,054</u>	<u>5,525</u>
		<u>\$ 425,701</u>	<u>\$ 577,345</u>

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

c. Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Purchases	Others		
	Santorics Metals Co., Ltd.	\$ 516,630	\$ 828,714
	Others	229,306	277,035
	Subsidiaries	<u>55,215</u>	<u>-</u>
		<u>\$ 801,151</u>	<u>\$ 1,105,749</u>

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

d. Rental income

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

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

e. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Trade receivables	Others		
	Santorics Metals Co., Ltd.	\$ 13,159	\$ 32,135
	Subsidiaries	452	180
Notes receivables	Others	240	-
Other receivables	Others	1,999	2,194
	Subsidiaries	<u>18,328</u>	<u>1,980</u>
		<u>\$ 34,178</u>	<u>\$ 36,489</u>

f. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Notes payable	Others		
	Beittia Metals Co., Ltd	\$ 2,835	\$ 2,835
	Others	193	193
Trade payables	Subsidiaries	8,615	20
Other payables	Others	<u>2,183</u>	<u>1,314</u>
		<u>\$ 13,826</u>	<u>\$ 4,362</u>

g. Lease arrangements as lessee

		For the Year Ended December 31	
Related Party Category/Name		2023	2022
<u>Acquisition of right-of-use assets</u>			
Others			
Beittia Metals Co., Ltd.		\$ -	\$ 66,712
Others		<u>-</u>	<u>10,960</u>
		<u>\$ -</u>	<u>\$ 77,672</u>
Line Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Others		
	Beittia Metals Co., Ltd.	\$ 16,149	\$ 48,184
	Others	<u>6,936</u>	<u>9,485</u>

	<u>\$ 23,085</u>	<u>\$ 57,669</u>
	For the Year Ended December 31	
Related Party Category	2023	2022

Finance costs

Others	<u>\$ 455</u>	<u>\$ 1,034</u>
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The above is the factory lease agreement signed between the Company and the related parties, and the contract period is from January 1, 2019 to August 31, 2026. The rental rates are based on the rental rates in the nearby area and subject to agreements between the two parties. The Company provided a refundable deposit of \$5,000 thousand as deposit for the lease.

h. Endorsements and guarantees : Refer to Table 2

i. Remuneration of key management personnel

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

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

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

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials amounted to approximately \$330,985 thousand and \$357,051 thousand, respectively.

b. Unrecognized commitments were as follows:

	December 31	
	2023	2022
Acquisition of property, plant and equipment	<u>\$ 82,291</u>	<u>\$ 26,629</u>

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$	20,090	30.705	\$	15,607	30.71
			\$ 616,863			\$ 479,291
Investments accounted for using the equity method						
USD		98,733	30.705		100,980	30.71
			3,031,597			3,101,096
<u>Financial liabilities</u>						
Monetary items						
USD		342	30.705		29	30.71
			10,501			891

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

	For the Year Ended December 31			
	2023		2022	
	Foreign Currency	Exchange Rate	Net Foreign Exchange Gains	Net Foreign Exchange Losses
USD		31.155 (USD:NTD)	<u>\$ 12,243</u>	<u>\$101,241</u>
			29.805 (USD:NTD)	

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held (excluding investments in subsidiaries: Table 3.
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.

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

TABLE 1

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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

TABLE 2

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

Note 1: The relationship between guarantor and guaranteed party:

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

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

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

TABLE 3**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

Note 2: For information on investment subsidiaries, refer to Tables 6 and 7.

TABLE 4**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

TABLE 6

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	Percentage of Ownership	Carrying Amount			
Froch Enterprise Co., Ltd.	Century Nova Steel Co., Ltd.	British Virgin Islands	International investment business	\$ 1,530,998	\$ 1,530,998	49,000,000	100%	\$ 2,419,754	\$ (14,045)	\$ (14,045)	Subsidiary
	Froch Enterprise International Co., Ltd.	British Cayman Islands	International investment business	115,366	115,366	3,550,000	100%	506,737	9,926	9,926	Subsidiary
	Froch Stainless Co., Ltd.	British Samoa	International investment business	14,959	14,959	500,000	100%	104,662	(28,497)	(28,497)	Subsidiary
	Froch Africa Co., Ltd.	British Virgin Islands	International investment business	236,428	-	7,500,000	100%	236,456	1,325	1,325	Subsidiary
Froch Africa Co., Ltd.	Froch Stainless Morocco Co., Ltd.	Morocco	Operating stainless steel and other steel pipe production and sales businesses	181,970 (USD 5,926)	-	55,000	100%	186,819	(13) (USD0.4)	(13) (USD0.4)	Sub-subsubsidiary

Note: For information on investments in mainland China, see Table 7.

TABLE 7

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, U.S. Dollars, Unless Stated Otherwise)

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

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

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

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

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

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

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

TABLE 8**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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

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

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

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STATEMENT 1**Froch Enterprise Co., Ltd.****STATEMENT OF CASH****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Item	Amount
Cash in banks	
Demand deposits	\$ 157,598
Foreign currency deposits (Note)	219,694
Checking deposits	<u>60</u>
	377,352
Cash on hand and petty cash	<u>760</u>
	<u>\$ 378,112</u>

Note: Include US\$7,092 thousand and EUR57 thousand; exchange rate is US\$1=NT\$30.705 and EUR1=NT\$33.98.

STATEMENT 2**Froch Enterprise Co., Ltd.****FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Type and Name of Marketable Securities	Number of Shares/Units	Acquisition Cost	Market Value	
			Unit Price	Total Amount
Mutual funds				
Shin Kong US Harvest Balance Fund Type A without Dividends (NTD)	185,419	\$ 1,990	10.25	\$ 1,900
TCB US Short Duration High Yield Bond Fund A USD (NTD)	300,000	3,014	9.93	2,980
TCB Global Healthcare M-A Income Fund A (NTD)	500,000	5,000	8.03	4,015
SinoPac ESG Global Digital Infrastructure Fund- TWD. Acc.	300,000	3,009	9.19	2,757
KGT Real Assets Multi-Asset Fund A (NTD)	300,000	3,000	9.96	2,988
CITIC Growth Opportunities Multi-Asset Fund A (NTD)	300,000	3,033	10.15	3,046
Mega Global Bond ETF Strategic Income Fund of Fund A (NTD)	500,000	<u>5,000</u>	9.90	<u>4,951</u>
		<u>\$ 24,046</u>		<u>\$ 22,637</u>

Note : Fair value of mutual funds is calculated based on the value of net assets on the balance sheet date.

