

Stock Code:1535



China Ecotek Corporation

## **2022 Annual Report**

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The Company's annual report website:

<http://www.ecotek.com.tw>

TWSE Market Observation Post System :

<http://mops.twse.com.tw>

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### Name of the CPA and name, address, website, and telephone number of the accounting firm for financial statements in the most recent year:

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CPA firm name: Deloitte Taiwan

Address: 3F, No. 88, Chenggong 2nd Rd., Qianzhen District, Kaohsiung City 806618

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Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None.

Company website: [www.ecotek.com.tw](http://www.ecotek.com.tw)

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# A. Letter to Shareholders

Dear Shareholders,

The COVID-19 pandemic, Russo-Ukrainian War, interest rate hikes by the Federal Reserve, and inflation continued to plague the global economy in 2022. However, the Company benefited from strict environmental protection laws and regulations of the government and actively promoted Sustainable Development Goals. Our main customers increased capital expenditures for equipment upgrade and additional environmental protection equipment to accelerate carbon reduction and reduce greenhouse gas emissions. As a result, our profits in 2022 grew 28.88% compared to 2021 and our after-tax EPS reached NT\$4.21.

The Company's 2022 business performance, overview of 2023 Business Plan, future company development strategy, and impacts of the competitive environment, regulatory environment, and overall business environment are reported below:

## I. 2022 Business performance

### (I) Business overview

In addition to existing, environmental protection, electrical, and mechanism turnkey projects as well as operation and maintenance in 2022, we dedicated our efforts to obtaining contracts from companies of the Group to replace old equipment with new eco-friendly equipment and carry out improvements. Due to the rising cost of materials and the shortage of labor and materials, the Company actively implements construction budget management and cut costs. We adopted a prudent business strategy and implement rigorous risk assessments for contracting operations. Overall, even though our consolidated revenue of NT\$8.844 billion in 2022 was an increase of NT\$359 million compared to 2021, which ended the three-year decline with a 26.73%

increase in consolidated profit before tax of NT\$612 million compared to 2021.

The Company actively promotes green energy and environmental engineering business to support the global initiative for attaining net zero carbon emissions by 2050. We entered a strategic partnership with CSC Solar Corporation to develop solar PV construction projects and expand energy storage system projects. We also actively expanded our energy saving and carbon reduction sales business such as industrial and commercial LED lighting, and participated in China Steel's steel and chemical joint production projects to win new business opportunities amid the rapid growth of the circular economy and empower our future operations. We also obtained the liquid crystal polymer plant construction project of Polyplastics Taiwan Co., Ltd. this year and we will obtain more opportunities to build chemical plants in the future.

In coordination with the new corporate governance blueprint of the Financial Supervisory Commission (FSC), the Company introduced the Taiwan Intellectual Property Management System (TIPS) and received level A certification. To ensure compliance with the Sustainable Development Guidemap for TWSE- and TPEx-Listed Companies and information disclosure regulations, the Company started with a GHG inventory of Pinghe Plant and passed ISO 14067 (carbon footprint certification) and ISO 14064-1 (greenhouse gas inventory) certification. In the Corporate Governance Assessment for the year 2022 announced in 2023, the Company continued to be ranked in the second tier (top 6%-20%) of listed companies in Taiwan and we will continue to enhance the Company's sustainable corporate governance culture.

## (II) Business Outcome

1. Environmental protection projects: CSC CDQ Dust-collecting System Turnkey Project, CSC New Ph. 1&2 COP Pushing Emissions Control Systems (PECS), CSC No. 3 Dust-collector Turnkey Project,

CSC CDQ Cooling System Project, CSC Power Plant TG-9/TG-10 Extension Project, CSC & DSC Demineralized Water System Revamping Project, Caotun Water Purification Plant Construction Project, China Steel Group PV System Construction Project and so on, calculated at NT\$1.384 billion, and accounting for 15.65% of overall revenue.

2. Electrical and mechanical engineering projects: CSC New Ph. 1&2 Coke Oven Plant(COP) Revamping Project, CSC New Ph. 1&2 Coal Sample Preparation Work, CSC Coke Conveying & Handling System New-built Project, CSC Ph. 1&2 Coke Dry Quench(CDQ) Power Station Public Pipeline Work, CSMC 69KV Major Power Station Revamping Project, SinDa Marine Structure Co. Utility Facility New Project, Polyplastics Taiwan Co. TLP-1(LCP) Plant Project and so on, calculated at NT\$4.268 billion and accounting for 48.26% of overall revenue.

3. Operation and electrical/mechanical maintenance and others: Engineering projects including mechanical and electrical maintenance works for CSC and DSC as well as Chengcing Lake, operation of Jinmen Taihu water treatment plant and so on, calculated at NT\$3.192 billion and accounting for 36.09% of overall revenue.

(III) Financial income and expenditure and profitability analysis

The Company's consolidated operating revenue was NT\$8.844 billion in 2022, up 4.24% compared to the NT\$8.485 billion in 2021; consolidated gross profit was NT\$813 million, up 14.96% compared to the NT\$707 million in 2021; consolidated profit before tax was NT\$612 million and consolidated net income was NT\$521 million. Please refer to the financial overview of this annual report for details.

(IV) Overview of research and development

In 2022, the Company developed water treatment technology based on trends in amendments to environmental protection laws and



regulations. With regard to wastewater treatment, we collaborated with the R&D department of CSC in developing treatment processes for villiaumite discharge control, and have started commercial operations in the plant at the end of 2022. Due to the increasing cost of disposing of sludge from wastewater treatment, the Company used the technology in actual operations for more than one year. It has significantly lowered the cost of outsourcing sludge treatment. We collaborated with the R&D Department of CSC in developing a biological agent for coke wastewater biological treatment systems. After more than one year of actual use by CSC and DSC, the effects were significant. It effectively mitigates the issue of reduced treatment effectiveness due to water quality changes. Our technology for preserving the biological agent can extend its useful life to three months. We will continue develop technologies to extend its useful life.

Carbon reduction is unavoidable with the growingly clear evidence of global warming. The Company is working together with the R&D Department of CSC and Industrial Technology Research Institute in the establishment of the first carbon monoxide capture pilot plant. It shall capture the carbon monoxide originally released into the atmosphere and convert it into chemical materials. The pilot production line has been built and trial operations were started. It is expected to capture 5,000 tons of carbon monoxide per year, taking the first step in the development of carbon reduction projects. One other carbon reduction project involves carbon dioxide captured from emissions, which is purified with the goal of reaching 99% and above purity so that it can be sold as a raw material for industrial use. The plans for the trial production line have been completed and construction has begun. Commercial operations are set to begin in late 2024.

As for air pollution prevention technology, as air pollution prevention regulations become more rigorous, the Company has developed technology for removing SO<sub>x</sub> emissions from fixed pollution sources. In addition to wet desulfurization technologies, we will expand to semi-dry and dry desulfurization technologies to provide more diverse process design services in the future. In terms of treating NO<sub>x</sub> emissions from fixed pollution sources, we will develop a selective catalyst reduction denitrification system for the new coke ovens of CSC. We will also select the most suitable emission reduction solution and SCR ammonia injection system to create ammonia pyrolysis technologies for increasing the viability of use in different settings. In terms of fixed pollution source dust emission technologies, we will use their numerical simulations to calculate fluid mechanics and capabilities for practical applications in CSC's new wet dust collection system, which will be verified after the completion of construction and the acceptance test.

## II. Summary of 2023 Business Plan

As the COVID-19 pandemic subsides in 2023, countries have reopened borders and commercial and economic activities have continued to recover. The construction industry remains plagued by dire challenges such as rising prices of raw materials and labor shortages. The Company strictly controls cost and develops diversified suppliers to lower contract performance risk. In addition to the upgrades of the production line equipment of steel plants, as carbon neutrality and environmental protection regulations become more important, we expect to gain more opportunities for construction projects. The Company will make an active effort to obtain contracts for the following projects:

(I) Replacement of old electrical and mechanical equipment of steel

mills;

(II) Air pollution prevention equipment improvement;

(III) Water recycling plant construction;

(IV) Carbon capture equipment and energy storage system construction projects.

Besides making an effort to obtain the projects above, the Company is actively evaluating public and private construction projects to enhance its construction management ability and industrial competitiveness. Furthermore, in coordination with current business goals under the Group's policy, we will dedicate our efforts to digital transformation, information security management, energy conservation and carbon reduction, carbon footprint inventory, and trade secret management.

### III. Future company development strategy

Global climate change has intensified in recent years, and extreme weather events have caused real impacts on the society and economy. Our engineering services will be directed to assist our customers in replacing their process equipment, reducing carbon emissions, and building circular economy projects to achieve sustainable development. The Company has established a medium to long-term strategy focused on “Engineering”, “Operation maintenance”, “Circular economy” and “Sales services”. In the face of extreme weather events, water scarcity, and ESG issues, the Company actively deploys relevant industrial technologies to strengthen sustainable management.

### IV. Impacts due to the competitive environment, regulatory environment, and overall business environment

The rapid changes in the international political and economic

environment and the global initiative for attaining net zero carbon emissions by 2050 have tremendous effects on construction demand. The Company shall continue its stable and pragmatic strategy for construction projects and continue to effectively improve engineering technologies and review risks to maintain stable profits.

The Company passed the Plans for passing the Taiwan Intellectual Property Management System (TIPS) certification in 2022 and all business activities are conducted in compliance with the laws and regulations of the competent authorities. We also identify key issues in the laws and regulations. We adjust business strategies according to industry demand and integrate the Group's resources to enhance corporate governance and enhance the Company's overall competitiveness in the industry.

We are grateful to our shareholders for your support and recognition over the years. Our management team and all employees will exert every effort to create greater value for shareholders, and hope to jointly create a better future with your support and encouragement.

Cheng-Chiang Chen

Handwritten signature of Cheng-Chiang Chen in black ink.

Chairman

Chih-Feng Lee

Handwritten signature of Chih-Feng Lee in black ink.

President

## Chapter 2. Company Profile

China Ecotek Corporation (hereinafter referred to as the "CEC") is a member of the China Steel Corporation (CSC) Group. CEC was founded in Kaohsiung City in March 1993 and was listed on the Taiwan Stock Exchange in 2001. CEC's current paid-in capital is NT\$1.237 billion, and main scope of business includes: (1) environmental protection projects, (2) electrical and mechanical engineering projects, (3) biopharmaceutical factory construction projects, (4) power plant turnkey projects and repair, (5) recycling plant turnkey projects, (6) solar power plant turnkey projects, (7) fire-resistant material turnkey projects, and (8) operation services. CEC also provides complete technical services, such as feasibility research, planning and design, manufacturing, installation, repair, sales, and after-sale services, for the projects above.

### **Company History :**

March 15, 1993	Registration of company establishment was approved and received a license from the Ministry of Economic Affairs. Paid-in capital was NT\$545,000,000.
September 14, 1993	Obtained a Class A water treatment company license from Kaohsiung City Government.
August 17, 1994	Obtained a Type A electrical systems business license from Kaohsiung City Government.
July 19, 1995	Obtained an environmental engineering company registration certificate from Kaohsiung City Government (Class B water pollution control engineering, Class B air pollution control engineering), and the Class A water treatment company license was canceled.
February 2, 1996	Obtained an environmental engineering company registration certificate from Kaohsiung City Government (Class A water pollution control engineering, Class B air

	pollution control engineering, Class B waste disposal engineering). The original Class B water pollution control engineering was upgraded to a Class A water pollution control engineering.
April 1, 1996	The Company adopted the policy of diversification and leased a plant in Xiaogang District, Kaohsiung City for parts assembly and warehousing.
February 20, 1997	Obtained an environmental engineering company registration certificate from Kaohsiung City Government (Class A water pollution control engineering, Class B air pollution control engineering, Class A waste disposal engineering). The original Class B waste disposal engineering was upgraded to Class A waste disposal engineering.
May 22, 1997	Obtained an environmental engineering company registration certificate from Kaohsiung City Government (Class A water pollution control engineering, Class A air pollution control engineering, Class A waste disposal engineering). The original Class B air pollution control engineering was upgraded to a Class A air pollution control engineering.
November 10, 1997	Approved the capitalization of profits, completed public issuance procedures, and paid-in capital was changed to NT\$577,700,000.
July 10, 1998	Approved the capitalization of profits, and paid-in capital was changed to NT\$647,668,000.
November 11, 1998	Approved a cash capital increase, and paid-in capital was changed to NT\$697,668,000 on March 12, 1999.
January 11, 1999	Passed the ISO -9001 quality system certification.
July 7, 1999	Approved the capitalization of profits, and paid-in capital

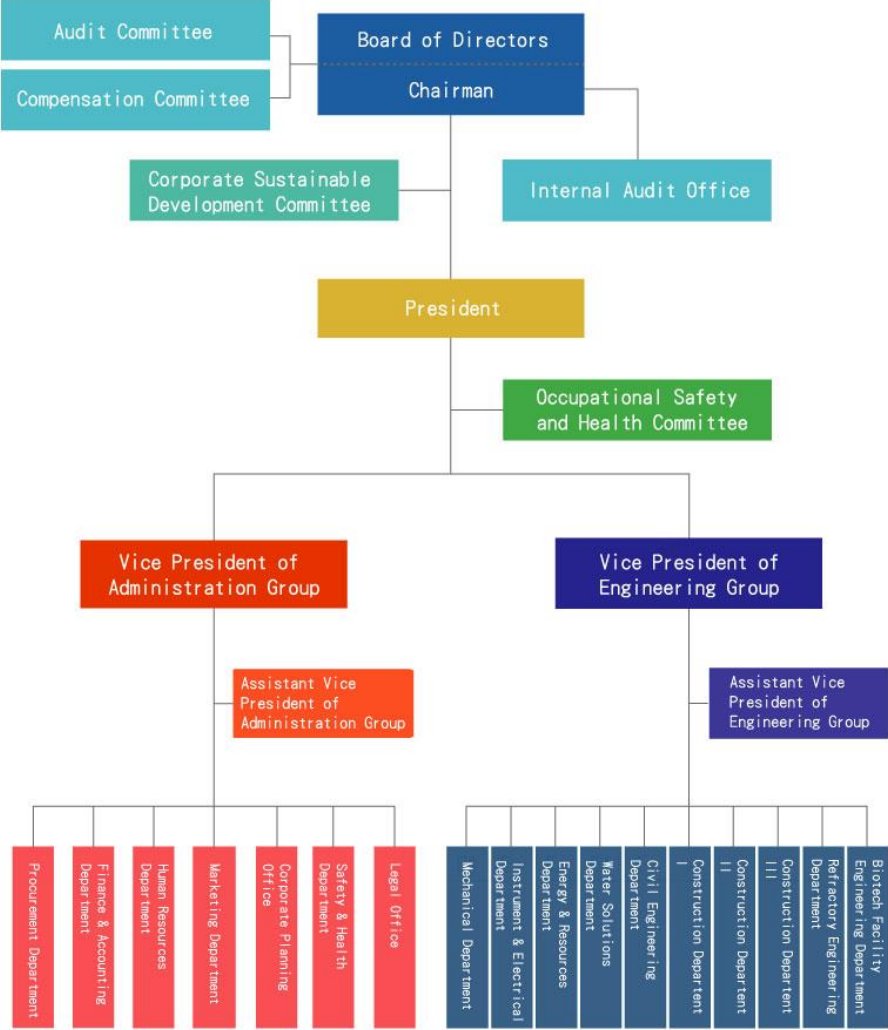
	was changed to NT\$769,630,000 on August 5, 1999.
January 4, 2000	Approved by the Taipei Exchange to become listed for public trading.
February 25, 2000	Passed the ISO -9002 quality system certification.
July 13, 2000	Approved the capitalization of profits, and paid-in capital was changed to NT\$811,719,000 on September 2, 2000.
March 9, 2001	Passed the OHSAS-18001 Safety and Health Management System certification.
August 31, 2001	Approved the capitalization of profits, and paid-in capital was changed to NT\$855,373,000 on November 1, 2001.
September 17, 2001	Approved by the Taiwan Stock Exchange to become listed for public trading.
December 24, 2001	Obtained a Class A waterpipe installation contractor registration certificate from Kaohsiung City Government.
June 21, 2002	Established CEC International Corp.
July 12, 2002	Approved the capitalization of profits, and paid-in capital was changed to NT\$882,675,000 on August 30, 2002.
January 2, 2003	Established CEC Development Corp.
July 21, 2004	Approved the capitalization of profits, and paid-in capital was changed to NT\$901,475,000 on August 19, 2004.
March 18, 2008	Approved the issuance of new shares for share swap, and paid-in capital was changed to NT\$1,130,474,000 on April 1, 2008.
August 20, 2010	Established China Ecotek VN Co. Ltd.
November 29, 2011	Established Xiamen Ecotek PRC Co. Ltd.
February 20, 2012	First issuance of unsecured convertible corporate bonds was approved by the Taipei Exchange.
November 6, 2012	Established China Ecotek India Private Ltd.
November 20, 2012	Established China Ecotek Construction Corporation.

December 5, 2012	Approved the issuance of new shares converted from convertible corporate bonds, and paid-in capital was changed to NT\$1,157,338,000 on December 5, 2012.
March 26, 2013	Approved the issuance of new shares converted from convertible corporate bonds, and paid-in capital was changed to NT\$1,185,762,000 on March 26, 2013.
May 30, 2013	Approved the issuance of new shares converted from convertible corporate bonds, and paid-in capital was changed to NT\$1,217,988,000 on May 30, 2013.
November 19, 2013	Approved the issuance of new shares converted from convertible corporate bonds, and paid-in capital was changed to NT\$1,237,426,000 on November 19, 2013.
October 28, 2015	Awarded in first prize in the National Brand Yushan Award (Outstanding Enterprise Category).
June 3, 2016	Received the Outstanding Engineering and Enterprises Award from the Chinese Institute of Engineers.
March 9, 2020	Passed the ISO 45001:2018 Occupational Safety and Health certification.
October 21, 2020	Signed a collective bargaining agreement with the labor union of China Ecotek Corporation.
March 31, 2021	Acquired of land and buildings in Linyuan Industrial Zone.
June 4, 2021	Liquidated China Ecotek Construction Corporation.
June 10, 2021	Obtained a Green Building Silver Label certificate (effective until June 9, 2016).
November 18, 2022	Passed the ISO 14067 (carbon footprint verification) and ISO 14064-1 (greenhouse gas inspection) certification by Pingher Factories.
November 21, 2022	Passed the verification of Taiwan Intellectual Property Management Regulations (TIPS).



# C. Corporate Governance Report

- I. Organization
- (I) Organizational structure



## (II) Duties of major departments

Department	Main duties
Procurement Department	Oversees procurement management, general affairs, construction outsourcing, project budget and cost management, and progress registration
Financial and Accounting Division	Oversees finance, accounting, stock affairs, secretary work of the Board of Directors, construction insurance, and investees.
Human Resources Department	Oversee the establishment of personnel regulations and system, recruitment and appointment, remuneration management, labor and health insurance, retirement, organizational development, education and training, labor-management relations and information system maintenance.
Legal Office	Responsible for contract management, regulatory planning, implementation, and supervision.
Corporate Planning Office	Responsible for supervising and implementing the Company's ISO9001 Quality Management System, planning the Company's business development strategy, and tracking, coordination and planning of other affairs.
Safety and Health Division	Responsible for occupational health and safety management and promotion.
Marketing Department	Oversees development before obtaining business and overall internal coordination, management, and procedures; establishes and maintains business information systems, price quotations, construction funding, risk and cost analysis, formulates commercial terms, and handles contract signing.
Biotech Facility Engineering Department	Oversees biotechnology plant planning and establishment, serves as agent for process production equipment, and development of new businesses.
Mechanical Department	Oversees mechanical design, construction, and professional technology development.
Energy & Resources Department	Oversees energy conservation, green energy, waste recycling, recycling plant, and air pollution prevention design and technology development.
Water Solutions Department	Oversees water solutions design, construction supervision, construction and professional technology development, and water solutions catalyst R&D and its business development.
Instrument & Electrical Department	Oversees instrument design, construction supervision, construction, system operation and maintenance, and professional technology development required for business.
Construction	Responsible for the implementation of construction projects, including

Department	Main duties
Department I	construction progress, quality control, construction site management, construction equipment and machinery management, and operation and maintenance services.
Construction Department II	Responsible for the implementation of construction projects, including construction progress, quality control, construction site management, construction equipment and machinery management, and operation and maintenance services.
Construction Department III	Responsible for water plant operation and maintenance and on-site electromechanical maintenance.
Civil Engineering Department	Oversees civil engineering, building, and steel structure design and planning, construction progress, quality control, and construction site management.
Refractory Engineering Department	Oversees the development of the refractory materials business, material R&D, technical services, construction planning, construction supervision, construction techniques, and maintenance services.
Internal Audit Office	Audits whether or not internal operating procedures comply with the Company's systems and regulations.

## II. Information on directors, president, vice presidents, and accounting officer

### (I) Director Information (1)

March 31, 2023 Unit: Shares

Title	Nationality or place of registration	Name	Gender/ Age	Date elected (appointed)	Term	Date of first appointment	Shares held when elected		Shares currently held		Shares currently held by spouse and underage children		Shares held in the name of others		Education and work experience	Other positions at the Company or elsewhere	Other managerial officer, director or supervisor who is the spouse or a relative within second degree			Notes (Note 3)
							Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)			Title	Name	Relationship	
Chairperson	Republic of China	China Steel Corporation	-	2020.06.23	3 years	1993.03.02	55,393,138	44.76	55,393,138	44.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Cheng-Chiang Chen (Note 1)	Male  61~65	2022.07.13	3 years	2022.07.13  (New representative of legal person)	0	0	0	0	-	-	-	-	Assistant Vice President, Production Division, China Steel Corporation Department of Materials and Mineral Resources Engineering, National University of Taipei Technology	Note	None	None	None	None
Director	Republic of China	China Steel Corporation	-	2020.06.23	3 years	1993.03.02	55,393,138	44.76	55,393,138	44.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Chao-Tung Wong	Male 66~70	2020.06.23	3 years	2016.01.15	0	0	0	0	-	-	-	-	President, China Steel Corporation PhD in Resources Engineering, National Cheng Kung University	Note	None	None	None	None
Director	Republic of China	China Steel Corporation	-	2020.06.23	3 years	1993.03.02	55,393,138	44.76	55,393,138	44.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Shyi-Chin Wang	Male 66~70	2020.06.23	3 years	2019.09.30	0	0	0	0	-	-	-	-	Executive Vice President, China Steel Corporation Ph.D. in Material Science, National Sun-yat Sen University	Note	None	None	None	None
Director	Republic of China	China Steel Corporation	-	2020.06.23	3 years	1993.03.02	55,393,138	44.76	55,393,138	44.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender/ Age	Date elected (appointed)	Term	Date of first appointment	Shares held when elected		Shares currently held		Shares currently held by spouse and underage children		Shares held in the name of others		Education and work experience	Other positions at the Company or elsewhere	Other managerial officer, director or supervisor who is the spouse or a relative within second degree			Notes (Note 3)
							Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)			Title	Name	Relationship	
	Republic of China	Representative: Chih-Feng Lee	Male 51~55	2020.10.31	3 years	2020.10.31	0	0	0	0	-	-	-	-	Deputy Director of Equipment Department, China Steel Corporation Master's from the Department of Mechanical Engineering, National Cheng Kung University	Note	None	None	None	None
Director	Republic of China	China Steel Corporation	-	2020.06.23	3 years	1993.03.02	55,393,138	44.76	55,393,138	44.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Chen Yang	Male 61~65	2021.05.31	3 years	2021.05.31	0	0	0	0	-	-	-	-	Director of Smelting Equipment Engineering Department, China Steel Corporation Department of Chemical Engineering, National Taiwan University	Note	None	None	None	None
Director	Republic of China	Hua Eng Wire and Cable Co., Ltd.	-	2020.06.23	3 years	1993.03.02	11,843,730	9.57	11,843,730	9.57	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Hsiu-Mei Liu	Female 61~65	2022.02.01	3 years	2022.02.01	0	0	0	0	-	-	-	-	Manager of the Accounting Department, Hua Eng Wire and Cable Co., Ltd. Master of Accounting, Long Island University	Note	None	None	None	None
Director	Republic of China	Great Grandeul Steel Co., Ltd.	-	2020.06.23	3 years	2008.06.25	3,918,000	3.17	3,964,000	3.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Yu-Lun Kuo	Female 41~45	2020.06.23	3 years	2009.05.12	0	0	0	0	-	-	-	-	Special Assistant to the President, Great Grandeul Steel Co., Ltd. MBA, College of Management, National	Note	None	None	None	None

Title	Nationality or place of registration	Name	Gender/ Age	Date elected (appointed)	Term	Date of first appointment	Shares held when elected		Shares currently held		Shares currently held by spouse and underage children		Shares held in the name of others		Education and work experience	Other positions at the Company or elsewhere	Other managerial officer, director or supervisor who is the spouse or a relative within second degree			Notes (Note 3)
							Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)			Title	Name	Relationship	
															Taiwan University					
Director	Republic of China	CHF Steel Co., Ltd.	-	2020.06.23	3 years	1999.04.14	3,610,475	2.92	3,610,475	2.92	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Tsan-Jen Chen	Male 56~60	2020.06.23	3 years	2020.06.23	0	0	0	0	-	-	-	-	President of CHF Steel Co., Ltd. MBA, Waseda University	Note	None	None	None	None
Independent Director	Republic of China	Chia-Jung Chen	Male 71~75	2020.06.23	3 years	2017.06.22	0	0	0	0	-	-	-	-	Vice dean of the College of Engineering, National Cheng Kung University Ph.D. in Resource and Energy Economics, West Virginia University	Note	None	None	None	None
Independent Director	Republic of China	Po-Han Wang	Male 46~50	2020.06.23	3 years	2017.06.22	0	0	0	0	-	-	-	-	Manager, Audit Department, Deloitte Taiwan MBA, National Sun Yat-sen University	Note	None	None	None	None
Independent Director	Republic of China	Tai-Kuang Peng	Male 71~75	2020.06.23	3 years	2020.06.23	0	0	0	0	-	-	-	-	Dean of the International College and College of Management, I-Shou University Ph.D. in Business Administration, Texas Tech University	Note	None	None	None	None

Note 1: China Steel Corporation appointed Cheng-Chiang Chen to replace Tsung-Te Chen as its representative on July 13, 2022.

Note 2: Where the chairperson, president, or individual with equivalent roles (highest-ranking managerial officer) are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional independent directors and requiring the appointment of more than half of the directors from individuals who are not employees or managerial officers).

Note: Positions concurrently held by each director at the Company or elsewhere:

Name	Other positions at the Company or elsewhere
Cheng-Chiang Chen	None
Chao-Tung Wong	Chairperson of China Steel Corporation, Director of China Prosperity Development Corporation, Director of Dragon Steel Corporation, Director of China Steel Chemical Corporation, Director of Chung Hung Steel Corporation, Director of Taiwan High Speed Rail Corporation · Director of InfoCHAMP Systems Co., Director of China Gains Investment Co., Director of Eminent III Venture Capital Corporation
Shyi-Chin Wang	President of China Steel Corporation, Director of Dragon Steel Corporation, Chairperson of Chungfa Holdings Co., Ltd., Director of China Steel Chemical Corporation, China Gains Investment Co.
Chih-Feng Lee	President of China Ecotek Corporation, Chairperson of CSC Solar Corporation , Supervisor of China Steel Machinery Corporation, Director of Asia Pacific Energy Development Co., Ltd., Director of Pro-Ascentek Investment Corporation, Director of Eminent III Venture Capital Corporation
Chen Yang	Assistant Vice President of Engineering at China Steel Corporation, Director of China Steel Machinery Corporation
Hsiu-Mei Liu	Manager of the Accounting Department of Hua Eng Wire and Cable Co., Ltd., Director of Wafer Works Corporation, Director of Co-Tech Development Corporation, Director of Bionime, Supervisor of Hua Ho Engineering Co., Ltd.
Yu-Lun Kuo	Vice President of Great Grandeul Steel Co., Ltd., Supervisor of Great Grandeul Steel Co., Ltd., Director of Great Grandeul Steel Co., Ltd.
Tsan-Jen Chen	President of CHF Steel Co., Ltd., Director of CHF Steel Co., Ltd.
Chia-Jung Chen	Honorary Professor of National Cheng Kung University Department of Resources Engineering, Independent Director of Leatec Fine Ceramics Co., Ltd.
Po-Han Wang	Director of Xiangwei & Co., CPAs, Chairperson of Ruisheng Financial Consultants Co., Ltd., Independent Director of TBI Motion, Independent Director of Tongtai Machine & Tool Co., Ltd., Supervisor of Jushen Energy Co., Ltd., Director of Zhaowan Consulting Co., Ltd.
Tai-Kuang Peng	Adjunct Professor at the College of Management, I-Shou University

Table 1: Major shareholders of institutional director

March 31, 2023

Name of institutional shareholder	Major shareholders of institutional shareholders
China Steel Corporation	Ministry of Economic Affairs (MOEA) (20.00%), Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. (2.24%), Transglory Investment Corporation (1.63%), Fubon Life Insurance Co., Ltd. (1.58%), Old Labor Pension Fund (1.12%), Vanguard Stock Index Account under the custody of JPMorgan Chase Bank Taipei Branch (1.09%), PGIA International Composite Stock Price Index under the custody of JPMorgan Chase Bank (1.03%), Winning Investment Corporation (1.01%), New Labor Pension Fund (0.96%), Polaris Taiwan High Dividend Fund Account (0.93%)
Hua Eng Wire and Cable Co., Ltd.	First Copper Technology Co., Ltd. (32.96%), Huahong Investment Corporation (7.23%), Pi-E Wang Yang (3.49%), Feng-Shu Wang (2.55%), Wen-Ling Wang (2.20%), Hung-Jen Wang (2.12%), Yu-Fa Wang (1.75%), Hung-Ming Wang (1.46%), Kun-Jung Chen (0.80%), Mei Da Woods Industry Co., Ltd. (0.62%)
CHF Steel Co., Ltd.	Hungji Investment Corporation (19.72%), Tsan-Jen Chen (22%), Tsan-Sheng Chen (7.22%), Wen-Chin Chen (14.89%), I-Yun Chen Yeh (8.32%), Kui-Mei Chen Liu 5.78%), Hung-Chih Chen (3.04%), Pi-Ju Chuang (10.37%), Wen-Chih Chen (3.94%), Ruo-Jia Chen(2.78%), Si-Hua Chen(1.94%)
Great Grandeul Steel Co., Ltd.	Yung-cheng Kuo (15.91%), Chen-Kui Yen (13.40%), Yu-Lun Kuo (12.88%), Chih-Hao Kuo (11.98%), C. Hao Corporation (45.84%)



Table 2: Major shareholders of major institutional shareholders listed in Table 1  
March 31, 2023

Name of institutional shareholder	Major shareholders of institutional shareholders
Transglory Investment Corporation	China Steel Express Corporation (49.89%) Chung Hung Steel Corporation (40.91%), and China Steel Chemical Corporation (9.20%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Winning Investment Corporation	Gains Investment Corporation (49.00%), Maruichi Steel Tube Ltd. (42.00%), and Transglory Investment Corporation (9.00%)
First Copper Technology Co., Ltd.	Hua Eng Wire & Cable Co., Ltd. (39.44%), Yu-Fa Wang (7.98%), Pi-E Wang Yang (2.52%), Wen-Ling Wang (1.82%), Feng-Chuan Wang (0.67%), International Shipbreaking Co., Ltd. (0.50%), Feng-Shu Wang (0.43%), Hung-Ming Wang (0.41%), Chin-Feng Wang (0.23%), Hung-Jen Wang (0.19%)
Huahong Investment Corporation	Gongsheng Enterprise (HK) Limited (79.79%), Wen-Ling Wang (3.19%), Feng-Chuan Wang (3.19%), Feng-Shu Wang (3.19%), Hung-Jen Wang (3.19%), Hung-Ming Wang (2.87%), Yu-Ting Wang (2.13%), Yu-Fa Wang (1.07%), Feng-Chin Wang (0.85%), Pi-E Wang Yang (0.53%)
Mei Da Woods Industry Co., Ltd.	Yu-Fa Wang (25.26%), Wen-Ling Wang (16.32%), Pi-E Wang Yang (15.79%), Feng-Chuan Wang (15.79%), Feng-Shu Wang (15.79%), Hung-Jen Wang (5.26%), Hung-Ming Wang (5.26%), Yu-Ting Wang (0.53%)
Hungji Investment Corporation	Kui-Mei Chen Liu (3.14%), Tsan-Jen Chen (14.12%), Tsan-Sheng Chen (3%), Pi-Ju Chuang (24.31%), Hung-Chih Chen (10.16%), Wen-Chih Chen (4.47%), Si-Hua Chen (10.94%), Ruo-Chia Chen (15.57%), I-Yun Chen Yeh (14.29%)
C. Hao Corporation	Yung-cheng Kuo (17.2%), Chen-Kui Yen (51.6%), Yu-Lun Kuo (16.9%), Chih-Hao Kuo (14.3%)

Note: Table 1 and Table 2 shows data on the most recent book closure date.

(I) Director Information (2)

1. Disclosure of information on the professional qualifications of directors and independence of independent directors:

Qualifications Name	Professional qualifications and experience (Note)	Independence	Number of companies the person serves as an independent director
Chairperson Cheng-Chiang Chen	<b>Education:</b> Department of Materials and Mineral Resources Engineering, National Taipei University of Technology <b>Expertise:</b> Practical experience in steel management; Expertise in engineering management. <b>Other main positions:</b> None <b>Past experience:</b> Assistant Vice President, Production Division	1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's outstanding shares or ranks as one of its top ten shareholders. 2. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years.	0
Director Chao-Tung Wong	<b>Education:</b> PhD in Resources Engineering, National Cheng Kung University <b>Expertise:</b> Practical experience in steel/resource engineering management; Expertise in business administration. <b>Other main positions:</b> Chairperson of China Steel Corporation, 22nd-term Chairperson of Taiwan Steel & Iron Industries Association, Standing Director of the	1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's outstanding shares or ranks as one of its top ten shareholders. 2. Did not provide commercial, legal, financial, or	0

Qualifications Name	Professional qualifications and experience (Note)	Independence	Number of companies the person serves as an independent director
	Industrial Technology Research Institute. <b>Past experience:</b> President of China Steel Corporation, Chairperson of China Steel and Nippon Steel Vietnam Joint Stock Company (CSVC), Chairperson of China Ecotek Corporation.	accounting services to the Company's affiliates within the past 2 years.	
Director Shyi-Chin Wang	<b>Education:</b> Ph.D. in Material Science, National Sun-yat Sen University <b>Expertise:</b> Practical experience in steel/material management; Wind power industry experience. <b>Other main positions:</b> President of China Steel Corporation, , Chairperson of Chungfa Holdings Co., Ltd. <b>Past experience:</b> Executive Vice President of China Steel Corporation, 3rd-term Chairperson of Taiwan Wind Industry Association, Chairperson of Dragon Steel Corporation.	1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's outstanding shares or ranks as one of its top ten shareholders. 2. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years.	0
Director Chih-Feng Lee	<b>Education:</b> Master's from the Department of Mechanical Engineering, National Cheng Kung University <b>Expertise:</b> Practical experience in steel management; Expertise in mechanical engineering	1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's	0

Qualifications Name	Professional qualifications and experience (Note)	Independence	Number of companies the person serves as an independent director
	<p>management.</p> <p><b>Other main positions:</b> President of China Ecotek Corporation, Chairperson of CSC Solar Corporation.</p> <p><b>Past experience:</b> Deputy Director of Equipment Department, China Steel Corporation.</p>	<p>outstanding shares or ranks as one of its top ten shareholders.</p> <p>2. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years.</p>	
Director Chen Yang	<p><b>Education:</b> Department of Chemical Engineering, National Taiwan University</p> <p><b>Expertise:</b> Practical experience in steel management; Expertise in engineering management.</p> <p><b>Other main positions:</b> Assistant Vice President of Engineering at China Steel Corporation.</p> <p><b>Past experience:</b> Director of Smelting Equipment Engineering Department, China Steel Corporation.</p>	<p>1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's outstanding shares or ranks as one of its top ten shareholders.</p> <p>2. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years.</p>	0
Director Hsiu-Mei Liu	<p><b>Education:</b> Master of Accounting, Long Island University</p> <p><b>Expertise:</b> Expertise in finance and accounting.</p> <p><b>Other main positions:</b> Manager of the Accounting</p>	<p>1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of</p>	0

Qualifications Name	Professional qualifications and experience (Note)	Independence	Number of companies the person serves as an independent director
	Department of Hua Eng Wire and Cable Co., Ltd., Director of Wafer Works Corporation, Director of Co-Tech Development Corporation, Director of Bionime, Supervisor of Hua Ho Engineering Co., Ltd.	the Company's outstanding shares or ranks as one of its top ten shareholders. 2. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years.	
Director Yu-Lun Kuo	<b>Education:</b> MBA, College of Management, National Taiwan University <b>Expertise:</b> Practical experience in steel management; Expertise in sales and business administration. <b>Other main positions:</b> Vice President of Great Grandeul Steel Co., Ltd., Director of Great Grandeul Steel Co., Ltd., Supervisor of Great Grandeul Steel Co., Ltd. <b>Past experience:</b> Special Assistant to the President, Great Grandeul Steel Co., Ltd.	1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's outstanding shares or ranks as one of its top ten shareholders. 2. Did not provide commercial, legal, financial, or accounting services within the past 2 years.	0
Director Tsan-Jen Chen	<b>Education:</b> MBA, Waseda University <b>Expertise:</b> Practical experience in steel management; Expertise in sales and business administration. <b>Other main positions:</b>	1. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of	0

Qualifications Name	Professional qualifications and experience (Note)	Independence	Number of companies the person serves as an independent director
	President of CHF Steel Co., Ltd.	the Company's outstanding shares or ranks as one of its top ten shareholders. 2. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years.	
Independent Director Chia-Jung Chen	<b>Education:</b> Ph.D. in Resource and Energy Economics, West Virginia University <b>Expertise:</b> Energy economics, resource engineering. <b>Other main positions:</b> Honorary Professor of National Cheng Kung University Department of Resources Engineering, Independent Director of Leatec Fine Ceramics Co., Ltd. <b>Past experience:</b> Professor and Director of the Department of Resources Engineering and Vice dean of the College of Engineering, National Cheng Kung University.	The three independent directors all met the following criteria in the two years before being elected and during their term as independent director: 1. The independent director, his/her spouse, and relatives within the second degree of kinship is not a director, supervisor, or employee of the Company or its affiliates. 2. The individual,	1
Independent Director Po-Han Wang	<b>Education:</b> MBA, National Sun Yat-sen University <b>Expertise:</b> Expertise in finance and accounting. Has accountant qualifications. <b>Other main positions:</b> Director of Xiangwei & Co.,	spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's	2

Qualifications Name	Professional qualifications and experience (Note)	Independence	Number of companies the person serves as an independent director
	CPAs, independent director of TBI Motion and Tongtai Machine & Tool Co., Ltd. <b>Past experience:</b> Manager, Audit Department, Deloitte Taiwan	outstanding shares or ranks as one of its top ten shareholders. 3. The independent director is not a director, supervisor, or employee of a company with a specific relationship with the Company.	
Independent Director Tai-Kuang Peng	<b>Education:</b> Ph.D. in Business Administration, Texas Tech University <b>Expertise:</b> Business management. <b>Other main positions:</b> Adjunct Professor at the College of Management, I-Shou University. <b>Past experience:</b> Dean of the College of Management and International College, I-Shou University	4. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years. 5. Meets independence criteria set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies in the two years before being elected and during the term as independent director.	0

Note: All Board members meet the criteria, have at least 5 years of work experience, and do not have any of the situations specified in Article 30 of the Company Act.

## 2. Board diversity and independence

- (1) Diversity of the Board of Directors: Pursuant to the Sample Template for Procedures for Election of Directors and Supervisors announced by the Taiwan Stock Exchange and Article 20, Paragraph 3 of the Company's Corporate Governance Best Practice Principles, the concept of diversity should be implemented among Board members, including but not limited to basic qualifications and values (e.g., gender, age, nationality, and culture) and professional knowledge and skills (e.g., law, accounting, industry, finance, marketing, or technology) to ensure that board members have the knowledge, skills, and attainments generally required for performing their tasks. The Company's Board of Directors currently has 11 directors, in which 9% of directors is an employee of the Company, 18% of directors are female, 2 directors are 71-75 years old, 5 directors are 61-70 years old, 2 directors are 51-60 years old, 2 directors are 41-50 years old, and all directors have the required industry experience and professional competencies. Furthermore, the Company attaches importance to gender equality in its Board composition, and will continue to dedicate its efforts to increasing the percentage of female directors.

### Implementation status of the diversity policy for board members:

Core items of diversification   <
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Chao-Tung Wong, Director	Male				✓				✓	✓	✓		✓	
Shyi-Chin Wang, Director	Male				✓				✓	✓	✓			✓
Chih-Feng Lee, Director	Male	✓		✓					✓	✓	✓			
Chen Yang, Director	Male				✓				✓	✓	✓		✓	
Hsiu-Mei Liu, Director	Female				✓				✓	✓	✓	✓		
Yu-Lun Kuo, Director	Female			✓					✓	✓	✓		✓	
Tsan-Jen Chen, Director	Male			✓					✓	✓	✓		✓	
Chia-Jung Chen, Independent Director	Male				✓		✓			✓	✓			✓
Po-Han Wang, Independent Director	Male			✓			✓			✓	✓	✓		
Tai-Kuang Peng, Independent Director	Male				✓	✓				✓	✓			✓

(2) Independence of the Board of Directors: The Company currently has 3 independent directors, accounting for 27% of all directors. All independent directors have held the position for less than 9 years. The Company has received written statements from each independent director according to requirements for public companies, and verified the independence of the independent directors, their spouses, and relatives within the second degree of kinship. The Board of Directors continues to evaluate the independence of directors, considers whether or not the directors are able address constructive issues with management and other directors, whether or not their viewpoints are independent from management and other directors, and if their conduct inside and outside the Board of Directors is appropriate. The conduct of the Company's independent directors meets expectations in suitable situations. Hence, we believe that all independent directors are independent from the Company.