STATEMENT 3

Froch Enterprise Co., Ltd.

**STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Others (Note)	\$ 162,556
Less: Allowance for impairment loss	<u>(1,628)</u>
Total	<u>\$ 160,928</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 4

Froch Enterprise Co., Ltd.

**STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Non-related parties	
AU005 company	\$ 56,246
Others (Note)	<u>714,855</u>
	771,101
Less: Allowance for impairment loss	<u>(180)</u>
Total	<u>\$ 770,921</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 5**Froch Enterprise Co., Ltd.****STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note 1)
Finished goods	\$ 877,843	\$ 867,705
Work in process	695,062	692,260
Raw materials	1,490,317	1,453,346
Supplies	47,521	47,521
Inventory in transit	<u>22,481</u>	<u>22,481</u>
	3,133,224	<u>\$ 3,083,313</u>
Less: Allowance for loss on inventory valuation	<u>(49,911)</u>	
	<u>\$ 3,083,313</u>	

Note 1: Net realizable value refers to the estimated selling price under normal circumstances minus the estimated cost required to complete the project and the estimated cost required to complete the sale.

Note 2: The inventories were not pledged as collateral.

Froch Enterprise Co., Ltd.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2023			Increase in the Current Year		Share of Profit (Loss) of Subsidiaries and Associates	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Balance, December 31, 2023			Net Assets Value
	Number of Shares	Ownership (%)	Amount	Number of Shares	Amount			Number of Shares	Ownership (%)	Amount	
Century Nova Steel Co., Ltd.	49,000,000	100	\$ 2,466,254	-	\$ -	\$ (14,045)	\$ (32,455)	49,000,000	100	\$ 2,419,754	\$ 2,419,754
Froch Enterprise International Co., Ltd.	3,550,000	100	501,054	-	-	9,926	(4,243)	3,550,000	100	506,737	506,737
Froch Stainless Co., Ltd.	500,000	100	133,184	-	-	(28,497)	(25)	500,000	100	104,662	104,662
Froch Africa Co., Ltd.	-	-	-	7,500,000	236,428	1,325	(1,297)	7,500,000	100	236,456	236,456
			<u>\$ 3,100,492</u>		<u>\$ 236,428</u>	<u>\$ (31,291)</u>	<u>\$ (38,020)</u>			<u>\$ 3,267,609</u>	<u>\$ 3,267,609</u>

STATEMENT 7**Froch Enterprise Co., Ltd.****STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS****FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Cost</u>				
Land	\$ 77,672	\$ 59	\$ -	\$ 77,731
Buildings	175	1,492	-	1,667
Machinery and Equipment	-	51,661	-	51,661
	<u>77,847</u>	<u>\$ 53,212</u>	<u>\$ -</u>	<u>131,059</u>
<u>Accumulated Depreciation</u>				
Land	20,184	\$ 34,615	\$ -	54,799
Buildings	35	470	-	505
Machinery and Equipment	-	12,441	-	12,441
	<u>20,219</u>	<u>\$ 47,526</u>	<u>\$ -</u>	<u>67,745</u>
	<u>\$ 57,628</u>			<u>\$ 63,314</u>

STATEMENT 8**Froch Enterprise Co., Ltd.**
STATEMENT OF SHORT-TERM BANK LOANS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Types of Loan and Bank	Loan Due Date	Annual Interest Rate (%)	Amount
Domestic long-term letter of credit			
Land Bank of Taiwan	2024.03.13-2024.03.29	1.87	\$ 124,737
Chang Hwa Commercial Bank	2024.04.03-2024.05.28	1.85	198,838
Yuanta Commercial Bank	2024.03.21-2024.03.24	2.00	48,996
Mega International Commercial Bank	2024.03.25-2024.03.28	1.86	48,960
Bank of Taiwan	2024.02.23-2024.04.15	1.88	181,956
Taiwan Cooperative Bank	2024.03.05-2024.06.23	1.93	327,375
First Commercial Bank	2024.02.26-2024.06.25	1.75	175,556
Taichung Commercial Bank	2024.04.24-2024.05.15	1.99	79,961
E. SUN Commercial Bank	2024.05.28-2024.06.05	2.05	<u>79,991</u>
			<u>1,266,370</u>
Credit loan			
First Commercial Bank	2024.03.08	2.05	50,000
Taiwan Cooperative Bank	2024.01.28-2024.11.08	1.89-1.93	156,000
Chang Hwa Commercial Bank	2024.06.28	1.85	100,000
The Export-Import Bank of the Republic of China	2024.05.30-2024.08.10	1.88-1.92	500,000
Shin Kong Bank	2024.01.26	1.95	100,000
Land Bank of Taiwan	2025.02.17	1.87	<u>100,000</u>
			<u>1,006,000</u>
			<u>\$ 2,272,370</u>

STATEMENT 9

Froch Enterprise Co., Ltd.

**STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Non-related parties	
SKP010 company	\$ 1,975
SJI021 company	1,718
SDI032 company	1,712
SEI012 company	1,325
Others (Note)	<u>17,969</u>
	<u>\$ 24,699</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

STATEMENT 10

Froch Enterprise Co., Ltd.

**STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Non-related parties	
SAI011 company	\$ 3,133
SGF002 company	1,039
SGH020 company	564
Others (Note)	<u>4,579</u>
	<u>\$ 9,315</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

Froch Enterprise Co., Ltd.