(II) Information on president, vice presidents, and accounting officer

March 31, 2023

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shares held by spouse and underage children		Shares held in the name of others		Education and work experience (Note 1)	Concurrently held positions in other companies	Other manager who is the spouse or a relative within the second degree			Notes (Note 2)
					Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)			Title	Name	Relationship	
President	Republic of China	Chih-Feng Lee	Male	2020.10.31	0	-	-	-	-	-	Deputy Director of Equipment Department, China Steel Corporation Master's from the Department of Mechanical Engineering, National Cheng Kung University	Chairperson of CSC Solar Corporation, Director of Asia Pacific Energy Development Co., Ltd., Director of Pro-Ascentek Investment Corporation, Director of Eminent III Venture Capital Corporation, Supervisor of China Steel Machinery Corporation	-	-	-	N/A

Vice President of Engineering Group	Republic of China	Chien-Chih Chen	Male	2021.04.30	897	-	-	-	-	-	Assistant Vice President of Engineering Group, China Ecotek Corporation Department of Industrial Engineering and Management, National Kaohsiung University of Science and Technology	-	-	-	-
Vice President, Management Department	Republic of China	Li-Ming Hu	Male	2020.09.30	0	-	-	-	-	-	Assistant Vice President of Administration Division, China Ecotek Corporation MBA from the University of Oklahoma	Director of Xiamen Mao Yu Import and Export Trading Ltd.	-	-	-
Assistant Vice President and Accounting Officer	Republic of China	Ya-Min Chuang	Female	2020.09.30	0	-	-	-	-	-	Manager of the Finance & Accounting Department, China Ecotek Corporation Department of Accounting, Tunghai University	Supervisor of Yu Investment Corporation, Jiing-Cherng-Fa Investment Corporation, Chi-Yi Investment Corporation, and Hung-chuan Investment Corporation	-	-	-

Note 1: The Company's president, vice presidents, accounting officer, and heads of each department and branch have not held any position at the accounting firm or its affiliates.

Note 2: Where the chairperson, president, or individual with equivalent roles (highest-ranking managerial officer) are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional independent directors and requiring the appointment of more than half of the directors from individuals who are not employees or managerial officers).

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

#### (I) Remuneration Paid to Directors and Independent Directors

December 31, 2022 Unit: NT\$1,000

Title	Name	Director's remuneration								Total remuneration (A+B+C+D) as a percentage of net income after tax (%)		Remuneration received as the Company's employee								Total remuneration (A+B+C+D+E+F+G) as a percentage of net income after tax (%)		Remuneration received from investees other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business execution expenses (D)				Salary, bonus and special allowance (E)		Severance pay and pension (F)		Employee bonuses (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
Director	China Steel Corporation	2,731	2,731	0	0	5,226	5,226	1,090	1,090	9,047 and 1.74	9,047 and 1.74	8,084	8,084	0	0	66	0	66	0	17,197 and 3.30	17,197 and 3.30	23,488
Representative of director	Tsung-Te Chen																					
Representative of director	Cheng-Chiang Chen (Note 1)																					
Representative of director	Chao-Tung Wong																					
Representative of director	Shyi-Chin Wang																					
Representative of director	Chen Yang																					
Representative of director	Chih-Feng Lee																					
Director	Hua Eng Wire and Cable Co., Ltd.																					
Representative of director	Ming-Hsiang Lin																					
	Hsiu-Mei Liu (Note 2)																					
Director	Great Grandeur																					

	Steel Co., Ltd.																					
Representative of director	Yu-Lun Kuo																					
Director	CHF Steel Co., Ltd.																					
Representative of director	Tsan-Jen Chen																					
Independent Director	Chia-Jung Chen																					
	Po-Han Wang	1,800	1,800	0	0	0	0	490	490	2,290 and 0.44	2,290 and 0.44	0	0	0	0	0	0	0	0	2,290 and 0.44	2,290 and 0.44	0
	Tai-Kuang Peng																					
*Other than as disclosed in the above table, the remuneration of directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None																						
Note 1: China Steel Corporation appointed Chen-Chiang Chen to replace Tsung-Te Chen as its representative on July 13, 2022.																						
Note 2: Hua Eng Wire and Cable Co., Ltd. appointed Hsiu-Mei Liu to replace Ming-Hsiang Lin as its representative on February 1, 2022.																						

**Remuneration Range Table**

Remuneration range for each director in this Company	Name of director			
	Total amount of the 4 preceding remunerations (A+B+C+D)		Total amount of the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than NT\$1,000,000	Hua Eng Wire and Cable Co., Ltd., Ming-Hsiang Lin, Great Grandeul Steel Co., Ltd., CHF Steel Co., Ltd., Chia-Jung Chen, Po-Han Wang, Tai-Kuang Peng	Hua Eng Wire and Cable Co., Ltd., Ming-Hsiang Lin, Great Grandeul Steel Co., Ltd., CHF Steel Co., Ltd., Chia-Jung Chen, Po-Han Wang, Tai-Kuang Peng	Hua Eng Wire and Cable Co., Ltd., Ming-Hsiang Lin, Great Grandeul Steel Co., Ltd., CHF Steel Co., Ltd., Chia-Jung Chen, Po-Han Wang, Tai-Kuang Peng	Hua Eng Wire and Cable Co., Ltd., Ming-Hsiang Lin, Great Grandeul Steel Co., Ltd., CHF Steel Co., Ltd., Chia-Jung Chen, Po-Han Wang, Tai-Kuang Peng
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	None	None	None	None
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	None	None	Cheng-Chiang Chen	Cheng-Chiang Chen
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	None	None	None	None
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	China Steel Corporation	China Steel Corporation	China Steel Corporation, Chih-Feng Lee	China Steel Corporation, Chih-Feng Lee
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	None	None	None	None

NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	None	None	None	None
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	None	None	None	None
Higher than NT\$100,000,000	None	None	None	None
Total	8	8	10	10

Note:

1. Except for Ming-Hsiang Lin, representative of Hua Eng Wire and Cable Co., Ltd., the Company's remuneration to directors is paid to the institutional shareholder and not the representative.
2. Remuneration includes salaries and employee bonuses for representatives of institutional directors who are concurrently employees of the Company.



## (II) Remunerations to President and Vice President

December 31, 2022 Unit: NT\$1,000

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and allowances, etc. (C)		Employee bonuses (D)				Total remuneration (A+B+C+D) as a percentage of net income after tax (%)		Remuneration received from investees other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash dividend amount	Stock dividend amount	Cash dividend amount	Stock dividend amount			
President	Chih-Feng Lee	6,422	6,422	0	0	6,002	6,002	190	0	190	0	12,614 and 2.42	12,614 and 2.42	138
Vice President	Li-Ming Hu													
Vice President	Chien-Chih Chen													

## Remuneration Range Table

Range of remuneration paid to presidents and vice presidents	Names of president and vice presidents	
	The Company	All companies in the financial report
Less than NT\$1,000,000	None	None
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Li-Ming Hu, Chien-Chih Chen	Li-Ming Hu, Chien-Chih Chen
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Chih-Feng Lee	Chih-Feng Lee
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	None	None
Higher than NT\$100,000,000	None	None
Total	3	3

## (III) Names of managerial officers that received employee bonuses and status of the distribution

December 31, 2022 Unit: NT\$1,000

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of total amount to net income (%)
Managerial Officers	President	Chih-Feng Lee	-	245	245	0.05
	Vice President	Li-Ming Hu				
	Vice President	Chien-Chih				

		Chen				
	Assistant Vice President and Accounting Officer	Ya-Min Chuang				

(IV) Analysis of remuneration to directors, presidents and vice presidents of the Company as a percentage of the net income after tax. Explanation of remuneration policies, standards and combination of the procedures in determining remuneration, and association with business performance and future risks:

Total remuneration and as a percentage of net income after tax					
Title	2021		2022		Percentage of change
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	
Director	4.38%	4.38%	3.74%	3.74%	-14.61%
President and Vice President	2.97%	2.97%	2.42%	2.42%	-18.52%

1.Directors: Pursuant to Article 27-1 of the Company's Articles of Incorporation, transportation expenses of directors, remuneration of independent directors, and salary of the chairperson shall be determined by the board of directors according to the relevant standards adopted in the industry and TWSE/TPEX listed companies. The Company's independent directors only receive a fixed amount of compensation and do not take part in the distribution of remuneration to directors. Pursuant to Article 32 of the Articles of Incorporation: "If the Company has profit for the year, the Board of Directors shall resolve to allocate no more than 1% as directors' remuneration. According to Article 9 of the Company's Board of Directors Performance Evaluation Guidelines, the performance evaluation results of individual directors (excluding independent directors) are used as the basis for the distribution of remuneration to directors. The evaluation covers: Understanding of company goals and missions, understanding of director responsibilities, level of participation in company operations,

internal relationship management and communication, director's specialty and continuing education, and internal controls. The Company has completed Year 2022 Board performance evaluation and establish director's remuneration distribution principles according to the Regulations Governing the Evaluation of Board Performance. Director's remuneration will be distributed according to the principles.

2. President and vice presidents: Reasonable remuneration is determined for the president and vice presidents based on the Company's business performance and their individual performance, as well as standards of the industry and public companies, and is in accordance with the Company's "Regulations for Distribution of Performance Bonuses from Earnings" and "Regulations for Distribution of Employee Bonuses." Performance evaluation for the Company's president and vice presidents is conducted according to the evaluation method for the Company's managers, and evaluation items include the Company's operating revenue, implementation results of the Company's development and strategy planning, corporate governance and image, leadership, and labor safety management. Scores are assigned based on the results of each evaluation item, and are then used to determine an overall rating.

3. Association of remuneration of directors, president and vice presidents with future risks: None.

## IV. Implementation of Corporate Governance

### (I) Operation of Board of Directors

A total of 8 Board meetings were held between January 2022 and March 2023.

The attendance of directors was as follows:

Title	Name	Representative:	Attendance in person (B)	Attendance by proxy	Required attendance (A)	Actual attendance rate (%) (B/A)	Notes
Chairperson	China Steel Corporation	Cheng-Chiang Chen	6	0	6	100	Elected on 2022.07.13
Former Chairperson		Tsung-Te Chen	2	0	2	100	Dismissed on 2022.06.30
Director		Chao-Tung Wong	8	0	8	100	Re-elected on 2020.06.23
Director		Shyi-Chin Wang	8	0	8	100	Re-elected on 2020.06.23
Director		Chih-Feng Lee	8	0	8	100	Elected on 2020.10.31
Director		Chen Yang	8	0	8	100	Elected on 2021.05.31
Director	Hua Eng Wire Cable Co., Ltd.	Hsiu-Mei Liu	8	0	8	100	Elected on 2022.02.01
Director	Great Grandeul Steel Co., Ltd.	Yu-Lun Kuo	8	0	8	100	Re-elected on 2020.06.23
Director	CHF Steel Co., Ltd.	Tsan-Jen Chen	8	0	8	100	Elected on 2020.06.23
Independent Director	Chia-Jung Chen	-	8	0	8	100	Re-elected on 2020.06.23
Independent Director	Po-Han Wang	-	8	0	8	100	Re-elected on 2020.06.23
Independent Director	Tai-Kuang Peng	-	8	0	8	100	Elected on 2020.06.23

Other details that need to be recorded in meeting minutes:

I. If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated:

(I) Items specified in Article 14-3 of the Securities and Exchange Act: Refer to Item 1 (1) in "Other matters that should be recorded" in the "State of operations of the Audit Committee" on page 46 of the Annual Report.

(II) In addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements: None.

II. Specify the name of the director, agenda item, reason for recusal, and participation in voting of directors who recused themselves from agenda items they have a conflict of interest: The director or legal person represented had a conflict of interest in the following agenda items, so the director or representative recused him/herself from the discussion and voting:

Meeting date	Agenda	Name of director who recused him/herself	Reason for recusal
2022/08/02	Passed performance evaluation and review results for the President and Vice Presidents for 2021.	Chih-Feng Lee	Conflict of interest
	Passed the proposed remuneration distribution for the Company's President and Vice Presidents.	Chih-Feng Lee	Conflict of interest
	Passed the proposed performance bonus for the Company's president and vice presidents.	Chih-Feng Lee	Conflict of interest
	Passed the remuneration of the Company's new Chairperson.	Cheng-Chiang Chen	Conflict of interest
2022/12/19	Passed the salary adjustment of the Company's Chairperson, President, Vice President of Administration Group, and Vice President of Engineering Group.	Cheng-Chiang Chen, Chih-Feng Lee	Conflict of interest

III. Implementation of Board performance evaluations:

The Company established the Board of Directors Performance Evaluation Guidelines for the annual internal performance evaluation of the Board of Directors. The Company shall appoint an external professional independent agency or a team of external experts and scholars to conduct an external performance evaluation at least once every three years. The scope of the evaluation includes the performance evaluation of the board as a whole, individual directors, and functional committees.

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Internal evaluations shall be implemented each year and an external evaluation shall be implemented at least once every three years.	2022.01.01-2022.12.31	Board of Directors, Board members, and functional committees under the Board of Directors	In addition to the self-evaluation, the evaluations are conducted in accordance with the Company's "Board of Directors Performance Evaluation Guidelines" and the	(1)The criteria for evaluating the performance of the Board of Directors shall cover at least the following five aspects: A. Participation in the operation of the Company B. Improvement of the quality of the Board of Directors' decision making. C. Composition and structure of the Board of Directors D. Election and continuing education of the Directors; E. Internal control

			Company appointed Taiwan Corporate Governance Association for the external performance evaluation on September 19, 2022.	<p>(2)The criteria for evaluating the performance of the Directors shall cover at least the following six aspects:</p> <ul style="list-style-type: none"> <li>A. Familiarity with the goals and missions of the Company</li> <li>B. Awareness of the duties of a Director.</li> <li>C. Participation in the operation of the Company</li> <li>D. Management of internal relationship and communication.</li> <li>E. The Director's professionalism and continuing education</li> <li>F. Internal control</li> </ul> <p>(3)The measurement items of functional committee performance evaluation shall cover the following five aspects:</p> <ul style="list-style-type: none"> <li>A. Participation in the operation of the Company</li> <li>B. Awareness of the duties of the functional committee</li> <li>C. Improvement of the quality of functional committee's decisions.</li> <li>D. Composition and election of members</li> <li>E. Internal control</li> </ul>
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The performance evaluation of the Board of Directors and functional committees in 2022 include 20 self-evaluation indicators. The maximum score for each self-evaluation indicator is 5 points. The evaluation results were reported to the Board of Directors on February 21, 2023, and are summarized as follows:

- (I) Board performance evaluation: Total average score of the questionnaire: 95.82 points; Total average indicator score: 4.79 points. The indicator with an average score lower than the overall average score was "members of the Board of Directors have sufficient knowledge of the Company, its management team, and its industry" for which the score was 4.64 points. The repetitive indicator with relatively low scores was the "Director's attendance in shareholders' meetings" for which the score was 3 points.
- (II) Performance evaluation of directors: Total average score of the questionnaire: 97.45 points Total average indicator score: 4.87 points
- (III)Results of the performance evaluation of the Audit Committee: Total average score of the questionnaire: 100 points. Total average indicator score: 5 points.
- (IV)Results of the performance evaluation of the Remuneration Committee: Total average score of the questionnaire: 100 points. Total average indicator score: 5 points.

The Company appointed Taiwan Corporate Governance Association to conduct the 2022 external

performance evaluation of the Board of Directors. The evaluation period was from October 1, 2021 to September 30, 2022. The Company obtained the evaluation report issued by the Association on November 21, 2022. The results of the evaluation have been disclosed on the Company's official website and reported to the 20th meeting of the 10th-term Board of Directors on December 21, 2022.

IV. Goals for enhancing Board functions and evaluation of implementation in the current year and most recent year:

- (I) Established the Regulations Governing Procedures for Board of Directors Meetings as the basis for Board operations.
- (II) Established standard operating procedures for handling directors' request, in order to assist directors in performing their duties and improve Board performance.
- (III) Important resolutions adopted by the Board of Directors are all announced on the company website, and liability insurance has been purchased for directors.
- (IV) Established a Remuneration Committee, established and periodically reviewed the reasonableness of directors and managers' remuneration policy, system, standards, and structure, and submitted recommendations to the Board of Directors for discussion.
- (V) Established an Audit Committee responsible for evaluation of the effectiveness of internal controls and other material matters specified by the Company or competent authority, and submitted recommendations to the Board of Directors for discussion.
- (VI) Appointed the Vice President of Administration Group as the corporate governance officer.
- (VII) Regularly or irregularly announces material financial and business information according to laws and regulations.

V. Is at least one independent director in attendance during each Board meeting: 7 Board meetings were held in 2021, and all independent directors were in attendance.

(II) Operations of the Audit Committee

The Company's Audit Committee is formed by 3 independent directors. The Audit Committee assists the Board of Directors in supervising the Company's quality and integrity with respect to accounting, audit, financial reporting procedures, and financial controls. The Audit Committee convened 6 meetings between January 2022 and March 2023, and matters reviewed mainly include:

1. Review of the establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Review of the establishment or amendments to asset acquisition/disposal procedures, derivative trading procedures, procedures on loans to others, endorsement and guarantee procedures, and other procedures of major financial consequences as specified in Article 36-1 of the Securities and Exchange Act.
4. Review of matters in which a director is an interested party.

5. Review of material asset or derivatives transactions.
6. Review of loans of funds, endorsements, or provision of guarantees of a material nature.
7. Review of the offering, issuance, or private placement of equity-type securities.
8. Review of the appointment, dismissal, or compensation of the certifying CPAs.
9. Review of the appointment and removal of the financial, accounting, or internal auditing officers.
10. Review of the annual financial statements signed or sealed by the Chairperson, managerial officer, and chief accounting officer.
11. Other material matters specified by the Company or competent authority.

#### Information on Audit Committee members

Position	Qualifications	
	Name	Professional qualifications and experience
Independent Director	Po-Han Wang (Convener)	Please refer to "Three. Corporate Governance II. (I) Information on directors (2) Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors" of the Company's annual report.
Independent Director	Chia-Jung Chen	Please refer to "Three. Corporate Governance II. (I) Information on directors (2) Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors" of the Company's annual report.
Independent Director	Tai-Kuang Peng	Please refer to "Three. Corporate Governance II. (I) Information on directors (2) Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors" of the Company's annual report.

Key work items this year are summarized below:

#### 1. Financial Assessment Report

Review the 2022 Business Report, financial statements and consolidated



financial statements, and earnings distribution proposal, and submit them to the Board of Directors for approval. After the financial statements are audited by the CPAs, the Audit Committee will prepare an audit report for acknowledgment by the 2023 annual general meeting. The business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee as correctly portraying the Company's business activities.

## 2.Evaluate the effectiveness of the internal control system

Evaluate the effectiveness of policies and procedures (including financial, operational, risk management, information security, and compliance control measures) of the Company's internal control system, and review periodic reports submitted by the Internal Audit Office, CPAs, and management. The Audit Committee believes that the Company's risk management and internal control system is effective, and the Company has taken necessary control mechanisms to supervise and rectify violations.

## 3.Appointment of CPAs

To ensure the independence of the accounting firm, the Audit Committee evaluates the independence, professionalism, and suitability of the CPAs, and verifies if they are related parties or have business or financial interests in the Company. The CPAs reviewed and approved on February 23, 2021 all met standards in the independence evaluation.

A total of 6 (A) Audit Committee meetings of the 10th-term Board of Directors were held between January 2022 and March 2023. The attendance of independent directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Required attendance	Actual attendance rate (%) (B/A)	Notes
Independent Director	Po-Han Wang	6	0	6	100	Elected on 2020.6.23
Independent Director	Chia-Jung Chen	6	0	6	100	Elected on 2020.6.23

Independent Director	Tai-Kuang Peng	6	0	6	100	Elected on 2020.6.23
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Other details that need to be recorded in meeting minutes:

I. Where any of the following circumstances occurs with respect to the operations of the Audit Committee, the date, session, details of the motions, the resolutions from the Audit Committee, and measures taken in accordance with the Audit Committee's recommendations, shall be specified.

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

Date and session of Board meeting	Agenda	Resolution of the Board meeting	Resolutions of the Audit Committee
2022.02.23 10th-term 14th Board meeting	Discussion item 1: The Company's 2021 Business Report and financial statements.	Passed by all directors present at the meeting	10th Audit Committee meeting of the 10th-term Board of Directors on February 23, 2022: Passed with the approval of all members in attendance.
	Discussion item 3: The Company's 2021 earnings distribution proposal.	Passed by all directors present at the meeting	10th Audit Committee meeting of the 10th-term Board of Directors on February 23, 2022: Passed with the approval of all members in attendance.
	Discussion item 4: Prepared the Company's 2021 Statement of Internal Control System	Passed by all directors present at the meeting	10th Audit Committee meeting of the 10th-term Board of Directors on February 23, 2022: Passed with the approval of all members in attendance.
	Discussion item 8: Proposal to lease a portion of 1F of the "First Administrative Building and facilities originally belonging to CSSC" from China Steel.	Passed by all directors present at the meeting	10th Audit Committee meeting of the 10th-term Board of Directors on February 23, 2022: Passed with the approval of all members in attendance.
2022.05.06 10th-term 15th Board meeting	Discussion item 3: Proposal for the amendment of the "Procedure for Acquisition and Disposal of Assets".	Passed by all directors present at the meeting	11th Audit Committee meeting of the 10th-term Board of Directors on May 3, 2022: Passed with the approval of all members in attendance.
	Discussion item 4: Proposal to donate NT\$150,000 to CSC Group Education Foundation.	Passed by all directors present at the meeting	11th Audit Committee meeting of the 10th-term Board of Directors on May 3, 2022: Passed with the approval of all members in attendance.
	Discussion item 6: Proposal to invest no more than NT\$117.6 million in an energy storage system.	Passed by all directors present at the meeting	11th Audit Committee meeting of the 10th-term Board of Directors on May 3, 2022: Passed with the approval of all members in attendance.
2022.08.02 10th-term 17th	Discussion item 1: Draft of the Company's Consolidated Financial Statements and	Passed by all directors	12th Audit Committee meeting of the 10th-term Board of Directors on August 2,

Board meeting	Independent Auditors' Review Report for the second quarter of 2022.	present at the meeting	2022: Passed with the approval of all members in attendance.
2022.12.19 10th-term 20th Board meeting	Discussion item 5: Proposal to renew the contract for the Company's lease of office space in the head office building of China Steel.	Passed by all directors present at the meeting	14th Audit Committee meeting of the 10th-term Board of Directors on December 19, 2022: Passed with the approval of all members in attendance.
2023.02.21 10th-term 21st Board meeting	Discussion item 1: The Company's 2022 Business Report and financial statements.	Passed by all directors present at the meeting	15th Audit Committee meeting of the 10th-term Board of Directors on February 21, 2023: Passed with the approval of all members in attendance.
	Discussion item 3: The Company's 2022 earnings distribution proposal.	Passed by all directors present at the meeting	15th Audit Committee meeting of the 10th-term Board of Directors on February 21, 2023: Passed with the approval of all members in attendance.
	Discussion item 4: Prepared the Company's 2022 Statement of Internal Control System.	Passed by all directors present at the meeting	15th Audit Committee meeting of the 10th-term Board of Directors on February 21, 2023: Passed with the approval of all members in attendance.
	Discussion item 5: Change of the accountants from Yu-Hsiang Liu and Chao-Chun Wang to Li-Yuan Kuo and Chao-Chun Wang.	Passed by all directors present at the meeting	15th Audit Committee meeting of the 10th-term Board of Directors on February 21, 2023: Passed with the approval of all members in attendance.
	Discussion item 6: The audit fee negotiated by the Company and Deloitte Taiwan for 2023 to 2027.	Passed by all directors present at the meeting	15th Audit Committee meeting of the 10th-term Board of Directors on February 21, 2023: Passed with the approval of all members in attendance.

(II) Any issues apart from the aforementioned matters that are not agreed upon by the Audit Committee but passed by more than two thirds of all directors: None.

II. If independent directors recused from themselves from an agenda item in which they have a conflict of interest, specify the name of the independent director, agenda item, reason for recusal, and participation in voting: None.

III. Communication between independent directors and internal auditors and accountants

(I) Communication between independent directors and chief internal auditor:

The Company's chief internal auditor attends Audit Committee meetings and routine Board meetings without voting rights, and reports the recent implementation of auditing. The chief internal auditor fully communicates with independent directors regarding the contents of audits, deficiencies found in the internal control system, and improvement and tracking of abnormalities.

The Internal Audit Office provides written audit reports and improvement tracking reports to independent directors every 2 months, and directly communicates with independent directors via e-mail, telephone, or face-to-face when necessary.

Interactions between independent directors and chief internal auditor in 2022:

Date	Main Points of Communication	Opinions of the Independent Directors	Response to the Opinions of Independent Directors
2022.02.23	Report of the implementation status of the Company's 2022 Audit Plan	No opinions issued	N/A
	Prepared the Company's 2022 Statement of Internal Control System	Approved	N/A
2022.05.03	Report of the implementation status of the Company's 2022 Audit Plan	No opinions issued	N/A
2022.08.02	Report of the implementation status of the Company's 2022 Audit Plan	No opinions issued	N/A
2022.11.03	Report of the implementation status of the Company's 2022 Audit Plan	No opinions issued	N/A
2022.12.19	Report of the implementation status of the Company's 2022 Audit Plan	No opinions issued	N/A
	Proposal of the 2023 Internal Audit Plan	Approved	N/A

(II) Communication between independent directors and CPAs

The Company's CPAs communicate and discuss matters relating to financial statements during routing Board meetings each quarter. The Company's CPAs may communicate during individual meetings with Audit Committee members or independent directors based on their professional judgment.

Communication between independent directors and CPAs in 2022:

Date	Main Points of Communication	Opinions of the Independent Directors	Response to the Opinions of Independent Directors
2022.12.19	Mainly discussed the 2022 financial statement audit method, key audit	No opinion during the meeting	Meeting between the CPAs and independent

	matters, and independence of CPAs.		director, in which the Company was represented by the chief internal auditor.

(III) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies?	V		The Company established Corporate Governance Best Practice Principles on December 20, 2018, and has revised the principles in response to amendments to laws and regulations. The most recent revision was the third revision by the Board of Directors on September 29, 2022, which was disclosed on the MOPS and company website.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Company stock equity structure and shareholder equity (I) Did the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?	V		The Company has established a spokesperson system and other related internal procedures, and personnel can implement the procedures accordingly. If shareholders have any recommendations or disputes regarding stock affairs, the Company has dedicated personnel and a stock affairs agency to handle shareholders' recommendations, questions, disputes, and lawsuits.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of	V		The Company has list of major shareholders that have actual control over the Company at all times and has appointed the shareholder service agency — President Securities Corporation for assistance.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
ultimate owners of those major shareholders?				
(III) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	V		The Company established "Management Guidelines for Related Party Transactions", which regulates transactions between affiliated enterprises, including the management procedures for transaction such as purchase and sales of goods, acquisition or disposal of assets, etc., and stipulates that related significant transactions should be approved by the Board of Directors and reported to the Shareholders' Meeting. In addition, we have established internal control and internal audit regulations for supervising subsidiaries to strictly control risks.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	V		The Company established the "Procedures for Handling Internal Material Information" and "Guidelines for Appointment of Spokesman and Deputy Spokesman" and the Board of Directors approved the establishment of the "Regulations Governing Prevention of Insider Trading" on September 29, 2022, which prohibit insiders of the Company from trading securities using undisclosed information in the market. We also announced relevant regulations prohibiting insider trading so that those who cause damage to the Company's properties or interests shall be held legally liable through appropriate channels. Article 9 of the Company's "Regulations Governing Prevention of Insider Trading" states: "During the closed period of 30 days prior to the announcement of the annual	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			financial statements and 15 days prior to the announcement of the quarterly financial statements, the Directors, managers, Vice Presidents, and Accounting Officer of the Company may not buy or sell securities of the Company on their own or in the name of others." Starting from the 19th meeting of the 10-term Board of Directors on November 3, 2022, the Finance & Accounting Department will notify such individuals by email of the aforementioned closed period prior to the announcement of the financial statements. The Company also organized a briefing on insider trading prevention awareness training for the current Directors after the 19th meeting of the 10-term Board of Directors. A total of 16 participants attended a total of 8 hours of courses. We also placed the insider trading prevention course briefings on the Company's internal official website for employees to view, and they were viewed 561 times.	
III. Board compositions and responsibilities (I) Has the Board of Directors established a diversity policy and specific management goals, and implemented them accordingly?	V		1. The Company set forth its diversity policy in "Chapter 3 Enhancing the Functions" of the Board of Directors in the Corporate Governance Best Practice Principles. The Company's Board members are nominated and selected using the candidate nomination system according to the Articles of Incorporation. Besides evaluating the academic background and experience of candidates, the opinions of	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.



Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			<p>stakeholders are also taken into consideration, ensuring the diversity and independence of Board members according to the "Regulations Governing the Election of Directors" and "Corporate Governance Best Practice Principles."</p> <p>2. Among the 11 directors (including 3 independent directors) of the 10th-term Board of Directors, the directors as a whole have business management, leadership and decision-making, knowledge of the industry, and risk management abilities. Chen-Chiang Chen, Chih-Feng Lee, and Chen Yang have practical experience in construction management; Chao-Tung Weng, Hsi-Chin Wang, Yu-Lun Kuo, Tsan-Jen Chen, and Tai-Kuang Peng have an expertise in business management; Hsiu-Mei Liu and Po-Han Wang have an expertise in accounting or finance; Chao-Tung Weng and Chia-Jung Chen have professional knowledge on resource engineering, fully achieving the goal of Board diversity. The directors have provided excellent advice for the Company's business and finances.</p> <p>3. Of the Company's directors, 9% are employees of the Company, 27% are independent directors, all 3 independent directors have held the position for less than 9 years, 2 directors are 71-75 years old, 5 directors are 61-70 years old, 2 directors are 51-60 years old, and 2 directors are 41-50 years old. Furthermore, the Company attaches importance to gender equality in its Board composition, 2</p>	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			members of the Board of Directors are female, accounting for 18% of all directors. In the future, the Company will continue to dedicate its efforts to increasing the percentage of female directors.	
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?	V		The Company has established a Remuneration Committee and Audit Committee, each formed by three independent directors. The Company also established a Corporate Sustainable Development Committee to implement ESG and sustainable development work.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the company establish standards and methods for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	V		The Company established Regulations Governing the Evaluation of Board Performance, and evaluates the performance of the Board of Directors, individual Board members, and functional committees under the Board of Directors each year. Self-evaluations are conducted through a questionnaire and evaluation results are summarized by the Company's Finance & Accounting Department, which are reported to the Board of Directors in the first quarter of the following year as the basis for review and improvement. The Company's Board of Directors performance evaluation results shall be used as the basis for selecting or nominating directors. The performance evaluation of individual directors (excluding independent directors) are used as the basis for the	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>distribution of remuneration for directors. Please see the Corporate Governance Section on the company website for details of the 2022 Board performance evaluation results.</p> <p>To continue to increase the independence and effectiveness of the board performance evaluation, the regulations specified that the Company shall appoint an external professional independent agency or a team of external experts and scholars to conduct an external performance evaluation of the Board of Directors at least once every three years. The Company appointed the Taiwan Corporate Governance Association to conduct the external performance evaluation of the Board of Directors in 2022. The results of the external evaluation are disclosed on the Company's website.</p>	
(IV) Does the Company regularly implement assessments on the independence of CPA?	V		<p>The Company evaluates the independence and suitability of CPAs at least once a year, and asks the CPAs and their accounting firm to provide data and statements relating to the CPAs' reputation, consecutive number of years they provided audit services, if non-audit services directly affect important items of audit cases, if audit team members is a relative of employees in highly influential positions of the Company, and if the CPAs have a conflict of interest with the Company. The data and statements are evaluated by management. To improve the audit quality of financial statements, starting from the 2022 financial statements, the Company's certified</p>	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			public accountant Deloitte, Taiwan has provided an evaluation report on "Audit Quality Indicators (AQIs)". It also conducted evaluations in accordance with the five major aspects and 13 indicators based on the disclosure framework published by the FSC. With the exception of expenses for auditing and taxation cases, the certifying CPAs and the Company have no other common financial interests or business relations, and the CPAs and their family members did not violate the requirements of independence. We also referenced AQI information and confirmed that the CPA and the CPA firm's audit experience and training hours outperformed the industry average. We will continue to incorporate digital audit tools to increase the audit quality. After discussions regarding the evaluation results in the two most recent years, they were reported to the Board of Directors on February 23, 2022 and February 21, 2023.	
IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters	V		The Vice President of Administration Group concurrently serves as the corporate governance supervisor, and is mainly responsible for handling matters of Board meetings and shareholders' meeting and preparing the meeting minutes; assisting in the appointment and continuing education of directors; providing data needed by directors to perform their duties; assisting directors with compliance; reporting the results of its compliance review of the qualifications of	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?			<p>independent directors with the relevant laws and regulations at the time of their nomination, election and during their term of office to the Board of Directors; handling matters relating to changes in the Directors; and other matters specified in the Articles of Incorporation or contracts. Please see page 111 of this annual report for continuing education of the corporate governance supervisor.</p> <p>The corporate governance supervisor oversees the Company's corporate governance affairs, and the Finance &amp; Accounting Department and Human Resources Department handle related affairs. Key points of implementation are as follows:</p> <ol style="list-style-type: none"> <li>1. Notify directors of the agenda of Board meetings 7 days in advance, convene meetings, and provide meeting materials. Remind directors of agenda items they have a conflict of interest in, and complete Board meeting minutes within 20 days after a meeting.</li> <li>2. Arrange meetings for independent directors to communicate with the chief internal auditor, CPAs, or other internal units, in order to assist independent directors with performing their duties.</li> <li>3. Provide a manual for newly elected directors to assist directors with assuming office and compliance, and also assist directors in completing annual continuing education courses.</li> <li>4. Revise corporate governance related internal regulations in coordination with amendments to corporate governance</li> </ol>	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>related laws and regulations, and submit the revisions to the Board of Directors for resolution.</p> <p>5. Handle pre-registration of the date of the shareholders' meeting, prepare meeting notices, handbook, and proceedings, and handle change of registration for revisions to the Articles of Incorporation or election of directors within the time limit in accordance with the law.</p> <p>6. The performance of the Board of Directors and functional committees is evaluated on an annual basis according to the Company's Regulations Governing the Evaluation of Board Performance. For example, directors are notified and meeting materials are provided 7 days prior to Board meetings, registration of the date of shareholders' meetings, preparation of meeting notices, annual report, handbook, and meeting minutes, and company registration and registration of changes are completed within the time limit in accordance with the law.</p>	
V. Has the company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of your company's website for	V		<p>1. The Company maintains good communication channels with different stakeholders based on the scope of businesses of each department. The Company also set up a stakeholders' section on its official website for stakeholders to fill out the questionnaire and express their opinions.</p> <p>2. The Company's Corporate Sustainable Development Committee periodically discusses material economic, social, and environmental issues, goal attainment and future direction</p>	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues? (Including the frequency and date for reporting the communication with stakeholders to the Board of Directors)			of each department, and summarizes results, stakeholder engagement results, discussions, and recommendations for review and approval by the committee chairperson. The committee prepares a report for the Board of Directors each year.  3. The identity of stakeholders, issues of concern, communication channels, and response methods in 2022 were reported to the Board of Directors on December 19, 2022, please see the sustainability section of the company website for details.	
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed President Securities Corp. Stock Affairs Department to handle the matters of its shareholders' meetings.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Has the Company established a corporate website on which to disclose information regarding the Company's financial, business and corporate governance standings?	V		The Company has set up Chinese and English versions of its website: <a href="http://www.ecotek.com.tw">www.ecotek.com.tw</a> to provide information on its financial position, business performance, and corporate governance status. It also has a dedicated unit to update information.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the company have	V		The Company has established an English version website:	No deviation from the Corporate

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
other information disclosure channels (e.g., maintaining an English version website, assigning designated personnel to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?			Http://www.ecotek.com.tw/web_en.php and disclose related information. The Company assigns dedicated personnel to collect and disclose company data, implements the spokesperson system according to regulations, and places the briefing files of investor conferences on the Company's website.	Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		To increase the speed of information disclosure, the Company announces and reports annual financial statements within two months after the end of each fiscal year, and announces and reports Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate	V		(I) Employee rights and benefits: The Company is people-oriented and views employees as important assets. We have established complete management systems for the work environment, care for	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.



Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>family members, and education and training, which allow employees to gain peace of mind and stability. This aligns employees' personal interests with the Company's interests, so that employees will become fully dedicated to the Company and creating profits.</p> <p>(II) Care for employees: The Company provides employees with general health examinations and special health examinations each year. Family members are also allowed to participate in general health examinations. Results and analysis of annual general health examinations are sent to the supervisor of each department and taken into consideration when assigning personnel. Annual health examination data is imported into a database and personal health records are created for inquiry and tracking.</p> <p>(III) Investor relations: The Company operates based on the spirit of excellence, technology, integrity, and quality, and aims to maximize the benefits for investors by increasing the return on equity. The Company thus fully discloses information for investors to take into consideration.</p> <p>(IV) Rights of suppliers and stakeholders: The Company provides professional consulting and assistance to suppliers (contractors) for financial risk management, ensuring that suppliers can stably perform</p>	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			<p>their contract, protecting the benefits of suppliers' (contractors) employees. The Company clearly defines the safety and control measures needed to be taken by construction personnel for different high risk operations. We periodically evaluate suppliers (contractors) and encourage those with excellent performance.</p> <p>(V) Rights of stakeholders: The Company references the four principles of the GRI Standards: "materiality," "stakeholder inclusiveness," "sustainability context," and "completeness," and also considers international sustainable development trends and examines material issues of international benchmark company and domestic competitors. We use scientific methods to identify material issues, and screen material issues based on " level of concern among stakeholders" and the "degree of impact on company operations." The Corporate Sustainable Development Committee prioritizes issues and decides on the response method to protect stakeholders rights. Furthermore, the Company also publishes sustainability reports for stakeholders to better understand the Company's methods for protecting their rights.</p> <p>(VI)Implementation of risk management policy and risk measurement standards: The Company established the Risk Management Policy and Procedures for the</p>	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>assessment of operational risks, financial risks, hazard risks, information security risks, compliance risks, and other risks. Risk management procedures include risk identification, risk assessment, risk response, risk monitoring, and risk report. The Corporate Sustainable Development Committee assesses and monitors the overall quality of risk management, periodically prepares risks reports for the Board of Directors, and also established strict management measures and purchased insurance to reasonably manage the Company's overall operational risks.</p> <p>(VII) Customer policy implementation: The Company adjusts its product portfolio based on customer needs, and provides customers with professional services. Furthermore, the Company conducts customer satisfaction surveys every year, and continues to improve the quality of products and services based on survey results.</p> <p>(VIII) Please see pages 108~111 of this annual report for continuing education of the Company's directors and corporate governance supervisor.</p> <p>(IX) Status of liability insurance purchased by the company for directors: The parent company China Steel Corporation (CSC) uniformly plans the liability insurances for directors and supervisors of the Group's</p>	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			<p>companies annually. The Company handles liability insurances accordingly and reports it to the Board of Directors.</p> <p>(X) Succession plan for Board members and important managers:</p> <p>In the Company's succession plan, successors must have outstanding expertise and management skills, their values must match the Company's, and their personality traits must include integrity, innovation, and action. Training for successors of senior managers include management, professional abilities, job rotation, and experience in domestic and overseas subsidiaries, in order to develop business management abilities required by senior managers. Please see the corporate governance section on the company website for details.</p>	
<p>IX. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement.</p> <p>(I) Improvements proposed based on the 8th Corporate Governance Evaluation (2021) are as follows:</p> <p>1.#1.11 Upload the English version of the annual report 16 days prior to the annual general meeting.</p> <p>2.#2.5 The number of employees of the Company, its parent, subsidiary, or sister companies account for less than one third of the total number of Directors.</p> <p>3.#2.23 The Company appointed the Taiwan Corporate Governance Association to conduct the external performance evaluation of the Board of Directors in 2022.</p> <p>4.#2.27 The Company introduced the Taiwan Intellectual Property Management System (TIPS) and obtained third-party certification.</p> <p>5.#3.5 Upload the English version of the financial statements 16 days prior to the annual general meeting.</p>				

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Priority improvement items and measures for items yet to be improved are described below: 1.#3.6 Plan the disclosure of the English version of the mid-term financial statements in 2023. 2.#4.11 Disclosure of the annual greenhouse gas emissions of China Ecotek Corporation (individual) and obtain external certification. 3.#4.18 Disclosure of the governance of climate related risks and opportunities in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) framework.				

(IV) Duties and operation of the Remuneration Committee

The Company established the "Remuneration Committee Charter" and the Remuneration Committee in the 3rd meeting of the 7-term Board of Directors held on December 22, 2011 in accordance with Article 14-6, Paragraph 1 of the Securities and Exchange Act, and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" announced by the Financial Supervisory Commission on March 18, 2011.

Pursuant to Article 2 of the Remuneration Committee Charter, the Remuneration Committee's three members are appointed by the Board of Directors, and has the same term as the Board of Directors from June 23, 2020 to June 22, 2023 (same as the 10th-term Board of Directors).

The Remuneration Committee shall act as a prudent administrator with due care to faithfully perform the responsibilities specified in Article 5 of the Remuneration Committee Charter, and shall submit recommendations to the Board of Directors for discussion.

- I. Establish performance appraisal policies for the chairperson, the president, and vice presidents, and review them on a regular basis.
- II. Establish and review regularly any policies, systems, standards and structures relevant to the remuneration of directors, supervisors, president, and vice presidents (including travel allowances for directors).
- III. Determine and regularly review the level of remuneration to directors, supervisors, president, and vice presidents (including travel allowances for directors).

1. Remuneration Committee member profiles

Position	Qualifications	Professional qualifications and experience	Independence	Number of other public companies in which the member also serves as a member of their remuneration committee
	Name			
Independent Director	Chia-Jung Chen (Convener)	Please refer to "Three. Corporate Governance II. (I) Information on directors (2) Disclosure of Information on the Professional Qualifications	The three independent directors all met the following criteria in the two years before being elected and	1

Position	Qualifications	Professional qualifications and experience	Independence	Number of other public companies in which the member also serves as a member of their remuneration committee
	Name			
		of Directors and Independence of Independent Directors" of the Company's annual report.	during their term as independent director:	
Independent Director	Po-Han Wang	Please refer to "Three. Corporate Governance II. (I) Information on directors (2) Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors" of the Company's annual report.	1. The independent director, his/her spouse, and relatives within the second degree of kinship is not a director, supervisor, or employee of the Company or its affiliates.	2
Independent Director	Tai-Kuang Peng	Please refer to "Three. Corporate Governance II. (I) Information on directors (2) Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors" of the Company's annual report.	2. The individual, spouse, or relative within the second degree of kinship is not a natural-person shareholder who holds 1% or more of the Company's outstanding shares or ranks as one of its top ten shareholders. 3. The independent director is not a director, supervisor,	0

Position	Qualifications  Name	Professional qualifications and experience	Independence	Number of other public companies in which the member also serves as a member of their remuneration committee
			<p>or employee of a company with a specific relationship with the Company.</p> <p>4. Did not provide commercial, legal, financial, or accounting services to the Company's affiliates within the past 2 years.</p> <p>5. Meets independence criteria set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies in the two years before being elected and during the term as independent director.</p>	



## 2. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Current term for the members: From June 23, 2020 to June 22, 2023. The Remuneration Committee convened 3 meetings (A) in the most recent year, and the members' qualifications and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Notes
Convener	Chia-Jung Chen	3	0	100%	Re-appointed on 2020/6/23
Committee Member	Po-Han Wang	3	0	100%	Re-appointed on 2020/6/23
Committee Member	Tai-Kuang Peng	3	0	100%	Re-appointed on 2020/6/23

### (3) Operation in 2022:

Date and session of Board meeting	Agenda	Resolution of the Board meeting	Resolutions of the Remuneration Committee
2022.02.23 10th-term 14th Board meeting	Discussion item 2: Proposal to report on the distribution of the 2021 employee bonuses and remuneration to directors.	Passed by all directors present at the meeting	6th Remuneration Committee meeting of the 10th-term Board of Directors on February 23, 2022: Passed with the approval of all members in attendance.
	Discussion item 6: Proposal for the adjustment of the positions and salary table in the Remuneration Management Regulations.	Passed by all directors present at the meeting	6th Remuneration Committee meeting of the 10th-term Board of Directors on February 23, 2022: Passed with the approval of all members in attendance.
2022.08.02 10th-term 17th Board meeting	Discussion item 3: Performance evaluation and review results for the President and Vice Presidents for 2021.	Passed by all directors present at the meeting	7th Remuneration Committee meeting of the 10th-term Board of Directors on August 2, 2022: Passed with the approval of all members in attendance.
	Discussion item 4: Passed the proposed remuneration distribution for the Company's President and Vice Presidents.	Passed by all directors present at the meeting	7th Remuneration Committee meeting of the 10th-term Board of Directors on August 2, 2022: Passed with the approval of all members in attendance.
	Discussion item 5: Distributed the performance bonus for the Company's president and vice presidents.	Passed by all directors present at the	7th Remuneration Committee meeting of the 10th-term Board of Directors on August 2, 2022: Passed with the approval of all

Date and session of Board meeting	Agenda	Resolution of the Board meeting	Resolutions of the Remuneration Committee
		meeting	members in attendance.
	Discussion item 6: Proposal for setting the remuneration of Mr. Li-Ming Hu, the Vice President of Administration Group of the Company.	Passed by all directors present at the meeting	7th Remuneration Committee meeting of the 10th-term Board of Directors on August 2, 2022: Passed with the approval of all members in attendance.
	Discussion item 7: Proposal for setting the remuneration of Mr. Chien-Chih Chen, the Vice President of Engineering Group of the Company.	Passed by all directors present at the meeting	7th Remuneration Committee meeting of the 10th-term Board of Directors on August 2, 2022: Passed with the approval of all members in attendance.
	Discussion item 8: Proposal for setting the remuneration of the Company's new Chairperson.	Passed by all directors present at the meeting	7th Remuneration Committee meeting of the 10th-term Board of Directors on August 2, 2022: Passed with the approval of all members in attendance.
2022.12.19 10th-term 20th Board meeting	Discussion item 3: Proposal for the amendment of the Company's "Remuneration Committee Charter".	Passed by all directors present at the meeting	8th Remuneration Committee meeting of the 10th-term Board of Directors on December 19, 2022: Passed with the approval of all members in attendance.
	Discussion item 6: Proposal for the salary adjustment of the Company's Chairperson Cheng-Chiang Chen, President Chih-Feng Lee, Vice President of Administration Group Li-Ming Hu, and Vice President of Engineering Group Chien-Chih Chen.	Passed by all directors present at the meeting	8th Remuneration Committee meeting of the 10th-term Board of Directors on December 19, 2022: Passed with the approval of all members in attendance.

Other details that need to be recorded in meeting minutes:

- I. If the Board of Directors does not accept or revises the Remuneration Committee's recommendation, specify the date of the Board meeting, session, contents of the agenda item, resolution of the Board of Directors, and the Company's response to the Remuneration Committee's opinions (if the remuneration passed by the Board of Directors is higher than the recommendation of the Remuneration Committee, specify the discrepancy and reason): None.
- II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the dissenting opinion of members: None.

(V) Implementation status of sustainable development and deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the company established a governance framework for promoting sustainable development and established a fully (or partially) dedicated unit to promote sustainable development? Does the Board of Directors authorize and supervise senior managers in handling such matters?	V		<p>The Company established the Corporate Social Responsibility Management Committee in 2011 and renamed the Corporate Sustainable Development Committee in 2020 according to the vision and mission of the Company's ESG policy. The committee carries out sustainable development work and has one chairperson and one vice chairperson according to its charter. An implementation center is established under the committee and has one director and one deputy director. The implementation center has an environmental sustainability group, corporate governance group, community relationship group, risk management group, and one secretary. The center is responsible for establishing the sustainable development policy, system, and related management guidelines.</p> <p>The "Corporate Sustainable Development Committee" serves as the inter-department communication platform for top-down integration and horizontal connection. It convenes annual meetings to identify the sustainability issues of concern to the Company's operations and stakeholders, and formulate suitable strategies and work plans. It planned and executes annual plans, reviewed implementation results, and reported the implementation results in the current year.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>implementation plan for the next year, communication with stakeholders, and the risk management assessments, and reported the response measures for the following year to the Board of Directors on December 19, 2022. The results were also disclosed on the Company's official website in the sustainability section.</p> <p>The Board of Directors regularly listens to the ESG report of the management team, management must propose company strategies to the Board of Directors. The Board of Directors assesses the feasibility of these strategies, reviews the strategy implementation results, and urges the management team to make adjustments when necessary.</p>	
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<p>The Corporate Sustainable Development Committee of the Company assessed ESG risks associated with its operations based on the principle of materiality, and established the "Risk Management Policy and Procedures" as the highest guiding principles for risk management. It also regularly reports the risk exposure status to the Board of Directors. The Company uses materiality assessment procedures to identify issues of high concern to stakeholders and formulates material risk response strategies for different risks. The scope of risk management includes the management of operational risks, financial risks, information security risks, hazard risks, and compliance risks to effectively identify, measure, and control the Company's risks and to limit the impact of the risks arising</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			from business activities to an acceptable level. We filed the 2023 risk report based on the results of the risk identification in 2022. It was approved by the Corporate Sustainable Development Committee on November 15, 2022 and submitted to the Board of Directors on December 19, 2022. See Note 1 for the 2023 risk management policy (please refer to page 87~92 of the Company's annual report).	
III. Environmental issues (I) Has the company established a suitable environmental management system based on the characteristics of the industry?	V		<p>The Company conducts internal audit plans for annual environmental management in accordance with ISO 14001 and management measures certified by SGS Taiwan Limited each year. We also conduct regular compliance audits to verify that all work procedures comply with relevant environmental regulations.</p> <p>The Company has a comprehensive environmental management system and has passed and obtained certification based on international standards, such as ISO 9001, ISO 14001, ISO 14064-1, ISO 14067, and ISO 45001.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Is the company committed to improving energy efficiency and using recycled materials which	V		<p>The Company is committed to developing eco-friendly agents and technologies to lift the environmental burden. We established waste management policies, such as the</p>	The Company is not a manufacturing company and the clause to use recycled materials

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
have a low impact on the environment?			"Residual Materials Management Regulations" and "Scrap Disposal Regulations," to increase the efficiency of resource use, allowing residual materials or scraps from cutting materials to be effectively recycled or used after the construction is completed.	therefore is not applicable.
(III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures?	V		<p>The Company's Corporate Sustainable Development Committee is the highest level organization for climate change management, in which the president is the chairperson, and reviews the Company's climate change strategies and goals, manages climate change risks and opportunities, examines the implementation status and discusses future plans, and reports to the Board of Directors. The Company assesses the risks and opportunities of climate change for the Company with annual reviews and updates in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) framework. The Company completed its latest climate risk assessment at the end of 2022, which addressed the proposed disclosure items for information on governance, strategy, risk management, indicators, and targets for climate-related risks and opportunities.</p> <p>To reduce the impact of key risk factors, the Company also</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			identified feasible opportunities and formulated response measures. Detailed descriptions of the Company's climate change risks and opportunities have been disclosed in the Company's Sustainability Report.	
(IV) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V		<p>The Company discloses its greenhouse gas emissions, water consumption, and total weight of waste in recent years in the Sustainability Report:</p> <p>1. Greenhouse gas emission statistics and management policy:</p> <p>(1) We calculated the annual consumption of fuel oil, diesel, and electricity according to the table of fuel oil/diesel/electricity/general water costs in the past two years for all offices and construction site units (excluding subsidiaries). We then converted the total greenhouse gas emissions based on the greenhouse gas emission coefficients for 2021 and 2022, and the total direct and indirect greenhouse gas emissions were 2,734.935 tons CO<sub>2</sub>e and 2,274.398 tons CO<sub>2</sub>e, respectively.</p> <p>(2) The Company's business premises are in office buildings and there are no emissions from fixed pollution sources in production plants.</p> <p>(3) The Company launched the paperless movement to use</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>environmentally friendly photocopying paper to reduce carbon emissions to approximately 10%.</p> <p>(4) The replacement of LED panel lights in the Company's head office is expected to save approximately 37,500 kWh of electricity and reduce carbon emissions by 18.825 tons CO2e per year.</p> <p>(5) The Company spares no effort in promoting a green lifestyle, and we have repeatedly communicated our policy of environmental protection, low-carbon living, and happiness for all in meetings. We encourage employees to use office equipment and supplies, computers and peripherals, recycled paper towels, and eco-friendly cleaning products that have environmental protection labels.</p> <p>2. Water consumption statistics and management policy: The Company consumed 17,797 and 18,901 tons of tap water in 2021 and 2022, respectively. The water was mainly provided for office use. We support the implementation of water conservation measures in the building and encourage employees to develop good habits of water conservation.</p> <p>3. Waste disposal policy: All waste generated in the Company's office is classified as domestic waste, which is disposed by the office building</p>	



Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>through legal procedures. It is delivered over to a waste disposal contractor that processes the waste generated by employees on a daily basis.</p> <p>To ensure compliance with the Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies published by the FSC, the Company established the Greenhouse Gas Inventory Task Force in July 2022 and set up the "Carbon Neutrality Management Platform" in the internal website to complete greenhouse gas inventory and certification tasks. The Company started with a GHG inventory of Pinghe Plant and passed the third-party certification by SGS Taiwan Limited on November 18, 2022. We obtained the ISO 14067 (carbon footprint certification) and ISO 14064-1 (greenhouse gas inventory) certification.</p>	
<p>IV. Social issues</p> <p>(I) Has the Company formulated management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?</p>	V		<p>1.To ensure sustainable development and protect the basic human rights of all employees, customers, and stakeholders, the Company adheres to the Universal Declaration of Human Rights, the UN Global Compact, and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour</p>	<p>No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Organization. We respect internationally recognized basic human rights, including freedom of association, caring for the disadvantaged, elimination of all forms of forced labor, elimination of discrimination in employment, etc., and abides by the labor-related regulations local to the Company.</p> <p>2.The Company fully complies with the Labor Standards Act and has never employed child laborers. As of 2022, we have not used child labor under the age of 16 or forced labor since the establishment of the Company. The Company protects the basic human right of equal opportunity for employment. We hire employees entirely based on their professional skills and experience and we never consider factors such as their race, thought, religion, political association, origin, place of birth, gender, sexual orientation, marital status, appearance, physical or mental disability, or union association. There were no violations of human rights or discrimination in the hiring of employees in 2022.</p> <p>3.The Company established the "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" to prevent sexual harassment</p>	

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			when conducting official company affairs. The Company has not had labor disputes, corruption, bribery, or discrimination cases since its founding. 4.Please see the company website for the human rights management policy, specific management plans, and implementation status.	
(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		The Company provides salaries and benefits better than competitors, provides equal pay and equal opportunity to promotions. The leave system complies with the Labor Standards Act, and we also established a bonus system, so that business performance will appropriately reflect on employee compensation. "Please refer to Four. Capital overview (VIII) Employee bonuses and directors' remuneration and Five. Business overview V. Labor-management relations in the Company's annual report."	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the company provided a safe and healthy working environment and provided employees with regular safety and health training?	V		The Company implemented ISO 45001 Occupational Safety and Health Management System to improve its risk management ability, ensure safety and health management performance, reduce occupational accidents, and provide employees with a safe employment environment. We provide periodic health examinations and special health examinations every year, and allow employees' family	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			members to participate at their own expense. We also irregularly organize health seminars, and doctors or nurses provide health consultations and care to employees, who are divided into groups based on their health examination results, improving employees' health concepts and understanding. "Please refer to Five. Business overview V. Labor-management relations 6. (2) Protection measures for work environment and employees' personal safety and implementation status in the Company's annual report."	
(IV) Has the Company established an effective career development plan for its employees?	V		The Company's Human Resources Department formulates employee training plans every year, and lays out a learning map for employees' career development, allowing employees to gain necessary skills for promotion while they are working in their current position. We also plan training programs to develop employees' second expertise. We hire external lecturers and assign them to ongoing projects as quickly as possible to gain practical experience.	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and	V		We conduct a customer satisfaction survey on customers with project amount reaching NT\$10 million and above each year, in order to understand our performance in the industry and customers' level of satisfaction, and thus improve our products and service quality. The Company has established procedures for the protection	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
services, and has it established consumer rights protection policies and complaint procedures?			of consumer rights, such as: Established a dedicated complaint channel, periodically conducted customer satisfaction surveys, and established Procurement Standards to ensure that construction quality complies with international and domestic environmental protection regulations.	
(VI)Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	V		The Company attaches importance to the environmental and social impact on the supplying community, and fulfills its corporate social responsibility together with suppliers. Price quotations and purchase orders include the clause: "The parties shall comply with the CSR policy of both parties upon entering into this purchase contract. If the supplier is found in violation of the policy and causes a significant environmental and social impact on the supplying community, the Company may terminate or cancel this contract at any time. The use of child labor and illegal immigrants, violation of any human rights laws, risk of forced or compulsory labor, and violation of employees' freedom of association and collective bargaining is prohibited, and the Company may terminate this contract if the supplier is found in violation." This prevents the supply chain from having a negative impact on the environment. Please see the Sustainable Development Section of the	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			Company's website ( <a href="http://www.ecotek.com.tw">http://www.ecotek.com.tw</a> ) under Supplier and Contractor Management Policy.	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as sustainability reports? Do the reports above obtain assurance from a third party verification unit?	V		The Company's prepared its 2021 Sustainability Report in 2022 and passed BSI verification; contents of the report comply with the GRI Standards: Core Options. We disclosed the report on the Sustainable Development section of our official website ( <a href="http://www.ecotek.com.tw">http://www.ecotek.com.tw</a> ) and the MOPS.	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
VI. If the company has established Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies," describe any discrepancy between the principles and their implementation: The Company has established Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies" and disclosed it on the Market Observation Post System and the company website. Our actual operations are in compliance with the principles.				
VII. Other important information helpful in understanding the implementation of sustainable development (I) Environmental protection As the world faces a deteriorating environment and becomes more concerned about environmental protection issues, environmental protection projects are our main business items, and cover water resource management, air pollution prevention, and waste disposal. We use highly efficient sewage treatment technology and develop green energy and air pollution prevention technologies to improve the quality of life for all people. (II) Social services We sponsored the CSC Group Education Foundation and made donations to Kaohsiung Autism Foundation, Down syndrome, and Red				

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
Cross Nursery Center Cihhuei Garden, Fuxing baseball team, and Shou Shan Zoo animal adoption event, provided funding for the charity performance group "Chin-ai Music", provided funding for the "South Taipei Fun Carnival" events, organized by the General Association of Chinese Culture, and provided funding for the "Creative Expo Taiwan~Taiwan Design Expo in Kaohsiung" events organized by Kaohsiung City Government Bureau of Cultural Affairs and Kaohsiung Philharmonic Cultural & Arts Foundation. The funds totaled approximately NT\$1.23 million.				
(III) Consumer rights				
The Company is a professional construction service company, and attaches great importance to the fulfillment of contractual obligations. We have gained the recognition of clients numerous times and received certificates of appreciation.				
(IV) Human rights				
The Company respects the basic human rights of all employees, customers, and stakeholders, and we adhere to the Universal Declaration of Human Rights, the UN Global Compact, and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization. We comply with the labor laws and regulations at the Company's locations, establish and implement relevant manpower policies and internal regulations, and encourage suppliers and partners to comply with the spirit of human rights policies and commit themselves to providing a safe and healthy working environment, eliminate unlawful discrimination to ensure equal employment opportunities, ban child labor and forced labor, assist employees to maintain physical and mental health and work-life balance, and encourage suppliers and partners to protect human rights as their implementation strategy. Please see the Company's official website for the human rights management policy and implementation status.				
(V) Safety and health				
The Company's safety and health management framework is based on the occupational safety and health management system (ISO 45001), and continues to make improvement through the plan-do-check-act (PDCA) cycle. Combined with leadership and participation requirements in the latest articles, we are able to prevent accidents, improve employee safety and health, and protect company assets. Safety management involves safety and health education and training to improve employees' self-management, identification of environmental and operational hazards before construction, and assessment of risks and opportunities (added the organization's internal				

Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>and external situation, requirements and expectations of stakeholders) to establish operational safety procedures (assessment of internal and external issues that affect the organization, requirements and expectations of workers, customers, competent authority, residents, and labor unions), and aims to prevent accidents from occurring, protect the safety of the Company and suppliers' employees, and meet the requirements and expectations of stakeholders and investors on returns. We also established Guidelines for the Accident Casualty Handling Team and Guidelines for Staying in the Workplace During a Typhoon, in order to reduce damages caused by disasters and minimize the social and environmental impact. Strictly require the implementation of high risk operation controls; For construction safety, construction is carried out according to the construction plan and safety facilities are installed according to the requirements of occupational safety regulations; We will also step up safety design and planning and periodically conduct safety inspections for equipment and facilities of the IT and general affairs departments; As for health management, we carry out general health promotion and occupational health management affairs.</p> <p>(VI)Employee rights and benefits</p> <p>The Company is people-oriented and views employees as important assets. We have established complete management systems for the work environment, care for family members, and education and training, which allow employees to gain peace of mind and stability. This aligns employees' personal interests with the Company's interests, so that employees will become fully dedicated to the Company and creating profits.</p> <p>(VII)Care for employees</p> <p>The Company provides employees with periodic general health examinations and special health examinations. Family members are also allowed to participate in general health examinations. Results of general health examinations are sent to the supervisor of each department and taken into consideration when assigning personnel, in order to ensure the operational safety of employees. Health examination data is imported into a database to create personal health records, making it convenient for individuals to check and track their health. The Company provided AED in 2 locations (Polyplastics Taiwan construction site and China Steel) around Taiwan in 2022, and basic life support instructor and full-time nurses taught 28 sessions of the "CPR+AED first aid training course." The Company has full-time nurses to provide health management and on-site health services, occupational injury and disease and general injury and disease prevention and</p>				



Implementation items	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>treatment, labor health record analysis, assessment, management, and preservation, individual consultation and instructions for disease prevention, and also track the health of the Company and contractors' employees with high blood pressure, high blood sugar, or high blood cholesterol. Supervisors oversee and respond to employees' health control status, and continue to care for employees' personal health. A number of clubs beneficial to employees' physical and mental health were established to reduce work stress. Furthermore, the Company has enrolled employees in group accident insurance, so that employees can focus on work without any worries.</p> <p>(VIII) Investor relations</p> <p>The Company operates based on the spirit of excellence, technology, integrity, and quality, and aims to maximize the benefits for investors by increasing the return on equity. The Company thus fully discloses information for investors to take into consideration.</p> <p>(IX) Rights of suppliers and stakeholders</p> <p>The Company provides professional consulting and assistance to suppliers (contractors) for financial risk management, ensuring that suppliers can stably perform their contract, protecting the benefits of suppliers' (contractors) employees. The Company clearly defines the safety and control measures needed to be taken by construction personnel for different high risk operations. We periodically evaluate suppliers (contractors) and encourage those with excellent performance. During price inquiry, the contents of work, regulations, schedule, and safety are fully explained and clarified with the contractor, so that the contractor will understand the scope of supply and risks. The contract amount, payment terms, responsibilities of both parties, rights and obligations, and penalties are clearly specified in the contract during contract signing, and serve as the basis for contract performance.</p>				

Note 1: Risk assessment based on the ESG principle of materiality

Dimension	Risk category	Potential risks	Management strategies and methods
Economic/Governance	Financial risks	Foreign exchange and interest rate risks	<p>1.In the event of an increase in financing costs due to rising interest rates, the Company is able to obtain more favorable interest rates through long-term cooperation with financial institutions and sound financial operations to reduce the impact of interest rate fluctuations.</p> <p>2.The Company prioritizes foreign currency deposits or foreign exchange contracts to meet the demand on foreign exchange for confirmed purchase orders, and reduces the risks of exchange rate fluctuations.</p> <p>3.The Company regularly analyzes macroeconomic data and foreign exchange trends and provides full and timely information to the management and relevant departments for reference to formulate strategies for reducing exchange rate risks.</p>
		Credit risk	We review and track the collection of accounts receivable each month. If there are any abnormalities, we immediately request information on the customer's operating status and the reasons for the delayed payment. The Company's major customers all have excellent credit and are either major domestic companies or government agencies. According to our assessments, there is no material credit risk.
		Liquidity risk from funding	We have worked closely with financial institutions for years and have no issues with obtaining sufficient capital and more favorable interest rates. According to our assessments, we currently do not have any liquidity risk from funding.
		Operational risks	The Company purchased fidelity bond insurance and implemented job rotations for financial personnel. All expenses must go through multiple layers of review, thereby lowering operational risks.
	Business risks	Project management risk	<p>1.The problem of labor shortage still persists for contractors. To cope with the large volume of projects later on, we will carefully select our contractors to avoid delays caused by labor shortages. We will maintain long-term stable relations with high-quality contractors and carefully evaluate the capabilities of new contractors.</p> <p>2.We will implement strict reviews of contractors and divide them into different tiers</p>

Dimension	Risk category	Potential risks	Management strategies and methods
			<p>based on our evaluations to avoid default, bad debts, or failure to perform contractual obligations due to poor capitalization caused by malicious low bids from contractors.</p> <p>3. We have added intellectual property rights and confidentiality clauses to project contracts, which specify confidentiality obligations, ownership of intellectual property rights, and non-infringement guarantee clauses to improve contracts and ensure that contractors perform their confidentiality obligations.</p>
		Production risks	<p>1. We planned various production and sales scenarios based on actual purchase orders and potential purchase orders in the future.</p> <p>2. We suitably adjust the stock of raw materials and agents used for production and lower purchase cost as much as possible based on market price and amount used by customers.</p> <p>3. We adjust stock levels of raw materials or finished goods in advance in response to the potential increase or decrease in amount that will be used by customers after a major repair.</p> <p>4. We seek alternative sources of materials and chemical agents.</p>
		Supply chain risks	<p>1. Inflation poses a serious threat to businesses. Labor shortages, inventory shortages, and geopolitical turmoil and uncertainties have caused global supply chain disruptions that must be addressed with prudent measures:</p> <p>(1) When ordering larger quantities of the same goods, disperse the orders to as many suppliers as possible and avoid ordering with a single supplier. Disperse purchases to ensure delivery time. The cost of suppliers must be taken into account as they may have different unit prices for the same case (ensure stable and timely delivery).</p> <p>(2) Select suppliers carefully. Avoid ordering from suppliers in countries with severe epidemics and pay close attention to international developments, particularly for countries with interruption of work, lockdowns, and restrictions on imports and exports. Avoid ordering from suppliers in these countries to prevent delays in</p>

Dimension	Risk category	Potential risks	Management strategies and methods
			<p>delivery.</p> <p>(3) For suppliers who have received the Company's orders, the Company must verify the production progress every week and ask suppliers to provide photos of the manufacturing process and report the progress on a regular basis to ensure timely delivery.</p> <p>(4) The USD is a strong currency as the TWD is depreciates and the US Federal Reserve has commenced a cycle of interest rate hikes. For foreign purchases, as the currencies of different countries, particularly those in Asia, are depreciating, orders must be directed to currencies in the countries of the trading partners to avoid risks arising from USD transactions.</p> <p>(5) When the equipment and goods from foreign suppliers are prepared, they must complete transportation preparation to ensure swift delivery to the destination.</p> <p>2.We have established a pricing adjustment mechanism with the owner and the supplier for the chemical supply business managed by the Water Treatment Plant. It shall be based on the changes of prices announced by Formosa Plastics to avoid the risk of increases caused by fluctuations in the raw material market.</p>
		Labor-management relations risks	<p>1.We maintain smooth channels of communication between labor and management, and provide employees with multiple channels to express their opinions or requests for assistance and engage in two-way communication, including regular communication and coordination meetings, department supervisors, union representatives, labor-management meetings, and audit unit.</p> <p>2.Collective bargaining agreements reached through the negotiation process cover labor relations and related matters, and achieve more stable labor-management relations, promote harmony between labor and management, and protect laborers' rights and interests.</p> <p>3.All employees signed the consent form and agreed to comply with all regulations and systems of the Company, provided that they do not violate government regulations or human rights. Employees also agree to strictly protect and not leak</p>

Dimension	Risk category	Potential risks	Management strategies and methods
			<p>work secrets, work overtime when needed by the Company, and eliminate any infringement of intellectual property rights.</p> <p>4.The Company established the "Code of Ethical Conduct for Directors," "Code of Ethical Conduct for Employees," "Ethical Corporate Management Best Practice Principles," and "Procedures for Ethical Corporate Management and Code of Conduct." We implement hierarchical management according to the delegation of authorities, and established an internal control system to effectively lower human resources risk.</p>
		Information security risks	<p>1.The Company convenes regular phishing email exercises and information security training and awareness campaigns each year to increase the information security awareness of all employees.</p> <p>2.Regularly review information security monitoring records, provide statistics on important events, and provide them to units for information security training.</p> <p>3.Enhance network security protection and detection mechanisms and regularly review network access control rules.</p> <p>4.Regularly appoint security consultants to conduct vulnerability scans for critical information systems accessible by external parties, provide reports, and resolve high-risk vulnerabilities.</p> <p>5.Regularly assign information security consultants to conduct information security examinations of the system environment and network architecture, and implement improvements based on the recommendations.</p> <p>6.Establish threat detection and response mechanisms, and implement the endpoint detection and response (EDR) system to enhance capabilities for timely and effective response.</p> <p>7.Establish the "Information Security Team" and hold regular information security management meetings to formulate and implement risk management and improvement measures.</p> <p>8.Introduce international standards in the ISO 27001 information security</p>

Dimension	Risk category	Potential risks	Management strategies and methods
			management system and implement management through process methods and continuous improvement with the PDCA cycle.
		Intellectual property rights risks	We continue to enhance the TIPS system and develop intellectual property strategies and objectives each year based on internal and external risks. We revise internal rules and regulations on patents and trade secrets, and conduct annual internal audits and training to strengthen the review of contracts regarding intellectual property rights, non-infringement guarantees, and confidentiality obligations of upstream owners and downstream contractors.
		Compliance risks	We revise internal regulations, establish compliance review mechanisms, and set up a review system for employees responsible for compliance to remain informed of changes in government regulations in a timely manner and ensure that our internal regulations are in compliance with the laws and regulations of the competent authority.
Environmental, Social	Hazards and risks	EHS risks	<ol style="list-style-type: none"> <li>1. We review the method used for high-risk operations, and strengthen construction risk management to achieve zero construction safety incidents.</li> <li>2. We set KPIs to reduce occupational accidents and formulate the Guidelines for Labor Safety Incentives of China Ecotek Corporation to strengthen occupational safety and security risk management and enhance the resolve of units.</li> <li>3. We impose mandatory requirements on contractors to increase the amount of insurance coverage for all types of occupational accidents and protect the rights and interests of their employees.</li> <li>4. We established an occupational safety graphic information platform for senior executives to strengthen and speed up occupational safety decisions by supervisors and reduce the probability of occupational accidents.</li> </ol>
		Risk of financial losses caused by natural disasters or climate change	<ol style="list-style-type: none"> <li>1. We actively participate in projects of new eco-friendly businesses in response to climate change and reduce GHG emissions, in order to further lower the risk of financial losses.</li> <li>2. We regularly maintain machinery room equipment and purchase commercial fire insurance and construction insurance to reduce the risk of financial losses caused by</li> </ol>

Dimension	Risk category	Potential risks	Management strategies and methods
			natural disasters or climate change.
		Improper or incorrect management, construction, or operation	<ol style="list-style-type: none"> <li>1. We prepared hazard identification and risk assessment documents and implemented risk reduction measures.</li> <li>2. We request all units to enhance the training for the work performance and familiarity of on-site engineering personnel.</li> <li>3. We organize training meetings for safety and health personnel to enhance their skills and techniques.</li> </ol>
		Pandemic	<ol style="list-style-type: none"> <li>1. We reference government information on prevention measures, immediately update announcements, and organize seminars.</li> <li>2. We formulate and implement the Company's epidemic prevention rules and regulations for each plant area.</li> <li>3. We establish incentive measures to increase the vaccination rate.</li> <li>4. We purchase infection insurance policies for employees to enhance protection for employees.</li> </ol>

(VI) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons:

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>I. Establishment of ethical management policies and solutions</p> <p>(I) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?</p>	V		<p>1.The Board of Directors passed the "Ethical Corporate Management Best Practice Principles" and established the "Procedures for Ethical Corporate Management and Code of Conduct" based on the principles, and both contain provisions on the prevention of dishonest conduct. The Company clearly states its ethical corporate management philosophy in its company introduction and sustainability report.</p> <p>2.The Internal Audit Office periodically audits the implementation of ethical corporate management, proposes improvement recommendations, tracks its progress, and submits reports to the Board of Directors and Audit Committee for review. This is an important mechanism for the supervision of ethical corporate management policies by the Board of</p>	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.



Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			Directors.	
(II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	V		<p>The Company established the "Code of Ethics for Employees" and "Employee Accepting Offer and Lobbying Report Logbook." Employees shall not request, offer or receive any gifts, treats or other benefits provided by interested parties related to their job duties. Violators will be punished according to company regulations and brought to justice if the violation involves criminal liability. Pursuant to the Contractor Selection Guidelines, contractors that offer gifts, bribes, commission, or other illegal benefits to the Company's personnel will be permanently blacklisted once verified.</p> <p>The Company established the Procedures for Handling Internal Material Information and the Regulations Governing Prevention of Insider Trading to prevent the leakage of internal material information by directors, managers, or employees. If a leak damages the Company's assets or interests, the Company will take legal action to hold the violator responsible.</p>	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
(III) Has the company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, implemented the policies, and review the policies on a regular basis?	V		The Company established "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct," and shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith, and establish good corporate governance and risk control and management mechanisms to create an operating environment for sustainable development. The Company promotes ethical conduct, discipline, and related company regulations in various internal activities and meetings to encourage employees to conduct careful business operations and establish a culture of ethical business practices.  The Company shall periodically review and revise the abovementioned procedures and guidelines for conduct.	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
II. Implementation of ethical corporate management (I) Does the Company evaluate the ethical conduct	V		For better management of contractors, the	No deviation from the Ethical

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
record of counterparts, and does it include an ethical conduct clause in contracts signed with the counterpart?			<p>Company specified in the construction contract that the Company's Procurement Department may request approval from the Vice President of Administration Group to permanent blacklist a contractor if the contractor has any one of the following situations:</p> <ol style="list-style-type: none"> <li>1.Breach of contract by the contractor causes the Company to sustain severe losses.</li> <li>2.The contractor is verified to have engaged in illegal conduct, such as manipulation or bid rigging.</li> <li>3.Penalties shall be imposed on suppliers that provide bribes, gifts, commissions, compensation, interest in exchange for benefits, or other illegitimate benefits to the Company's managerial officers, employees, or part-time employees, their spouses, direct blood relatives, consultants, or design and planning companies once such violations are verified.</li> </ol>	Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
(II) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		<p>The Administration Group established regulations for better ethical corporate management. Departments in the Company are responsible for assisting the Board of Directors and management in formulating and supervising the implementation of the ethical corporate management policy and prevention plans, which ensure the implementation of the Ethical Corporate Management Best Practice Principles. The Internal Audit Office reports to the Board of Directors on an annual basis:</p> <p>1. Human Resources Department:</p> <p>(1) Planning of internal organization, staffing and job duties, establish mutual supervision and balance mechanisms for operating activities of relatively higher unethical conduct risk in the scope of business.</p> <p>(2) Promotion and coordination of ethical policy promotion.</p> <p>2. Legal Office:</p> <p>(1) Assisting in incorporating ethics and moral values into the company's</p>	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			<p>business strategy.</p> <p>(2)Establishing Ethical Management Operation Procedures and Code of Conduct according to regulatory system.</p> <p>(3)Establishing and maintaining relevant company internal regulations, such as Code of Conduct for Directors, Code of Conduct for Practitioners and Regulations for Ethics of Practitioners, etc.</p> <p>3. Internal Audit Office:</p> <p>(1)Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>(2)Assisting the board of directors and management in auditing and assessing whether or not the prevention measures taken for the purpose of implementing ethical management are effectively operating and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p> <p>The Company's implementation of the ethical</p>	

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			<p>corporate management policy in 2022:</p> <p>1.Education and training: The Human Resources Department plans a series of courses on regulations and construction contract performance management, providing construction company personnel with knowledge of the law, work rules, code of conduct, and the protection of intellectual property rights and trade secrets. Case studies during the courses emphasize concepts and implementation of ethical corporate management, jointly managing and preventing unethical conduct. A total of 252 people participated in the courses for a total of 308 man-hours.</p> <p>2.Compliance promotion: The Legal Office summarizes the Ethical Corporate Management Best Practice Principles and important rules for handling internal material information, and promotes matters that employees need to pay attention to when performing their duties through case</p>	

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			<p>study.</p> <p>3.Communication channel: Employees can express their opinions through multiple channels to management and the Human Resources Department. The ethical corporate management policy and implementation status is announced on the company website, annual report, and during investor conferences.</p> <p>4.Periodic audits: The Company established the "Code of Ethical Conduct for Employees" and incorporated ethical corporate management into employee performance evaluations and the human resources policy. We have also established clear and effective systems for rewards and punishment. There were no corruption cases and anti-competitive behavior in 2022.</p> <p>5.Whistleblowing system and whistleblower protection: We established the whistleblower system in the "Corporate Governance Best Practice Principles,"</p>	

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			"Ethical Corporate Management Best Practice Principles," and "Procedures for Ethical Corporate Management and Code of Conduct," actively preventing dishonest conduct, encouraging internal and external personnel to report dishonest or improper conduct. The Internal Audit Office was assigned to handle reports of dishonest conduct, and establish the whistleblowing system. The identity of whistleblowers and contents of reports are kept confidential.	
(III) Has the company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		The Company established the "Code of Ethical Conduct for Directors" and "Code of Ethical Conduct for Employees." When employees are performing their duties, they shall avoid any conflict of interest in cases in which they or their family member is an interested party. Violators will be punished according to the severity of their violation. Please refer to the Company's Grievance Handling Regulations and regulations for handling violations of the law or ethical	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.



Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			conduct for complaint channels.	
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and designated its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or commissioned a CPA to conduct the audit?	V		The Company has established a suitable accounting system according to the Business Entity Accounting Act, Regulations Governing the Preparation of Financial Reports by Public Companies, Company Act, and Securities and Exchange Act, as well as management needs. The Company also complies with the Regulations Governing Establishment of Internal Control Systems by Public Companies. The Internal Audit Office periodically conducts internal audits and implements the supervision mechanism. Deficiencies found in the internal control system during internal audits and improvements of abnormalities are important items in department performance evaluations.	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(V) Does the company regularly hold internal and external educational trainings on ethical corporate management?	V		The Company shall periodically organize training and awareness programs for directors, managers, employees, mandataries and substantial controllers, and invite commercial	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			transaction counterparties, so that they understand the Company's resolve to implement ethical corporate management, related policies, prevention programs, and the consequences of engaging in unethical conduct.	Companies.
III. Operation of whistleblowing system: (I) Has the company established a concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	V		In the event of misconduct, such as fraud, waste, or misuse of company resources and violation of company rules by an employee, other employees may file a complaint directly to the Internal Audit Office through the hotline or e-mail by providing their names and evidence. The emails are also sent to the convener of the Audit Committee at the same time to establish smooth grievance channels and impartial handling mechanisms. Furthermore, violators of the Code of Ethics for Employees or regulations for ethical corporate management will be punished based on the severity of the violation, and will be brought to justice if the violation involves criminal liability. A total of 1 complaint was received in 2022, and will be properly	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			handled by related units after careful investigation.	
(II) Does the Company have standard operating procedures for investigating whistleblowing cases and related confidentiality mechanisms?	V		<p>All complaints processed by the Company are treated as confidential. The procedures for handling whistleblower cases are as follows:</p> <ol style="list-style-type: none"> <li>1.Responsible personnel at the Internal Audit Office fill out the "Internal Audit Office Whistleblower Case Record Form" after receiving a report.</li> <li>2.After careful investigation by the Internal Audit Office, the case will be properly handled by related units and then submitted to the supervisor for review.</li> <li>3.Related units are required to designate a case officer or form an investigation team to conduct an investigation. Results are submitted to the department supervisor for review, and further submitted to the Internal Audit Office for review.</li> <li>4.The Internal Audit Office periodically reports the number of cases to the Board of Directors.</li> <li>5.If investigation results of whistleblower</li> </ol>	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			<p>cases involves a director or senior manager, it shall be reported to independent directors.</p> <p>6.Dedicated personnel record all data of whistleblower cases from when the case is accepted, opened, investigated, and reported, including original data, documents, audio recordings, and other forms of data. All data of whistleblowing cases are kept confidential and filed for future reference.</p> <p>7.When handling a whistleblowing or grievance case, the identity of the whistleblower and stakeholders must be protected, and prevent whistleblowing from damaging the interests of whistleblowers and stakeholders. However, this does not include whistleblowing for the purpose of defamation, forgery, or framing others.</p>	
(III) Does the company provide proper whistleblower protection?	V		The Company explicitly states in Article 7 of the Whistleblowing Procedures that whistleblowers will not be punished for whistleblowing.	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
IV. Enhancing information disclosure Does the Company disclose the contents and implementation results of its Ethical Corporate Management Best Practice Principles on its website and MOPS?	V		The Company has disclosed information related to ethical corporate management, including the "Code of Ethical Conduct," "Ethical Corporate Management Best Practice Principles," and "Ethical Corporate Management Operating Procedures and Code of Conduct" in the "Corporate Governance" section on the company website and the Market Observation Post System. Internal units are responsible for enhancing ethical corporate management. Auditors responsible for supervision and implementation as well as reporting the results regularly to the Board of Directors.	No deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
V. If the Company has established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," describe any discrepancy between the principles and their implementation: The Company established "Ethical Corporate Management Best Practice Principles and "Ethical Corporate Management Operating Procedures and Code of Conduct." There are no discrepancies with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.				
VI. Other key information useful for explaining the Company's implementation of ethical corporate management:				

Evaluation item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
1.The Company established the "Code of Ethical Conduct for Directors" and "Code of Ethical Conduct for Employees," clearly setting forth the Company's codes of conduct for integrity and ethics to improve corporate governance.				
2.The Company irregularly reviews, revises, or establishes regulations related to ethical corporate management, in order to meet actual needs of operations.				

(VII) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information

1. Corporate governance principles and related guidelines:

- (1) Pursuant to the regulations established by the FSC, we established A. Internal Control System; B. Procedures for the Acquisition or Disposal of Assets; C. Procedures for Endorsement and Guarantee; D. Procedures for Lending Funds to Others; E. Regulations Governing Procedures for Board of Directors Meetings (for matters the chairperson and management is authorized by the Board of Directors to handle, the Company established the Delegation of Authorities to the Board of Directors and Management and the Delegation of Authorities and Duties for Board of Directors, Chairman and President Authority Table); F. Remuneration Committee Charter; G. Audit Committee Charter.
- (2) Pursuant to related regulations and templates of Taiwan Stock Exchange Corporation, we established: A. Rules of Procedure for Shareholders' Meetings; B. Code of Ethical Conduct for Directors; C. Code of Ethical Conduct for Employees; D. Regulations Governing the Election of Directors; E. Ethical Corporate Management Best Practice Principles; F. Management Guidelines for Related Party Transactions; G. Stock Trading Halt and Resumption Application Procedure; H. Corporate Governance Best Practice Principles; I. Procedures for Ethical Corporate Management and Code of Conduct; J. Sustainable Development Best Practice Principles; K. Regulations Governing the Evaluation of Board Performance; L. Procedures for Handling Internal Material Information; M. Guidelines for Appointment of Spokesman and Deputy Spokesman; N. Prevention of Insider Trading Regulations.