STATEMENT OF LONG-TERM BANK LOANS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Creditor	Contract Period	Summary	Interest Rate (%)	Loan Amount	Mortgage or Guarantee
Land and building mortgage loans					
10 Syndicated banks included Land Bank of Taiwan Douliu Branch	2023.02.18-2030.02.18	The loan will be repaid in 11 installment after 2 years, with each repayment of \$233,000 thousand	2.57	\$ 2,548,970	Note 1
Land Bank of Taiwan Douliu Branch	2019.07.26-2034.07.26	Repay \$330 thousand per month	2.45	41,907	Note 2
First Commercial Bank Douliu Branch	2020.12.18-2035.12.18	The loan will be repaid in 26 installment after 2 years, with each repayment of \$23,100 thousand	2.07	553,800	Note 3
First Commercial Bank Douliu Branch	2020.12.25-2030.12.25	The loan will be repaid in 16 installment after 2 years, with each repayment of \$18,750 thousand	2.07	262,500	Note 3
First Commercial Bank Douliu Branch	2021.02.25-2028.02.25	The loan will be repaid in 12 installment after 1 years, with each repayment of \$3,300 thousand	2.07	<u>29,970</u>	Note 3
				<u>\$ 3,437,147</u>	

Note 1: The Company provided carrying value of \$604,159 thousand of land, buildings and machinery as collateral.

Note 2: The Company provided carrying value of \$54,661 thousand of machinery as collateral.

Note 3: The Company provided carrying value of \$530,724 thousand of land, buildings and machinery as collateral.

STATEMENT 12**Froch Enterprise Co., Ltd.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Lease Period	Discount Rate (%)	Ending Balance
Land	2022.06-2026.08	1.09-2.40	\$ 23,129
Buildings	2022.01-2026.12	1.09-2.39	1,170
Machinery and Equipment	2023.03.01-2026.02.28	2.25-2.46	<u>39,527</u>
			<u>\$ 63,826</u>

STATEMENT 13

Froch Enterprise Co., Ltd.

**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Quantity (Metric Tons)	Amount
Operating revenue		
Stainless steel pipe	72,523	\$ 6,909,517
Stainless steel coil	28,218	2,267,854
Others	665	<u>82,223</u>
		<u>\$ 9,259,594</u>

STATEMENT 14**Froch Enterprise Co., Ltd.****STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials at the beginning of the year	\$ 1,553,165
Purchased raw materials	7,328,327
Sale	(312,097)
Raw materials at the end of the year	<u>(1,512,798)</u>
Raw materials consumption	7,056,597
Direct labor	219,051
Manufacturing expenses	<u>525,354</u>
Manufacturing costs	7,801,002
Work in progress at the beginning of the year	601,678
Others	(137,919)
Work in progress at the end of the year	<u>(695,062)</u>
Cost of finished goods	7,569,699
Finished goods at the beginning of the year	1,146,235
Purchased finished goods	584,942
Write-down of inventories	(10,164)
Others	(158,462)
Finished goods at the end of the year	<u>(877,843)</u>
Cost of production	8,254,407
Cost of raw materials sold	312,097
Cost of processing	59
Cost of sale of electricity	<u>8,505</u>
Cost of goods sold	<u>\$ 8,575,068</u>

STATEMENT 15**Froch Enterprise Co., Ltd.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Total
Salary	\$ 96,074	\$ 51,270	\$ 147,344
Freight	147,433	1,503	148,936
Insurance	13,351	7,526	20,877
Entertainment	5,752	10,043	15,795
Depreciation	11,781	11,427	23,208
Employee benefits	2	16,482	16,484
Others	<u>76,808</u>	<u>38,760</u>	<u>115,568</u>
	<u>\$ 351,201</u>	<u>\$ 137,011</u>	<u>\$ 488,212</u>

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

Froch Enterprise Co., Ltd.

By:



Ping-Yiao Chang
President

March 13, 2024

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the

Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

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

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 13, 2024)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

from prices); and

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

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

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

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

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

Financial assets

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

a. Measurement categories

1) Financial assets at FVTPL

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

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

2) Financial assets at amortized cost

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

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

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

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

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

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

b. Impairment of financial assets

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

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

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

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

held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c. Derecognition of financial assets

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

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

j. Revenue recognition

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

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

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

k. Leases

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

1) The Group as lessor

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

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

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

2) The Group as lessee

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

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

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

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

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

l. Borrowing costs

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

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

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

n. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be

available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

6. CASH

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

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

7. FINANCIAL INSTRUMENTS AT FVTPL

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

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

a. Notes receivable

The aging of notes receivable is as follows:

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

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

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

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

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

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

9. INVENTORIES

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

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

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

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

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of the business	% of Ownership	
			December 31	
			2023	2022
Froch Enterprise Co., Ltd.	Froch Enterprise International Co., Ltd.	International investment business	100	100
	Century Nova Steel Co., Ltd.	International investment business	100	100
	Froch Stainless Co., Ltd.	International investment business	100	100
	Froch Africa Co., Ltd.	International investment business	100	-
Froch Enterprise International Co., Ltd.	Froch Metal (Suzhou) Co., Ltd.	Operating stainless steel and other steel pipe production and sales businesses	100	100
	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	30	30
Froch Metal (Suzhou) Co., Ltd.	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	70	70
Century Nova Steel Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	100	100
Froch Stainless Co., Ltd	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	83	83
Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	17	17
Froch Africa Co., Ltd.	Froch Stainless Morocco	Operating stainless steel and other steel pipe production and sales businesses	100	-

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

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

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

11. PROPERTY, PLANT AND EQUIPMENT

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

a. Assets used by the Group

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

(Continued)

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

(Concluded)