2. Query Method

- (1) Download from the Market Observation Post System (<http://mops.twse.com.tw/>) in "Establishment of related corporate governance regulations and rules" under "Corporate Governance."
- (2) Access information on the Company's corporate website (<http://www.ecotek.com.tw>).  
"Corporate Governance Regulations" under "Corporate Governance."

(VIII) Disclose other material information that will benefit understanding of the Company's corporate governance status

1.Directors' continuing education

2022.01.01~2022.12.31

Title	Name	Date of appointment	Date of continuing education		Organizer	Course Name	Number of course hours
			Start	End			
Representative of institutional director	Cheng-Chiang Chen	2022/07/13	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	3
			2022/08/29	2022/08/29	Taiwan Insurance Institute	International Anti-Corruption and Whistleblower Protection Practices and Anti-Money Laundering	3
			2022/09/05	2022/09/05	Taiwan Insurance Institute	Enhancement of the Functions of the Board of Directors	3
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3
Representative of institutional director	Chao-Tung Wong	2016/01/15	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	3
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3
Representative of institutional director	Shyi-Chin Wang	2019/09/30	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	3
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3



Title	Name	Date of appointment	Date of continuing education		Organizer	Course Name	Number of course hours
			Start	End			
Representative of institutional director	Chih-Feng Lee	2020/10/31	2022/07/07	2022/07/07	Taiwan Stock Exchange and Taipei Exchange	Sustainable Development Guidemap Industry Seminar	2
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	3
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3
Representative of institutional director	Chen Yang	2021/05/31	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	3
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3
Representative of institutional director	Yu-Lun Kuo	2009/5/12	2022/09/16	2022/09/16	Securities & Futures Institute	Financial Information that Directors Often Overlook	3
			2022/11/10	2022/11/10	Securities & Futures Institute	Structure and Legacy of Family Holding Companies from a Governance Perspective	3
Representative of institutional director	Hsiu-Mei Liu	2022/02/01	2022/08/05	2022/08/05	Taiwan Investor Relations Institute	ESG - Challenges for Businesses under International Sustainability Trends	3
			2022/10/07	2022/10/07	Taiwan Stock Exchange Corporation	Publication and Communication Seminar of Directors and Supervisors for the Guidelines for Independent Directors	3

Title	Name	Date of appointment	Date of continuing education		Organizer	Course Name	Number of course hours
			Start	End			
						and Audit Committee in the Exercise of Their Duties	
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3
			2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Legal Issues in the Management of Insider Shareholdings and Share Transactions	3
Representative of institutional director	Tsan-Jen Chen	2020/06/23	2022/01/14	2022/01/14	Taiwan Corporate Governance Association	Competitiveness vs Survival - ESG Trends and Strategies	3
			2022/02/22	2022/02/22	Taiwan Corporate Governance Association	ESG Legal Issues for the Board of Directors	3
			2022/03/11	2022/03/11	Taiwan Corporate Governance Association	Shareholder's Meeting and Equity Management	3
			2022/09/20	2022/09/20	Taiwan Corporate Governance Association	Ten Courses for Corporate Governance	3
Independent Director	Po-Han Wang	2017/06/22	2022/06/10	2022/06/10	Securities & Futures Institute	2022 Seminar on Prevention of Insider Trading	3
			2022/06/22	2022/06/22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainable Development Program	3
			2022/07/06	2022/07/06	Taiwan Investor Relations Institute	Intellectual Property Rights Management - Intellectual Property Rights Litigation Case	3

Title	Name	Date of appointment	Date of continuing education		Organizer	Course Name	Number of course hours
			Start	End			
						Studies	
Independent Director	Chia-Jung Chen	2017/06/22	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	3
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3
Independent Director	Tai-Kuang Peng	2020/06/23	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	3
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	3

## 2.Continuing education of the Corporate Governance Officer

2022.01.01-2022.12.31

Organizer	Course Name	Date of continuing education	Number of course hours
Securities & Futures Institute	Hostile Takeover, Case Analysis of Management Right Disputes, and Countermeasures for Companies	2022/05/31	3
Taiwan Stock Exchange and Taipei Exchange	Sustainable Development Guidemap Industry Seminar	2022/07/07	2
Taiwan Investor Relations Institute	Risks and Opportunities for Businesses	2022/08/08	3
Taiwan Insurance Institute	ESG Sustainable Development Trends and Responsible Investment	2022/09/19	3
Taiwan Corporate Governance Association	Important Civil and Criminal Liabilities of Directors and Supervisors and Case Studies	2022/11/08	3

## 3.Domestic certifications obtained by financial, auditing, and IT personnel of the Company:

1 international certified internal auditor and 2 lead auditors that received training for ISO 27001 Information Security Management Systems.

(IX) The following items relating to the implementation status of the internal control system shall be disclosed:

1.Statement on Internal Control:

China Ecotek Corporation  
Statement of Internal Control

Date: February 21, 2023

In 2022, the Company conducted an internal audit of its internal control system and hereby declares the following:

- I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the effectiveness of the internal control system may vary due to changes in the environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2021 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and

compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

- VI. This Statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- VII. This statement was passed by the Board of Directors on February 21, 2023, with none of the 11 attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

China Ecotek Corporation

Chairman: Cheng-Chiang Chen  
President: Chih-Feng Lee

2.If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

(X) Penalty imposed on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvements in the past year and up to the date of report: None.

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

1.Major resolutions of the shareholders' meeting and implementation status

(1) Acknowledgment of the Company's 2020 business report and financial statements.

(2) Voted and acknowledged the Company's 2021 earnings distribution proposal.

Implementation status: July 25, 2022 was set as the record date, and all dividends were distributed on August 17, 2022. (Cash dividend of NT\$2.6 per share)

(3) Passed the amendment to the Company's Articles of Incorporation.

Implementation status: Received approval for registration from the Ministry of Economic Affairs on August 22, 2022, and announced on the company website.

(4) Voted and passed the amendment of clauses of the Rules of Procedure for Shareholders' Meetings.

Implementation status: Announced on the Company's website on June 23, 2022 and implemented in accordance with the procedures.

(5) Voted and passed the amendment of clauses of the Company's Regulations Governing the Election of Directors.

Implementation status: Announced on the Company's website on June 23, 2022 and implemented in accordance with the procedures.

2.Important resolutions of board meetings

(1) Important resolutions in the 14th meeting of the 10th-term Board of

Directors (2022.02.23)

- A. Passed the 2021 Business Report and financial statements.
- B. Report on the amount and distribution method of the 2021 employee bonuses and remuneration to directors and supervisors.
- C. The Company's 2021 earnings distribution proposal.
- D. Prepared the Company's 2021 Statement of Internal Control System.
- E. Passed the proposed amendment to the Company's Corporate Social Responsibility Best Practice Principles.
- F. Passed the adjustment of the positions and salary table in the Remuneration Management Regulations.
- G. Passed the proposed amendment to the Company's Remuneration Management Regulations.
- H. Passed the proposal to lease a portion of 1F of the "First Administrative Building and facilities originally belonging to CSSC" from China Steel.
- I. Passed the proposal to convene the 2022 annual general meeting at Kaohsiung Business Convention Center Liuhe Conference Room (4F, No. 5, Zhongshan 2nd Rd., Qianzhen District, Kaohsiung City) at 9:00 A.M. on June 23, 2022 (Thursday).

(3) Important resolutions in the 15th meeting of the 10th-term Board of Directors (2022.05.03)

- A. Passed the draft of the Consolidated Financial Statements and Independent Auditors' Review Report for the first quarter of 2022.
- B. Passed the proposed amendment to the Company's Articles of Incorporation.
- C. Passed the amendment to the "Procedure for Acquisition and Disposal of Assets".
- D. Passed the proposal to donate NT\$150,000 to CSC Group Education Foundation.
- E. Passed the amendment to the important agenda items of the Company's 2022 annual shareholders' meeting.



- F. Passed the proposal to invest no more than NT\$117.6 million in an energy storage system.
  - G. Proposal for official appointment of Mr. Li-Ming Hu, the Acting Vice President of Administration Group of the Company.
  - H. Proposal for official appointment of Mr. Chien-Chih Chen, the Acting Vice President of Engineering Group of the Company.
- (4) Important resolutions in the 16th meeting of the 10th-term Board of Directors (2022.07.18)
- A. Election of Mr. Cheng-Chiang Chen as the Company's Chairperson.
  - B. Appointment of the Chairperson Mr. Tsung-Te Chen to serve as the Company's honorary consultant without pay.
- (5) Important resolutions in the 17th meeting of the 10th-term Board of Directors (2022.08.02)
- A. Passed the draft of the Consolidated Financial Statements and Independent Auditors' Review Report for the second quarter of 2022.
  - B. Passed the amendment to the Company's Regulations for Distribution of Employee Bonuses
  - C. Performance evaluation and review results for the President and Vice Presidents for 2021.
  - D. Passed the proposed remuneration distribution for the Company's President and Vice Presidents.
  - E. Distributed the performance bonus for the Company's president and vice presidents.
  - F. Passed the proposal for setting the remuneration of Mr. Li-Ming Hu, the Vice President of Administration Group of the Company.
  - G. Passed the proposal for setting the remuneration of Mr. Chien-Chih Chen, the Vice President of Engineering Group of the Company.
  - H. Passed the proposal for setting the remuneration of the Company's new Chairperson.
- (6) Important resolutions in the 18th meeting of the 10th-term Board of

Directors (2022.09.29)

- A. Passed the amendment to the Company's 2022 budget.
- B. Passed the proposed amendment to the Company's Regulations Governing the Evaluation of the Performance of the Board of Directors.
- C. Passed the amendment to the Company's Corporate Governance Best Practice Principles.
- D. Passed the proposal for the establishment of the Company's Regulations Governing Prevention of Insider Trading.
- E. Passed the annual raise, in which the salaries of employees under vice presidents (excluding vice presidents) was raised by an average of 4.3%.

(7) Important resolutions in the 19th meeting of the 10th-term Board of Directors (2022.11.03)

- A. Passed the draft of the Consolidated Financial Statements and Independent Auditors' Review Report for the third quarter of 2022.
- B. Passed the proposed amendment to the Company's Regulations Governing Procedures for Board of Directors Meetings.

(8) Important resolutions in the 20th meeting of the 10th-term Board of Directors (2022.12.19)

- A. Passed the Company's 2023 budget.
- B. Passed the Company's 2023 audit plan.
- C. Passed the amendment of the Company's Remuneration Committee Charter.
- D. Passed the proposed amendment to the Company's Procedures for Handling Internal Material Information.
- E. Passed the proposal to renew the contract for the Company's lease of office space in the head office building of China Steel.
- F. Passed the salary adjustment of the Company's Chairperson, President, Vice President of Administration Group, and Vice President of Engineering Group.

(9) Important resolutions in the 21st meeting of the 10th-term Board of Directors (2023.02.21)

- A. Passed the 2022 Business Report and financial statements.
- B. Report on the amount and distribution method of the 2022 employee bonuses and remuneration to directors and supervisors.
- C. The Company's 2022 earnings distribution proposal.
- D. Prepared the Company's 2022 Statement of Internal Control System.
- E. Passed the proposal for the change of the accountants from Yu-Hsiang Liu and Chao-Chun Wang to Li-Yuan Kuo and Chao-Chun Wang.
- F. Passed the proposal for the audit fee negotiated by the Company and Deloitte Taiwan for 2023 to 2027.
- G. The proposal for the election of the members of 11th-term Directors (including Independent Directors) is submitted for review.
- H. The proposal for the removal of the non-compete clause for the 11th-term non-independent Directors of the Company is submitted for review.
- I. Passed the proposal to convene the 2023 annual general meeting at Kaohsiung Business Convention Center (No. 5, Zhongshan 2nd Rd., Qianzhen District, Kaohsiung City) at 9:00 A.M. on June 21, 2023 (Wednesday).

(XII) The primary content of directors who have dissented on important resolutions passed by the Board of Directors, where such dissents have been recorded or documents in recent years up to the date of report: None.

(XIII) Summary table of the resignation and dismissal of persons relevant to the Company

January 1, 2022 to March 31, 2023

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
Chairperson	Tsung-Te Chen	2018/03/31	2022/06/29	Retired upon reaching retirement age

## V. Information on Fees to Certifying CPA

### (I) Information on Fees to CPA

Unit: Thousand NTD

Name of the accounting firm	Name of CPA	Audit period	Audit fee	Non-audit fee (Note)	Total	Notes
Deloitte Taiwan	Liu Yu-Hsiang Chao-Chun Wang	2022.01~2022.12	3,550	658	4,208	None

Note: Services of non-audit fees: NT\$625 thousand for tax services and NT\$33 thousand for business registration services.

- (II) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amount and percentage of decrease in audit fees and the causes shall be disclosed: N/A.
- (III) If the audit fees decreased more than 10% from that of the prior year, the amount, percentage, and reasons for the decrease in audit fees shall be disclosed: N/A.

## VI. Information on Change of CPA:

### (I) Information on the previous CPA:

Information on the previous CPA			
Date of change	Approved by the Board of Directors on February 21, 2023		
Reason for change and explanation	Due to the internal rotations at the accounting firm, the Company's financial statements, previously certified by the CPAs Yu-Hsiang Liu and Chao-Chun Wang, are certified by the CPAs Li-Yuan Kuo and Chao-Chun Wang starting from the first quarter of 2023.		
State whether the Appointment is Terminated or Rejected by the Appointer or CPAs	The Parties		CPA
	Status		Appointer
	Termination initiated by client	N/A	
Appointment rejected (discontinued)			
Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two years	None		
Different opinions from the issuer	Yes	-	Accounting principles or practices
		-	Disclosure of financial statements
		-	Audit scope or procedures
		-	Others
	None	V	
	Description	N/A	

Other items for disclosure (items in Article 10, Subparagraph 6, Item 1-4 to Item 1-7 of the Regulations shall be disclosed)	None
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(II) Regarding succeeding CPA

Accounting firm name	Deloitte Taiwan
Name of CPA	Li-Yuan Kuo, CPA and Chao-Chun Wang, CPA
Date of appointment	Approved by the Board of Directors on February 21, 2023
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	N/A
The succeeding CPA's opinions in written form in response to the former CPA's opinions	N/A

(III) Previous CPAs' response to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Regulations: N/A.

VII. Did the Company's chairperson, president, financial or accounting manager serve in the certifying CPA firm or its affiliates in the most recent year: None.

VIII.Share transfer by directors, managerial officers, and shareholders holding more than 10% shares, and changes to share pledging

(I) Changes in shareholding of directors, managers, and major shareholders

Unit: Shares

Title	Name	2022		The current year up to March 31, 2023	
		Number of shares held added (subtracted)	Number of pledged shares added (subtracted)	Number of shares held added (subtracted)	Number of pledged shares added (subtracted)
Director/Major shareholder	China Steel Corporation	0	0	0	0
Director	Hua Eng Wire and Cable Co., Ltd.	0	0	0	0
Director	Chun Yuan Steel Industry Co., Ltd.	0	0	0	0
Director	Great Grandeul Steel Co., Ltd.	41,000	0	0	0
Director	CHF Steel Co., Ltd.	0	0	0	0
Independent Director	Chia-Jung Chen	0	0	0	0
Independent Director	Po-Han Wang	0	0	0	0
Independent Director	Tai-Kuang Peng	0	0	0	0
Director and President	Chih-Feng Lee	0	0	0	0
Vice President	Chien-Chih Chen	0	0	0	0
Vice President	Li-Ming Hu	0	0	0	0
Assistant Vice President and Accounting Officer	Ya-Min Chuang	0	0	0	0

- (II) If there was share transfer to related parties, disclose information on the counterparty: None.
- (III) If there was pledge transfer to related parties, disclose information on the counterparty: None.



IX. Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

As of March 31, 2023 Unit: shares; %

Name	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Notes
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title (or Name)	Relationship	
China Steel Corporation	55,393,138	44.76	N/A	N/A	0	0	None	None	-
Hua Eng Wire and Cable Co., Ltd.	11,843,730	9.57	N/A	N/A	0	0	None	None	-
Dedicated account under the custody of Mega International Commercial Bank – China Ecotek Corporation	5,001,985	4.04	N/A	N/A	0	0	None	None	-
Chun Yu Co., Ltd.	4,333,266	3.50	N/A	N/A	0	0	None	None	-
Great Grandeul Steel Co., Ltd.	3,964,000	3.20	N/A	N/A	0	0	C. Hao Corporation	Affiliate	-
CHF Steel Co., Ltd.	3,610,475	2.92	N/A	N/A	0	0	None	None	-

Bi-Jen Investment Co., Ltd.	3,005,000	2.43	N/A	N/A	0	0	None	None	-
Chun Yuan Steel Industry Co., Ltd.	2,990,772	2.42	N/A	N/A	0	0	None	None	-
Taiwan Sugar Corporation	2,888,844	2.33	N/A	N/A	0	0	None	None	-
C. Hao Corporation	1,683,000	1.36	N/A	N/A	0	0	Great Grandeul Steel Co., Ltd.	Affiliate	-

## X. Total shareholding percentage of investee business

Unit: shares; %

Investee business (Note)	Investment by the Company		Investments from directors, managerial officers and their directly or indirectly controlled enterprises		Comprehensive investment	
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio
United Steel International Development Co.	300,000	0.61	400,000	0.82	700,000	1.43
Chiun Yu Investment Corporation	1,196,000	40.00	-	-	1,196,000	40.00
Jiing-Cherng-Fa Investment Corporation	805,000	35.00	-	-	805,000	35.00
Chi-Yi Investment Corporation	800,000	40.00	-	-	800,000	40.00
Hung-chuan Investment Corporation	600,000	30.00	-	-	600,000	30.00
Eminent III Venture Capital Corporation	10,000,00	5.52	-	-	5,000,000	5.52
CEC International Co.	10,000,00	100	-	-	10,000,000	100
CEC Development Co.	17,000,00	100	-	-	17,000,000	100
China Ecotek VN Co.	0	100	-	-	0	100
China Steel Machinery Corporation	35,204,17	26.02	100,066,4	73.97	135,270,570	99.99
Xiamen Mao Yu Import and Export Trading Ltd.	0	100	-	-	0	100
China Ecotek India Private Limited	5,000,000	100	-	-	5,000,000	100
CSC Solar Corporation	34,880,00	20.00	95,920,00	55.00	130,800,000	75.00
Pro-Ascentek Investment Corporation	6,000,000	5.00	-	-	6,000,000	5.00

Note: The Company's investments recognized under the equity method (as of December 31, 2022).

# Chapter 4. Capital overview

## I. Capital and shares

(I) Sources of capital Unit: Thousand NTD; thousand shares

Year/Month	Issuing Price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of capital	Subscriptions paid with property other than cash	Others
1993.03	10	100,000	1,000,000	54,500	545,000	Establishment capital	None	Gao-Shih-Jian-Er-Zi h No. 84252401
1997.12	10	100,000	1,000,000	57,770	577,700	Capitalization of profits	None	(1997) Tai-Cai-Zheng (I) No. 80337
1998.07	10	100,000	1,000,000	63,767	637,670	Capitalization of profits	None	(1998) Tai-Cai-Zheng (I) No. 59391
1999.03	10	100,000	1,000,000	69,767	697,670	Cash capital increase	None	(1998) Tai-Cai-Zheng (I) No. 94332
1999.08	10	100,000	1,000,000	76,963	769,630	Capitalization of profits	None	(1999) Tai-Cai-Zheng (I) No. 62345
2000.08	10	130,000	1,300,000	81,172	811,720	Capitalization of profits	None	(2000) Tai-Cai-Zheng (I) No. 60252
2001.08	10	130,000	1,300,000	85,537	855,370	Capitalization of profits	None	(2001) Tai-Cai-Zheng (I) No. 154955
2002.08	10	130,000	1,300,000	88,268	882,680	Capitalization of profits	None	Tai-Cai-Zheng-Yi-Zi No. 0910138810
2004.07	10	130,000	1,300,000	90,147	901,474	Capitalization of profits	None	Jin-Guan-Zheng-Yi-Zi No. 0930132625
2008.03	10	130,000	1,300,000	113,047	1,130,474	Share swap Capital increase	None	Jin-Guan-Zheng-Yi-Zi No. 0970009449
2012.12	10	130,000	1,300,000	115,733	1,157,338	Shares converted from convertible corporate bonds	None	Jing-Shou-Shang-Zi No. 10101250660
2013.03	10	130,000	1,300,000	118,576	1,185,762	Shares converted from convertible corporate bonds	None	Jing-Shou-Shang-Zi No. 10201054610
2013.05	10	130,000	1,300,000	121,799	1,217,988	Shares converted from convertible corporate bonds	None	Jing-Shou-Shang-Zi No. 10201098230
2013.11	10	130,000	1,300,000	123,743	1,237,426	Shares converted from convertible corporate bonds	None	Jing-Shou-Shang-Zi No. 10201235080

Unit: Shares

Type of Shares	Authorized capital			Remarks
	Outstanding shares (Listed stocks)	Unissued shares	Total	
Registered ordinary shares	123,742,552	6,257,448	130,000,000	-

## (II) Shareholder structure

April 23, 2023

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individual investors	Foreign institutions and foreigners	Total
Number of people	-	-	53	9,101	46	9,200
Number of shares held	-	-	94,176,050	27,347,581	2,218,921	123,742,552
Shareholding ratio (%)	-	-	76.11	22.10	1.79	100.00

Source: Shareholder register on the book closure date for the 2023 shareholders' meeting.

## (III) Shareholding distribution

### 1. Ordinary shares

April 23, 2023

Shareholding range	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	4,102	220,855	0.18
1,000 to 5,000	4,080	7,847,691	6.34
5,001 to 10,000	484	3,853,253	3.11
10,001 to 15,000	180	2,320,445	1.88
15,001 to 20,000	105	1,938,216	1.57

20,001 to 30,000	85	2,157,542	1.74
30,001 to 40,000	42	1,486,046	1.20
40,001 to 50,000	26	1,189,743	0.96
50,001 to 100,000	49	3,452,109	2.79
100,001 to 200,000	24	3,136,308	2.53
200,001 to 400,000	9	2,416,931	1.95
400,001 to 600,000	4	1,915,000	1.55
600,001 to 800,000	1	725,000	0.59
800,001 to 1,000,000	0	0	0.00
1,000,000 or more	9	91,083,413	73.61
Total	9,200	123,742,552	100.00

Source: Shareholder register on the book closure date for the 2023 shareholders' meeting.

2. Preferred shares: None.

(IV) List of major shareholders

April 23, 2023

<div> <div>Shares</div> <div>Name of major shareholder</div> </div>	Number of shares held	Shareholding ratio (%)
China Steel Corporation	55,393,138	44.76
Hua Eng Wire and Cable Co., Ltd.	11,843,730	9.57
Dedicated account under the custody of Mega International Commercial Bank – China Ecotek Corporation	5,704,454	4.61
Great Grandeul Steel Co., Ltd.	3,964,000	3.20
CHF Steel Co., Ltd.	3,610,475	2.92
Bi-Jen Investment Co., Ltd.	3,005,000	2.43
Chun Yuan Steel Industry Co., Ltd.	2,990,772	2.42
Taiwan Sugar Corporation	2,888,844	2.33

C. Hao Corporation	1,683,000	1.36
CSC Solar Corporation	725,000	0.59

Source: Shareholder register on the book closure date for the 2023 shareholders' meeting.

(V) Stock price, net worth, earnings, dividends and related information for the past two years

Unit: NTD; thousand shares

Item \ Year		2021	2022	The current year up to March 31, 2023	
Stock price	Highest	44.10	47.80	50.90	
	Lowest	32.65	38.80	42.60	
	Average	38.17	42.07	45.59	
Net value per share	Before distribution	26.10	28.37	N/A	
	After distribution	23.50	25.37	N/A	
Earnings per share	Weighted average shares	123,743	123,743	123,743	
	Earnings per share	3.26	4.21	N/A	
Dividends per share	Cash dividends		2.60	3.00	N/A
	Stock dividends	Stock dividend from retained earnings	0	0	N/A
		Stock dividend from capital surplus	0	0	N/A
	Cumulative undistributed dividends		0	0	N/A
Return on investment analysis	Price-earnings ratio		11.71	9.99	N/A
	Price-dividend ratio		14.68	14.02	N/A
	Cash dividend yield (%)		6.81	7.13	N/A

Price to earnings ratio = average closing price per share for the year / earnings per share.

Price to dividend ratio = average closing price per share for the year / cash dividends.

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

## (VI) Dividend policy and implementation status

### 1. Dividend policy

The Company's dividend policy is as follows:

The Company is in a high-tech engineering market with stable growth and also develops diverse strategies at the same time. The Company also expands the business operating foundation in the development of investment plans, including environmental protection and energy etc. During the establishment of the proposal for distribution of earnings by the board of directors, it is necessary to consider the stability of dividends. Except when there is need for capital, the earnings distributed each year shall account for more than 50% of the distributable earnings, and where the shareholders' cash bonus shall not be less than 10% of the shareholders' bonus.

### 2. Dividend distribution to be proposed to the shareholders' meeting

The Board of Directors proposed the 2022 earnings distribution as follows:

Unit: NTD

Summary	Amount
Undistributed earnings at the beginning of 2022	\$ 371,130,829
Net profit of 2022	520,519,177
Investment adjusted retained earnings under equity method	4,396,398
Remeasurements of the net defined benefit recognized in retained earnings	<u>20,911,684</u>
Adjusted undistributed earnings	\$ 916,958,088
Legal reserve	(54,582,726)
Reversal of special reserve	<u>56,639,008</u>
Distributable earnings	\$ 919,014,370



Items for distribution:	
Shareholders cash bonus (NT\$ 3 per share)	<u>(371,227,656)</u>
Undistributed earnings as of the end of 2022	\$547,786,714

Note: When calculating taxes on undistributed earnings of profit-seeking enterprises according to Article 66-9 of the Income Tax Act, earnings of the most recent year shall be distributed first.

(VII) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the Company's business performance and earnings per share:

N/A.

(VIII) Employee bonuses and directors' remuneration

1. Percentages or ranges of employee bonuses and directors' remuneration under the Articles of Incorporation

Pursuant to Article 32 of the Articles of Incorporation: "If the Company has profit for the year, the Board of Directors shall resolve to allocate no less than 0.1% as employee bonuses and no more than 1% as directors' remuneration. The recipients of employee bonuses include employees of affiliates meeting certain criteria. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before employee bonuses and directors' remuneration can be allocated according to the above percentage.

2. Basis for estimating the amount of employee bonuses and directors' remuneration, basis for calculating the number of shares to be

distributed as employee bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

Of the Company's pre-tax profit before distribution of employee bonuses and directors' remuneration, the Company allocates 4.1243% and 0.8249% as employee bonuses and directors' remuneration, respectively. If there are changes made to the amount before the issuance of financial statements, the changes shall be adjusted and accounted for as annual expenses. If there are changes made to the amount after the issuance of financial statements, the changes shall be accounted for as changes in accounting estimates and recognized in the financial statements of the following year.

3. Distribution of remuneration passed by the Board of Directors

- (1) Amount of employee bonuses, stock compensation, and directors' remuneration distributed

The Board of Directors passed the distribution of NT\$5.226 million in directors' remuneration and NT\$26.129 million in employee bonuses in cash.

- (2) The amount of employee stock compensation distributed as a percentage of net profit after tax on the financial statements and total amount of employee bonuses: None.

- (3) Employee bonuses and directors' remuneration are recognized as operating costs or expenses, and after-tax EPS is NT\$4.21.

4. Actual distribution of employee bonuses and directors' remuneration in the previous year (including dividend shares, amount and stock

price), discrepancies, if any, from the amount of employee bonuses and directors' remuneration previously recognized, and the reasons and handling of discrepancies:

In 2021, NT\$4.033 million in directors' remuneration and NT\$20.165 million in employee bonuses to a total of NT\$24.198 million was actually distributed in cash. There was no deviation from the amount originally approved by the Board of Directors for distribution.

(IX) Status of company share buyback: None.

II. Issuance of corporate bonds: None.

III. Issuance of preferred stocks: None.

IV. Issuance of global depositary receipts (GDR): None.

V. Exercise of employee stock option plan (ESOP): None.

VI. Issuance of restricted stock awards: None.

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

VIII. Implementation status of the capital utilization plan: The Company has completed all securities issuance or offering or has completed the plan within the most recent three years but has not seen significant benefits.

# E. Business overview

## I. Business activities

### (I) Business scope

#### 1. Major business activities

- (1) Environmental protection projects (water treatment and recycling, air pollution prevention, waste recycling and treatment, incinerator construction).
- (2) Replacement and upgrade of electromechanical equipment, repair work, and annual maintenance management.
- (3) Laboratory, biopharmaceuticals, and pharmaceutical plant turnkey projects.
- (4) Co-generation plant and power plant construction turnkey projects.
- (5) Solar power system projects.
- (6) Sales agent services.

#### 2. Revenue breakdown

Unit: Thousand NTD

<div>Year</div> <div>Business Item</div>	2021 operating revenue	2022	
		Operating revenue	Revenue breakdown
Environmental protection projects	1,432,827	1,383,755	15.65%
Electrical and mechanical engineering projects	4,223,595	4,267,729	48.26%

Recycling plant operation and electrical/mechanical maintenance services	2,719,454	3,058,725	34.59%
Others (Note)	108,737	133,844	1.50%
Total	8,484,613	8,844,053	100%
Note: Includes chemical agent , construction material and another sales services.			

### 3.Current products and services:

The Company's main scope of business includes: (1) Environmental protection projects, (2) electrical and mechanical engineering projects, (3) biopharmaceutical factory construction projects, (4) power plant turnkey projects and repair, (5) recycling plant turnkey projects, (6) solar power plant turnkey projects, (7) fire-resistant material turnkey projects, and (8) operation services. The Company also provides complete technical services, such as feasibility research, planning and design, manufacturing, installation, repair, sales, and after-sale services, for the projects above.

### 4.New products (services) that will be developed: Expand products available for sale, such as activated carbon air purifiers, corrosion/wear-resistant materials, and LED applications.

## (II) Industry Overview

The Company is a general construction company that provides services ranging from environmental protection projects, electrical and mechanical engineering projects, refractory materials, and biotech plant construction, and vertically extend from feasibilities studies, planning and design, equipment procurement and manufacturing, construction and commissioning, to operation and maintenance services for customers.

The general construction industry is between the construction industry,

consulting industry, equipment manufacturing industry, software planning and design industry, and related service industries. It forms a community with upstream and downstream companies based on customer needs, and planned systematic operating procedures based on the structure of associated industries, providing related engineering technologies and turnkey services, and effectively lowering the risk of outsourcing and construction for customers, while meeting customers' requirements on maintaining quality and risk management.

1. The relationship between upstream, midstream and downstream companies in the industry:

The Company is in the project consulting service industry, upstream are clients that require plant construction and equipment installation. The Company is midstream and has a technology and planning team formed by a professional team with related technical service providers. Downstream are civil engineering, machinery, instrumentation, electrical, and pipeline contractors, forming a complete material and equipment supply, production, and installation and construction system.

2. Product trends and competition:

(1) Product trends

A. Environmental protection projects

Foreign and domestic governments have attached great importance to energy conservation, carbon reduction, and environmental sustainability in recent years, making the environmental protection industry the mainstream development trend. The government has taken the lead in environmental conservation, and is actively promoting its green energy and circular economy policy, in hopes of driving investments. The Company monitors industry trends and business opportunities in solar power, energy storage, and water recycling, in hopes of becoming an important driving force for the growth of our company's business.

B. Electrical and mechanical engineering projects

Taiwan is a major base for technology and manufacturing and has a high density of large factories. Whether it may be the establishment of new factories, replacement of equipment production lines, or annual equipment maintenance, there is stable demand in the electrical and mechanical engineering market. The Company mainly focuses on the CSC Group's electrical and mechanical maintenance, periodic maintenance, annual maintenance, and overhaul of furnaces, which lay the foundation for the Company's stable operation.

## (2) Competition

The environmental protection and electrical and mechanical engineering industry has maintained positive development due to environmental protection regulations and the expansion of industries and plants in recent years. The Company makes timely adjustments to its operational strategy along with market changes under the existing industry structure, and actively engages in strategic alliances and joint contracting of engineering projects. Furthermore, compared with domestic competitors, the Company has a good corporate image, highly experienced professionals, excellent construction technologies, and strict quality control, and has gained recognition and strong support from customers. Hence, it is necessary to show the Company's expertise and responsibility to increase business opportunities for winning contracts.

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

### 1. Level of technology of business operations and R&D overview

R&D expenses totaled approximately NT\$14.793 million in 2022. Besides developing proprietary technology in response to market trends, we are also working with the R&D unit of CSC in developing chemical agents for water treatment and energy conservation and environmental protection technologies, which have generated an abundance of research results. Primary research results are as follows:

#### (1) Research of wastewater treatment technology: Water treatment

technology is based on trends in amendments to environmental protection laws and regulations. We have developed treatment processes for villiaumite discharge control, and have started engineering design. Commercial operations began at the end of 2022. Due to the increasing cost of disposing of sludge from wastewater treatment, the Company used the technology in actual operations for more than one year. It has significantly lowered the cost of outsourcing sludge treatment. We collaborated with the R&D Department of China Steel Co. in developing a biological agent for coke wastewater biological treatment systems. After more than one year of actual use by CSC and DSC, the effects were significant. It effectively mitigates the issue of reduced treatment effectiveness due to water quality changes. Our technology for preserving the biological agent can extend its useful life to three months. We will continue develop technologies to extend its useful life.

- (2) Research of carbon reduction technology: Carbon reduction is unavoidable with the growingly clear evidence of global warming. The Company is working together with the R&D Department of CSC and Industrial Technology Research Institute in the establishment of the first carbon monoxide capture pilot plant. It shall capture the carbon monoxide originally released into the atmosphere and convert it into chemical materials. The pilot production line has been built and trial operations were started. It is expected to capture 5,000 tons of carbon monoxide per year, taking the first step in the development of carbon reduction projects. One other carbon reduction project involves carbon dioxide captured from emissions, which is purified with the goal of reaching 99% and above purity so that it can be sold as a raw material for industrial use. The plans for the trial production line have been completed and construction has begun. Commercial operations are set to begin in late 2024.
- (3) As for air pollution prevention technology, as the regulations in the Air



Pollution Control Act become more rigorous, the Company has developed technology for removing SOx emissions from fixed pollution sources. In addition to wet desulfurization technologies, we will expand to semi-dry and dry desulfurization technologies to provide more diverse process design services in the future. In terms of treating NOx emissions from fixed pollution sources, we will develop a selective catalyst reduction (SCR) denitrification system for the new coke ovens of CSC. We will also select the most suitable emission reduction solution and SCR ammonia injection system to create ammonia pyrolysis technologies for increasing the viability of use in different settings. In terms of fixed pollution source dust emission technologies, we will use their numerical simulations to calculate fluid mechanics and capabilities for practical applications in CSC's new wet dust collection system, which will be verified after the completion of construction and the acceptance test.

## 2. Successfully developed technologies and products

Main customers of chemical agents successfully developed by the Company for water treatment include CSC and DSC. Air pollution prevention technologies include dust removal, desulfurization, denitrification, and dioxin removal from flue gas, which can be extensively applied for air pollution prevention in power plants and steel mills.

## (IV) Long-term and Short-term Business Development Plans

### 1. Short-term business development plans

(1) Business of the CSC Group: China Steel Co. is the largest steel company in Taiwan, and it has massive demand on renewal and maintenance every year. The Company's short-term goal is to continue to obtain renewal, annual maintenance, periodic maintenance, and major overhaul projects within the group.

- (2)Businesses in Vietnam's market: We are obtaining the waterworks projects, factory repair, and equipment renewal projects through a stable operations and technology team. We are also increasing sales, such as LED lighting equipment, explosion-proof lighting equipment, water purification equipment, and air purifiers.
- (3)Environmental protection business: Improve air pollution prevention technologies and services. In coordination with the CSC Group's plan to develop the green energy industry, we are actively developing new technologies and expanding into new fields, such as solar power, energy storage, energy conservation, and alternative energy engineering projects.
- (4)Biotech plant construction: The Company has constructed biotech plants in Taiwan and build a sound reputation for its technologies and track records. We will continue to work to obtain biotech plant construction projects.

## 2. Long-term business development plans

- (1)Continue operation and maintenance work in existing plants to create stable long-term profits.
- (2)Continue to expand sales in Vietnam's market.
- (3)Utilize the existing foundation of the environmental protection business, assess different risks, and expand domestic environmental protection projects.
- (4)Continue to monitor the biopharmaceuticals industry and actively participate in plant construction projects.

## II. Market, production and sales

### (I) Market analysis

The Company's projects are mainly from the CSC Group, public construction projects, and private construction projects in Taiwan. Vietnam is the Company's main overseas project.

#### 1. Sales regions of main products (services)

Unit: Thousand NTD

Sales region	2021		2022	
	Sales amount	%	Sales amount	%
Taiwan	8,325,371	98.12%	8,504,284	96.16%
Vietnam	153,220	1.81%	336,001	3.80%
Others	6,022	0.07%	3,768	0.04%
Total	8,484,613	100.00%	8,844,053	100.00%

The Company's revenue is mainly generated in Taiwan's market, in which the CSC Group is the Company's main customer and generates stable revenue.

#### 2. Market share and future market supply/demand and growth

##### (1) Market share

The Company is in the engineering service consulting industry, which covers an extensive range of engineering categories. Each company specializes in its own field and participates in tenders for different types of projects. There is no unified data available. Hence, comparison of market share with other companies in the industry does not have much meaning. The Company has ranked in the top ten in the engineering technology service industry in the "Top 5000, the largest corporations in Taiwan" in recent years, showing that the Company has secured a place in the engineering industry.

##### (2) Future market supply and demand and future growth

The CSC Group is the Company's main customer, and has added

many new projects to install eco-friendly equipment and replace old equipment under the energy conservation and carbon reduction policy. The projects mainly aim to reduce energy consumption and pollution. The Company is actively working on obtaining related projects, and does not have any issues with short-term and mid-term business momentum.

With regard to the domestic engineering industry, we mainly focus on water treatment related public construction projects. However, due to the rising awareness of sustainable development, energy conservation, and environmental protection, we expect to see gradual growth in the energy safety, green economy, and circular economy markets in the future, which will benefit our mid-term and long-term business strategy.

### 3.Competitive niche, favorable and adverse factors for long-term growth and response strategy

#### (1) Competitive niche

The Company has upheld quality, focused on innovation, and achieved solid project performance since its establishment, thanks to the strong management team, excellent engineering technologies, high quality professionals, and track records in construction, and has thus gained the recognition and trust of clients. In the future, we shall leverage our competitive advantages to develop niche markets, continue stable operations, and ensure profitability.

#### (2) Favorable factors

- A. Rise of the green economy in Taiwan and gradually building the concept of sustainable development.
- B. Has completed a wide range of environmental protection projects and has a wealth of project experience in Taiwan and overseas. The Company is well-known for its good credit and brand image in Taiwan.
- C. Has numerous system integration technologies, such as: water

treatment, desulfurization, denitrification, and biotech facility project validation and verification technologies.

(3) Unfavorable factors

- A. Severe competition, price competition, and rising operating costs in the domestic market.
- B. Aging and loss of employees by contractors and suppliers.

(4) Response measures

- A. Improve service quality and efficiency, and set reasonable prices for operation and maintenance contracts.
- B. Improve the human resources management system and build an international talent cultivation system.
- C. Continue to search for new contractors and raw materials and equipment suppliers.

(II) Major product manufacturing processes

1.Applications of main products

- (1) Environmental protection projects: Includes water treatment, wastewater treatment, and water recycling projects, solid waste disposal, and air pollution prevention projects.
- (2) Electrical and mechanical engineering projects: They include various transmission equipment for factories, mechanical equipment production and installation, electrical instrumentation and equipment installation projects, and co-generation plant and power plant projects.
- (3) Operations and maintenance services: They include incinerator, wastewater treatment, and water treatment plant operation and maintenance, and on-site electrical and mechanical repairs.

2.Production process

Market data collection → Feasibility analysis studies → Tender and price quotations → Contract signing → Construction plan and design → Procurement and manufacturing → Construction and commissioning → Completion acceptance inspection → Warranty and after-sale service.

### (III) State of supply of chief raw materials

The supply of materials varies with each contract. Aside from the materials provided by the client, other materials are purchased from domestic and overseas equipment vendors as needed by the project. Electrical and mechanical materials and equipment mainly include pipelines, valves, power cables, meters, motors, control panels, filters, blowers, water pumps, and various other pumps.

### (IV) Names of customers who contributed to more than 10% of total purchase (or sales) amount in one of the most recent two years and the corresponding purchase (or sales) amounts and percentages, as well as reasons for their changes (if applicable):

#### 1. Major Suppliers in the Last Two Calendar Years

Unit: Thousand NTD

Year	Name	Amount (NT\$1000)	As a percentage of total purchase (%)	Relationship with the issuer
2021	Others	7,764,125	100%	-
	Net purchase	7,764,125	100%	
2022	Others	8,031,190	100%	-
	Net purchase	8,031,190	100%	
2023 up to the previous quarter	Information at the end of the quarter before the publication date of the Annual Report is from 2022. Therefore, the information is the same as the information above.			

Note: The Company does not have any standard products, and procurements are mainly labor expenses and machinery and equipment input. Furthermore, depending on the contract, project periods may span multiple years.

The Company did not have any suppliers that accounted for 10% or more of the total procurement amount in the past two years. Changes in equipment suppliers and contractors in the past two years were mainly due to the materials, equipment, and construction technology required for

projects in each year. The Company's procurement policy is to extensively work with contractors to reduce its dependency on any individual supplier. We evaluate previous projects and professional technology when working with contractors and suppliers, and also evaluate their capacity and current project load. Procurements are carried out through open price inquiry, comparison, and negotiation. Hence, we are able to spread the workload between different contractors and not concentrate the workload on a single contractor.