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

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

Buildings

Main buildings 15-60 years

Others 6-60 years

Machinery and equipment 3-36 years

Transportation equipment 4-15 years

Other equipment 2-60 years

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

b. Assets leased under operating leases

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

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

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

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

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

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

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 44,077	\$ 79,679
Buildings	3,962	5,322
Machinery and Equipment	39,220	-
	<u>\$ 87,259</u>	<u>\$ 85,001</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 54,131</u>	<u>\$ 78,775</u>
Depreciation charge for right-of-use assets		
Land	\$ 35,302	\$ 35,061
Buildings	3,571	3,559
Machinery and Equipment	12,441	-
	<u>\$ 51,314</u>	<u>\$ 38,620</u>

b. Lease liabilities

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

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

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

c. Material leasing activities and terms - as lessee

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

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

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

d. Other lease information

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

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

13. BORROWINGS

a. Short-term borrowings

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

b. Long-term borrowings

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

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

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

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

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

14. OTHER PAYABLES

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

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

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

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

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

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

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

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

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

16. EQUITY

- a. Ordinary shares

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

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

- b. Capital surplus

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

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

c. Retained earnings and dividends policy

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

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

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

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

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

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

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

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

17. REVENUE

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

a. Contract balances

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

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

b. Disaggregation of revenue

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

18. COMPREHENSIVE INCOME FOR THE YEAR

Net profit comprised of the following items:

a. Other income

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

b. Other gains and losses

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

c. Finance costs

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

d. Depreciation and amortization

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

e. Employee benefits expense

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

f. Compensation of employees and remuneration of directors

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

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

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

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

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

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

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

b. Current tax assets and liabilities

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

c. Deferred tax assets and liabilities

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

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

(Continued)

For the Year Ended December 31, 2023				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 278,856	\$ (6,258)	\$ -	\$ 272,598
Defined benefit obligations	-	(601)	658	57
Land appreciation tax	45,775	-	-	45,775
Others	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
	<u>\$ 324,636</u>	<u>\$ (6,859)</u>	<u>\$ 658</u>	<u>\$ 318,435</u> (Concluded)

For the Year Ended December 31, 2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 7,692	\$ 4,323	\$ -	\$ 12,015
Defined benefit obligations	7,683	(3,340)	(2,599)	1,744
Others	<u>-</u>	<u>510</u>	<u>-</u>	<u>510</u>
	<u>\$ 15,375</u>	<u>\$ 1,493</u>	<u>\$ (2,599)</u>	<u>\$ 14,269</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 279,847	\$ (991)	\$ -	\$ 278,856
Land appreciation tax	45,775	-	-	45,775
Others	<u>49</u>	<u>(44)</u>	<u>-</u>	<u>5</u>
	<u>\$ 325,671</u>	<u>\$ (1,035)</u>	<u>\$ -</u>	<u>\$ 324,636</u>

d. Income tax assessments

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

20. EARNINGS PER SHARE

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

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

21. CAPITAL MANAGEMENT

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

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

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

22. FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy

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

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

c. Categories of financial instruments

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

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

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

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

b) Interest rate risk

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

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

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

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

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

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

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

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

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

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

b) Financing facilities

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

23. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

(Continued)

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

(Concluded)

b. Sales of goods

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

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

c. Purchases of goods

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

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

d. Rental income

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

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

e. Receivables from related parties

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

f. Payables to related parties

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

g. Lease arrangements as lessee

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

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

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

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

h. Endorsements and guarantees : Refer to Table 2

i. Remuneration of key management personnel

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

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials amounted to approximately \$330,985 thousand and \$357,051 thousand, respectively.

b. Unrecognized commitments were as follows:

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

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

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

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

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

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

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

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

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

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

28. SEGMENT INFORMATION

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

a. Segment revenue and results

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

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

b. Total segment assets and liabilities

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

c. Revenue from major products and services

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

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

d. Geographical information

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

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

e. Information about major customers

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

TABLE 1

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

- Note 1: The total amount of loans made by Froch Enterprise International Co., Ltd. and the amount of loans made by a single enterprise that directly or indirectly holds 100% of the voting rights to the parent company shall not exceed 100% of the net value of the loans made to the Company during the period audited or reviewed by an accountant.
- Note 2: The total amount of loans made by Century Nova Steel Co., Ltd. and the amount of loans made by a single enterprise that directly or indirectly holds 100% of the voting rights to the parent company shall not exceed 100% of the net value of the loans made to the Company during the period audited or reviewed by an accountant.
- Note 3: The total amount of loans made by Froch Stainless Co., Ltd. and the amount of loans made by a single enterprise that directly or indirectly holds 100% of the voting rights to the parent company shall not exceed 100% of the net value of the loans made to the Company during the period audited or reviewed by an accountant.
- Note 4: If the relevant figures in this table involve foreign currencies, they shall be converted into the New Taiwan dollar at the exchange rate on the balance sheet date.
- Note 5: Significant intercompany accounts and transactions have been eliminated.

TABLE 2

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

Note 1: The relationship between guarantor and guaranteed party:

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

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

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

TABLE 3

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

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

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

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

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

TABLE 4**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF PAID-IN CAPITAL
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 6

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

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

TABLE 7

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

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

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

TABLE 8

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, U.S. Dollars, Unless Stated Otherwise)

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

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

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

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

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

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

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

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

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

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

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

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

VI. Financial Distress Encountered by the Company and Affiliated Companies in the Last Year, up until the Publication Date of this Annual Report: None.

G. Review of Financial Position, Operating Results, and Risk Management Issues

I. Financial Position Review and Analysis Chart

Unit: NTD thousands

Account \ Year	2022	2023	Variation	
			Account	%
Current Assets	7,431,538	6,975,352	(456,186)	(6.14)
Property, Plant and Equipment	4,582,139	4,705,374	123,235	2.69
Intangible and Other Assets	210,444	196,657	(13,787)	(6.55)
Total Assets	12,224,121	11,877,383	(346,738)	(2.84)
Current Liabilities	4,764,506	3,334,078	(1,430,428)	(30.02)
Non-current Liabilities	2,234,260	3,723,177	1,488,917	66.64
Total Liabilities	6,998,766	7,057,255	58,489	0.84
Paid-in Capital	2,805,260	2,805,260	0	0
Capital Reserves	463,471	463,471	0	0
Retained Earnings	2,126,650	1,759,443	(367,207)	(17.27)
Other Equities	(170,026)	(208,046)	(38,020)	22.36
Treasury Stock	0	0	0	0
Total Shareholders' Equity	5,225,355	4,820,128	(405,227)	(7.76)
<p>Material Changes above 20% in Assets, Liabilities, and Shareholders' Equity in the Last Two Years; Describe the Causes and Impacts of Such Variations:</p> <ol style="list-style-type: none"> 1. Current liabilities and non-current liabilities: the decrease of current liabilities and the increase of non-current liabilities were the results of borrowing of long-term bank loans to settle the current portion (matured within one year) of long-term bank loans and short-term bank loans for the improvement of financial structure. 2. Other equity: the result of strong USD appreciation against CNY in this year and the adjustment of currencies exchange of overseas investment. 				

II. Operating Result

(1) Comparative Analysis of Operating Performance

Unit: NTD thousands

Account \ Year	2022	2023	Profit (Loss) Amount	Variation (%)
Net Sales	16,247,991	12,856,899	(3,391,092)	(20.87)
Cost of Sales	<u>14,068,198</u>	<u>11,919,820</u>	(2,148,378)	(15.27)
Gross Profit	2,179,793	937,079	(1,242,714)	(57.01)
Operating Expenses	<u>1,024,397</u>	<u>686,600</u>	(337,797)	(32.98)
Operating Profit (Loss)	1,155,396	250,479	(904,917)	(78.32)
Non-operating Income	19,135	30,304	11,169	58.37
Non-operating Expenses	<u>143,640</u>	<u>187,245</u>	43,605	30.36
Pre-Tax Profit (Loss)	1,030,891	93,538	(937,353)	(90.93)
Income Tax Expense (Benefit)	<u>289,675</u>	<u>42,588</u>	(247,087)	(85.30)
Net Income (Loss)	<u>741,216</u>	<u>50,950</u>	(690,266)	(93.13)
Explanation of Variations: 1. Net sales, gross profit, operating income, EBIT, income tax expense, and net income: The declining price of nickel from the beginning of 2023 resulted in the decline of net sales and gross profit, which in turn caused the decline of operating income, EBIT, income tax expense, and net income. 2. Operating expense: sea freight fell that the cost of transport was down. 3. Non-operating income, non-operating expense and loss: the upward of interest rate that resulted in an increase of interest income and also interest expense at the same time.				

(II) Gross Profit Variation Analysis:

Unit: NTD thousands

	Variation	Cause of Difference			Quantity Difference
		Selling Price Difference	Cost Difference	Difference in Sales Mix	
Gross Profit	(1,242,714)	(2,138,038)	985,608	91,505	(181,789)
Explanation		As compared to 2022, the material price fell substantially in 2023. This affected the sale price of the overall product line, which resulted in a negative sale price value.	Cost of production fell due to the continued decline of material purchase, which resulted in a spread between the cost and price.	The increase in sales ratio of products with better profits this year (steel pipes) resulted in a positive difference in different sales mixes.	The sales in weight in this year declines compared with last year, resulting in a negative difference in quantity.

III. Cash Flow

(I) Cash Flow Analysis for the Last 2 Years:

Ratio \ Year	2022	2023	Variation (%)
Cash Flow Ratio (%)	55.77	17.22	(69.12)
Cash Flow Adequacy Ratio (%)	50.19	41.67	(16.98)
Cash Reinvestment Ratio (%)	19.41	1.27	(93.46)
Explanation to Major Variations: The reduced size of the inventory de-stock in 2023 resulted in a decrease of net cash inflow from operations. As a result, the above 3 ratios based on cash flow turned negative as compared with the same period of the previous year at a significant level.			

(II) Liquidity Analysis for the Next Year:

Unit: NTD thousands

Beginning Cash Balance	Cash Flow from Operating Activities for the Year	Cash Outflow for the Year	Cash Surplus (Deficit)	Financing of Cash Deficits	
				Investment Plans	Financing Plans
1,335,926	(25,886)	(287,293)	1,022,747	—	—
1. Operating Activities: The Company specializes in the production and sales of stainless steel tubes, pipes, sheets, and coils. Changes in net cash from operating activities for 2024 are expected to be mainly attributed to: inventory purchase, non-cash expenses such as depreciation, and inflow from pre-tax profit; the Company estimates a net outflow of NTD25,886,000. 2. Investment activities: A total of NT\$560,000 thousands is expected to be invested in land purchase, plant construction and machinery acquisition or improvement in Taiwan and for its subsidiaries. 3. Funding activities: The Company will gradually repay the long-term loans to be matured, deploy short-term loans and distribute a cash dividend in the coming year, so there is projected to be a cash inflow from financing activities amounting to NT\$272,707 thousands. ☆Response Measures and Liquidity Analysis for Cash Flow Deficit: Not applicable.					

IV. Material Capital Expenditures in the Last Year and Impact on Business Performance

(I) Material Capital Expenditures and Source of Capital

Unit: NTD thousands

Projects	Actual or Expected Source of Capital	Actual or Expected Date of Completion	Total Capital Required	Actual or Expected Uses of Capital	
				2024 年	2025 年
廠房增建工程	自有資金或銀行融資	2024~2025	352,000	228,800	123,200
新購機器設備	自有資金或銀行融資	2024~2025	256,000	51,200	204,800

(II) Expected Benefits from Capital Expenditures

1. Expected Increase in Production/Sales Volume and Value, and Gross Profit

Unit: NTD thousands/tonnes

Year	Project	Production Volume (Tonnes/Year)	Sales Volume (Tonnes/Year)	Sales Value (NTD thousands/year)	Gross Profit (NTD thousands/year)
2024	Stainless Steel Tubes and Pipes	30,000	4,800	432,000	43,200
2025	Stainless Steel Tubes and Pipes	30,000	24,000	2,160,000	216,000