## 2. Information on major customers in the past two years

Unit: Thousand NTD

Year	Name	Amount (NT\$1000)	As a percentage of net sales (%)	Relationship with the issuer
2021	China Steel Corporation	5,893,134	69.46%	Parent company
	Dragon Steel Corporation	1,171,926	13.81%	Affiliate
	Others	1,419,553	16.73%	-
	Net sales	8,484,613	100%	
2022	China Steel Corporation	5,836,308	65.99%	Parent company
	Dragon Steel Corporation	1,210,868	13.69%	Affiliate
	Others	1,796,877	20.32%	-
	Net sales	8,844,053	100%	
2023 up to the previous quarter	Information at the end of the quarter before the publication date of the Annual Report is from 2022. Therefore, the information is the same as the information above.			

Note: The Company's sales are mainly from construction contracts, which may span multiple years.

The Company has achieved excellent performance and gained a good reputation for stably providing services to companies in the group, such as China Steel Co. and Dragon Steel Co., which were the customers that accounted for 10% and above of total sales amount in 2021 and 2022. CSC and DSC are table customers of the Company and account for approximately 80% of net sales each year.

(V) Output volume and value in the past two years

Unit: Thousand NTD

Construction item	Year	2021			2022		
		Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Environmental protection projects		-	-	1,204,297	-	-	1,226,994
Electrical and mechanical engineering projects		-	-	3,992,861	-	-	3,876,496
Operations and maintenance services		-	-	2,480,792	-	-	2,810,578
Others		-	-	86,175	-	-	117,122
Total		-	-	7,764,125	-	-	8,031,190



(VI) Sales volume and value in the past two years

Unit: Thousand NTD

Sales volume and value  Project name	Year	2021				2022			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Environmental protection projects		-	1,397,966	-	34,861	-	1,376,641	-	7,114
Electrical and mechanical engineering projects		-	4,153,045	-	70,550	-	4,010,647	-	257,082
Operations and maintenance services		-	2,670,344	-	49,110	-	2,992,607	-	66,118
Others		-	104,016	-	4,721	-	124,389	-	9,455
Total		-	8,325,371	-	159,242	-	8,504,284	-	339,769

The Company's main business items include electrical and mechanical engineering projects, environmental protection projects, repair, and operation and maintenance services, in which electrical and mechanical engineering projects accounts for the highest percentage of revenue at 48.26%. Output value and sales amount in 2022 increased compared to 2021, and was mainly due to the increase in the scale of tender projects.

Generally speaking, the Company is a general engineering service company, and the breakdown of revenue has changed in recent years. However, the changes

in output value and sales amount are still within a reasonable range with consideration to the cause of structure changes.

### III. Employees

(I) Information on employees of China Ecotek Corporation and its subsidiaries in the past two years and up to the date of report

Year		End of 2021	End of 2022	As of March 31, 2023
Number of employees		1,226	1,217	1,228
Average age		41.89	42.71	42.83
Average years of services		11.82	12.59	12.71
Education background distribution (%)	Doctorate	0.3	0	0
	Master's	14.9	14.46	14.82
	College	68.7	68.69	68.40
	High school (vocational high school)	15.3	15.86	15.8
	High School and below	0.8	0.99	0.98

(II) Information on employees of China Ecotek Corporation in the past two years and up to the date of report

Year		End of 2021	End of 2022	As of March 31, 2023
Number of employees		1,190	1,182	1,191
Average age		41.89	42.72	42.85
Average years of services		11.82	12.61	12.74
Education background distribution	Doctorate	0.3	0	0
	Master's	15.4	14.89	15.28
	College	67.6	68.44	68.01

(%)	High school (vocational high school)	15.9	15.82	15.87
	High School and below	0.8	0.85	0.84

#### IV. Environmental protection expenditure information

##### (I) Total amount of losses and penalties incurred due to environmental pollution in the most recent year

	2022	2022
Status of Pollution(Type and Level)	Business waste products	Business waste products
Compensation Claimed by/Penalty Incurred by	Environmental Protection Bureau of Kaohsiung City	Environmental Protection Bureau of Kaohsiung City
Amount of Compensation or Penalty	Fine of NT\$6,000	Fine of NT\$6,000
Other Losses	None	None
Date of Punishment(Date of violation)	March 14, 2022	March 14, 2022
Punishment Letter No.	Fine notification Kaoh-Shi-Huan-Ju-Fei-Chu-Zi No. 40-111-030006	Fine notification Kaoh-Shi-Huan-Ju-Fei-Chu-Zi No. 40-111-030007
Regulations Violated	Article 31,Paragraph 1,Subparagraph 1 of Waste Disposal Act	Article 31,Paragraph 1,Subparagraph 2 of Waste Disposal Act
Content of Regulations Violated	Unchecked business waste cleanup plan	Failure to declare waste flow through network transmission
Content of Punishment	Pay fines to public treasury.	Pay fines to public treasury.

Except for those listed in the above table, the Company and other subsidiaries had not been punished due to pollution in 2023 and as of the printing date of the annual report.

(II) Response Measures: Then conduct education and training for environmental protection laws and regulations, follow the laws and regulations and implement them accordingly.

## V. Employer/employee relations

- (I) The implementation status of employee benefit measures, continuing education, training, retirement system, labor-management agreements, and employee rights protection measures:

### 1. Employee benefits measures and implementation status

The Company's leave system is better than that required by the Labor Standards Act. Besides providing different types of leave in accordance with the law, the Company also provides flexible leave days. Employees enjoy 120 hours of paid ordinary injury and sick leave and 120 hours of half wage ordinary injury and sick leave. When employees need to take a longer period of leave for childcare or due to severe illness or disease, they can apply for unpaid leave and apply for reinstatement after the period expires, in order to meet individual and family care needs. The Company complies with 40-hour work weeks, adjusts holidays in coordination with national holidays, and implements two-day weekends.

The Company established an Employee Welfare Committee according to the Employee Welfare Committee Charter and Employee Welfare Fund Act announced by the Ministry of the Interior. The committee handles employee benefits, irregularly subsidizes employee trips, and provides other benefits, including: year-end gifts, cash gifts during four holidays, cash gift for birthday, group insurance, relief funds, marriage subsidies, childbirth subsidies, scrolls of cloth for weddings or funerals, and club activity subsidies.

### 2. Diversity and gender equality in workplace

The Company is committed to providing employees with a dignified and safe work environment. We implement employment diversity and fair pay and promotion opportunities to ensure that employees do not suffer discrimination, harassment, or unfair treatment due to their race, gender, religious belief, age, political affiliation, and any other status protected by applicable laws and regulations. All employees are formal full-time

employees. We do not hire temporary or part-time employees. Male and female employees receive equal pay and equal opportunity to promotions. Since the Company is in the engineering service industry, the majority of employees are male. Due to the nature of engineering companies, female employees are more likely to work in internal administration while male employees are more likely to work on-site or overseas. Therefore, their allowances, subsidies, and project bonuses are higher than those of female employees. Female employees on average accounted for 13.9% of all employees, and female managers accounted for 8.3% of all managers in 2022. The difference between the average salary of men and women is 13.7%; the difference between the median salary of men and women is 10.2%; the difference between the average variable bonuses of men and women is 16.9%; the difference between the median variable bonus of men and women is 15.5%.

### 3. Retirement system and implementation status

The Company established the Employee Retirement Regulations in accordance with the Labor Standards Act and Labor Pension Act, and provides stable pension contributions and benefits. The Labor Pension Act was enacted on July 1, 2005, and the Company's employees that were hired before June 30, 2005 and still active on July 1 were given the option of continuing to use the pension provisions in the Labor Standards Act, or the pension system provided in the Labor Pension Act, while retaining their years of service before the Act. Employees hired after July 1, 2005 may only use the pension system of the Labor Pension Act.

Each year we estimate the amount of pension required for employees that will meet the criteria for retirement in the following year in accordance with the law, and make up for any shortfall in the reserve to protect employees' pension rights. Furthermore, the Company also calculates the retirement reserve required through a professional accounting consultant, in order to ensure that we allocate a sufficient

amount to protect employees' rights when they apply for their pension in the future:

We allocate a retirement reserve in accordance with the Labor Standards Act, and make pension payments based on their years of service and average salary in the six months before retirement. We also established a Labor Retirement Reserve Supervisory Committee to manage the allocation and payments from the retirement reserve.

The Company contributes 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance according to the Labor Pension Act.

The employee retirement system is in accordance with the Labor Standards Act, in which employees may apply for retirement if they reach the age of 60, or have served for 15 year and above and reach the age of 55, or have served for 25 years and above. Pension payment standards are in accordance with the Labor Standards Act and Labor Pension Act.

#### 4. Employee education, training, and its implementation

- (1) Employees are sent to participate in domestic and overseas water resource forums and management forums to advance the Company's technologies, develop new products, introduce innovative concepts, and improve management technologies.
- (2) Encouraging the continuing education of employees: Employees are allowed to freely choose external training courses related to their work, and combine their abilities with their interests.
- (3) New employee orientation: Includes introduction to corporate culture, organization, information and Internet system, introduction to quality management systems, labor safety and health, and information security training.
- (4) Position specific training: Develops a second expertise based on requirements of employees' position, including employee on-the-job training, department system and operations introduction, job duties

description, and professional knowledge sharing. Employees are sent to participate in professional technology training organized by the Bureau of Employment and Vocational Training, colleges, and private training institutions, and receive guidance to obtain professional certifications.

- (5) Joint competency development: Focuses on employees' common competencies, such as problem analysis and solving techniques, communication techniques, project management, related legal knowledge, team consensus, and service skills training.
- (6) Supervisor training: Mainly includes performance management, leadership, motivational skills, strategy planning, project management, team development, organization development ability, and compliance.
- (7) The Company systematically reviews talent and documents based on core competencies, and plans storage, succession, and innovation through knowledge management, in order to maintain the organization's core competitiveness. We accelerate experience sharing through incentives for individuals and groups.
- (8) The Company considers training and development as an important core, and thus formulated talent cultivation and development strategies. We established the Human Resources Department under the Administration Group, and appointed dedicated personnel to establish human resource development regulations and system, formulate and execute training plans and training budgets, manage talent development and the organization's energy, and plan and implement knowledge management and e-learning. To train the talents necessary for corporate business development, the Company compiled an "Education and Training Manual" and established "Regulations for On-the-job Training" to establish a training system and training regulations. The Company reviews its business situation each year and organizes training sessions to improve employees' knowledge and

skills.

We planned the education and training system and training plans for different positions and levels based on the talent development strategy and concepts. A variety of language learning courses are offered by the Company along with language learning subsidies, which aim to encourage employees to transform tacit knowledge into explicit knowledge, so that it can be shared. The talent cultivation system is used to strengthen management skills and professional knowledge and skills. The Company also trains management and professional talents on all levels and encourages employees to improve themselves with studies.

Furthermore, the Company complies with related laws and regulations and actively implements construction safety training plans in business units, improving labor safety training to ensure the safety and health of employees. "Occupational safety and health supervisor," "fixed crane operator," and "first aid." We also sent personnel to participate in "public construction quality management" and "construction site director" courses to enhance the professional abilities of personnel. Obtained a total of 745 professional certifications in 2022, total training expenses was NT\$2,831,683, average number hours of training per person was 7.2 hours, training courses and implementation status are shown in the table below:

★ 2022 education and training statistics:

Item	Course Name	Total number of people	Total hours
1	New employee training (self-training)	48	384
2	Quality management (ISO)	16	223
3	Public construction quality management	4	144
4	Construction site director	1	32



5	Labor safety (including first aid)	510	5,581
6	Management	37	660
7	Equipment operation	146	953
8	Special operations	48	339
9	Language	6	180
10	Professional seminars or practical credit courses	2	12
Total		818	8,508

## 5. Employee shareholding trust system

We make employees shareholders to increase their engagement and change their perspective to that of a business partner, which improves the harmony between labor and management. We hope to align employees' work performance with company growth, and provide employees with better security after retirement. Hence, we implemented the employee shareholding trust system in December 2006, and allow employees to freely choose set aside up to 12 units of NT\$1,000, provided that it does not exceed 10% of their base salary. The Company will allocate 20% of the amount set aside by participants as a bonus, and funds are deposited in a dedicated account at the designated financial institution to purchase and manage the Company's shares. Participants can collect their shares when they withdraw from the trust.

## 6. Employee rights protection measures

### (1) Employee Code of Conduct or Ethics

The Company's Code of Ethics for Employees regulates employee conduct and ethics. Please see pages 167~169 for articles of the code.

### (2) Protection measures for work environment and employees' personal safety and implementation status

#### A. Safety and health management measures

a. Hazard identification and risk assessment

Before commencing projects and works taken on by the Company, hazards to the work item and operation must first be identified and risk assessment must be carried out, so that suitable safety measures can be taken based on the hazards identified and the level of risk; Operational safety procedures can then be established. We conducted a total of 154 audits of high-risk operations at CSC, DSC and work areas outside the Group in coordination with the Company's safety and health policy. We also conducted audits of the methods used for high risk operations according to instructions of the president, so as to improve construction safety. We conducted a total of 154 audits (to be continued next year) in hopes of creating a culture of construction safety through on-site audits that gets employees into the habit of identifying environmental and operational hazards, regardless of the operational environment they are in.

b. Health examination and management

The Company periodically provides employees with general health examinations, and special health examinations to employees in special environments. Employees are divided into groups based on their special health examination results for management in accordance with the law. When examination results are abnormal, data is summarized for the direct supervisor to reference when assigning tasks, and health workers provide personal health instructions. Health examination data is registered in the ERP system for employees to compare their health examination data, understand trends in their health data, and properly manage and control their health on their own. The Company irregularly invites doctors or nutritionists to hold health seminars, which allow employees to understand and actively prevent and treat diseases.

c. Zero disaster movement

The Company promotes zero-disaster safety measures to employees and contractors before work each day based on the core philosophy of disaster prevention. We also verify their health condition and safety equipment at the same time. We specially remind and inform employees of safety measures that need to be taken for high risk operations that day. Before construction safety meetings begin, the chairperson leads all attendees to explain evacuation routes and identification calls, in hopes of showing care for all aspects of construction safety to truly lower the probability of occupational accidents.

The frequency of disabling injuries in 2022 achieved the goal of 0. The number of occupational accidents also achieved the goal of 0 accidents involving 0 employees (accounting for 0% of the total number of employees at the end of 2022).

d. Operating environment monitoring

For confined space operations or work environments with the risk of hypoxia, poisoning, and explosion, we monitor hazardous gases before and during construction to ensure operational safety. At present, the Company monitors carbon dioxide at 11 locations twice a year on its own and in coordination with clients. The locations are as follows:

Monitoring location
4F, 8F, and 9F of Head Office
8F of Pou Chen Building
2F, 3F, and B1 of China Ecotek Office Building in China Steel plant area
China Steel plant area IWI office area
1F and 2F of China Steel plant area RMTP office area
Refractory office in steelmaking maintenance building in Dragon Steel plant area

China Ecotek office in furnace repair plant in Dragon Steel plant area
China Ecotek office on 3F of Demi Water Building in Dragon Steel plant area
China Ecotek office and central control room in 2F of Public Facility Building in Dragon Steel plant area
Office in Operations Building in Chengcing Lake water treatment plant
Office in Operations Building in Kinmen water treatment plant

China Ecotek Corporation has committed to complying with regulations and monitoring to protect employees' physical health and safety and health in the workplace.

e. Safety and health organization and management

The Company not only established a dedicated "occupational safety and health management unit," but also stations safety and health management personnel to handle safety and health management work. All on-site supervision personnel are responsible for safety and health management activities. To improve employees' safety and health knowledge and abilities, the Company invests a considerable amount of funds and manpower to send employees to receive safety and health training each year, so that they will obtain safety and health certificates.

f. Occupational safety and health policy, goals, and plans

The annual targets for occupational safety and health this year was "implement safety measures and eliminate risks" as we sought to ensure work safety through clear communication, pragmatic training, employee participation, practical implementation, and rigorous audits. The implementation of all safety measures is the only way to reduce risks. Every employee must build a mindset of "safety is my responsibility and construction safety is my pride" and adopt them as a second nature. Construction safety management performance is listed in the annual performance evaluation of departments and

individuals, and creates China Ecotek's construction safety culture when combined with the management policy of "promoting zero accidents through determination, thoughtfulness, and care in construction safety" and "performance is meaningless if safety cannot be ensured." Departments formulated 10 safety and health action plans and took various management measures, pragmatically implementing self-management mechanisms. The action plans include how departments should reduce construction safety violations, lower the disabling injury frequency rate, number of traffic accidents resulting in disabling injury, and inspections by managers at each level, in hopes that the Company's overall performance indicator will reach 90 points and above.

#### B. Contractor management system

The Company has many contractors and contractor management is an important part of the safety and health policy.

##### a. Registration of outstanding contractors

Contractors must first submit an application, pass the review, and then be registered to become the Company's contractor.

##### b. Establishment of regulations

The absolute majority of the Company's operations are constructions. The hazards of construction are immediate and apparent, so it is necessary to have a strict management system for the conduct of contractors, and management regulations and rules must be implemented for construction safety. We hope to thus minimize accidents in our overall construction safety performance.

##### c. Clear rewards and punishments

The Company has a strict evaluation system for contractors. Besides frequent inspections and severe penalties for construction safety, we evaluate the construction safety performance of contractors in each area on a monthly basis, and distribute rewards to contractors with

outstanding construction safety performance every quarter and six months. Each area also reports and provides a suitable reward for laborers with outstanding construction safety performance each month.

d. Established a contractor safety committee

Besides convening meetings of the collaboration consultative organization each month, contractor safety committee meetings are convened in CSC and DSC construction sites. During the meetings, units and individuals with outstanding construction safety performance are commended, violations and deficiencies are reported and discussed, and participants are informed of safety and health measures and regulations and the client's requirements. Propose construction safety issues for discussion and strengthen safety and health management work.

e. Installation of safety facilities

In order to effectively improve contractors' EHS concepts and reduce accidents, fines imposed on contractors for EHS violations are designated for the purchase of safety and health facilities for use during construction, improving the safety in the operating environment while achieving safety and health management goals.

f. Inspection of pension contributions by contractors

We began requiring contractors to provide data on labor pension contributions for inspection starting in May 2019, in order to comply with the law, effectively supervise labor rights, and fulfill our management and corporate social responsibility.

C. EHS training

a. New employee and current employee training

The Company provided education and training to 82 participants, including new employees and current employees, on internal regulations, information system operations, introduction to company

operations, quality system interpretation, and construction safety promotion.

b. Construction safety related courses and certifications

We sent personnel to receive training on construction safety, and obtained related certifications, including class 1/2/3 labor safety and health affairs supervisors, labor safety and health management personnel, supervisor in charge of hypoxia operations, lifting operations personnel, supervisor in charge of scaffolds assembly works, first aid personnel, forklift operator, supervisor in charge of organic solvent operations, 3-ton fixed crane operator, supervisor in charge of dusty operations, supervisor in charge of template bracing works, operator of Category A pressure vessels, personnel in charge of metal sealing, cutting or heating with acetylene sealing devices or gas bundle devices, supervisor in charge of skeleton steel erecting works, operator of high-pressure gas vessels, 3-ton mobile crane operator, supervisor in charge of specified chemical substance operations, operator of specified high-pressure gas equipment, and Grade A boiler operator. There was a total of 116 participants.

c. Employees sent to receive on the job training and have completed re-training

There was a total of 411 participants in on-the-job training, including class 1/2/3 labor safety and health affairs supervisors, labor safety and health management personnel, mobile crane operator, supervisor in charge of hypoxia operations, supervisor in charge of scaffolds assembly works, first aid personnel, forklift operator, 3-ton fixed crane operator, operator of Category A pressure vessels, supervisor in charge of dusty operations, supervisor in charge of organic solvent operations, supervisor in charge of specified chemical substance operations, and personnel in charge of metal sealing, cutting or heating with acetylene sealing devices or

gas bundle devices.

Occupational safety education, training and promotion in the past two years:

Year	Training participation	Training hours
2021	657	1,314
2022	510	5,581

## 7. Group Agreement

Our company and the enterprise union held the first group agreement negotiation meeting on November 3, 2017. After nearly 3 years and a total of 31 negotiation meetings, both parties reached consensus on all 75 articles and finalized the agreement on September 22, 2020.

During the negotiation period, the union raised questions and opinions based on unity rights, negotiation rights and dispute rights. The company's negotiators patiently and thoroughly explained and responded to the questions raised by the union at the meeting. The company also actively coordinated and resolved issues raised by the union without delaying tactics. The union is also willing to give space to the company on issues involving management and management rights. This shows that both labor and management respect each other. Through group agreement negotiations, labor-management relations are further promoted, making communication more frequent and labor conditions more clear.

On September 29, 2020, it was reported to the third board meeting of the tenth session and was approved. According to Article 9 of the Group Agreement Law, the union held its second temporary member representative meeting on October 7, 2020 to vote for approval. It applies to all members



and sponsoring members of the enterprise union. On October 21, 2020, our company held the first group agreement signing ceremony with the enterprise union at a conference room in China Steel building and was awarded a labor department subsidy of NT\$200,000.

- (II) Losses sustained due to labor disputes in the most recent year and up to the date of report, current and future estimated amount, and response measures:  
The Company did not have any labor-management disputes in 2022.

## China Ecotek Corporation Code of Ethics for Employees

Established on Monday, January 19, 2009

- I. China Ecotek Corporation established this code to promote a culture of ethical business practices, so that employees will take the initiative when performing duties and satisfy customers through advanced technologies and high quality services.
- II. Employees shall exercise caution in commitments and actions, and may not use their relationships or information obtained based on their positions or duties for personal gain or illegal benefits of a third party.
- III. Employees may not request, offer or receive any gifts, treats or other benefits provided by interested parties related to their job duties. Gifts, treats or other benefits made based on the social customs shall be reasonable and proper.
- IV. In case employees need to treat guests due to the performance of duties or development of external relationships, such treatment shall be handled based on the principles of etiquette, simple and cost saving, without any extravagance and waste.
- V. When employees are performing their duties, they shall avoid any conflict of interest in cases in which they or their family member is an interested party.
- VI. Unless it is necessary for the execution of duties and approved by a senior manager or above, employees shall not accept any treats or other entertainment activities when invited by interested parties related to their job duties.

For treats and entertainment activities invited by personnel having no interests related to their job duties but are considered inappropriate to the job duties, the practitioners shall still refuse such invitations.
- VII. Employees may not accept any illegal offers and lobbying, and may not

make any private promises or provide different treatment to specific individuals or groups.

- VIII. Employees should avoid borrowing money, inviting or participating in gatherings, or serving as the guarantor of identity or loans.

Supervisors at all levels should strengthen the evaluation of employees' ethics, and shall immediately report and handle any financial abnormalities or unusual circumstances in life.

- IX. Employees should practice frugality during marriage and funerals, and may not use their position or business relationship to extensively send out invitations. The same applies to when employees buy a new house or move.

- X. Employees are strictly prohibited from using connections for lobbying to gain a promotion or transfer.

- XI. Employees must use proper channels and provide evidence when reporting illegal conduct, and may make anonymous reports or false reports for others to punished.

- XII. Employees are required to uphold their confidentiality obligations for business secrets, trade secrets, and other personal privacy information during their employment. The same shall apply after separation.

- XIII. Employees shall be diligent and steadfast, bravely take on responsibility, and abide by duty and leave regulations. Employees may not leave their posts without permission or neglect their duties.

- XIV. Employees shall do their duties and respect administrative ethics. Supervisors shall provide guidance, care, and training for their subordinates. Subordinates shall respect, obey, and support their supervisors, and honestly express their opinions for their supervisors to take into consideration. Colleagues shall work harmoniously together.

- XV. Employees shall show their team spirit, put China Ecotek Corporation's overall long-term interests first, strengthen horizontal contact, deepen vertical communication, help each other, and eliminate selfish departmentalism.

- XVI. Business dealings of China Ecotek Corporation shall be based on the spirit of practicality, and unless it is necessary for cultural customs and festivals, an exchange of gifts shall be avoided.
- XVII. Employees may be rewarded for compliance with this code and exceptionally outstanding performance. If an employee is verified to have violated this code, the employee will be punished according to the severity of the violation, and will be brought to justice if the violation involves criminal liability.
- XVIII. This Code shall take effect after being approved and announced by the president, and the same shall apply to any future amendment.

#### Human Resources Management Rules

Article 11 The Company and its subsidiaries may not hire the chairperson, president, and vice presidents' (or managerial officers with the same or similar authority) spouse or relative within the second degree of kinship.

The Company, subsidiary, and second-tier subsidiaries may not hire the spouse or relative within the second degree of kinship of a subsidiary's chairperson, president, and vice presidents (or managerial officers with the same or similar authority).

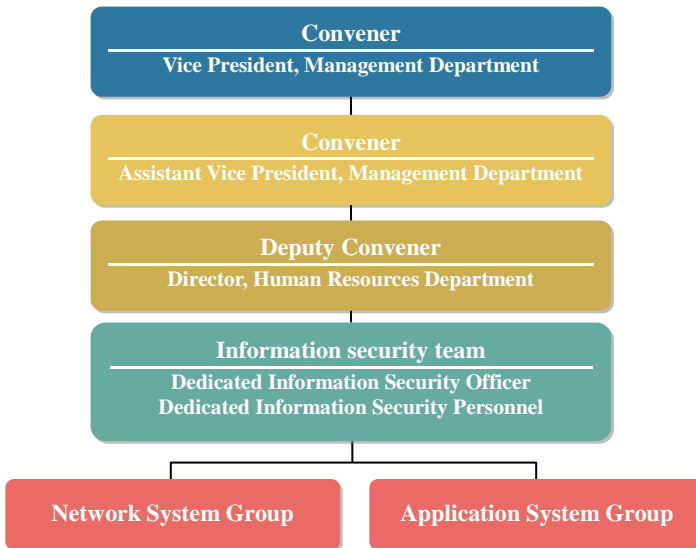
## VI. Information security management

### (I) Information security management strategy and framework

#### 1. Structure of the information security risk management organization

To effectively implement information security management and information security policies, we have established the "Information Security Team", with the Vice President of Administration Group as the convener. The Team is responsible for reviews of information security management matters and results internal and external audit, and resource allocation. The Team is responsible for the establishment, implementation, and review of the information security policy, resource allocation, reporting of incidents, response measures, and discussions. The Internal Audit Office periodically audits information security affairs and reports it to the Audit Committee. Implementation results are reported to the Board of Directors at least once a year.

Organizational structure of the information security team



## 2.Information security policy

### (1) Targets

- A. Ensure the confidentiality, integrity, and availability of information related to the Company's business operations, protect information security, and ensure the stability and reliability of the system.
- B. Comply with national laws and regulations to achieve the goal of continuous business operations.

### (2) Strategy

- A. Establish the management framework for data files, physical environment, software/hardware, personnel (including contractors), and procedures, and comply with the Company's information security policy.
- B. Establish the Information Security Team and the division of responsibilities to implement of information security management.
- C. Comply with information security management regulations such as the Regulations Governing Establishment of Internal Control Systems by Public Companies.
- D. Set information security event monitoring, reporting, and response mechanisms, ensure rapid and proper response, control, and handling of the events, and reduce the scope of impact.
- E. Periodically conduct internal and external information security audits and prepare reports, in order to ensure that the effectiveness and continuous improvement of the information security management system.
- F. Enhance the training of information security management personnel to enhance the Company's information security management capabilities.
- G. Raise employees' information security awareness, and reduce information security events caused by internal human factors.

## 3.Specific management plans

Item	Specific management plans
Internet security risks	<ul style="list-style-type: none"> <li>• Set up network firewalls for the control and management of connections</li> <li>• Activate the intrusion prevention system (IPS) and protection for distributed denial-of-service (DDoS) attacks</li> <li>• Activate web reputation services for screening and application connection controls</li> <li>• User authentication and control of Internet access</li> <li>• Use VPN connection and activate multi-factor authentication</li> <li>• Email threat filtering and scanning</li> <li>• Regular network security examinations</li> </ul>
Device security risks	<ul style="list-style-type: none"> <li>• Install endpoint computer information security software and adopt centralized management</li> <li>• Retain endpoint computer operation logs and USB storage device management</li> <li>• Equipment connection control</li> <li>• Regular update and replacement of computer equipment</li> <li>• Periodically take inventory of software and hardware assets.</li> <li>• Information security incident detection, monitoring, and response</li> </ul>
Application security risks.	<ul style="list-style-type: none"> <li>• Regular vulnerability scans for critical information systems accessible by external parties</li> <li>• Activate application firewalls for protection</li> <li>• System connection and access authorization control</li> <li>• Periodically review user accounts and authorization.</li> </ul>
Data security risks	<ul style="list-style-type: none"> <li>• Periodically backup and remote backup of data</li> <li>• Periodic disaster recovery drills.</li> <li>• Compliance with the "Confidential Information Protection Guidelines" and "Trade Secret Management Regulations"</li> <li>• Access authorization control and regular reviews</li> </ul>
Awareness campaigns and reviews	<ul style="list-style-type: none"> <li>• Regular internal and external information security audits each year</li> <li>• Hold regular information security management meetings to enhance information security awareness and discuss improvement measures</li> <li>• Organize information security training programs and</li> </ul>

	<p>increase employees' information security awareness</p> <ul style="list-style-type: none"> <li>• Periodically conduct e-mail social engineering drills each year</li> <li>• Periodically participate in the group's information security joint defense meeting</li> </ul>
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4.Resources invested in information security management

- (1)Held 6 information security management meetings to enhance information security awareness, review incidents, and discuss improvement measures.
- (2)Organized 15 activities for communicating the information security policy, regulations, information security awareness, and measures against phishing email.
- (3)Organized 1 information security training program.
- (4)1 employee completed the "EC-Council Computer Hacking Forensic Investigator (CHFI) Course".
- (5)1 employee completed the "ISO 27001:2013 Information Security Management System Risk Assessment Course".
- (6)Completed the replacement and upgrade of the firewall equipment and enhanced network management transparency and protection.
- (7)Completed the update and upgrade of endpoint information security protection system to enhance endpoint equipment protection.
- (8)Completed the replacement of 191 sets of computer equipment.
- (9)Completed the adoption of the SSL VPN multi-factor identity authentication.
- (10)Completed the regular information security examination.

(II) Total amount of losses and penalties incurred due to major information security incidents in the most recent year and up to the date of report:  
The Company and its subsidiaries did not receive any fines due to material information security incidents in 2022 and up to the date of report.



## VII. Important contracts

(I) Supply/sales contracts, technical cooperation contracts, construction contracts, long-term loan contracts, and other important contracts that are sufficient to affect shareholders' equity that are still valid as of the date of report or expired in the most recent year:

Nature of the Contract	The Parties	Commencement date/expiration date	Main Content	Restrictions Clauses
Construction contracts	Acepodia	2023.01-2023.10	Acepodia Nangang Biotechnology Research Park GMP Laboratory Construction Project	None
	Polyplastics Taiwan	2022.04-2024.04	Polyplastics Taiwan Liquid Crystal Polymer (LCP) Plant Construction Project	None
	Taiwan Water Corporation	2022.02-2025.02	Outsourced operation and maintenance of Chengcing Lake water treatment plant	None
	EirGenix	2022.01-2023.12	Construction of production line on 5F of EirGenix Zhubei Plant	None
	BeiGene (Taiwan) Limited	2021.11-2022.06	BeiGene (Taiwan) Limited Neihu District Laboratory Renovation	None
	Adimmunue Corporation	2021.09-2024.03	Adimmunue Corporation Influenza Vaccine Bulk Improvement & Overall Hardware Improvement Project	None
	Taiwan Water Corporation	2021.07-2023.10	Caotun water treatment plant construction projection	None
	Taiwan	2021.07-2022.11	Procurement of One Batch of	None

Nature of the Contract	The Parties	Commencement date/expiration date	Main Content	Restrictions Clauses
	Power Company Linkou Power Plant		Recommended Essential Spare Parts for Linkou Renewal and Expansion in 2021	
	Taiwan Power Company Linkou Power Plant	2021.01-2021.12	Procurement of Repair Materials for Flow Dynamics Conveyor in 2021 (Including Installation and Maintenance)	None
	Adimmunue Corporation	2020.08-2021.07	Adimmunue Corporation Cell Plant Construction Project	None
	China Steel	2022.05-2024.10	Project for the Replacement of Phase I and II Coke Oven	None
	China Steel	2022.04-2023.12	Pilot Project for New Phase I and II Coke Oven	None
	China Steel	2022.03-2022.09	Phase IV Coke Dry Quenching Oven Brick Renewal Project	None
	China Steel	2022.01-2023.10	Phase I and II Coke Oven Coal Chemical Plant Cooling Tower Construction Project	None
	China Steel	2021.12-2024.05	New Phase I and Phase II Coal Production Equipment Supply	None
	China Steel	2021.12-2024.04	W21 Phase I and Phase II Coke Oven Renewal - CDQ Project (Civil Engineering Project)	None
	China Steel	2021.12-2023.12	Phase I and II Coke Oven Coal	None

Nature of the Contract	The Parties	Commencement date/expiration date	Main Content	Restrictions Clauses
			Chemical Plant Civil Engineering Project	
	China Steel	2021.11-2024.08	W21 Phase I and Phase II CDQ Dust Collection System Turnkey Project	None
	China Steel	2021.11-2024.06	W1 Coke Transportation and Treatment System Equipment Supply	None
	China Steel	2021.11-2024.06	Coke Transportation and Treatment System Installation Project	None
	China Steel	2021.11-2023.12	Phase II transportation process installation project for new coal mine closed structure	None
	China Steel	2021.11-2023.11	Equipment Supply for the W1 New Coal Mine Closed Structure Transportation Process Reengineering Phase II Project	None
	China Steel	2021.10-2023.12	CDQ Electrical Building Civil Engineering Project	None
	China Steel	2021.09-2024.05	New Phase I and Phase II Coal Production Equipment Installation Project	None
	China Steel	2021.09-2022.11	T72 Converter Gas/Blast Furnace Gas Carbon Monoxide Extraction Pilot Plant Turnkey Project	None
	China Steel	2021.07-2025.06	W21 Phase I and Phase II CDQ Cooling Water System and Auxiliary Equipment Production and	None

Nature of the Contract	The Parties	Commencement date/expiration date	Main Content	Restrictions Clauses
			Installation Project	
	China Steel	2021.04-2022.08	Power Plant Motor Blower – Equipment Plant, Substation, and Electrical Room Construction Civil Engineering Project	None
	Dragon Steel	2021.04-2023.04	Water Treatment Plant Operations Management in 2021	None
	China Steel	2021.02-2022.10	#33 Hot Blast Stove Renewal Project	None
	China Steel	2020.12-2022.06	W2 MB Substation Power Distribution Project	None
	China Steel	2020.11-2022.07	#21 Hot Blast Stove Renewal Project	None
	China Steel	2020.09-2022.06	Electrical, Mechanical, and Pipeline Construction for New Biological Filter for Effluent	None
	China Steel	2020.08-2023.02	Phase I and Phase II Coke Oven Renewal Public Utility Liquid Pipeline Laying Project	None
	China Steel	2020.08-2023.02	Power Plant 1 New Cooling Tower (CT-6) and Pipeline Production and Assembly Project	None
	Dragon Steel	2020.06-2022.05	Refractory Furnace Lining Repair Project R01 Contract	None
	CSC Solar Co..	2020.05-2022.12	CSC Group Solar PV System Planning and Construction Project	None
	China Steel	2020.03-2021.06	No. 1 and No. 2 Sinter Plant Equipment Replacement – Area B	None

Nature of the Contract	The Parties	Commencement date/expiration date	Main Content	Restrictions Clauses
	China Steel	2020.01-2021.06	Major Overhaul of No. 2 Blast Furnace Third Furnace Area 3600 Production and Assembly Project	None
	China Steel	2020.01-2021.12	W113 M27, C10, S6 Conveyor Replacement	None
	China Steel	2019.12-2021.12	Phase I transportation process of new coal mine closed structure	None
	China Steel	2019.11-2022.06	No. 2 Blast Furnace Third Furnace Area 3400 Production and Assembly Project	None
	China Steel	2020.02-2021.06	No. 1 and No. 2 Sinter Plant Equipment Replacement (Area A, E)	None
	China Steel	2019.09-2021.10	Desulfurization of Emissions from No. 1 Sinter Plant	None
	China Steel	2019.04-2022.12	W1 Phase I and Phase II Coal and Iron Ore Transportation Equipment Installation Project	None
	China Steel	2019.03-2022.12	Equipment Supply for W1 Phase I and Phase II Coal and Iron Ore Transportation Equipment Dismantling and Construction Project	None

## F. Financial overview

### I. Condensed statement of financial position and statements of comprehensive income in the last five years

#### (I) Condensed statement of financial position and statement of comprehensive income

##### 1. Condensed statement of financial position (consolidated) – International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

Year Item		Financial statements for the past five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		6,803,536	4,687,053	5,160,119	4,748,877	4,809,100
Property, plant and equipment (Note 2)		158,210	143,188	138,084	636,124	310,550
Intangible assets		7,592	6,264	4,479	3,956	8,559
Other assets (Note 2)		826	845	9,511	47	446
Total assets		8,080,272	6,167,995	6,724,372	6,863,041	6,966,460
Current liabilities	Before distribution	4,562,161	2,771,024	3,294,741	3,221,457	3,140,849
	After distribution	4,698,278	2,919,515	3,461,794	3,543,188	3,512,077
Non-current liabilities		520,294	431,792	469,375	411,616	314,572
Total liabilities	Before distribution	5,082,455	3,202,816	3,764,116	3,633,073	3,455,421
	After distribution	5,218,572	3,351,307	3,931,169	3,954,804	3,826,649
Equity attributed to the owners of the parent company		2,997,817	2,965,179	2,960,256	3,229,968	3,511,039
Share capital		1,237,426	1,237,426	1,237,426	1,237,426	1,237,426
Capital surplus		628,374	628,374	628,374	628,374	628,374
Retained earnings	Before distribution	1,168,797	1,168,034	1,190,267	1,420,807	1,644,903
	After distribution					

	After distribution	1,032,680	1,019,543	1,023,214	1,099,076	1,273,675
Other equity		(36,780)	(68,655)	(95,811)	(56,639)	336
Treasury shares		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	2,997,817	2,965,179	2,960,256	3,229,968	3,511,039
	After distribution	2,861,700	2,816,688	2,793,203	2,908,237	3,139,811

Note 1: The financial data in the years above have been audited by the CPAs.

Note 2: The Company has not had assets reappraised before.

2. Condensed statement of comprehensive income (consolidated) –  
International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD  
(only EPS is in NT\$)

Item \ Year	Financial statements for the past five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	10,813,583	9,315,910	8,836,360	8,484,613	8,844,053
Gross profit	483,432	510,725	503,964	706,961	812,742
Operating profit and loss	28,533	32,480	64,724	242,305	332,633
Non-operating income and expenses	113,347	131,092	174,736	240,534	279,269
Pre-tax profit	141,880	163,572	239,460	482,839	611,902
Net income from continuing operations	97,864	126,858	197,435	403,880	520,519
Losses from discontinued operations	0	0	0	0	0
Current period net profit	97,864	126,858	197,435	403,880	520,519
Other consolidated income of the term (net value after tax)	(7,770)	(23,379)	(53,867)	32,885	83,911
Total comprehensive income for the period	90,094	103,479	143,568	436,765	604,430
Net profit attributable to owners of the parent company	97,864	126,858	197,435	403,880	520,519
Net profit attributable to non-controlling interest	0	0	0	0	0



Total comprehensive income (loss) attributable to owners of the parent	90,094	103,479	143,568	436,765	604,430
Total comprehensive income attributed to non-controlling interest	0	0	0	0	0
Earnings per share	0.79	1.03	1.60	3.26	4.21

Note: The financial data in the years above have been audited by the CPAs.

3. Condensed statement of financial position (individual) – International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD

Year		Financial statements for the past five years (Note 1)				
		2018	2019	2020	2021	2022
Item						
Current assets		5,032,441	3,429,676	4,071,418	3,627,521	3,766,129
Property, plant and equipment (Note 2)		156,467	142,854	138,084	636,124	310,550
Intangible assets		7,583	6,264	4,479	3,956	8,206
Other assets (Note 2)		826	845	9,511	47	445
Total assets		7,697,273	5,984,872	6,621,879	6,753,779	6,854,957
Current liabilities	Before distribution	4,181,914	2,588,783	3,192,719	3,114,516	3,030,291
	After distribution	4,318,031	2,737,274	3,359,772	3,436,247	3,401,519
Non-current liabilities		517,542	430,910	468,904	409,295	313,627
Total liabilities	Before distribution	4,699,456	3,019,693	3,661,623	3,523,811	3,343,918
	After distribution	4,835,573	3,168,184	3,828,676	3,845,542	3,715,146
Equity attributed to the owners of the parent company		2,997,817	2,965,179	2,960,256	3,229,968	3,511,039
Share capital		1,237,426	1,237,426	1,237,426	1,237,426	1,237,426
Capital surplus		628,374	628,374	628,374	628,374	628,374
Retained earnings	Before distribution	1,168,797	1,168,034	1,190,267	1,420,807	1,644,903
	After distribution	1,032,680	1,019,543	1,023,214	1,099,076	1,273,675
Other equity		(36,780)	(68,655)	(95,811)	(56,639)	336
Treasury shares		0	0	0	0	0

Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	2,997,817	2,965,179	2,960,256	3,229,968	3,511,039
	After distribution	2,861,700	2,816,688	2,793,203	2,908,237	3,139,811

Note 1: The financial data in the years above have been audited by the CPAs.

Note 2: The Company has not had assets reappraised before.

4. Condensed statement of comprehensive income (individual) –  
International Financial Reporting Standards (IFRSs)

Unit: Thousand NTD  
(only EPS is in NT\$)

Item \ Year	Financial statements for the past five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	9,271,598	8,127,997	8,627,332	8,371,228	8,526,056
Gross profit	385,252	590,307	461,740	681,933	787,539
Operating profit and loss	(27,786)	149,653	44,385	238,999	331,280
Non-operating income and expenses	150,979	(2,042)	180,847	226,844	270,894
Pre-tax profit	123,193	147,611	225,232	465,843	602,174
Net income from continuing operations	97,864	126,858	197,435	403,880	520,519
Losses from discontinued operations	0	0	0	0	0
Current period net profit	97,864	126,858	197,435	403,880	520,519
Other consolidated income of the term (net value after tax)	(7,770)	(23,379)	(53,867)	32,885	83,911
Total comprehensive income for the period	90,094	103,479	143,568	436,765	604,430
Net profit attributable to owners of the parent company	97,864	126,858	197,435	403,880	520,519
Net profit attributable to non-controlling interest	0	0	0	0	0

Total comprehensive income (loss) attributable to owners of the parent	90,094	103,479	143,568	436,765	604,430
Total comprehensive income attributed to non-controlling interest	0	0	0	0	0
Earnings per share	0.79	1.03	1.60	3.26	4.21

Note 1: The financial data in the years above have been audited by the CPAs.

Name of CPAs and audit opinions in the last five years

Year	Certifying CPA	Corporation Audit opinion	Notes
2018	Deloitte Taiwan Liu Yu-Hsiang, CPA Hsu Jui-Hsuan, CPA	Unqualified opinion (Note 1)	CPAs Liu Yu-Hsiang and Hsu Jui-Hsuan of the firm were appointed.
2019	Deloitte Taiwan Liu Yu-Hsiang, CPA Hsu Jui-Hsuan, CPA	Unqualified opinion (Note 2)	CPAs Liu Yu-Hsiang and Hsu Jui-Hsuan of the firm were appointed.
2020	Deloitte Taiwan Liu Yu-Hsiang, CPA Hsu Jui-Hsuan, CPA	Unqualified opinion	CPAs Liu Yu-Hsiang and Hsu Jui-Hsuan of the firm were appointed.
2021	Deloitte Taiwan Liu Yu-Hsiang, CPA Wang Chao-Chun, CPA	Unqualified opinion	CPAs Yu-Hsiang Liu and Chao-Chun Wang of the firm were appointed due to internal rotations of Deloitte Taiwan.
2022	Deloitte Taiwan Liu Yu-Hsiang, CPA Wang Chao-Chun, CPA	Unqualified opinion	CPAs Liu Yu-Hsiang and Chao-Chun Wang of the firm were appointed.

Note 1: Since 2018, China Ecotek Corporation and subsidiaries have started the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (hereinafter referred to collectively as the "IFRSs") endorsed and issued into effect by the FSC in 2018. The CPAs have not revised the audit opinion due to such matter.

Note 2: Since 2019, China Ecotek Corporation and subsidiaries have started the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (hereinafter referred to collectively as the "IFRSs") endorsed and issued into effect by the FSC in 2019. The CPAs have not revised the audit opinion due to such matter.

## II. Financial analysis of the last five years

### (I) Financial Analysis (Consolidated) – International Financial Reporting Standards (IFRSs)

Analysis item (Note 2)		Financial analysis of the last five years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	62.90	51.93	55.98	52.94	49.60
	Ratio of long-term fund to property, plant and equipment	1,894.83	2,070.83	2,143.81	507.76	1,130.59
Liquidity (%)	Current ratio	149.13	169.15	156.62	147.41	153.11
	Quick ratio	95.92	106.74	104.27	78.75	100.05
	Interest protection multiples	21.69	32.31	135.00	316.99	751.80
Operating ability	Receivables turnover (times)	6.18	5.49	7.14	8.93	10.38
	Average collection period	59	66	51	41	35
	Inventory turnover (times)	0.47	0.35	0.33	0.31	0.33
	Payables turnover (times)	11.99	9.97	10.20	9.29	11.19
	Average inventory turnover days	776	1,043	1,106	1,177	1,106
	Property, plant and equipment turnover (times)	68.35	65.06	63.99	13.34	28.48
	Total assets turnover (times)	1.34	1.51	1.31	1.24	1.27
Profitability	Return on assets (%)	1.31	1.84	3.08	5.96	7.54
	Return on equity (%)	3.23	4.25	6.66	13.05	15.44
	Pre-tax profit to paid-in capital ratio (%)	11.47	13.22	19.35	39.02	49.45
	Net profit margin (%)	0.91	1.36	2.23	4.76	5.89
	Earnings per share (NT\$)	0.79	1.03	1.60	3.26	4.21
Cash flows	Cash flow ratio (%)	1.76	35.52	39.26	7.35	(0.55)
	Cash flow adequacy ratio (%)	(26.24)	(4.50)	81.12	132.94	131.38
	Cash reinvestment ratio (%)	(2.10)	25.14	33.57	1.91	(9.80)
Leverage	Operating leverage	17.75	16.35	8.01	2.97	2.44
	Financial leverage	1.32	1.19	1.03	1.01	1.00



Please explain reasons for changes in financial ratios in the last two years. (analysis not required if the change does not reach 20%)

1. Ratio of long-term fund to property, plant and equipment and property, plant and equipment turnover (times): Mainly due to the decrease in net amount of property, plant and equipment compared with the same period last year.
2. Quick Ratio: Mainly due to the decrease in advance payments compared with the same period last year.
3. Interest protection multiples: Mainly due to the increase in net profit before tax this year.
4. Payables turnover (times): Mainly due to the decrease in average balance of payables compared to the same period last year.
5. Return on assets: Mainly due to the increase in net profit this year.
6. Pre-tax profit to paid-in capital ratio: Mainly due to the increase in profit before tax.
7. Net profit margin, earnings per share: Mainly due to the increase in net profit this year.
8. Cash flow ratio and cash reinvestment ratio: Mainly due to the decrease in net cash inflow from operating activities this year resulting from the investment in construction projects and requesting payment from clients.

Note 1: The financial data in the years above have been audited by the CPAs.

Note 2: The following formulas should be included at the end of this table:

1. Financial structure

- (1) Debt Ratio = Total Liabilities / Total Assets.
- (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
- (3) Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable arising from operation) balances
- (2) Average collection days = 365 / Receivable turnover.
- (3) Inventory turnover ratio = Cost of goods sold / Average amount of inventory.
- (4) Payables (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
- (5) Average inventory turnover days = 365 / Average inventory turnover.
- (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment.
- (7) Total assets turnover ratio = Net sales / Total average fixed assets.

4. Profitability

- (1) Return on assets = [net income + interest expense (1 - tax rate)] / average total assets.
- (2) Return on equity = Net income / Average equity.
- (3) Net profit margin = Net income / Net sales.
- (4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks) / weighted average number of issued shares. (Note 4)

5. Cash flows

- (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
- (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investments + other non-current assets +

working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (net operating income – variable operating cost and expenses) / operating income (Note 6).

(2) Financial leverage = operating profit/(operating profit - interest expense).

Note 3: Pay attention to the following matters when using the formula above for calculating EPS:

1. Based on the weighted average number of ordinary shares and not the number of outstanding shares at the end of the year.
2. The period of shares from cash capital increase or treasury stock must be taken into consideration when calculating the weighted average number of shares.
3. When calculating EPS in previous years or half years after capital increase by earnings or capital surplus, adjustments must be made according to the ratio of capital increase and the duration does not need to be considered.
4. If preferred stock is non-convertible cumulative preferred stock, the dividends (regardless of whether it is distributed) shall be deducted from after-tax net income or added to after-tax net loss. If the preferred stock is non-cumulative and there is after-tax net income, dividends on preferred stock shall be deducted from after-tax net profit. In case of a loss, then no adjustment is necessary.

Note 4: Pay attention to the following matters during cash flow analysis:

1. Net cash flows from operating activities refers to the net cash flows from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash outflows from capital investments each year.
3. Inventory increase is only calculated when the amount at the end of the period is greater than the beginning of the period, and is calculated at zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross profit for property, plant, and equipment shall refer to the total amount for property, plant, and equipment before accumulated depreciation is deducted.

Note 5: Issuers must divide operating costs and operating expenses into fixed and variable based on their properties. If it involves estimates or subjective judgment, make sure it is reasonable and consistent.

Note 6: For company shares with no face value or with face value per share not equaling NT\$10, the aforementioned calculation for paid-in capital ratio should be changed to calculation for the equity ratio attributable to owners of parent in the balance sheet instead.

(II) Financial Analysis (Individual) – International Financial Reporting Standards (IFRSs)

Analysis item \ Year		Financial analysis of the last five years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	61.05	50.46	55.30	52.18	48.78
	Ratio of long-term fund to property, plant and equipment	1,915.94	2,075.67	2,143.81	507.76	1,130.59
Liquidity (%)	Current ratio	120.34	132.48	127.52	116.47	124.28
	Quick ratio	90.74	96.27	101.89	76.09	92.52
	Interest protection multiples	18.96	29.46	128.54	308.69	756.55
Operating ability	Receivables turnover (times)	5.95	5.48	7.57	9	11.27
	Average collection period	61	67	48	41	32
	Inventory turnover (times)	0.57	0.42	0.43	0.39	0.40
	Payables turnover (times)	11.63	9.49	10.92	9.90	11.78
	Average inventory turnover days	640	869	849	936	913
	Property, plant and equipment turnover (times)	59.26	56.90	62.48	13.16	27.45
	Total assets turnover (times)	1.20	1.36	1.30	1.24	1.24
Profitability	Return on assets (%)	1.36	1.92	3.15	6.06	7.66
	Return on equity (%)	3.23	4.25	6.66	13.05	15.44
	Pre-tax profit to paid-in capital ratio (%)	9.96	11.93	18.20	37.65	48.66
	Net profit margin (%)	1.06	1.56	2.29	4.82	6.11
	Earnings per share (NT\$)	0.79	1.03	1.60	3.26	4.21
Cash flows	Cash flow ratio (%)	6.58	24.39	32.73	6.61	6.00
	Cash flow adequacy ratio (%)	(28.19)	(2.44)	50.91	146.58	114.40
	Cash reinvestment ratio (%)	3.39	14.66	26.26	1.06	(3.94)
Leverage	Operating leverage	14.70	4.08	10.73	2.91	2.38
	Financial leverage	0.80	1.04	1.04	1.01	1.00

Please explain reasons for changes in financial ratios in the last two years. (analysis not required if the change does not reach 20%)

1. Ratio of long-term fund to property, plant and equipment and property, plant and equipment turnover (times): Mainly due to the decrease in net amount of property, plant and equipment compared with the same period last year.
2. Quick Ratio: Mainly due to the decrease in advance payments compared with the same period last year.
3. Interest protection multiples: Mainly due to the increase in net profit before tax this year.
4. Receivables turnover ratio, average collection period: Mainly due to the decrease in average balance of receivables.
5. Return on assets: Mainly due to the increase in net profit this year.
6. Pre-tax profit to paid-in capital ratio: Mainly due to the increase in profit before tax.
7. Net profit margin, earnings per share: Mainly due to the increase in net profit this year.
8. Cash flow adequacy ratio: Mainly due to changes in net cash inflow from operating activities in the last 5 years.
9. Cash reinvestment ratio: Mainly due to the decrease in net cash inflow from operating activities this year resulting from the investment in construction projects and requesting payment from clients.

### III. Audit Committee's audit report in the most recent year

#### China Ecotek Corporation Audit Committee's Audit Report

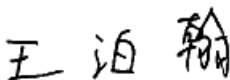
The 2022 financial statements audited by Deloitte Taiwan, earnings distribution proposal, and business report prepared by the Board of Directors was audited by the Audit Committee and found to be compliant with regulations. The Audit Report is therefore provided in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review and approve

To

The Company's 2023 Annual General Meeting

China Ecotek Corporation  
Audit Committee Convener:



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Po-Han Wang

February 21, 2023

- IV. Consolidated financial statements for the most recent year: See pages 215~319 for details.
- V. Financial statements for the most recent year: See pages 320~436 for details.

VI. The impact of the financial difficulties of the Company and affiliated companies, if any, on the Company's financial position in the past year and up to the date of report: None.

# G. Review and analysis of financial status, financial performance, and risk management

## I. Financial position

Unit: Thousand NTD

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	4,748,877	4,809,100	60,223	1.27%
Non-current assets	2,114,164	2,157,360	43,196	2.04%
Total assets	6,863,041	6,966,460	103,419	1.51%
Current liabilities	3,221,457	3,140,849	(80,608)	( 2.50%)
Non-current liabilities	411,616	314,572	(97,044)	( 23.58%)
Total liabilities	3,633,073	3,455,421	(177,652)	( 4.89%)
Share capital	1,237,426	1,237,426	0	0.00%
Capital surplus	628,374	628,374	0	0.00%
Retained earnings	1,420,807	1,644,903	224,096	15.77%
Shareholders' equity – other	(56,639)	336	56,975	100.59%
Total shareholders' equity	3,229,968	3,511,039	281,071	8.70%

Analysis of changes in ratios (the difference reaches 20% or above):

1. The decrease in non-current liabilities is mainly due to the decrease in defined benefit liabilities.
2. The increase in "Shareholders' equity – other" is mainly due to the increase in unrealized gains and losses from cash flow hedging.

## II. Financial performance

### (I) Comparative analysis of business performance

Unit: Thousand NTD

Item \ Year	2021	2022	Increase (Decrease)	Percentage of change (%)
Net operating revenues	8,484,613	8,844,053	359,440	4.24%
Operating costs	7,764,125	8,031,190	267,065	3.44%
Unrealized gain from sale	23,804	8,305	(15,499)	( 65.11%)
Realized gain from sale	10,277	8,184	(2,093)	( 20.37%)
Gross profit	706,961	812,742	105,781	14.96%
Operating expenses	464,656	480,109	15,453	3.33%
Operating profit	242,305	332,633	90,328	37.28%
Non-operating income and expenses	240,534	279,269	38,735	16.10%
Pre-tax profit	482,839	611,902	129,063	26.73%
Income tax	78,959	91,383	12,424	15.73%
Net profit after tax from continuing operations	403,880	520,519	116,639	28.88%



Reasons for changes in the most recent two years (a separate analysis is required if the change in gross profit reaches 20% and above; analysis is not required if the change does not reach 20%):

1. The increase in unrealized gain from sale is mainly due to the progress of the construction project with CSC Solar Coroproration, and the recognition of unrealized gain from sale.
2. The increase in realized gain from sale is mainly due to the progress of the construction project with CSC Solar Coroproration, and the commencement of recognition of realized gain from sale for each year.
3. The increase in operating profit is mainly due to the increase in gross profit.
4. The increase in profit before tax is mainly due to the increase in operating profit and net non-operating income.
5. The increase in net profit after tax from continuing operations is mainly due to the increase in profit before tax.

## (II) Expected sales volume and its basis

The Company is a construction service company and will actively participate in new construction projects and the replacement of old equipment inside and outside the Group, develop wastewater recycling engineering and subsequent operation services, and expand fire-resistant material turnkey projects to increase long-term stable income.

## III.Cash flows

### (I) Analysis of changes in cash flows

The net cash inflow for the combined financial statements for 2022 was NT\$388,913 thousand. The changes in cash flow for each activity are as follows:

1. Operating activities: Net cash outflow of NT\$17,389 thousand, mainly due to the impact of changes in net profit, purchase of hedged foreign currency deposits and increase in accounts receivable.
2. Investment activities: Net cash inflow of NT\$701,759 thousand, mainly due to the impact of selling funds and stocks and receiving cash dividends from investment companies.
3. Financing activities: Net cash outflow of NT\$353,704 thousand, mainly due to the payment of cash dividends.

## (II) Cash flow analysis for the coming year

Unit: Thousand NTD

Cash balance at beginning of period	Net cash flow from operating activities	Annual cash outflow	Cash surplus	Remedial measures for cash deficit	
				Investment plan	Financial plan
1,159,129	(381,295)	(67,413)	710,421	N/A	N/A
1. Analysis of cash flow changes in 2023:					
(1) Operating activities: The net cash flow is mainly from changes in profits and contract assets/liabilities.					
(2) Investing activities: The net cash flow is mainly from the acquisition of property, plant and equipment and other financial assets.					
(3) Financing activities: The net cash flow is mainly from short-term borrowings and payment of cash dividends.					
2. Remedial measures for cash shortage and liquidity analysis: None.					

## **IV. Impact of major capital expenditures in recent years on the Company's financial position and business performance: None.**

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

- (I) Reinvestment policy in the most recent year: The Company makes investments according to the Procedures for the Acquisition or Disposal of Assets, evaluates investment benefits, and implements investment plans once they are approved by the Board of Directors.
- (II) Investment analysis: The Company recognized investment gains in the amount of NT\$111.885 million in 2022, and was mainly from the recognition of operating profits of investee companies.
- (III) Investment plans for the coming year: None.

## VI. Risk assessment

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

1. Impact on the Company's income

Item	2022 (Thousand NTD; %)
Net interest income (expense)	58,394
Net exchange gain (loss)	1,795
Net interest income (expense) as a percentage of net revenue	0.66%
Net interest income (expense) as a percentage of net profit before tax	9.54%
Net exchange gain/loss as a percentage of net revenue	0.02%
Net exchange gain/loss as a percentage of pre-tax net profit	0.29%

(1) Interest rate changes

The Company is subordinate to the CSC Group, generates stable profits every year, and has a sound financial position. We have worked closely with financial institutions for years to obtain better interest rates. Our financial assets and liabilities cash flow with interest rate risks amounted to NT\$518.969 million at the end of 2022. If interest rates increase/decrease by 1%, it will increase the Company's net profit before tax by approximately NT\$5.190 million.

(2) Exchange rate fluctuations

The Company purchases and sells goods denominated in foreign currencies, and is exposed to the risk of interest rate fluctuations. The Company thus uses foreign currency deposits and firm commitment opposite to exchange rate fluctuations to manage risk. The Company

recognized net foreign exchange loss in the amount of NT\$1.795 million due to exchange rate fluctuations in 2022, accounting for 0.29% of net profit before tax in 2022. The balance of foreign currencies at the end of 2022 was USD2.418 million and CNY193.885 million. If NTD appreciates by 1% in the future, the Company will lose NT\$140 thousand and shareholders' equity will decrease by NT\$10.112 million.

(3) Impact of inflation

Inflation did not have a significant effect on the Company's cost and selling price in 2022. We will continue to monitor changes in inflation while controlling cost and product prices, and make suitable adjustments. Our operating expenses was NT\$480.109 million in 2022. If inflation increases by 1% in the future, it will increase expenses by approximately NT\$4.801 million.

2. Future response measures

(1) Response measures for interest rate changes

The Company's cash position reached NT\$1,159.129 million at the end of 2022, debt ratio was 50%, and there was ample credit limit and available credit limit at the end of 2022. If the Company requires financing due to future business development, the Company will mainly use low interest commercial paper and short-term borrowings. If there is any short-term surplus, the Company will mainly make safe short-term investments with stable returns.

(2) Response measures for exchange rate fluctuations

In response to the demand on foreign exchange to import raw materials, if a L/C is used for payment, the amount of foreign currency required for payment will be pre-purchased when the L/C is issued. If the amount is remitted, then the equivalent amount of foreign currency using the exchange rate that day will be directly remitted, so the Company is not affected by exchange rate fluctuations.

(3) Response measures for inflation

The Company will pass on costs and reduce expenses to increase income or reduce costs in response to the impact of inflation.

(II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures

1. The Company upholds its principle of stable financial operations and has not engaged in any high-risk or high-leverage investments in 2022.
2. As of the end of 2022, the Company lend NT\$0 to others and therefore does not have any risks from lending to others.
3. As of the end of 2022, the amount of endorsements and guarantees provided by the Company to subsidiaries was NT\$0, so the Company does not have endorsement and guarantee risks.
4. As of the end of 2022, the amount of derivatives held by the Company was NT\$0, so the Company does not have any risks from derivatives.

(III) Future R&D projects and expected R&D expenses

Projects in the most recent year	Current progress	Additional R&D expenses (thousand NTD)	Time of completion	Applications
Biological agent used in coke wastewater biological treatment systems	We collaborated with the R&D Department of China Steel Co. in developing a biological agent for coke wastewater biological treatment systems. After more than one year of actual use by China Steel Co. and Dragon Steel Co., the effects were significant. It effectively mitigates the issue of reduced treatment effectiveness due to water quality changes. Our technology for preserving the biological agent can extend its useful life to	2,000	2023/12	Coke wastewater biological treatment

	three months. We will continue develop technologies to extend its useful life.			
R&D of carbon reduction technology	<p>1. The project captures and purifies carbon monoxide released into the atmosphere, and will further produce raw materials for chemical engineering in the future and increase its industrial application value. The pilot production line has been completed and trials operations have begun.</p> <p>2. In terms of the carbon dioxide captured from emissions, it is purified with the goal of reaching 99% and above purity so that it can be sold as a raw material for industrial use. The plans for the trial production line have been completed and construction has begun. Commercial operations are set to begin in late 2024.</p>	4,000	2024/12	Used for carbon reduction and to reduce greenhouse gas emissions
Creation of the acid gas flue-gas desulfurization technology	We collaborated with the R&D Department of China Steel in treatment process research for acid gas/smoke (SO <sub>2</sub> , HCL, HF, and SO <sub>3</sub> ) desulfurization. We adopted a wet honeycomb filling tower to attain SO <sub>2</sub> desulfurization efficiency $\geq 80\%$ and SO <sub>3</sub> smoke desulfurization efficiency $\geq 70\%$ for reference by operation units during engineering.	2,500	2023/12	Coke oven plant flue gas desulfurization and smoke engineering requirements
Medium to low-temperature	The Company collaborated with the R&D Department of China Steel and verified that	2,500	2023/12	Coke oven plant flue gas

plate-type denitrification catalyst - coking flue gas pilot plant tests	denitrification efficiency $\geq 80\%$ and provided related parameters and data. China Ecotek to set up analyses with computational fluid dynamics (CFD) and provided data for the Group's HIMAG Magnetic Corporation to evaluate mass production plans.			low- temperature denitrification engineering requirements
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Looking towards the future, we will dedicate our efforts to technology applications and development based on trends in amendments to environmental protection laws and regulations, and make improvements in design efficiency to develop proprietary core technologies, provide stable business, and also strengthen technology sharing and engineering integration with companies in the CSC Group, enhancing the Group's synergies and overall competitiveness.

(IV)The effect of changes in important domestic and foreign policies and laws on the Company's financial position and business operations, and response measures

There have been important policies and legislation enacted and amended in Taiwan and in foreign countries in recent years, and they mainly impact business operations in terms of corporate governance and environmental protection. As a member of the CSC Group, the Company upholds the business philosophy of stable operations, environmental protection, and corporate social responsibility. The Company will cooperate with changes in important policies and laws, and seek ways to respond to such changes. Hence, the changes will not have any material negative impacts on the Company's operations.

(V) The impacts of technology changes (including information security risks) and industry changes on the Company's financial position and business performance, and response measures

The Company's main business items include electrical and mechanical equipment installation, environmental protection projects, and operation and



maintenance. There is not much change in the industry environment, so technology changes (including information security risks) do not have a significant impact on the Company's operations.

(VI) Impact of corporate image change on crisis management and response measures:

The Company began publishing a Corporate Social Responsibility Report every year starting in 2011, and renamed it the Corporate Sustainability Report in 2020, in order to establish smooth communication channels with stakeholders. We have also created an excellent corporate image based on our ethical corporate management policy, so as to reduce crises caused by changes in corporate image.

The Company strives to improve its corporate governance to protect shareholders' interests, treat shareholders fairly, strengthen the structure and operations of the Board of Directors, improve information transparency, and fulfill its corporate social responsibility. As such, we were ranked in the top 6~20% of public companies in the 9th (2022) Corporate Governance Evaluation.

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

No such occurrences in 2022 and 2023 up to the date of report.

(VIII) Expected benefits and potential risks of capacity expansion and response measures

The Company's major capital expenditures must be reported to the Board of Directors for approval, and investment benefits and risks are fully taken into consideration.

(IX) Risks associated with over-concentration in purchase or sale and response measures

1. Risk of over-concentration in purchase

(1) Equipment

The Company has always conducted extensive surveys when

purchasing equipment, and purchases equipment from vendors designated by customers or domestic or overseas equipment vendors. Hence, there is no over-concentration in purchase. In recent years, foreign equipment suppliers have been integrating their business through mergers, acquisitions, and strategic alliances, so the number of vendors that can provide price quotations has decreased. Less competition may cause vendors to raise their prices and cause an increase in cost of investment in equipment.

(2) Materials and contractors

The supply of materials varies with each contract. Aside from the materials provided by the client, other materials are purchased from domestic and overseas equipment vendors as needed by the project. Electrical and mechanical materials and equipment mainly include pipelines, valves, power cables, meters, motors, control panels, filters, blowers, water pumps, and various other pumps. Materials suppliers and downstream contractors compete with each other in the domestic market, so it is not possible for supply to be cut off or for there to be a supply shortage.

(3) In light of the risks that can easily occur when there is over-concentration in purchase, we have extensively surveyed supply sources, created competition, and diversified our sources of goods (materials).

This has always been the direction and goal of our efforts in purchasing.

2. Risk of over-concentration in sales

The Company's business is obtained through contracts awarded through the tender process, and contract performance is completed when the project is completed. The Company's main source of revenue is China Steel Co., so the risk of default is very low and there is little effect on the Company.

(X) Impact of mass transfer of equity by or change of directors or shareholders holding more than 10% shares of the Company, associated risks, and

response measures: No such occurrences in 2022 and 2023 up to the date of report.

(XI) The effect of changes in management right on the Company, risks, and response measures: No such occurrences in 2022 and 2023 up to the date of report.

(XII) In terms of litigation or non-litigation matters, the company and the company's directors, president, actual responsible person, shareholders holding more than 10% of the company shares, and a subsidiary company who is involved in a major lawsuit that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or securities prices, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed: No such occurrences in 2022 and 2023 up to the date of report.

(XIII) Other significant risks and response measures: None.

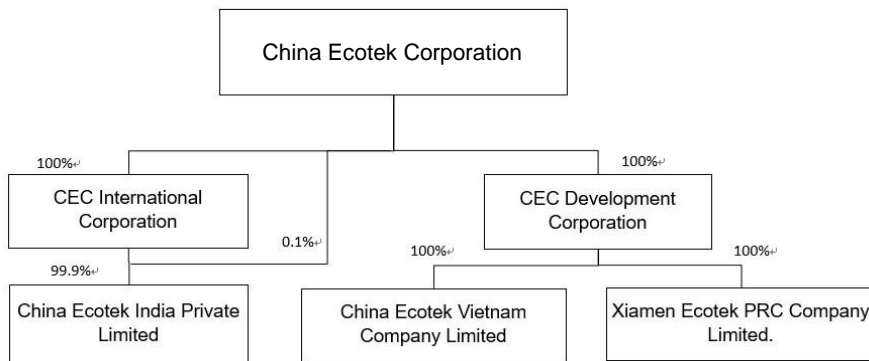
**VII. Other important matters: None**

## H. Special Notes

### I. Profiles of affiliated enterprises

#### (I) Consolidated business report

##### 1. Organization chart of affiliated enterprises



##### 2. Name, date of establishment, address, paid-in capital, and main business items of affiliated enterprises

December 31, 2022

Company name	Date of establishment	Address	Paid-in capital	Main business and products
CEC International Corporation	2002.10.08	Portcullis Chambers , P. O. Box 1225, Apia, Samoa	US\$ 1,000,000	General investment
CEC Development Corporation	2017.05.16	Level 2, Lotemau Centre Building, Vaea Street, Apia, Samoa	US\$ 16,000,000	General investment
China Ecotek Vietnam Company Limited	2010.06.09	Phuoc Lap Zone, My Xuan Ward, Phu My Town, Ba Ria Vung Tau Province, Vietnam	US\$ 10,000,000	Construction and design services

Company name	Date of establishment	Address	Paid-in capital	Main business and products
Xiamen Ecotek PRC Company Limited	2011.11.09	Room 2502, Lixin Square, No. 90, Hubin South Road, Siming District, Xiamen City, Fujian Province	US\$ 6,000,000	Import/export and domestic sales of metal materials
China Ecotek India Private Limited	2012.08.17	B-33, 2F, Janki Residency, Undera-Koyali Road, Undera, Vadodara, Gujarat, India	INR 50,000,000	Construction and design services

3.Matters that must be disclosed for companies presumed to have controlling and subordinate relationships in accordance with Article 369-3 of the Company Act: None.

4.Businesses included in the affiliated enterprises' overall operations:  
Affiliated enterprises each independently operate their own business.

5.Name and shareholding or capital contribution of directors, supervisors, and presidents of affiliated enterprises

(Baseline date: 2023.03.31, the investment amount is listed for some foreign companies)

Unit: Shares, %

Company name	Title	Name or representative	Shareholding	
			Number of shares (units)	Shareholding ratio
CEC International Corporation	Director	China Ecotek Corporation Representative: Li-Ming Hu	10,000,000	100%
CEC Development Corporation	Director	China Ecotek Corporation Representative: Li-Ming Hu	17,000,000	100%
China Ecotek Vietnam Company Limited	Director	CEC Development Corporation Representative: Li-Ming Hu	US\$ 10,000,000	100%
	President	Ming-Fang Liang	US\$ 0	0%

Company name	Title	Name or representative	Shareholding	
			Number of shares (units)	Shareholding ratio
Xiamen Ecotek PRC Company Limited	Director and President	CEC Development Corporation Representative: Li-Ming Hu	US\$ 6,000,000	100%
	Supervisors	Ya-Min Chuang	US\$ 0	0%
China Ecotek India Private Limited	Director	CEC International Corporation Representative: Li-Ming Hu	4,995,000	99.90%
	Director	Han-Chuan Lai	-	-

## 6. Business overview of affiliated enterprises

December 31, 2022 Unit: Thousand NTD

Company name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (loss)	Income/loss for the current period (after tax)	Earnings per share (loss) (NT\$)
CEC International Corporation	30,642	41,017	0	41,017	0	0	914	0.09
CEC Development Corporation	478,579	986,012	0	986,012	0	(128)	30,774	1.81
China Ecotek Vietnam Company Limited	302,065	909,739	114,534	795,205	319,702	4,338	27,226	NA(Note 2)
Xiamen Ecotek PRC Company Limited	184,260	186,558	1,894	184,664	0	(2,469)	3,248	NA(Note 2)
China Ecotek India Private Limited	27,097	37,897	43	37,854	0	(387)	591	0.12

Note 1: If an affiliated enterprise is a foreign company, the figures are converted to NTD using following exchange rate.

Balance sheet exchange rate: USD: 30.71, RMB: 4.4080, VND: 0.001285, INR: 0.3710

Income statement exchange rate: USD: 29.7971, RMB: 4.4219, VND: 0.001254, INR: 0.3785

Note 2: The Company uses amount of capital and does not have any shares to calculate EPS.

(II) Consolidated financial statements of affiliated enterprises

China Ecotek Corporation Affiliation Report Statement

Statement on the Consolidated Financial Statements of  
Affiliated Enterprises

For 2022 (January 1 to December 31, 2022), affiliated businesses of this Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by the International Financial Reporting Standards No. 10 (IFRS 10). All information to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated enterprises were therefore not generated separately.

It is hereby declared

Company name: China Ecotek Corporation



Legal representative: Chen-Chiang Chen



February 21, 2023

### (III) Affiliation Report

#### 1. Relationship between controlling and subsidiary companies

Unit: shares; %

Name of controlling company	Reason for control	Status of the controlling company's share ownership and pledge			Status of director, supervisor, or manager designation by the controlling company	
		Number of shares held	Shareholding ratio	Number of shares pledged	Title	Name
China Steel Corporation	The person appointed by the controlling company was appointed as the Company's president	55,393,138	44.76	None	Chairperson	Cheng-Chiang Chen
					Director	Chao-Tung Wong
					Director	Shyi-Chin Wang
					Director	Chih-Feng Lee
					Director	Chen Yang
					President	Chih-Feng Lee

#### 2. Transactions status

##### (1). Purchase (sales) of goods:

Unit: Thousand NTD; %

Transaction status with controlling company				Transaction conditions with controlling company		General transaction terms		Cause of variation	Accounts receivable (payable) and notes		Overdue accounts receivable			Notes
Purchase (sales)	Amount	Percentage of total purchases (sales)	Sales margin	Unit price (NTD) (Note)	Credit period	Unit price (NTD) (Note)	Credit period		Balance	Ratio of total accounts receivable (payable) and notes	Amount	Processing method	Provision for doubtful debts	
Sales	5,836,308	65.99%	-	(Note)	2~3 month(s)	(Note)	2~3 month(s)	None	305,299	33.76%	-	-	-	-
Purchase of goods	14,224	0.21%	-	(Note)	1-2 months	(Note)	1-2 months	None	23	-	-	-	-	-

Note: The Company's products are mainly turnkey projects, and the unit price depends on the needs of each project, so there is no specific or fixed unit price.

##### (2) Property transactions: None.

##### (3) Financing arrangements: None



(4). Status of asset leasing:

Unit: Thousand NTD

Transaction type (leased or rented)	Subject		Lease period	Lease type	Basis for determining rent	Collection (payment) method	Comparison with general rent levels	Total rent in the current period	Collection and payment status in the current period	Other terms
	Name	Location								
Lessee	Office lease	8F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City	2020.01 to 2022.12	Operating lease	-	Quarterly payments	No similar transactions for comparison	8,536	Paid in full	None
Lessee	Office lease	No. 1, Zhonggang Rd., Xiaogang Dist., Kaohsiung City	2021.03 to 2024.02	Operating lease	-	Semi-annual payment	No similar transactions for comparison	2,104	Paid in full	None
Lessee	Machinery and equipment lease	No. 1, Zhonggang Rd., Xiaogang Dist., Kaohsiung City	2021.05 to 2026.04	Operating lease	-	Semi-annual payments	No similar transactions for comparison	217	Paid in full	None
Rentee	Land lease	46 Lane 22, Xizhou 3rd Road, Linyuan District, Kaohsiung City	2022.06 to 2023.05	Operating lease	-	Semi-annual collection	No similar transactions for comparison	6,804	Paid in full	None

(5). Other significant transactions: None.

3. Endorsements and guarantees: None.

4. Other matters with material impact on finance and business: None.

II. Private placement of securities in the most recent year and up to the date of report: None.

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.

IV. Other necessary supplemental information: None

I. Occurrence of events that have a material impact on shareholders equity or stock prices specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: **None**

# China Ecotek Corporation



**CHEN CHENG CHIANG**

Cheng-Chiang Chen

Chairman

China Ecotek Corporation and  
Subsidiaries

Consolidated Financial Statements  
for the Years Ended December 31,  
2022 and 2021 and Independent  
Auditors' Report

Address: 8F, No. 88, Chenggong 2nd Rd.,  
Qianzhen Dist., Kaohsiung City  
Tel: (07)3336138

## REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of China Ecotek Corporation as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Associates are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, China Ecotek Corporation and Subsidiaries do not prepare a separate set of combined financial statements. Very truly yours,

China Ecotek Corporation

By

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Zhen-Jiang Chen

Chairman

February 21, 2023

## Independent Auditors' Report

The Board of Directors and Shareholders  
China Ecotek Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of China Ecotek Corporation (The “Company”) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 Company and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our

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, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2022 are stated as follows:

### Assessment of the estimated total project cost

The Company and its subsidiaries have signed many construction contracts, and recognized construction revenues according to the percentage completion method during the contract period. If a construction contract is expected to result in a loss, the total loss resulting from the contract must be immediately recognized. Construction progress is calculated based on the actual construction costs incurred under each contract as a percentage of the estimated total construction cost of the project. The estimated total project cost involves a major accounting estimate, and affects the recognition of construction progress and revenues. Hence, the assessment of estimated total project cost is listed as a key audit matter. For relevant accounting policies, major accounting estimates, and explanations of determination, please refer to the Consolidated Financial Statements Note 4 and Note 5.

Our audit procedures performed included the following:

1. Understand control procedures for the assessment of the estimated total project cost, and conduct sampling inspections of the consistency between preparation process and internal controls.
2. Conduct a sampling inspection of documentation related to the assessment of the estimated total project cost for new projects and additions/reductions in the current year.
3. Conduct a sampling inspection to see if there are any major abnormalities between the actual total cost of projects concluded this year and their estimated total project

cost, in order to verify the reasonableness of estimated total project cost. Conduct a sampling inspection of abnormal changes in estimated total cost, in order to determine the reasonableness of calculating the percentage of construction progress based on the estimated total project cost before the balance sheet date.