2. Other Benefits: None

V. Major Reasons of the Profit or Loss Arising from Other Business Investments in the Last Year, Their Improvement Plans. And Investments Plans for the Next Year

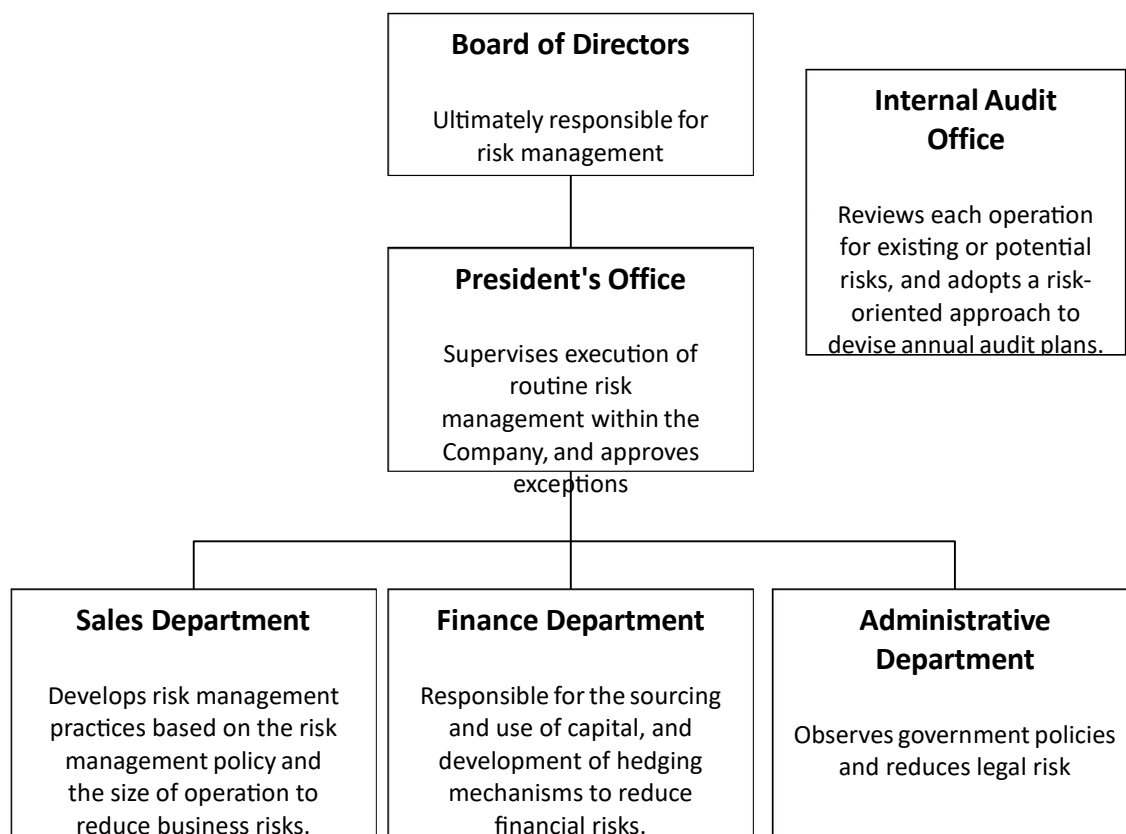
Unit: NTD thousands

Name of Business Investment	Policy	Profit (Loss) Amount (NTD thousands)	Main Causes of Profit (Loss)	Improvement Plans	Investment Plans for The Coming Year
Froch Metal (Suzhou) Co., Ltd.	1. To secure source of raw material. 2. To develop market and distribution channel in the Mainland.	11,208	Secured recurring, long-term customers from its prolonged market involvement.	None	None
Century Nova Steel Co. Ltd. (Wuxi)		(6,180)	The business currently operates at economies of scale, and is free of any material adverse external impact.	None	Expand product specifications and improve quality to fulfill needs in various markets.
Froch International Trading Co. Ltd.		(309)	Revenue coming from leasing of assets; active Control of expenses will be exercised to maintain breakeven.	None	None
Froch Stainless Co., Ltd. (Wuxi)		(32,384)	Due to significant fluctuations in the raw material prices, the bargaining power of the selling price is less stable, resulting in a narrowing of the interest margin.	None	To deeply cultivate the market. Already have customers with fixed long-term procurement
Froch Morocco	Proximity to market, service to the customer.	(13)	The plant is in construction	No	Construction in progress

VI. Evaluation of Risk Factors

(I) Risk Management Organization

1. Organization: Each unit within the Company is responsible for managing operational risks that are relevant to their business activities. The Internal Audit Office reviews each operation for existing or potential risks, and adopts a risk-oriented approach to devise annual audit plans. Risk management organization, framework, and functions are explained below:



2. Below is a description of the Company's risk management practices:

A. Market Risk

Refers to risk of fair value/price due to exchange rate or interest rate variation. The Company locks in profit by pre-selling foreign currencies or by repaying foreign currency liabilities using assets of the same currency, and thereby avoids exchange rate risk. Due to the fact that the Company is unable to hedge the risks of its inventory using derivatives such as futures, such position exists market risk.

B. Credit Risk

Financial assets are vulnerable to the risk of customer's defaulting on their contractual obligations. Credit risks are evaluated with contracts having positive fair values as at the balance sheet date. The Company deals

only with financial institutions and companies of high credit standing, therefore does not expect to be exposed to any major credit risks.

C. Liquidity Risk

The Company maintains sufficient working capital, and hence is not exposed to the risk of being unable to meet contractual obligations due to insufficient liquidity.

All available-for-sale financial assets held by the Company are with high market liquidity, and the Company expects to sell such assets quickly on the market at prices close to fair value.

(II) Assessment of Various Risks:

1. Impact of Interest Rate, Exchange Rate, and Inflation on the Company's Earnings, and Response Measures:

⊙ Risks

⊙ The Company's long-term and short-term bank borrowings mostly accrue interests at floating rate. For this reason, changes in market rate will affect the effective long-term/short-term bank borrowing rate, causing fluctuation in future cash flow.

⊙ The Company locks in profit by pre-selling foreign currencies or by repaying foreign currency liabilities using assets of the same currency, and thereby avoids exchange rate risk.

⊙ Recovery of the global economy has increased short-term volatility of the price index and given rise to inflation concerns, hence the Company expects an increase in operating costs.

⊙ Response Measures:

◆ The finance unit will maintain close contact with financial institutions for up-to-date information on interest and exchange rate variations and trends. This knowledge helps reduce adverse impact of interest and exchange rate changes.

◆ When offering quotations to export customers, the Company will take into account exchange rate trends in order to minimize the impact that exchange rate volatility has on the profitability of the sales transaction.

◆ The Company will open foreign currency accounts with banking partners to hold required foreign currency position. Currency position will be adjusted when appropriate as market rate changes.

◆ Financial instruments such as currency forwards and forfeiting foreign account receivables may be used to hedge against exchange rate risks. These instruments will also be managed according to derivatives procedures for risk control enhancement.

2. Policies on High-Risk and Highly Leveraged Investments, Loans to External Parties, Endorsements/Guarantees, and Trading of Derivatives; Describe the

Main Causes of Profit or Loss Incurred and Future Response Measures:

The Company has issued endorsements/guarantees totaling USD6,000,000 for Century Nova Steel Co., Ltd. in March 2023, USD5,000,000 for Century Nova Steel Co., Ltd. in May 2023, and USD25,000,000 for Century Nova Steel Co., Ltd. in November 2023 for a total of USD36,000,000. USD20,000,000 have been drawn to date. All above transactions were carried out according to the Company's "Endorsement and Guarantee Policy."

3. Future Research and Development Plans and Projected Expenses:

The Company primarily manufactures stainless steel tubes, pipes, sheets, and coils, and operates in a mature industry where breakthroughs in production technology and equipment are less frequent. For this reason, the Company's R&D budgets are mainly directed toward improvement of existing production procedures and machinery, and do not qualify as new "science, technology, quantitative tool, or statistical method" stipulated in Statute for Industrial Innovation.

4. Financial Impacts and Response Measures in the Event of Changes in Local and Foreign Regulations:

The Company operates in compliance with regulations of the home country and the respective countries it invests in. Expatriates report any significant change in policies or laws back to the headquarters in a timely manner, thereby allowing appropriate decisions, responses, and measures to be made at the management level.

5. Financial Impacts and Response Measures in the Event of Technological or Industrial Change (Including information and communication security risks):

The Company is part of an industry that are related with industrial development and people's livelihood demands, and currently there is no substitutable product capable of changing the existing industry structure. Furthermore, the Company has proven itself capable of applying new technologies in management, procedure improvement, and new product development; therefore, changes in technology will actually benefit the Company in terms of business expansion.

6. Crisis Management Impacts and Response Measures in the Event of a Change in Corporate Image:

The Company has always valued integrity as the fundamental principle. It adopts a business philosophy of "Pursuing Excellence, and Creating Future" while emphasizing on resources cherishing, environmental protection, and developing businesses proactively. Profits earned from operations are given back to shareholders as well as used in corporate social responsibilities.

7. Expected Benefits and Risks from Mergers and Acquisitions: None

8. Expected Benefits and Risks Associated with Plant Expansions: None

9. Risks Associated with Concentrated Sales or Purchases:

The Company is a professional manufacturer of stainless steel tubes, pipes, sheets, and coils. Raw materials are primarily sourced from YUSCO and Walsin Lihwa, and secondarily from stainless steel mills in the Mainland. YUSCO and Walsin Lihwa are professional manufacturers of stainless steel coils with consistent quality, which the Company has long-term relationship with. For this reason, the Company expects ample supply of resources in the future, and sees no

concentration in supply sources. Owing to proactive overseas business efforts, export sales now account for approximately 64% of revenues and the Company's export network currently covers more than 100 countries worldwide. Coupled with the fact that there are thousands of customers in the home country, the Company does not concentrate in any single industry, market, or customer, and therefore is free of sales concentration risk.

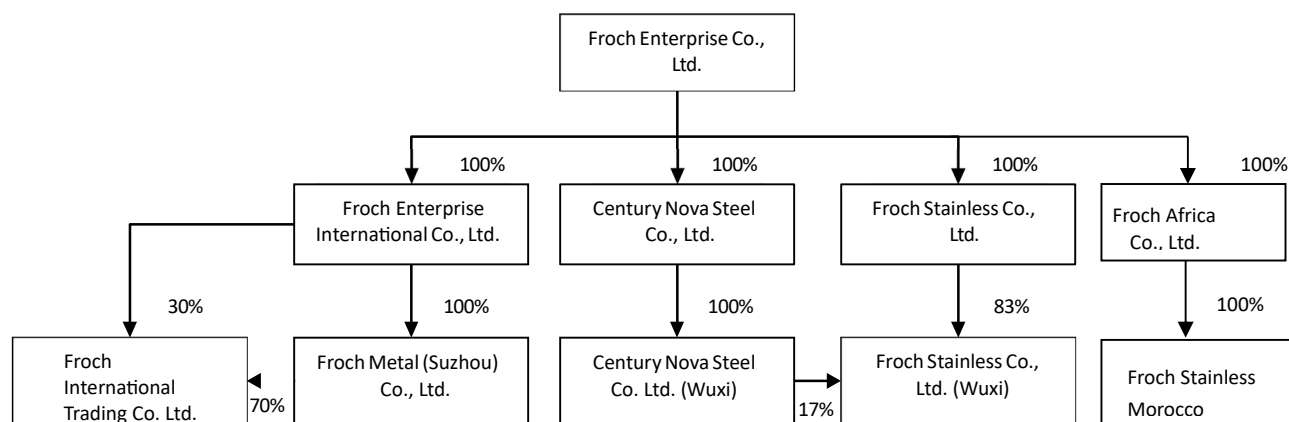
10. Impacts and Risks Associated with Major Transfer of Shareholding by Director or Shareholders with More than 10% Ownership: No significant changes, hence only limited change.
11. Impacts and Risks Associated with a Change of Management: None
12. Major Litigations, Non-contentious Cases, or Administrative Litigations Involving the Company or any Director, President, Person-in-charge, Major Shareholder with More than 10% Ownership, or Affiliated Companies, whether Concluded or Pending Judgment, that are Likely to Pose Significant Impact to Shareholders or Security Prices of the Company. Disclose the Nature of Dispute, the Amount Involved, the Date the Litigation First Started, the Key Parties Involved, and Progress as of the Publication Date of This Annual Report: None.
13. Other Significant Risks: None