### **Other Matter**

We have also audited the standalone financial statements of the Company as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified 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 the 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 ability of the Company and its subsidiaries 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the Company and its subsidiaries' 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 auditing standards generally accepted in Republic of China will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in 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 omission, misrepresentation, 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 and its subsidiaries' 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries 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 Company and its subsidiaries 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, 2022 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 Yu-Hsiang Liu and Chao-Chun Wang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2023

#### 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.*

China Ecotek Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

In Thousand of NTD

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6, and 14)	\$ 1,159,129	17	\$ 770,216	11
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	94,311	1	218,977	3
1139	Financial assets for hedging - current (Notes 4 and 12)	984,542	14	748,517	11
1140	Contract assets - current (Notes 4, 24, and 30)	490,593	7	619,768	9
1150	Notes receivable (Notes 4 and 9)	43	-	-	-
1170	Accounts receivable, net (Notes 4 and 9)	246,440	4	105,809	2
1180	Accounts receivable – related parties (Notes 4, 9, and 30)	657,824	10	693,339	10
1200	Other receivables (Note 9)	28,069	-	30,996	-
1220	Current tax assets (Note 26)	7,295	-	9,275	-
130X	Inventories (Notes 4 and 10)	19,656	-	11,582	-
1476	Other financial assets – current (Notes 12 and 31)	904,174	13	1,305,931	19
1479	Other current assets (Note 13)	217,024	3	234,467	4
11XX	Total current assets	4,809,100	69	4,748,877	69
	Noncurrent assets				
1510	Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	32,207	-	70,880	1
1517	Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	102,782	1	132,068	2
1550	Investments accounted for using equity method (Notes 4 and 11)	1,035,507	15	1,061,187	16
1600	Property, plant and equipment (Notes 4 and 15)	310,550	5	636,124	9
1755	Right-of-use assets (Notes 4 and 16)	95,601	1	104,932	2
1760	Investment properties (Notes 4, 17, and 30)	323,521	5	-	-
1780	Intangible assets (Note 4)	8,559	-	3,956	-
1840	Deferred tax assets (Note 26)	52,432	1	94,530	1
1915	Advance payments for equipment	101,801	2	-	-
1920	Refundable deposits	6,492	-	6,730	-
1980	Other financial assets – noncurrent (Note 12)	87,462	1	3,710	-
1995	Other noncurrent assets	446	-	47	-
15XX	Total noncurrent assets	2,157,360	31	2,114,164	31
1XXX	Total assets	\$ 6,966,460	100	\$ 6,863,041	100
	Liabilities and equity				
	Current liabilities				
2130	Contract liabilities - current (Notes 4, 24, and 30)	\$ 1,613,642	23	\$ 1,734,637	25
2170	Accounts payable (Note 18)	669,304	10	745,077	11
2180	Accounts payable - related parties (Notes 18 and 30)	14,016	-	7,052	-
2200	Other payables (Notes 14 and 19)	591,811	8	531,665	8
2230	Current tax liabilities (Note 26)	75,020	1	15,915	-
2250	Provisions - current (Notes 4, 14, and 20)	35,608	-	53,531	1
2280	Lease liabilities - current (Notes 4, 16, and 30)	38,633	1	36,931	1
2399	Other current liabilities (Note 19)	102,815	2	96,649	1
21XX	Total current liabilities	3,140,849	45	3,221,457	47
	Noncurrent liabilities				
2550	Provisions - noncurrent (Notes 4, 14, and 20)	41,418	1	23,746	-
2570	Deferred tax liabilities (Note 26)	60,578	1	57,674	1
2580	Lease liabilities - noncurrent (Notes 4, 16, and 30)	56,936	1	66,533	1
2640	Net defined benefit liability (Notes 4 and 21)	155,640	2	263,663	4
25XX	Total noncurrent liabilities	314,572	5	411,616	6
2XXX	Total liabilities	3,455,421	50	3,633,073	53
	Equity (Note 23)				
3110	Capital – common stock	1,237,426	17	1,237,426	18
3200	Capital surplus	628,374	10	628,374	9
	Retained earnings				
3310	Legal reserve	671,306	9	631,546	9
3320	Special reserve	56,639	1	95,811	2
3350	Undistributed earnings	916,958	13	693,450	10
3300	Total retained earnings	1,644,903	23	1,420,807	21
3400	Other equity	336	-	(56,639)	(1)
3XXX	Total equity	3,511,039	50	3,229,968	47
	Total liabilities and equity interests	\$ 6,966,460	100	\$ 6,863,041	100

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2022 and 2021

In Thousand of NTD, Except EPS

Code	2022		2021	
	Amount	%	Amount	%
Operating revenues (Notes 4, 14, 24, and 30)				
4100 Sales revenue	\$ 113,166	1	\$ 84,797	1
4500 Construction revenue	8,433,235	95	8,105,978	96
4600 Technical service revenue	297,652	4	293,838	3
4000 Total operating revenue	8,844,053	100	8,484,613	100
Operating costs (Notes 10, 14, 25, and 30)				
5110 Cost of goods sold	86,363	1	59,953	1
5500 Construction costs	7,694,046	87	7,456,390	88
5600 Technical service costs	250,781	3	247,782	3
5000 Total operating costs	8,031,190	91	7,764,125	92
5900 Gross profit	812,863	9	720,488	8
5910 Less: Unrealized gain from sale	8,305	-	23,804	-
5920 Plus: Realized gain from sale	8,184	-	10,277	-
5950 Realized gross profit from operations	812,742	9	706,961	8
Operating expenses (Notes 9 and 25)				
6100 Selling expenses	39,966	-	56,160	1
6200 General and administrative expenses	424,598	5	391,616	4
6300 Research and development expenses	14,793	-	16,880	-
6450 Expected credit loss	752	-	-	-
6000 Total operating expenses	480,109	5	464,656	5
6900 Operating profit	332,633	4	242,305	3
Non-operating income and expenses (Notes 11, 25, and 30)				
7100 Interest income	59,209	1	49,252	1
7010 Other income	22,686	-	28,989	-
7020 Other profits and losses	86,304	1	18,886	-
7050 Financial costs	(815)	-	(1,528)	-
7060 Share of the profit of associates	111,885	1	144,935	2
7000 Total	279,269	3	240,534	3
7900 Profit before income tax	611,902	7	482,839	6

7950	Income tax expense (Notes 4 and 26)	<u>91,383</u>	<u>1</u>	<u>78,959</u>	<u>1</u>
8200	Net profit for the year	<u>520,519</u>	<u>6</u>	<u>403,880</u>	<u>5</u>
	Other comprehensive income (Notes 21, 23, and 26)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of the defined benefit plan	26,139	-	(13,396)	-
8316	Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(29,286)	-	(25,652)	-
8320	Share of the other comprehensive income of associates	(13,303)	-	29,398	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	629	-	7,810	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translating foreign operations	57,026	-	65,826	-
8368	Gains and losses on hedging instruments	58,485	1	(17,363)	-
8370	Share of the other comprehensive income of associates	7,323	-	(4,045)	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(23,102)</u>	<u>-</u>	<u>(9,693)</u>	<u>-</u>
8300	Other comprehensive income for the year, net of income tax	<u>83,911</u>	<u>1</u>	<u>32,885</u>	<u>-</u>
8500	Total comprehensive income in the current year	<u>\$ 604,430</u>	<u>7</u>	<u>\$ 436,765</u>	<u>5</u>
8610	Net profit attributable to owners of the Corporation	<u>\$ 520,519</u>		<u>\$ 403,880</u>	
8710	Total comprehensive income attributable to owners of the Corporation	<u>\$ 604,430</u>		<u>\$ 436,765</u>	
	Earnings per share (Note 27)				
9750	Basic	\$ 4.21		\$ 3.26	
9850	Diluted	4.18		3.25	

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2022 and 2021

In Thousand of NTD

		Equity attributable to owners of the Company											
		Capital – common stock			Retained earnings				Other equity				
Code		Shares (In thousand)	Amount	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translating foreign operations	Unrealized gains and losses on financial assets at fair value through other comprehensive income	Gain and losses on hedging instruments	Total other equity	Total equity
A1	Balance at January 1, 2021	123,743	\$ 1,237,426	\$ 628,374	\$ 614,474	\$ 68,655	\$ 507,138	\$ 1,190,267	\$ (156,349)	\$ 76,397	\$ (15,859)	\$ (95,811)	\$ 2,960,256
	Appropriation and distribution of 2020 earnings (Note 23)												
B1	Legal reserve	-	-	-	17,072	-	(17,072)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	27,156	(27,156)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(167,053)	(167,053)	-	-	-	-	(167,053)
		-	-	-	17,072	27,156	(211,281)	(167,053)	-	-	-	-	(167,053)
D1	Net profit - 2021	-	-	-	-	-	403,880	403,880	-	-	-	-	403,880
D3	Other comprehensive income after tax - 2021	-	-	-	-	-	(9,093)	(9,093)	52,719	7,253	(17,994)	41,978	32,885
D5	Total comprehensive income - 2021	-	-	-	-	-	394,787	394,787	52,719	7,253	(17,994)	41,978	436,765
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	2,806	2,806	-	(2,806)	-	(2,806)	-
Z1	Balance at December 31, 2021	123,743	1,237,426	628,374	631,546	95,811	693,450	1,420,807	(103,630)	80,844	(33,853)	(56,639)	3,229,968
	Appropriation and distribution of 2021 earnings (Note 23)												
B1	Legal reserve	-	-	-	39,760	-	(39,760)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	(39,172)	39,172	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(321,731)	(321,731)	-	-	-	-	(321,731)
		-	-	-	39,760	(39,172)	(322,319)	(321,731)	-	-	-	-	(321,731)
D1	Net profit - 2022	-	-	-	-	-	520,519	520,519	-	-	-	-	520,519
D3	Other comprehensive income after tax - 2022	-	-	-	-	-	26,900	26,900	48,885	(42,721)	50,847	57,011	83,911
D5	Total comprehensive income - 2022	-	-	-	-	-	547,419	547,419	48,885	(42,721)	50,847	57,011	604,430
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	36	36	-	(36)	-	(36)	-
T1	Adjustment from changes in equity of associate for using equity method						(1,628)	(1,628)					(1,628)
Z1	Balance at December 31, 2022	123,743	\$ 1,237,426	\$ 628,374	\$ 671,306	\$ 56,639	\$ 916,958	\$ 1,644,903	\$ (54,745)	\$ 38,087	\$ 16,994	\$ 336	\$ 3,511,039

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation and Subsidiaries  
Consolidated Cash Flow Statements  
January 1 to December 31, 2022 and 2021

In Thousand of NTD

Code		2022	2021
	Cash flow from operating activities		
A10000	Profit before income tax	\$ 611,902	\$ 482,839
A20010	Adjustments for:		
A20100	Depreciation expense	54,374	53,492
A20200	Amortization expense	5,442	3,545
A20300	Expected credit loss	752	-
A20400	Net gain on financial assets and liabilities at fair value through profit or loss	(85,590)	(17,234)
A20900	Financial costs	815	1,528
A21200	Interest income	(59,209)	(49,252)
A21300	Dividend income	(14,529)	(26,400)
A22300	Share of the profit of subsidiaries and associates	(111,885)	(144,935)
A22500	Gain or loss on disposal of property, plant and equipment	(85)	(117)
A23200	Gain on disposal of Investments accounted for using equity method	-	(4,570)
A23700	Impairment loss on inventories	4,243	-
A23900	Unrealized sales margin	8,305	23,804
A24000	Realized sales margin	(8,184)	(10,277)
A29900	Recognition of provisions	30,150	33,282
A29900	Others	(155)	(53)
A30000	Net changes in operating assets and liabilities		
A31120	Hedging financial assets	(177,540)	(97,727)
A31125	Contract assets	129,175	(18,188)
A31130	Notes receivable	(43)	-
A31150	Accounts receivable	(141,402)	94,583
A31160	Accounts receivable - related parties	35,515	206,661
A31180	Other receivables	1,794	(1,946)
A31200	Inventories	(12,422)	(1,024)
A31240	Other current assets	(41,906)	(37,665)
A32125	Contract liabilities	(120,995)	80,266
A32150	Accounts payable	(75,773)	(167,574)
A32160	Accounts payable - related parties	6,964	1,085
A32180	Other payables	60,565	31,259
A32200	Provisions	(30,422)	(81,775)
A32230	Other current liabilities	3,502	18,927
A32240	Net defined benefit liability	(81,884)	(111,719)
A33000	Cash generated from operations	(8,526)	260,815
A33500	Income tax paid	(8,863)	(24,009)
AAAA	Net cash generated from operating activities	(17,389)	236,806
	Cash flow from investing activities		



B00100	Acquisition of financial assets at fair value through profit or loss	-	(1,027,226)
B00200	Disposal of financial assets at fair value through profit or loss	248,929	843,914
B01800	Acquisition of investments recognized under the equity method	-	(60,000)
B01900	Proceeds from disposal of investments recognized under the equity method	-	78,060
B02400	Refunded payments for shares from capital reduction of investee recognized under the equity method	-	15,707
B02700	Acquisition of property, plant and equipment	(119,119)	(509,214)
B02800	Proceeds from disposal of property, plant and equipment	85	120
B03700	Increase in refundable deposits	-	(36,522)
B03800	Decrease in refundable deposits	59,587	-
B04200	Decrease in other receivables	-	20,981
B04500	Acquisition of intangible assets	(10,036)	(3,022)
B06500	Increase in other financial assets	-	(411,595)
B06600	Decrease in other financial assets	318,005	-
B06700	Increase in other noncurrent assets	(399)	-
B06800	Decrease in other noncurrent assets	-	1,029
B07500	Interest received	60,342	51,945
B07600	Dividend received from associates	129,836	84,526
B07600	Dividend received from others	14,529	26,400
BBBB	Net cash used in investing activities	<u>701,759</u>	<u>(924,897)</u>
Cash flow from financing activities			
C03000	Increase in guarantee deposit received	2,664	4,459
C04020	Repayment of principal of lease liabilities	(33,822)	(33,069)
C04500	Cash dividends paid	(321,731)	(167,053)
C05600	Interest paid	(815)	(1,528)
CCCC	Net cash used in financing activities	<u>(353,704)</u>	<u>(197,191)</u>
DDDD	Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	<u>58,247</u>	<u>54,694</u>
EEEE	Net increase (decrease) in cash and cash equivalents	388,913	(830,588)
E00100	Cash and cash equivalents at the beginning of year	<u>770,216</u>	<u>1,600,804</u>
E00200	Cash and cash equivalents at the end of year	<u>\$ 1,159,129</u>	<u>\$ 770,216</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Company History

China Ecotek Corporation (the “Company”) was established in March 1993, and its main shareholder is China Steel Corporation (owned 44.76% shares of the Company’s voting shares; parent company has substantive control over the Company). The Company mainly engages in the planning, design, installation, maintenance, and environmental impact assessment for environmental protection equipment, co-generation equipment, and steel industry equipment. The shares of the Company have been listed on the Taiwan Stock Exchange since September 2001.

The financial statements are presented in the Company’s function currency, the New Taiwan dollars.

2. Date and Procedures of Approval of the Financial Statements

The consolidated financial statements were approved by the board of directors and authorized for issue on February 21, 2023.

3. Application of New Standards, Amendments, and Interpretations

(I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) were applied to the Company and entities controlled by the Company (hereinafter referred to as the “Company and Subsidiaries”) for the first time.

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation and its subsidiaries' accounting policies.

(II) The IFRSs endorsed by the FSC for application starting from 2023

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were passed by the Board of Directors and released, the Company and Subsidiaries have determined that other amendments to standards and interpretations

will not have a material impact on its financial position and financial performance.

(III) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective date Announced by IASB(Note1)
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
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Classification of Liabilities with covenants"	January 1, 2024

Note1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: 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.

As of the date the consolidated financial statements were passed by the Board of Directors and released, the Company and Subsidiaries are still assessing the impact of other amendments to standards and interpretations on its financial position and financial performance, and will disclose the relevant impact once assessment is completed.

#### 4. Summary of Significant Accounting Policies

##### (I) Statement of compliance

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and announced by the FSC.

##### (II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that 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).
3. Level 3 inputs are unobservable inputs for an asset or liability.

##### (III) Classification of current and noncurrent 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 and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability more than 12 months after the date of balance sheet.

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; and
3. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

The operating cycle of the construction business is longer than 1 year; hence the construction business of the Company was divided into current and noncurrent according to the general operating cycle.

#### (IV) Basis of consolidation

The consolidated financial statements include financial statements of the Company and entities (subsidiaries) controlled by the Company. Financial statements of subsidiaries have been adjusted to align their accounting policy with the Consolidated Entity's accounting policy. Transactions, account balances, gains, and losses between individual entities were eliminated when preparing the consolidated financial statements.

The consolidated entities were as follows:

Investor	Name of subsidiary	Main Businesses	Shareholding (%)		Notes
			December 31, 2022	December 31, 2021	
The Company	CEC International Corporation (CIC)	Holding and investment	100	100	
	CEC Development Corporation (CDC)	Holding and investment	100	100	
CIC company	China Ecotek India Private Limited	Projects designs, construction and related services	0.1	0.1	
	China Ecotek India Private Limited	Projects designs, construction and related services	99.9	99.9	
CDC company	Xiamen Mao Yu Import and Export Trading Ltd.	Sales agency for import and export of equipment and materials	100	100	
	China Ecotek Vietnam Company Limited (CEVC)	Projects designs, construction and related services	100	100	

#### (V) Foreign currencies

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

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. Except for currency translation difference resulting from hedging transactions against exchange rate risk, the currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current year.

Foreign currency-denominated nonmonetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated nonmonetary items carried at historical costs are converted on the transaction date and are not re-converted.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation's entities (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into the presentation currency – New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; 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.

If the the Company and Subsidiaries disposes of all equity interests in a foreign operation, or dispose of a portion of equity interests in the subsidiary of a foreign operation but loses control, or the retained equity interest after disposing of an associate of a foreign operation is a financial asset accounted according to the accounting policy for financial instruments, all accumulated currency translation difference related to the foreign operation will be reclassified as profit or loss.

If disposal of a portion of equity interest in a foreign operation by a subsidiary does not result in loss of control, accumulated currency translation difference will be proportionally recognized as an equity transaction but not recognized as profit or loss. Accumulated currency translation difference is reclassified to gains/losses according to the percentage of foreign operations disposed of in any other part.



(VI) Inventory

Inventory includes raw materials, supplies, and finished goods. Inventories are measured at the lower of cost or net realizable value. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. The cost of inventories is calculated at weighted average method.

(VII) Investment in associates

An associate is an enterprise in which the Company and Subsidiaries have significant influence, but is not a subsidiary or a joint venture. Joint venture refers to an agreement between the Company and Subsidiaries with other companies to have joint control and rights over net assets.

The Company and Subsidiaries' investments in associates are recognized under the equity method. Under the equity method, investments in associates are originally recognized at cost, and then its book value adjusts along with the Company and Subsidiaries' share of profits, losses and other comprehensive income of associates and profit distribution. Furthermore, changes to equity interests of associates are recognized according to shareholding ratio.

When an associate issues new shares, if the Company and Subsidiaries do not subscribe for the shares according to their shareholding percentage and results in a change in shareholding percentage, which the resulting carrying amount of the investment differs from the amount of the Company and its subsidiaries' proportionate interest in the associate, capital surplus and Investments accounted for using

equity method will be adjusted according to the change. If ownership interest in an associate decreases due to not subscribing for or acquiring shares according shareholding ratio, all amounts previously recognized in other comprehensive income related to the associates will be reclassified according to the decreased percentage, and the basis for accounting treatment will be the same as if the associate had directly disposed of such assets or liabilities. If capital surplus needs to be decreased for the adjustment above and the balance of capital surplus from investments recognized under the equity method is insufficient, the difference is deducted from retained earnings.

When the Company and Subsidiaries are assessing impairment, the overall carrying amount of the investment is viewed as a single asset to compare the recoverable amount with carrying amount for impairment testing, and the impairment losses recognized is a part of the investment's carrying amount. Any reversal of impairment losses is recognized within the scope of increase in recoverable amount of the investment.

The Company and Subsidiaries stops using the equity method when the investee is no longer an associate, and retained interests in the original associate are measured at fair value. The difference between the fair value and proceeds from the disposal and carrying amount of the investment on the date the equity method is no longer used is listed as a profit or loss in the current year. All amounts previously recognized in other comprehensive income related to associates shall be accounted on the same basis as if the associate had directly disposed of such assets or liabilities.

Gains or losses arising from upstream, downstream, and lateral transactions between the Company and Subsidiaries with associates

were not within the scope of control exercised by the Company and Subsidiaries over associates, and were recognized in the consolidated financial statements.

(VIII) Joint operations

Joint operations refer to an agreement between the Company and Subsidiaries with other companies to have joint control and rights to the assets and jointly responsible for liabilities.

Any acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business should be treated as a business combination, except when the parties sharing joint control are under the common control of the same ultimate controlling party or parties both before and after the acquisition and that control is not transitory.

With regard to equity of joint operations, the Company and Subsidiaries recognize:

1. The assets include the share of any jointly owned assets.
2. The liabilities include the share of any jointly borne liabilities.
3. The revenue from the sale of their share of the output arising from the joint operation.
4. The share of the revenue from the sale of the output of the joint operation.
5. The expenses include the share of any jointly incurred expenses.

The Company and Subsidiaries handles assets, liabilities, revenues, and expenses related to their interests in a joint operation in according to the applicable standards.

The Company and Subsidiaries sell or invests assets to joint operations, profits or losses from the transaction are only recognized with the scope of equity interest other parties have in the joint operations. When the Company and Subsidiaries purchase assets from the joint operations, the share of the profit or loss is not recognized until the asset is sold to a third party.

(IX) Property, plant and equipment

Property, plant and equipment are recognized at cost initially, then measured in cost less accumulated depreciation.

Property, plant and equipment under construction are recognized at cost. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciated accordingly.

Property, plant and equipment depreciated in straight-line depreciation method. For each major part of property, plant and equipment recognized depreciation separately. The Company and Subsidiaries review estimating useful life, residual value, and depreciation method, at a minimum, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(X) Investment properties

Investment properties are properties held to earn rentals.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

The property of property, plant and equipment was reclassified to investment properties by carry amount at the end of self-use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

(XI) Intangible assets

1. Independently acquired

Independently acquired intangible assets with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on straight-line depreciation method during their useful life. The Company and Subsidiaries review estimating useful life, residual value, and amortization method, at a minimum, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with an indefinite useful life are listed at cost less accumulated impairment losses.

## 2. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current year.

### (XII) Impairment of property, plant and equipment, right-of-use assets, intangible assets, and assets related to contract cost

The Company and Subsidiaries evaluate if there are any signs of impairment of property, plant and equipment, right-of-use assets, and intangible assets on each date of balance sheet. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Company and Subsidiaries will instead estimate recoverable amounts for the cash generating unit that the asset belong. The recoverable amount of corporate assets is allocated to individual or the smallest identifiable cash generating unit with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "value in use." If the recoverable amount of an individual asset or cash generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash generating unit down to the recoverable amount and recognize impairment loss to profit and loss.

Impairment losses of inventory, property, plant and equipment, and intangible assets recognized due to customer contracts are first recognized according to inventory impairment rules and the provision above. Second recognizing impairment loss due to the book value of assets related to contract costs exceeding the residual considerations

that can be expected to be recovered from the provision of related products or professional services minus directly related costs. The book value of contract cost related assets is then calculated in the cash generating unit to assess the impairment of the cash generating unit.

When impairment losses are reversed, the book value of the asset, cash generating unit, or contract cost related asset is increased to the revised recoverable amount. However, the increased book value may not exceed the asset, cash generating unit, or contract cost related asset's book value in the previous year before impairment loss was recognized (less depreciation or amortization). Reversal of impairment losses is listed in profit and loss.

(XIII) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When the Corporation and its subsidiaries are committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Corporation and its subsidiaries discontinue the use of the equity method in relation to the

portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Corporation and its subsidiaries cease to have significant influence or joint control over the investment after the disposal takes place, the Corporation and its subsidiaries accounts for any retained interest that have not been classified as held for sale in accordance with the accounting policies for financial instruments.

#### (XIV) Financial instruments

When the Company and Subsidiaries are a party to contractual provisions of the instruments, financial assets and financial liabilities are recognized in the consolidated balance sheet.

If financial assets and financial liabilities being recognized for the first time are not designated as at fair value through profit or loss, then they are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are immediately recognized as profit or loss.

##### 1. Financial assets

Regular way purchase or sale of financial assets are recognized and derecognized using trade date accounting.

##### (1) Measurement category



Financial assets held by the Company and Subsidiaries include financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss. Financial assets required to be measured at fair value through profit or loss includes investments in equity instruments not specified by the Company and Subsidiaries to be measured at fair value through other comprehensive income, and investments in liability instruments that do not qualify to be measured at amortized cost or are measured at fair value through other comprehensive income.

For "financial assets at fair value through profit or loss," any profit or loss (including any dividends generated by the financial assets) from the remeasurement of fair value is listed in income. Please refer to Note 29 for methods for determining fair value.

B. Financial assets at amortized cost

Financial assets that the Company and Subsidiaries invests in are classified as financial assets at amortized cost if they meet both of the conditions below:

- a. Held under a certain business model that aims to collect contractual cash flows from the financial asset; and
- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, accounts receivable (including related parties), other receivables, other financial assets, and refundable deposits), they are measured at gross carrying amount determined using the effective interest method less any impairment losses. Any foreign exchange gains or losses are recognized in profit and loss.

Except for the two situations below, interest income is calculated by multiplying the effective interest rate with the financial asset's gross carrying amount.

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial asset.
- b. For financial assets that subsequently become credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate by the amortized cost of the financial asset.

Credit-impaired financial assets mean that the issuer or debtor has encountered major financial difficulties, defaulted, may very likely declare bankruptcy or other debt restructuring, or an active market for the financial

asset has disappeared due to financial difficulties.

Cash equivalents include deposit account and commercial paper with original maturities within 3 months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash equivalents are used to meet short-term cash commitments.

C. Investments in equity instruments measured at fair value through other comprehensive income

The Company and Subsidiaries may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments designated at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated profit or loss is directly transferred to retained earnings and not reclassified as profit or loss.

Dividends from equity instruments designated at fair value through other comprehensive income are recognized in income when the Company and Subsidiaries are determined to have the right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

(2) Impairment of financial assets and contract assets

The Company and Subsidiaries evaluate the impairment loss of financial assets at amortized cost (including accounts receivable) and contract assets using expected credit losses (ECL) on each date of balance sheet.

An allowance to reduce is recognized for lifetime ECL for accounts receivables and contract assets. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then an allowance to reduce is recognized for 12-month ECL. If it has significantly increased, then an allowance to reduce is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the Company and Subsidiaries may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

A. There is internal or external information showing that the debtor is no longer able to repay debts.

B. More than 120 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

The impairment loss on all financial assets is recognized by lowering the book value of the allowance account.

### (3) Derecognition of financial assets

The Company and Subsidiaries derecognize financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated profit or loss is directly transferred to retained earnings and not reclassified as profit or loss.

## 2. Equity instruments

Equity instruments issued by the Company and Subsidiaries are recognized at the price amount obtained less the direct issue costs.

## 3. Financial liabilities

### (1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

(XV) Hedge accounting

The Company and Subsidiaries engage in cash flow hedges using designated hedging tools (including non-derivative tools for avoiding exchange rate risk). Cash flow hedges are used for hedging against exchange rate risks of firm commitments.

The effective portion of gains and losses on derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

When a hedged item is recognized as profit or loss, the amount originally recognized in other comprehensive income will be reclassified to profit or loss in the same accounting period, and recognized under hedged items in the Consolidated Statement of Comprehensive Income. However, if a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity

and are included in the initial cost of the non-financial asset or non-financial liability.

The Company and Subsidiaries only extend or suspend hedge accounting when the hedging relationship no longer meets the criteria of hedge accounting. This includes the maturity, sale, termination, or exercise of hedging tools. The amount already recognized in other comprehensive income during the effective period of the hedge is still recognized in equity before the expected transaction occurs. When the expected transaction is no longer expected to occur, the amount originally recognized in other comprehensive income will be immediately recognized in profit or loss.

(XVI) Provision

The amount recognized as provision gives considers to the risk and uncertainty of obligations. It represents the best estimate of the cash outlay needed to settle obligations on the date of balance sheet. Provision is measured at the discounted cash flow required to settle obligations.

1. Onerous contracts of projects

When the Company and Subsidiaries expect that unavoidable costs of fulfilling obligations of a construction contract will exceed the economic benefits expected to be obtained from the contract, the present obligation of the project's onerous contract is recognized as a provision. When evaluating whether a contract is lossing, before 2021(inclusive), the contract cost only includes the incremental cost; however, since 2022 the contract cost includes both incremental cost and other allocated direct costs.

## 2. Decommissioning and maintenance reserve

When equipment maintenance reserve is recognized as an expense in the current year according to commercial practices, and there is new information that makes it necessary to revise previous estimates, a change in accounting estimate is made to adjust the profit or loss in the current year. When maintenance costs are paid, the equipment maintenance reserve is first offset, and any shortfall is recognized as an expense in the current year.

## (XVII) Revenue recognition

After the Company and Subsidiaries identify its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

### 1. Sale of goods

Sales revenue is recognized when the Company and Subsidiaries fulfill contractual obligations by transferring goods to the customer (in principle, when the goods are shipped for domestic sales and when the goods are loaded on to the ship for exports).

Sales revenue is measured at the fair value of considerations (after commercial discounts and quantity discounts) agreed to by the Company and Subsidiaries with customers. For contracts in which the transfer of goods and collection of consideration is less than one year apart, the trading price of its significant financing component is not adjusted.



## 2. Construction revenue

Revenue from construction contracts is gradually recognized by the Company and Subsidiaries in the construction process. The costs incurred by construction are directly related to the fulfillment of contractual obligations, so the Company and Subsidiaries estimate progress based on the ratio of actual costs to the estimated total project cost. The Company and Subsidiaries gradually recognize contract assets in the construction process, and list them under accounts receivable when an invoice is issued. If the construction payment collected exceeds the amount recognized in revenue, the difference is recognized in contract liabilities. Pursuant to the terms and conditions of contracts, the purpose of construction retainage is to ensure that the Company and Subsidiaries complete all contractual obligations, and is recognized as a contract asset before the Company and Subsidiaries complete contract performance.

## 3. Provision of labor services

Revenue from the provision of labor services according to a contract is recognized according to the progress of contract completion.

## (XVIII) Lease

On the date a contract is formed, the Company and Subsidiaries evaluate if the contract is (or includes) a lease.

Where the Company and Subsidiaries is the lessee

Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

Right-of-use assets are initially measured at cost (including the original amount of lease liabilities), and are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the consolidated balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

Lease liabilities (including fixed payments and variable lease payments determined by an index or rate) are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

In subsequent periods, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is recognized over the lease term. If there is a change to the lease tenor or the index or fee rate used to determine lease payments that results in a change in future lease payments, the Company and Subsidiaries will remeasure lease liabilities and adjust

corresponding right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, then the remaining remeasurement amount will be recognized in profit or loss. Lease liabilities are independently presented in the consolidated balance sheet.

Where the Company and Subsidiaries are the lessor

Proceeds received for an operating lease are recognized as income on a straight-line basis over the lease tenor. All initial and direct costs incurred in relation to the negotiation and arrangement of operating leases are added to the book value of the lease asset, and recognized as gains using the straight-line basis over the lease tenor. Under an operating lease agreement, contingent rent is recognized as gains in the year of occurrence.

(XIX) Employee benefits

1. Short-term employee benefits

Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; the cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in the current year) and net interest

accrued on net defined benefit liabilities are recognized as employee benefit expenses when they occur. The number of remeasurement (including calculation of income and losses and return on assets of the plans less interest) is recognized in other comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

Net defined benefit liability is the deficit of contributions to defined benefit plans.

(XX) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

The Company and Subsidiaries determines current income (loss) according to the regulations enacted by each income tax reporting jurisdiction, and calculates the income tax payable (recoverable) on this basis.

Income tax on undistributed earnings is calculated in accordance with the Income Tax Act and recognized in the year the resolution is adopted by the shareholders' meeting.

An adjustment to the income tax payable in the previous year is listed as the current income tax.

## 2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities from the taxable income that was calculated. Deferred income tax liabilities are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when there is likely to be taxable income to offset the temporary difference.

Taxable temporary differences relating to subsidiaries and associates are recognized as deferred income tax liabilities, except in cases where the Company and Subsidiaries are able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each date of balance sheet, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each date of balance sheet, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the year in which liabilities are expected to be paid off

or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the date of balance sheet. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Company expects to recover or pay off the book value of its assets or liabilities on the date of balance sheet.

### 3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

### 5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company and Subsidiaries 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.

The estimates and underlying assumptions are reviewed on an ongoing basis by management. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty

### Construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Incentives and penalties stipulated in the contract are considered as variable consideration and should be included in the contract revenue only when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The estimated total contract costs and contractual items are assessed and determined by management, based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profit and loss from the construction contracts.

### 6. Cash and cash equivalents

	<u>December 31,2022</u>	<u>December 31,2021</u>
Cash on hand	\$ 1,491	\$ 1,368
Checking accounts and demand deposits	220,768	303,980
Cash equivalents (investments with original maturities of less t han 3 months)		
Commercial papers	800,000	419,978
Time deposits	136,870	44,890
	<u>\$ 1,159,129</u>	<u>\$ 770,216</u>

7. Financial instruments at fair value through profit or loss

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Current</u>		
Mandatorily measure at FVTPL		
Non-derivative financial assets		
Emerging market shares in Taiwan	\$ 94,311	\$ 13,996
Beneficiary Certificate	<u>-</u>	<u>204,981</u>
	<u>\$ 94,311</u>	<u>\$ 218,977</u>
<u>Noncurrent</u>		
Mandatorily measure at FVTPL		
Non-derivative financial assets - Unlisted shares in Taiwan	\$ <u>32,207</u>	\$ <u>70,880</u>

8. Financial instruments at fair value through other comprehensive income

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Noncurrent</u>		
Equity instrument investments		
Foreign investments - Unlisted shares	\$ <u>102,782</u>	\$ <u>132,068</u>

9. Notes, Accounts receivable and other receivables

	<u>December 31,2022</u>	<u>December 31,2021</u>
Notes receivable		
Measured at amortized cost	\$ <u>43</u>	\$ <u>-</u>
Accounts receivable (including related parties)		
Measured at amortized cost	\$ 905,035	\$ 799,148
Less: Loss allowance	<u>771</u>	<u>-</u>
	<u>\$ 904,264</u>	<u>\$ 799,148</u>
Other receivables		
Interest receivable	\$ 27,857	\$ 28,990
Others	<u>212</u>	<u>2,006</u>
	<u>\$ 28,069</u>	<u>\$ 30,996</u>



(I) Accounts receivable

The Company and Subsidiaries' accounts receivable are measured at amortized cost. The Company and Subsidiaries' make prudent assessment of their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. The Company and Subsidiaries' continue to manage the financial condition and entire credit risk of their customers, and obtain sufficient collateral if needed to mitigate the risk of financial loss from late payment.

The Company and Subsidiaries' continue to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Company and Subsidiaries' review the recoverable amount of receivables one by one on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The expected credit losses on accounts receivable are estimated by reference to 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 direction of economic conditions at the reporting date.

The Company and Subsidiaries' write off a trade receivable when there is evidence 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 and Subsidiaries' continue 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 accounts receivable based on the impaired aging analysis.

December 31,2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 733,091	\$ 63	\$ 171,153	\$ -	\$ 771	\$ 905,078
Loss allowance (Lifetime ECL)	-	-	-	-	(771)	(771)
Amortized cost	<u>\$ 733,091</u>	<u>\$ 63</u>	<u>\$ 171,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,307</u>

December 31,2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 796,205	\$ 323	\$ 2,620	\$ -	\$ -	\$ 799,148
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 796,205</u>	<u>\$ 323</u>	<u>\$ 2,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,148</u>

The movements of the loss allowance of accounts receivable were as follows:

	2022
Balance, beginning of year	\$ -
Recognition	752
Effect of foreign currency exchange difference	19
Balance, end of year	<u>\$ 771</u>

(II) Other receivables

The Company and Subsidiaries estimate the unrecoverable amount based on its historical experience and analysis of current financial position, and allocates an allowance to reduce accordingly.

There was no loss provision balance as at December 31, 2022 and 2021.

10. Inventory

	<u>December 31,2022</u>	<u>December 31,2021</u>
Raw materials	\$ 4,595	\$ 4,832

	<u>December 31,2022</u>	<u>December 31,2021</u>
Supplies	322	5,368
Finished goods	14,739	1,382
	<u>\$ 19,656</u>	<u>\$ 11,582</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 were NT\$86,363 thousand and NT\$59,953 thousand, respectively, including loss on inventories of NT\$4,243 thousand and NT\$0 thousand, respectively.

#### 11. Investments recognized under the equity method

	<u>December 31,2022</u>	<u>December 31,2021</u>
Material associates		
China Steel Machinery Corporation (CSMC)	\$ 529,821	\$ 535,388
CSC Solar Corporation (CSCSOLAR)	<u>280,240</u>	<u>279,656</u>
	810,061	815,044
Associates that are not individually material	<u>225,446</u>	<u>246,143</u>
	<u>\$ 1,035,507</u>	<u>\$ 1,061,187</u>

#### (I) Material associates

Name of Associate	Main Businesses	Principal place of business	Shareholding and voting rights (%)	
			December 31, 2022	December 31, 2021
CSMC	Production and sales of machinery and equipment, such as steel equipment, railway vehicles, transportation equipment, and power generators	Kaohsiung City	26.02	26.02
CSCSOLAR	Solar power generation	Kaohsiung City	20	20

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

CSMC

	<u>December 31,2022</u>	<u>December 31,2021</u>
Current assets	\$ 3,776,675	\$ 4,052,379
Noncurrent assets	1,367,849	1,417,579
Current liabilities	(2,836,946)	(3,000,076)
Noncurrent liabilities	(271,372)	(412,281)
Equity	<u>\$ 2,036,206</u>	<u>\$ 2,057,601</u>

Proportion of the Company and its subsidiaries ownership (%)	26.02	26.02
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Equity attributable to the Company and its subsidiaries (carrying amount of the investment)	<u>\$ 529,821</u>	<u>\$ 535,388</u>
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	<u>2022</u>	<u>2021</u>
Operating revenue	\$ 6,106,697	\$ 6,002,090
Net profit for the year	\$ 293,158	\$ 392,308
Other comprehensive income	50,197	(9,109)
Total comprehensive income	<u>\$ 343,355</u>	<u>\$ 383,199</u>

CSCSOLAR

	<u>December 31,2022</u>	<u>December 31,2021</u>
Current assets	\$ 148,887	\$ 98,219
Noncurrent assets	4,122,408	3,920,985
Current liabilities	(969,251)	(692,403)
Noncurrent liabilities	(1,393,073)	(1,421,350)
Equity	<u>\$ 1,908,971</u>	<u>\$ 1,905,451</u>

Proportion of the Company and its subsidiaries ownership (%)	20	20
--	----	----

Equity attributable to the Company and its subsidiaries	\$ 381,794	\$ 381,089
Unrealized gains or losses resulting from downstream transactions	(101,554)	(101,433)
Carrying amount of the investment	<u>\$ 280,240</u>	<u>\$ 279,656</u>

	2022	2021
Operating revenue	\$ <u>482,647</u>	\$ <u>457,875</u>
Net profit for the year	\$ 121,014	\$ 128,163
Other comprehensive income	<u>(2,380)</u>	<u>1,859</u>
Total comprehensive income	\$ <u>118,634</u>	\$ <u>130,022</u>

(II) Aggregate information of associates that are not individually material

	2022	2021
The Company and its subsidiaries' share of		
Net profit for the year	\$ 11,392	\$ 17,218
Other comprehensive income	<u>(18,564)</u>	<u>26,771</u>
Total comprehensive income	\$ <u>(7,172)</u>	\$ <u>43,989</u>

The Company held more than 20% of the shares with its parent company CSC and fellow subsidiaries are accounted for using the equity method.

Refer to Table 4 "Information on Investees" and Table 5 "Information on Investments in Mainland China" for the nature of business, principal place of business, and country of registration of the investees above.

12. Hedging financial assets and other financial assets

	December 31, 2022	December 31, 2021
<u>Financial assets for hedging - current</u>		
Time deposits	\$ 654,994	\$ 513,134
Demand deposits	329,548	43,350
Commercial papers	<u>-</u>	<u>192,033</u>
	\$ <u>984,542</u>	\$ <u>748,517</u>

The Company and Subsidiaries purchases foreign currency bank deposits to pay for materials purchased from other countries for construction projects, in order to lower the cash flow risk generated by exchange rate fluctuations. Please refer to Note 29.

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Other financial assets – current</u>		
Time deposits with original maturities more than 3 months	\$ 652,621	\$ 1,055,224
Restricted bank deposits (Note 31)	251,553	250,707
	<u>\$ 904,174</u>	<u>\$ 1,305,931</u>
<u>Other financial assets – noncurrent</u>		
Time deposits	<u>\$ 87,462</u>	<u>\$ 3,710</u>

13. Other current assets

	<u>December 31,2022</u>	<u>December 31,2021</u>
Prepaid sales tax and excess VAT paid	\$ 90,881	\$ 82,383
Temporary payments	57,968	23,074
Advance payments	43,205	29,275
Refundable deposits	24,876	84,225
Others	94	15,510
	<u>\$ 217,024</u>	<u>\$ 234,467</u>

14. Joint control operations

Since March 2004, the Company and jointly contracted were contracted to jointly operate and maintain water treatment equipment of Chengcing Lake water treatment plant for a 15-year period until February 2019. The Company obtained a new contract to February 2022, and according to the agreement in the contract the performance period was extended to February 2025. According to the contract, operation and maintenance work should be jointly controlled and operated by both parties. The assets, liabilities, revenue and costs related to this project are shared by the Company (51%) and foreign contractor (49%). A bank account for working capital was opened in the Company's name.

Items handled by the contractor include:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Demand deposits	\$ 111,491	\$ 107,387

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Temporary receipts (funds collected on behalf of the joint company)	46,586	51,801

As of December 31, 2022 and 2021, the bank has provided Taiwan Water Corporation with a performance guarantee of NT\$51,000 thousand.

The Company recognized the following amounts of assets, liabilities, revenue, and costs of joint operations in the consolidated financial statements:

(1) Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	\$ 56,860	\$ 54,767

(2) Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Provision (including current and noncurrent)	\$ 18,198	\$ 16,278
Other payables (Note 19)	19,648	14,844
	<u>\$ 37,846</u>	<u>\$ 31,122</u>

(3) Revenues and costs

	<u>2022</u>	<u>2021</u>
Operating revenue	\$ 158,116	\$ 145,618
Operating costs	136,761	129,543
Gross profit	<u>\$ 21,355</u>	<u>\$ 16,075</u>

15. Property, plant and equipment

(I) Changes in costs and accumulated depreciation are as follows:

2022

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold improvements</u>	<u>Other Equipment</u>	<u>Construction in Progress and Equipment to be Inspected</u>	<u>Total</u>
Cost								
Balance at January 1	\$ 529,148	\$ 96,469	\$ 117,977	\$ 6,667	\$ 63,113	\$ 42,962	\$ 500	\$ 856,836
Additions	-	-	7,473	-	-	4,895	4,531	16,899
Disposals	-	-	(25,729)	(48)	-	(4,501)	-	(30,278)
Reclassify to investment property	(323,521)	-	-	-	-	-	-	(323,521)
Effect of foreign currency exchange differences	-	-	-	-	-	4	-	4

2022

							Construction in Progress and Equipment to be Inspected	
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold improvements	Other Equipment		Total
Balance at December 31	\$ 205,627	\$ 96,469	\$ 99,721	\$ 6,619	\$ 63,113	\$ 43,360	\$ 5,031	\$ 519,940
Accumulated depreciation								
Balance at January 1	\$ -	\$ 48,563	\$ 77,171	\$ 5,040	\$ 55,395	\$ 34,543	\$ -	\$ 220,712
Depreciation	-	2,117	7,251	444	4,538	4,602	-	18,952
Disposals	-	-	(25,729)	(48)	-	(4,501)	-	(30,278)
Effect of foreign currency exchange differences	-	-	-	-	-	4	-	4
Balance at December 31,	\$ -	\$ 50,680	\$ 58,693	\$ 5,436	\$ 59,933	\$ 34,648	\$ -	\$ 209,390
Carrying amount at December 31	\$ 205,627	\$ 45,789	\$ 41,028	\$ 1,183	\$ 3,180	\$ 8,712	\$ 5,031	\$ 310,550

2021

							Construction in Progress and Equipment to be Inspected	
Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold improvements	Other Equipment		Total
Balance at January 1	\$ 37,454	\$ 96,469	\$ 99,982	\$ 5,865	\$ 63,113	\$ 45,922	\$ -	\$ 348,805
Additions	491,694	-	19,122	1,234	-	5,518	500	518,068
Disposals	-	-	(1,127)	(432)	-	(8,564)	-	(10,123)
Effect of foreign currency exchange differences	-	-	-	-	-	86	-	86
Balance at December 31	\$ 529,148	\$ 96,469	\$ 117,977	\$ 6,667	\$ 63,113	\$ 42,962	\$ 500	\$ 856,836
Accumulated depreciation								
Balance at January 1	\$ -	\$ 46,445	\$ 71,813	\$ 4,980	\$ 48,714	\$ 38,769	\$ -	\$ 210,721
Depreciation	-	2,118	6,485	492	6,681	4,249	-	20,025
Disposals	-	-	(1,127)	(432)	-	(8,561)	-	(10,120)
Effect of foreign currency exchange differences	-	-	-	-	-	86	-	86
Balance at December 31	\$ -	\$ 48,563	\$ 77,171	\$ 5,040	\$ 55,395	\$ 34,543	\$ -	\$ 220,712
Carrying amount at December 31	\$ 529,148	\$ 47,906	\$ 40,806	\$ 1,627	\$ 7,718	\$ 8,419	\$ 500	\$ 636,124

## (II) Useful life

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

### Buildings

Main building 35-55 years

Renovation 10 years

Machinery and equipment 3-10 years

Transportation equipment 3-10 years

Leasehold improvements 4-10 years

Other equipment 3-10 years



## 16. Lease agreement

### (I) Right-of-use assets

	<u>December 31,2022</u>	<u>December 31,2021</u>
Right-of-use assets		
Land	\$ 10,150	\$ 16,916
Buildings	71,554	76,656
Machinery	1,000	1,429
Transportation equipment	12,897	9,931
	<u>\$ 95,601</u>	<u>\$ 104,932</u>
	<u>2022</u>	<u>2021</u>
Additions	<u>\$ 34,272</u>	<u>\$ 56,659</u>
Depreciation charge for right-of-use assets		
Land	\$ 6,766	\$ 6,396
Buildings	20,077	18,965
Machinery	428	456
Transportation equipment	8,151	7,650
	<u>\$ 35,422</u>	<u>\$ 33,467</u>

Except for the additions and depreciation charge above, there was no significant sub-lease and impairment of the Company and Subsidiaries' right-of-use assets in 2022 and 2021

### (II) Lease liabilities

	<u>December 31,2022</u>	<u>December 31,2021</u>
Carrying amounts of Lease liabilities		
Current	<u>\$ 38,633</u>	<u>\$ 36,931</u>
Non-current	<u>\$ 56,936</u>	<u>\$ 66,533</u>

The annual discount rate (%) of lease liabilities was as follows:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Land	0.5625	0.5625
Buildings	0.5649-1.7071	0.5649-1.2742

Machinery	0.5707	0.5707
Transportation equipment	0.5641-1.6771	0.5641-0.9220

(III) Important lease activities and clauses

The Company leased factories, land, and offices for operations from non-related parties Pwu Diing Enterprise Co., Ltd., You Cheng Enterprise Co., Ltd., Port of Taichung, and Jye Chi Corporation, and the parent company CSC with a lease period of 3-10 years. Subsidiaries CEVC and Xiamen Mao Yu Import and Export Trading Ltd. leased offices for operations from non-related parties in Vietnam and China Xiamen for 3 years and 5 years, respectively.