VII Other Major Issues: None

H. Special Remarks

I. Information of Affiliated Companies

(I) Affiliated Company Chart



(II) Profile of Affiliated Companies

Company	Relationship with the Company	The Company's Shareholding in the Affiliated Companies			The Affiliated Company's Shareholding in the Company		
		Shareholding Percentage	Shares	Amount (NTD thousands)	Shareholding Percentage	Shares	Amount
Froch Enterprise International Co., Ltd.	1 st -tier subsidiary	100%	3,550,000	115,366 (USD3,550)	0	0	0
Froch Metal (Suzhou) Co., Ltd.	2 nd -tier subsidiary	100%	0	103,236 (USD3,000)	0	0	0
Froch International Trading Co. Ltd.	3 rd -tier subsidiary	100%	0	16,250 (USD500)	0	0	0
Century Nova Steel Co., Ltd.	1 st -tier subsidiary	100%	49,000,000	1,530,998 (USD49,000)	0	0	0
Century Nova Steel Co. Ltd. (Wuxi)	2 nd -tier subsidiary	100%	0	1,680,898 (USD54,000)	0	0	0
Froch Stainless Co. Ltd.	1 st -tier subsidiary	100%	500,000	14,959 (USD500)	0	0	0
Froch Stainless Co., Ltd. (Wuxi)	2 nd -tier subsidiary	100%	0	17,951 (USD600)	0	0	0
Froch Africa Co., Ltd.	1 st -tier subsidiary	100%	7,500,000	236,428 (USD7,500)	0	0	0
Froch Stainless Morocco	2 nd -tier subsidiary	100%	0	181,970 (USD5,926)	0	0	0

(III) Common Shareholders in Controlling and Controlled Companies: Not applicable

(IV) Businesses Activities Covered by Affiliated Companies:

The Company and its affiliated companies are collectively involved in: manufacturing, trading, and investment activities.

(V) Names and Shareholding Information of Directors, Presidents of Affiliated Companies

Name of Entity	Title	Name or Name of Representative	Current Shareholding	
			Capital Paid (dollar)	Percentage of Shareholding/Capital Paid (%)
Froch Enterprise International Co., Ltd.	Chairman	Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang	USD 3,550,000	100.00
Century Nova Steel Co., Ltd.	Chairman	Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang	USD 49,000,000	100.00
Froch Stainless Co. Ltd.	Chairman	Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang	USD 500,000	100.00
Froch Metal (Suzhou) Co., Ltd.	Chairman	Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang	USD 400,000	100.00
Century Nova Steel Co. Ltd. (Wuxi)	Chairman	Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang	USD 49,000,000	100.00
Froch International Trading Co. Ltd.	Chairman	Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang	USD 500,000	100.00
Froch Stainless Co., Ltd. (Wuxi)	Chairman	Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang	USD 500,000	100.00
Froch Africa Co., Ltd	Director	Froch Enterprise Co., Ltd. Representative: Hsin-Ta Chang	USD 7,500,000	100.00
Froch Stainless Morocco	Director	Froch Enterprise Co., Ltd. Representative: Hsin-Ta Chang	USD 5,926,693	100.00

(VI) Performance of Affiliated Companies

Unit: Foreign currency and NTD thousands

Name of Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Operating Income (Loss)	Net Income (Loss) (after Tax)	Earnings (Losses) per Share (dollar)
Froch Enterprise International Co., Ltd.	USD 3,550	506,737	0	506,737	0	0	9,926	USD 0.09
Century Nova Steel Co., Ltd.	USD49,000	2,419,754	0	2,466,254	0	0	(14,045)	USD(0.01)
FrochStainless Co. Ltd.	USD 500	104,662	0	133,184	0	0	(28,497)	USD(1.83)
Froch Africa Co., Ltd	USD 7,500	236,456	0	236,456	0	0	1,325	USD 0.01

Name of Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Operating Income (Loss)	Net Income (Loss) (after Tax)	Earnings (Losses) per Share (dollar)
Froch Metal (Suzhou) Co., Ltd.	USD 3,000	295,601	59,131	236,470	749,637	13,476	11,208	USD 0.12
Century Nova Steel Co. Ltd. (Wuxi)	USD54,000	3,302,093	1,403,574	1,898,519	3,563,250	71,786	(6,180)	USD(0.00)
Froch International Trading Co. Ltd.	USD 500	25,941	235	25,706	0	(3,747)	(309)	USD(0.02)
Froch Stainless Co., Ltd. (Wuxi)	USD 600	273,490	265,162	8,328	2751,880	(32,449)	(32,384)	USD(1.73)
Froch Stainless Morocco	USD 5,926	203,684	16,865	186,819	0	(1)	13	USD0.00

(VII) Consolidated Report of Affiliated Companies: Please refer to "Latest Audited Consolidated Financial Statements" in Section Six. Financial Overview.

(VIII) Affiliation Report: None.

- II. Private Placement of Securities in the Last Year up until the Publication Date of Annual Report: None
- III. Holding or Disposal of the Company's Shares by Subsidiaries in the Last Financial Year, up until the Publication Date of this Annual Report: None
- IV. Other Material Supplementary Information: None
- V. Events Significant to Shareholders' Interests or the Company's Securities Price, as Defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the Last Year up until the Publication Date of this Annual Report: None