(IV) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases and low-value asset leases	\$ <u>10,984</u>	\$ <u>13,267</u>
Expenses relating to variable leases payments not included in the measurement of lease liabilities	\$ <u>1,446</u>	\$ <u>1,974</u>
Total cash outflow for leases	\$ <u>(47,066)</u>	\$ <u>(49,149)</u>

For buildings and transportation equipments which qualify as short-term leases and as low-value asset leases, the Company and Subsidiaries have elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

For the agreement of the Company to lease its own investment properties, please refer to Note 17.

17. Investment properties

2022	
	Land
Balance at January 1	\$ -
Reclassify from Property, plant and equipment	323,521
Balance at December 31	<u>\$ 323,521</u>

The fair value of investment property on December 31, 2022 was NT\$323,521 thousand. The fair value has not been evaluated by an independent evaluator, but was measured by the company's management with reference to market evidence of similar real estate transaction prices using level 3 input values.

Future minimum leases for operating leases had been fully charged.

The investment property is owned by the Company.

For the leased transactions to related parties, please refer to Note 30.

18. Accounts payable

The Company and Subsidiaries' accounts payable (including related parties) are all incurred due to business operations, and the Company and Subsidiaries do not provide collateral to creditors for accounts payable (including related parties).

The Company and Subsidiaries established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance, hence interest does not need to be added.

Accounts payable include construction retainage in construction contracts. Interest is not accrued on construction retainage, and is paid after the retention

period of the construction contract ends. The retention period is the normal business cycle of the Company and Subsidiaries, and usually exceeds 1 year.

#### 19. Other liabilities

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Current</u>		
Other payables		
Salaries and bonus	\$ 475,533	\$ 447,331
Business tax	33,552	13,675
Compensation of employees and remuneration of directors	31,355	24,198
Equipment operation and maintenance expenses (Note 14)	19,648	14,844
Others	31,723	31,617
	<u>\$ 591,811</u>	<u>\$ 531,665</u>
Other current liabilities		
Temporary receipts	\$ 48,229	\$ 54,022
Collections for third parties	25,911	21,476
Refund liabilities	23,815	21,151
Others	4,860	-
	<u>\$ 102,815</u>	<u>\$ 96,649</u>

#### 20. Provision

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Current</u>		
Onerous contracts	\$ 18,503	\$ 23,919
Decommissioning and maintenance reserve	17,105	29,612
	<u>\$ 35,608</u>	<u>\$ 53,531</u>
<u>Non-current</u>		
Decommissioning and maintenance reserve	<u>\$ 41,418</u>	<u>\$ 23,746</u>

	<u>Onerous contracts</u>	<u>Decommissioning and maintenance reserve</u>	<u>Total</u>
Balance at January 1,2022	\$ 23,919	\$ 53,358	\$ 77,277
Recognized	2,200	27,950	30,150

	Onerous contracts	Decommissioning and maintenance reserve	Total
Paid	(7,637)	(22,785)	(30,422)
Effect of foreign currency exchange differences	21	-	21
Balance at December 31,2022	\$ 18,503	\$ 58,523	\$ 77,026
Balance at January 1,2021	\$ 64,099	\$ 61,647	\$ 125,746
Recognized	5,332	27,950	33,282
Paid	(45,536)	(36,239)	(81,775)
Effect of foreign currency exchange differences	24	-	24
Balance at December 31,2021	\$ 23,919	\$ 53,358	\$ 77,277

## 21. Post-employment benefit

### (I) Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Furthermore, overseas subsidiaries make pension contributions according to local laws and regulations, which are classified as a defined contribution plan.

### (II) Defined benefit plan

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by

the pension fund monitoring committee. 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 amount of defined benefit plans included in the consolidated balance sheet is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 605,305	\$ 618,862
Fair value of plan assets	<u>(449,665)</u>	<u>(355,199)</u>
Net defined benefit liabilities	<u>\$ 155,640</u>	<u>\$ 263,663</u>

Movements of net defined benefit liabilities were as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance at January 1, 2022	\$ 618,862	\$ (355,199)	\$ 263,663
Service cost			
Current service cost	11,073	-	11,073
Interest expense (income)	<u>3,067</u>	<u>(1,784)</u>	<u>1,283</u>
Recognized in profit or loss	<u>14,140</u>	<u>(1,784)</u>	<u>12,356</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(24,402)	(24,402)
Actuarial gain - changes in financial assumptions	(16,455)	-	(16,455)
Actuarial loss - experience adjustments	14,718	-	14,718

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Recognized in other comprehensive income	<u>(1,737)</u>	<u>(24,402)</u>	<u>(26,139)</u>
Benefits paid	<u>(25,960)</u>	<u>16,098</u>	<u>(9,862)</u>
Contributions from the employer	<u>-</u>	<u>(84,378)</u>	<u>(84,378)</u>
Balance at December 31,2022	\$ <u>605,305</u>	\$ <u>(449,665)</u>	\$ <u>155,640</u>
Balance at January 1,2021	\$ <u>606,408</u>	\$ <u>(244,422)</u>	\$ <u>361,986</u>
Service cost			
Current service cost	12,841	-	12,841
Interest expense (income)	<u>2,965</u>	<u>(1,190)</u>	<u>1,775</u>
Recognized in profit or loss	<u>15,806</u>	<u>(1,190)</u>	<u>14,616</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,354)	(3,354)
Actuarial gain - changes in demographic assumptions	(673)	-	(673)
Actuarial loss - changes in financial assumptions	<u>17,423</u>	<u>-</u>	<u>17,423</u>
Recognized in other comprehensive income	<u>16,750</u>	<u>(3,354)</u>	<u>13,396</u>
Benefits paid	<u>(20,102)</u>	<u>17,929</u>	<u>(2,173)</u>
Contributions from the employer	<u>-</u>	<u>(124,162)</u>	<u>(124,162)</u>
Balance at December 31,2021	\$ <u>618,862</u>	\$ <u>(355,199)</u>	\$ <u>263,663</u>

Summary of defined benefit plans recognized in profit or loss by function:

	2022	2021
Summary by function		
Operating costs	\$ 9,204	\$ 8,920
Selling expenses	445	507

	2022	2021
Administrative expenses	2,649	5,108
R&D expenses	58	81
	\$ 12,356	\$ 14,616

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

1. Investment risks

The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

A decrease in government bond interest rate will cause the present value of defined benefit liabilities to increase. However, this will be partially offset by an increase in the return on the plan's debt investments.

3. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary 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 obligations were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate (%)	1.500	0.500
Estimated salary growth rate (%)	3.500	2.750
	Sixth      Taiwan	Sixth      Taiwan
	Standard	Standard
Mortality rate	Ordinary	Ordinary
	Experience	Experience
	Mortality Table	Mortality Table
Employee turnover rate (%)	0-4.0	0-4.0
Disability rate	10% of mortality rate	10% of mortality rate

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Discount rate		
0.25% increase	\$ <u>(14,391)</u>	\$ <u>(15,450)</u>
0.25% decrease	\$ <u>14,888</u>	\$ <u>16,016</u>
Estimated salary growth rate		
0.25% increase	\$ <u>14,371</u>	\$ <u>15,411</u>
0.25% decrease	\$ <u>(13,967)</u>	\$ <u>(14,950)</u>

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

	December 31,2022	December 31,2021
The expected contributions to the plan for the next year	\$ <u>23,289</u>	\$ <u>14,000</u>
The average duration of the defined benefit obligation	9.6 years	9.9 years

## 22. Asset and liability maturity analysis

Assets and liabilities of the Company and Subsidiaries related to environmental protection projects are divided into current and noncurrent based on business cycle. Accounts are listed by amount expected to be collected or paid within 1 year or longer than 1 year after the balance sheet date:

December 31,2022	Within 1 year	Over 1 Year	Total
<b>Assets</b>			
Contract assets-current	\$ 351,848	\$ 138,745	\$ 490,593
Notes receivable	43	-	43
Accounts receivable (including related parties)	904,264	-	904,264
Restricted bank deposits - recognized in other financial assets	251,203	350	251,553
Refundable deposits - recognized in other current assets	<u>16,095</u>	<u>8,781</u>	<u>24,876</u>
	<u>\$ 1,523,453</u>	<u>\$ 147,876</u>	<u>\$ 1,671,329</u>
<b>Liabilities</b>			
Contract liabilities - current	\$ 1,276,621	\$ 337,021	\$ 1,613,642
Accounts payable (including related parties)	626,664	56,656	683,320
Provisions - current	32,530	3,078	35,608
Refund liabilities - recognized in other current liabilities	16,143	7,672	23,815

	Within 1 year	Over 1 Year	Total
	\$ <u>1,951,958</u>	\$ <u>404,427</u>	\$ <u>2,356,385</u>
	Within 1 Year	Over 1 Year	Total
December 31,2021			
Assets			
Contract assets-current	\$ 411,713	\$ 208,055	\$ 619,768
Accounts receivable (including related parties)	799,148	-	799,148
Restricted bank deposits - recognized in other financial assets	50,000	200,707	250,707
Refundable deposits - recognized in other current assets	<u>74,844</u>	<u>9,381</u>	<u>84,225</u>
	\$ <u>1,335,705</u>	\$ <u>418,143</u>	\$ <u>1,753,848</u>
Liabilities			
Contract liabilities - current	\$ 1,527,890	\$ 206,651	\$ 1,734,541
Accounts payable (including related parties)	719,503	32,626	752,129
Provisions - current	49,465	4,066	53,531
Refund liabilities - recognized in other current liabilities	<u>15,648</u>	<u>5,503</u>	<u>21,151</u>
	\$ <u>2,312,506</u>	\$ <u>248,846</u>	\$ <u>2,561,352</u>

## 23. Equity

### (I) Capital – common stock

	December 31,2022	December 31,2021
Number of shares authorized (in thousands)	<u>220,000</u>	<u>220,000</u>
Authorized capital	\$ <u>2,200,000</u>	\$ <u>2,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>123,743</u>	<u>123,743</u>
Issued capital	\$ <u>1,237,426</u>	\$ <u>1,237,426</u>

The Company's common shares have a face value of NT\$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to offset deficit, distribute cash or transfer to share capital (see Note below)		
Additional paid-in capital	\$ 628,364	\$ 628,364
May be used to offset deficit only		
Gains on the disposal of fixed assets	10	10
	<u>\$ 628,374</u>	<u>\$ 628,374</u>

Note: The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital).

(III) Retained earnings and dividend policy

Pursuant to the Articles of Incorporation, if there is a profit after year-end closing, after compensating for losses of previous years, it shall be distributed in the following order:

1. Appropriate 10% as the legal reserve, until the aggregate amount has reached the Company's paid-in capital.
2. Funding or reverse a special reserve depending on operating needs and regulatory requirements.
3. Where there are still distributable earnings, the board of directors shall then submit an earnings distribution proposal to the shareholders' meeting for approval of the distribution thereof.

The Company is in a high-tech engineering market with stable growth and also develops diverse strategies at the same time. The Company also expands the business operating foundation in the development of investment plans, including environmental protection and energy etc. During the formulation of the proposal for distribution of earnings by the board of directors, it is necessary to consider the stability of dividends. Except when there is need for capital, the earnings distributed each year shall account for more than 50 percent of the distributable earnings, and where the shareholders' cash dividend shall not be less than 10 percent of the shareholders' dividend.

The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that surpasses 25% of paid-up capital may be capitalized and may also be distributed to shareholders in cash.

The Company passed the 2021 and 2020 earnings distribution in the annual general meeting in June 2022 and August 2021, respectively:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 39,760	\$ 17,072		
Special reserve (reversal)	(39,172)	27,156		
Cash dividends	<u>321,731</u>	<u>167,053</u>	\$ 2.60	\$ 1.35
	<u>\$ 322,319</u>	<u>\$ 211,281</u>		

The Company passed the 2022 earnings distribution in the Board meeting in February 2023:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 54,583	
Reversal of special reserve	(56,639)	

	Appropriation of Earnings	Dividend Per Share (NT\$)
Cash dividends	<u>371,228</u>	\$ 3.0
	<u>\$ 369,172</u>	

The appropriations of earnings for 2022 are subject to the resolution of the shareholder's meeting to be held in June 2023.

(IV) Other equity items

1. Exchange differences on translating foreign operations

	2022	2021
Balance, beginning of the year	\$ <u>(103,630)</u>	\$ <u>(156,349)</u>
Recognized during the year		
Exchange differences arising from translating foreign operations	57,026	65,826
Share from associates accounted for using the equity method	3,264	58
Income tax relating to exchange differences arising on translating the net assets of foreign operations	<u>(11,405)</u>	<u>(13,165)</u>
Other comprehensive income (loss) recognized in the year	<u>48,885</u>	<u>52,719</u>
Balance, end of the year	\$ <u><u>(54,745)</u></u>	\$ <u><u>(103,630)</u></u>

2. Unrealized gains and losses on financial assets at fair value through other comprehensive income

	2022	2021
Balance, beginning of the year	\$ <u>80,844</u>	\$ <u>76,397</u>

	2022	2021
Recognized during the year		
Unrealized gains and losses - equity instruments	(29,286)	(25,652)
Share from associates accounted for using the equity method	(19,292)	27,775
Income tax relating to unrealized gains and losses	5,857	5,130
Other comprehensive income (loss) recognized in the year	(42,721)	7,253
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	(36)	(2,806)
Balance, end of the year	\$ 38,087	\$ 80,844

### 3. Gains and losses on hedging instrument

	2022	2021
Balance, beginning of the year	\$ (33,853)	\$ (15,859)
Recognized during the year		
Profit or loss from changes in fair value of hedging tools - Exchange rate risk	4,557	1,358
Share from associates accounted for using the equity method	4,059	(4,103)
Income tax effect	(911)	(272)
Reclassification adjustment		
Profit or loss from changes in fair value of hedging tools - Exchange rate risk	53,928	(18,721)
Income tax effect	(10,786)	3,744
Other comprehensive income (loss) recognized in the year	50,847	(17,994)

	<u>2022</u>	<u>2021</u>
Balance, end of the year	\$ <u>16,994</u>	\$ <u>(33,853)</u>

## 24. Revenues

The Company and Subsidiaries' operating revenues on the Consolidated Statement of Comprehensive Income are all from contracts with customers, and have been divided according to economic factors.

### (I) Contract balance

	<u>December 31,2022</u>	<u>December 31,2021</u>	<u>January 1,2021</u>
Notes and accounts receivable (including related parties)	\$ <u>904,307</u>	\$ <u>799,148</u>	\$ <u>1,100,392</u>
Contract assets-current			
Construction contracts	\$ <u>490,593</u>	\$ <u>619,768</u>	\$ <u>601,580</u>
Contract liabilities - current			
Construction contracts	\$ 1,613,642	\$ 1,734,541	\$ 1,654,371
Sales contracts	<u>-</u>	<u>96</u>	<u>-</u>
	\$ <u>1,613,642</u>	\$ <u>1,734,637</u>	\$ <u>1,654,371</u>

The changes in the balance of contract assets and contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:



	<u>2022</u>	<u>2021</u>
From the contract liabilities at the beginning of the year		
Construction contracts	\$ 1,226,144	\$ 1,510,133
Sale contracts	<u>96</u>	<u>-</u>
	<u>\$ 1,226,240</u>	<u>\$ 1,510,133</u>

(II) Partially completed contracts

As of December 31, 2022 and 2021, the transaction price allocated to the performance obligations that were not fully satisfied amounted to NT\$17,561,949 thousand and NT\$15,249,449 thousand, respectively. The Company and Subsidiaries will recognize revenue as the construction is being completed and expected timing for recognition of revenue is on various dates through June 2027.

25. Profit before income tax

Profit before income tax includes the following items:

(I) Interest income

	<u>2022</u>	<u>2021</u>
Demand deposits	\$ 55,476	\$ 47,241
Others	<u>3,733</u>	<u>2,011</u>
	<u>\$ 59,209</u>	<u>\$ 49,252</u>

(II) Other income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 14,529	\$ 26,400
Rental income	7,510	151
Others	<u>647</u>	<u>2,438</u>
	<u>\$ 22,686</u>	<u>\$ 28,989</u>

(III) Other profits and losses

	2022	2021
Gains on financial assets at fair value through profit or loss	\$ 85,590	\$ 17,234
Net foreign exchange gain (loss)	1,795	(2,786)
Gains on disposal of investments accounted for using the equity method	-	4,570
Others	(1,081)	(132)
	<u>\$ 86,304</u>	<u>\$ 18,886</u>

The net foreign exchange gains or losses above includes:

	2022	2021
Foreign exchange gain	\$ 2,811	\$ 2,399
Foreign exchange loss	(1,016)	(5,185)
Net exchange gain (loss)	<u>\$ 1,795</u>	<u>\$ (2,786)</u>

(IV) Financial costs

	2022	2021
Interest of lease liabilities	\$ 814	\$ 839
Others	1	689
	<u>\$ 815</u>	<u>\$ 1,528</u>

(V) Depreciation and amortization

	2022	2021
Property, plant and equipment	\$ 18,952	\$ 20,025
Right-of-use assets	35,422	33,467
Intangible assets	5,442	3,545
	<u>\$ 59,816</u>	<u>\$ 57,037</u>

An analysis of depreciation by function

Operating costs	\$ 23,486	\$ 21,985
Operating expenses	30,888	31,507

	2022	2021
	\$ <u>54,374</u>	\$ <u>53,492</u>

An analysis of amortization by function

Operating expenses	\$ <u>5,442</u>	\$ <u>3,545</u>
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(VI) Employee benefit expenses

	2022	2021
Short-term employee benefits		
Salaries	\$ 1,315,672	\$ 1,221,902
Labor and health insurance	101,467	97,285
Others	26,133	21,210
	<u>1,443,272</u>	<u>1,340,397</u>

Post-employment benefits (Note 21)

Defined contribution plans	42,923	40,801
Defined benefit plans	12,356	14,616
	<u>55,279</u>	<u>55,417</u>

Employee benefit expenses	\$ <u>1,498,551</u>	\$ <u>1,395,814</u>
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An analysis of employee benefits by function

Operating costs	\$ 1,146,579	\$ 1,066,472
Operating expenses	<u>351,972</u>	<u>329,342</u>
	\$ <u>1,498,551</u>	\$ <u>1,395,814</u>

(VII) Compensation of employees and remuneration of directors

According to the Articles of Incorporation, the article stipulate the Company distributed compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 1%, respectively, of pre-tax profit prior to deducting compensation of employees and remuneration of directors. The Board of Directors adopted the following resolutions in February 2023 and 2022 on

compensation of employees and remuneration of directors in 2022 and 2021 (all distributed in cash):

	<u>2022</u>	<u>2021</u>
Compensation of employees	\$ 26,129	\$ 20,165
Remuneration of directors	5,226	4,033

If there is any change in the amounts after the annual consolidated financial statements are authorized for issue, the difference is record as a change in accounting estimate in the next following year.

The appropriations for compensation of employees and remuneration of directors for 2021 and 2020 which had been approved by the board of directors' meeting in February 2022 and 2021, respectively, were as follows:

	<u>2021</u>	<u>2020</u>
Compensation of employees	\$ 20,165	\$ 7,660
Remuneration of directors	4,033	1,532

The amounts recognized in the consolidated financial statement for 2021 and 2020 are the same as which approved in the board of directors' meeting.

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

## 26. Income tax

### (I) Income tax recognized in profit or loss

The major components of income tax were as follows:

	2022	2021
Current tax		
In respect of the current year	\$ 67,801	\$ 16,979
In respect of prior years	737	(545)
	<u>68,538</u>	<u>16,434</u>
Deferred tax		
In respect of the current year	<u>22,845</u>	<u>62,525</u>
	<u>\$ 91,383</u>	<u>\$ 78,959</u>

The reconciliation of accounting profit and income tax expense was as follows:

	2022	2021
Profit before income tax	\$ <u>611,902</u>	\$ <u>482,839</u>
Income tax expense calculated at the statutory rate	\$ 121,788	\$ 94,196
Tax-exempt income	(31,142)	(14,692)
In respect of prior years	<u>737</u>	<u>(545)</u>
	<u>\$ 91,383</u>	<u>\$ 78,959</u>

(II) Income tax gains (expenses) recognized in other comprehensive income

	2022	2021
Deferred tax		
Remeasurement of defined benefit plans	\$ (5,228)	\$ 2,680
Investments in equity instruments measured at fair value through other comprehensive income	5,857	5,130
Exchange differences on translation of foreign operations	(11,405)	(13,165)

	2022	2021
Profit or loss from hedging instruments	(11,697)	3,472
	\$ (22,473)	\$ (1,883)

(III) Current income tax assets and liabilities

	December 31,2022	December 31,2021
Current income tax assets		
Tax refunds receivable	\$ 7,295	\$ 9,275
Current income tax liabilities		
Income tax payable	\$ 75,020	\$ 15,915

(IV) Deferred income tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensiv e Income	Effect of foreign currency exchange differences	Balance, End of Year
Deferred tax assets					
Temporary differences					
Defined benefit pension plan	\$ 20,771	\$ (15,543)	\$ (5,228)	\$ -	-
Provision	7,874	1,679	-	-	9,553
Difference between tax reporting and financial reporting - construction revenues and costs	4,706	(1,020)	-	-	3,686
Unrealized gain on the transactions with subsidiaries and associates	20,286	25	-	-	20,311
Currency translation difference of foreign operations	25,198	-	(11,405)	-	13,793
Losses carried forward	3,331	(3,331)	-	-	-
Others	12,364	(197)	(7,394)	316	5,089
	\$ 94,530	\$ (18,387)	\$ (24,027)	\$ 316	\$ 52,432

#### Deferred tax liabilities

##### Temporary differences

Financial assets at fair value through other comprehensive income	\$	23,664	\$	-	\$	(5,857)	\$	-	\$	17,807
Foreign investment gain		34,010		3,612		-		-		37,622
Defined benefit pension plan		-		834		-		-		834
Others		-		12		4,303		-		4,315
	\$	<u>57,674</u>	\$	<u>4,458</u>	\$	<u>(1,554)</u>	\$	<u>-</u>	\$	<u>60,578</u>

#### 2021

		Balance, Beginning of Year		Recognized in Profit or Loss		Recognized in Other Comprehensiv e Income		Effect of foreign currency exchange differences		Balance, End of Year
Deferred tax assets										
Temporary differences										
Defined benefit pension plan	\$	40,435	\$	(22,344)	\$	2,680	\$	-	\$	20,771
Provision		8,335		(461)		-		-		7,874
Difference between tax reporting and financial reporting - construction revenues and costs		12,792		(8,086)		-		-		4,706
Unrealized gain on the transactions with subsidiaries and associates		17,581		2,705		-		-		20,286
Foreign investment loss		2,372		(2,372)		-		-		-
Currency translation difference of foreign operations		38,363		-		(13,165)		-		25,198
Losses carried forward		-		3,331		-		-		3,331
Others		9,883		(1,288)		3,472		297		12,364
	\$	<u>129,761</u>	\$	<u>(28,515)</u>	\$	<u>(7,013)</u>	\$	<u>297</u>	\$	<u>94,530</u>

#### Deferred tax liabilities

##### Temporary differences

Unrealized gain on the transactions with subsidiaries and associates	\$	28,794	\$	-	\$	(5,130)	\$	-	\$	23,664
Foreign investment gain		-		34,010		-		-		34,010
	\$	<u>28,794</u>	\$	<u>34,010</u>	\$	<u>(5,130)</u>	\$	<u>-</u>	\$	<u>57,674</u>

Other temporary differences above are mainly temporary differences between cash flow hedges and net amount of unrealized foreign exchange gain/loss.

(V) Income tax assessment

The Company's income tax returns through 2020 have been assessed by the tax authorities.

(VI) Subsidiaries CIC and CDC were all established in Samoa and exempted from income tax according to local regulations. CEVC, China Ecotek India Private Limited, and Xiamen Ecotek PRC Co., Ltd. were established in Vietnam, India, and China Xiamen and pay taxes according to local regulations.

27. Earnings per share

The earnings and weighted average number of shares outstanding used to computation of earnings per share were as follows:

Net profit for the year

	2022	2021
Profit for the year attributable to owners of the Corporation	\$ 520,519	\$ 403,880

Number of shares (in thousand shares)

	2022	2021
Weighted average number of ordinary shares used in computation of basic earnings per share	123,743	123,743
Effect of dilutive potential ordinary shares-Compensation of employees	683	536
Weighted average number of ordinary shares used in computation of diluted earnings per share	124,426	124,279



The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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.

## 28. Capital risk management

The Company and Subsidiaries engage in capital management to ensure that it can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that it is able to continue as a going concern.

The Company and Subsidiaries' capital structure consists of net liabilities (i.e., loans less cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings, and other equity interests), and is not required to comply with external regulations on capital.

## 29. Financial instruments

### (I) Information on fair value

1. Information on fair value –Fair value of financial instruments that are measured at fair value on a recurring basis

December 31, 2022					
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Emerging market shares in Taiwan	\$	- \$	- \$	94,311 \$	94,311

December 31,2022				
	Level 1	Leve2	Level 3	Total
Unlisted shares in Taiwan	-	-	32,207	32,207
	\$ -	\$ -	\$ 126,518	\$ 126,518
Financial assets at fair value through other comprehensive income				
Foreign unlisted shares	\$ -	\$ -	\$ 102,782	\$ 102,782
December 31,2021				
	Level 1	Leve2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary Certificate	\$ 204,981	\$ -	\$ -	\$ 204,981
Emerging market shares	-	-	13,996	13,996
Unlisted shares in Taiwan	-	-	70,880	70,880
	\$ 204,981	\$ -	\$ 84,876	\$ 289,857
Financial assets at fair value through other comprehensive income				
Foreign unlisted shares	\$ -	\$ -	\$ 132,068	\$ 132,068

There was no transfer of level 1 and level 2 fair value measurements in 2022 and 2021.

## 2. Reconciliation of Level 3 fair value measurements of financial assets

### 2022

Financial Asset	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance, beginning of the year	\$ 84,876	\$ 132,068	\$ 216,944
Disposals	(45,899)	-	(45,899)
Recognized in profit or loss	87,541	-	87,541
Recognized in other comprehensive income	-	(29,286)	(29,286)

2022

Financial Asset	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance, end of the year	\$ 126,518	\$ 102,782	\$ 229,300
Unrealized gains and losses for the year	\$ 53,929		\$ 53,929

2021

Financial Asset	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance, beginning of the year	\$ 23,202	\$ 157,720	\$ 180,922
Purchases	56,100	-	56,100
Disposals	(2,623)	-	(2,623)
Recognized in profit or loss	8,197	-	8,197
Recognized in other comprehensive income	-	(25,652)	(25,652)
Balance, end of the year	\$ 84,876	\$ 132,068	\$ 216,944
Unrealized gains and losses for the year	\$ 8,197		\$ 8,197

3. Valuation techniques and inputs applied for the purpose of measuring level 3 fair value measurement

- (1) The fair value of emerging stock is estimated based on its closing price and taking into consideration its liquidity.
- (2) The fair value of domestic unlisted stock is estimated based on the most recent net value of the investee or transaction price. The fair value of foreign unlisted stocks is estimated using the market approach.

(II) Financial instruments by category

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Financial Asset</u>		
Financial assets at fair value through profit or loss	\$ 126,518	\$ 289,857
Financial assets for hedging	984,542	748,517
Financial assets at amortized cost Note 1)	3,114,509	3,000,956
Financial assets at fair value through other comprehensive income	102,782	132,068
<u>Financial liabilities</u>		
Financial liabilities at amortized cost Note 2)	1,298,946	1,304,945

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other financial assets, refundable deposits (the current portion is listed in other current assets), and other financial assets at amortized cost.

Note 2: The balance includes accounts payable (including related parties), other payables, and guarantee deposits received (the current portion is listed under other current liabilities), and other financial liabilities at amortized cost.

(III) The purpose and policy of financial risk management

The Company and Subsidiaries' main financial instruments include financial assets for hedging, accounts receivable, equity investments, other financial assets, accounts payable, and lease liabilities. The financial management department provides services to sales units, coordinates operations in domestic and foreign financial markets, and analyzes exposure based on the level and extent of risks, in order to

supervise and manage financial risks related to the Company and Subsidiaries' operations. Such risks include market risks (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The significant financial activities of the Company and Subsidiaries are reviewed by the Board of Directors according to regulations and the internal control system. Internal auditors continue to review policy compliance and exposure. The Company and Subsidiaries have not used financial instruments (including derivative financial instruments) for speculative trading.

#### 1. Market Risk

##### (1) Foreign exchange risk

The Company and Subsidiaries purchase and sells goods denominated in foreign currencies, and is thus exposed to the risk of exchange rate fluctuations. The Company and Subsidiaries manage exposure to foreign exchange risk using foreign currency deposits and firm commitment opposite to exchange rate fluctuations within the scope permitted by policy.

Please see Note 33 for the carrying amount of the Company and Subsidiaries' major monetary assets not denominated in the functional currency on the balance sheet date (including monetary items not denominated in the functional currency on the consolidated financial statements).

The table below shows the Company and Subsidiaries'

sensitivity analysis when the functional currency appreciates/depreciates 1% against USD and CNY. A positive number is the amount that pre-tax profit or equity will increase when the functional currency depreciates 1% against foreign currencies. Pre-tax profit or equity will decrease the same amount when the functional currency appreciates 1% against USD and CNY.

	USD Impact		CNY Impact	
	2022	2021	2022	2021
Profit before income tax \$	87 \$	93 \$	53 \$	880
Equity	1,619	8,433	8,493	50

## (2) Interest rate risk

The book value of the Company and Subsidiaries' financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial liabilities	\$ 95,569	\$ 103,464
Cash flow interest rate risk		
Financial assets	518,969	320,814

The Company and Subsidiaries' are exposed to interest rate risk due to financial assets with floating interest rates. The method for analyzing floating interest rate assets assumes that the amount of assets outstanding on the balance sheet date were outstanding throughout the year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company and Subsidiaries'

pre-tax profit for the years ended December 31, 2022 and 2021 would have been lower/higher by NT\$5,190 thousand and NT\$3,208 thousand, respectively, and is mainly due to the Company and Subsidiaries' floating interest rate bank deposits and project specific bank deposits (listed in other financial assets current).

## 2. Credit risk

Credit risk refers to the risk of financial loss to the Company and Subsidiaries arising from default by counterparties. As of the balance sheet date, the Company and Subsidiaries' greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is in the book value of financial assets recognized on the consolidated balance sheet.

Among the balance of the Company and Subsidiaries' accounts receivable, customers that account for over 10% of total accounts receivable are as follows:

	December 31, 2022	December 31, 2021
Customer A	\$ 305,299	\$ 530,923
Customer B	206,121	-
Customer C	172,958	7,255
Customer D	94,010	149,782
	<u>\$ 778,388</u>	<u>\$ 687,960</u>

## 3. Liquidity risk

The Company and Subsidiaries manage and maintain a sufficient position of cash and cash equivalents or financial products that

can easily be liquidated, and maintain a suitable credit limit through loan agreements with financial institutions to meet the needs of operations.

The table below provides the maturity analysis of remaining non-derivative financial liabilities for the repayment period agreed to by the Company and Subsidiaries. It is prepared based on the non-discounted cash flow (including principal and interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Company and Subsidiaries.

	Within 1 year	Over 1 Year	Total
<u>December 31,2022</u>			
Accounts payable (including related parties)	\$ 626,664	\$ 56,656	\$ 683,320
Other payables	591,811	-	591,811
Lease liabilities	39,504	58,191	97,695
Guarantee deposits received	16,143	7,672	23,815
	<u>\$ 1,274,122</u>	<u>\$ 122,519</u>	<u>\$ 1,396,641</u>
<u>December 31,2021</u>			
Accounts payable (including related parties)	\$ 719,503	\$ 32,626	\$ 752,129
Other payables	531,665	-	531,665
Lease liabilities	37,671	68,010	105,681
Guarantee deposits received	15,648	5,503	21,151
	<u>\$ 1,304,487</u>	<u>\$ 106,139</u>	<u>\$ 1,410,626</u>

#### 4. Cash flow hedging

<u>December 31,2022</u>						<u>Carry amount</u>	
Hedging instruments	Currency	Contract amount	Maturity	Forward price	Line items on the balance sheets	Asset	Liability
Cash flow hedging							
Hedging deposits	JPY	\$ 132,576	NA	NA	Financial assets for hedging	\$ 30,811	\$ -
	USD	1,924	NA	NA	Financial assets for hedging	59,077	-
	EUR	1,385	NA	NA	Financial assets for	45,332	-



CNY	192,677	NA	NA	hedging Financial assets for hedging	849,322	-
					\$ 984,542	\$ -

December 31, 2022

Hedged Items	Change in fair value of hedged items used for calculating hedge ineffectiveness	Balance in other equity	
		Continuing hedges	Discontinuing hedges
Cash flow hedging Forecast purchases and construction contracts	\$ (58,485)	\$ 21,518	\$ -

2022

Effect on Comprehensive Income (Loss)	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging Hedging deposits and commercial paper	\$ 3,646	\$ -	-	\$ 43,142	\$ -

December 31, 2021

Hedging instruments	Currency	Contract amount	Maturity	Forward price	Line items on the balance sheets	Carry amount	
						Asset	Liability
Cash flow hedging							
Hedging deposits	JPY	\$ 76,236	NA	NA	Financial assets for hedging	\$ 18,335	\$ -
	USD	25,693	NA	NA	Financial assets for hedging	711,183	-
	EUR	446	NA	NA	Financial assets for hedging	13,953	-
	CNY	1,162	NA	NA	Financial assets for hedging	5,046	-
						\$ 748,517	\$ -

December 31, 2021

Hedged Items	Change in fair value of hedged items used for calculating hedge ineffectiveness	Balance in other equity	
		Continuing hedges	Discontinuing hedges
Cash flow hedging Forecast purchases and construction contracts	\$ 17,363	\$ (36,968)	\$ -

2021

Effect on Comprehensive Income (Loss)	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging Hedging deposits and commercial paper	\$ 1,086	\$ -	-	\$ (14,977)	\$ -

30. Related Party Transactions

(I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company and Subsidiaries</u>
China Steel Corporation	Parent company
Dragon Steel Corporation (Dragon Steel)	Fellow subsidiary
China Steel Machinery Corporation	Fellow subsidiary
United Steel Engineering & Construction Corporation	Fellow subsidiary
CSC Solar Corporation (CSCSOLAR)	Fellow subsidiary
Chung Hung Steel Corporation	Fellow subsidiary
C.S. Aluminum Corporation	Fellow subsidiary
Steel Castle Technology Corporation	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
Infochamp Systems Corporation	Fellow subsidiary
China Steel Security Corporation	Fellow subsidiary
CHC Resources Corporation	Fellow subsidiary
China Steel Management Consulting Corporation	Fellow subsidiary
China Steel and Nippon Steel Vietnam Joint Stock Company (CSVC)	Fellow subsidiary
Union Steel Development Corporation	Fellow subsidiary
Universal Exchange Inc.	Fellow subsidiary
Sing Da Marine Structure Corporation	Fellow subsidiary
CSC Steel Sdn. Bhd.	Fellow subsidiary
Betacera Inc.	Fellow subsidiary
China Steel Global Trading Corporation	Fellow subsidiary
CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary
China Steel Structure Co., Ltd.	Fellow subsidiary
China Steel Express Corporation	Fellow subsidiary
HIMAG Magnetic Corporation	Fellow subsidiary
Taiwan Intelligent Transportation Co., Ltd.	Fellow subsidiary
Honley Auto. Parts Co., Ltd.	Associate
Formosa Ha Tinh Steel Corporation	Other related parties

<u>Name of related party</u>	<u>Relationship with the Company and Subsidiaries</u>
Hua Eng Wire and Cable Co., Ltd.	Director of the Company
Great Grandeul Steel Co., Ltd.	Director of the Company

(II) Business transaction

	<u>2022</u>	<u>2021</u>
<u>Operating revenue</u>		
Parent company	\$ 5,836,308	\$ 5,893,134
Fellow subsidiary		
Dragon Steel	1,210,868	1,171,926
Others	627,474	391,661
Associate	-	550
Other related parties - Formosa Ha Tinh Steel Corporation	17,915	69,216
Director of the Company	114	-
	<u>\$ 7,692,679</u>	<u>\$ 7,526,487</u>
<u>Purchase of goods and outsourcing fees</u>		
Parent company	\$ 14,224	\$ 18,356
Fellow subsidiary	279,475	346,023
Director of the Company	4,428	4,635
	<u>\$ 298,127</u>	<u>\$ 369,014</u>

The Company and Subsidiaries' operating revenues is mainly from construction revenues from the companies above, and the total contract price is negotiated based on the scale or nature of each project. The collection period is approximately 2-3 months after the invoice is issued. The Company and Subsidiaries contracts with related parties is different from contracts with non-related parties, so there are no similar transactions for comparison.

Purchase of goods and outsourcing fees are negotiated based on the model or nature of the project, and payment is made within 1-2 months. The Company and Subsidiaries' transactions with related parties is

different from non-related parties, so there are no similar transactions for comparison.

The balance of contract assets, contract liabilities, and accounts payable/receivable to/from related parties on the balance sheet date is as follows:

Account Items	Related Parties Types	December 31, 2022	December 31, 2021
Contract assets current	Parent company	\$ 364,423	\$ 423,437
	Fellow subsidiary		
	Dragon Steel	67,567	28,778
	Others	6,914	7,425
	Other related parties – Formosa Ha Tinh Steel Corporation	800	-
		<u>\$ 439,704</u>	<u>\$ 459,640</u>
Contract liabilities current	Parent company	\$ 1,159,154	\$ 1,393,756
	Fellow subsidiary	171,148	113,705
	Other related parties – Formosa Ha Tinh Steel Corporation	15,868	23,240
		<u>\$ 1,346,170</u>	<u>\$ 1,530,701</u>
Accounts receivable – related parties	Parent company	\$ 305,299	\$ 530,923
	Fellow subsidiary		
	CSVC	172,958	7,255
	Dragon Steel	94,010	149,782
	Others	85,557	3,892
	Associate	-	289
	Other related parties – Formosa Ha Tinh Steel Corporation	-	1,198
		<u>\$ 657,824</u>	<u>\$ 693,339</u>
Accounts payable – related parties	Parent company	\$ 23	\$ -
	Fellow subsidiary	13,993	7,052
		<u>\$ 14,016</u>	<u>\$ 7,052</u>

The outstanding accounts payable to related parties were unsecured and will be settled in cash. Accounts receivable from related parties were also unsecured and no impairment loss was recognized as of December 31, 2022 and 2021.

(III) Other transactions

1. Construction contracts

The balance of construction contracts not yet performed in operating revenues is listed below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Parent company	\$ 12,100,564	\$ 13,276,300
Fellow subsidiary		
Dragon Steel	2,268,478	444,479
Others	604,725	386,804
Other related parties– Formosa Ha Tinh Steel Corporation	<u>18,248</u>	<u>25,610</u>
	<u>\$ 14,992,015</u>	<u>\$ 14,133,193</u>

Accumulated balance of construction progress of construction contracts is listed below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Parent company	\$ 7,816,541	\$ 7,212,209
Fellow subsidiary	2,429,047	3,383,145
Other related parties– Formosa Ha Tinh Steel Corporation	<u>6,711,940</u>	<u>6,355,787</u>
	<u>\$ 16,957,528</u>	<u>\$ 16,951,141</u>

## 2. Lease agreements

Account Items	Related Parties Types	December 31, 2022	December 31, 2021
Lease liabilities (current and noncurrent)	Parent company	\$ <u>25,600</u>	\$ <u>19,545</u>
		<u>2022</u>	<u>2021</u>
Type of related party			
Interest expense			
Parent company	\$	<u>129</u>	\$ <u>216</u>
Rent expenses			
Parent company	\$	<u>1,666</u>	\$ <u>2,217</u>

The Company and Subsidiaries lease offices and production equipment from the parent company with a lease period of 3-5 years. The rent is based on the rent for similar assets and is paid quarterly or semi-annually according to the lease agreement.

Lease expenses are variable lease payments and expenses for short-term leases and low value asset leases of buildings and transportation equipment that are not included in lease liabilities.

## (IV) Lease arrangements

As described in Note 17, the Company leased out land, which was located in the Linyuan District, Kaohsiung City to its parent entity. Price was negotiated between both sides and collected every half year. The lease term of the contract will end in May 2023. As of December 31, 2022, the gross lease payment had been fully received. The amount of lease income recognized for 2022 was NT\$6,804 thousand.

(V) Compensation for management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits (salary, dividends, and bonuses)	\$ 27,004	\$ 25,045
Post-employment benefit	<u>-</u>	<u>36</u>
	<u>\$ 27,004</u>	<u>\$ 25,081</u>

Remuneration of directors and management was determined by the remuneration committee based on the personal performance evaluation and market trends.

31. Pledged Assets

The Company and Subsidiaries provide the following assets as guarantee for contract performance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits (recognized in other financial assets – current)	\$ <u>251,553</u>	\$ <u>250,707</u>

32. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those described in other notes, the Company and Subsidiaries also have the following major commitments and contingencies on December 31, 2022

- (I) The Company and Subsidiaries provided approximately NT\$783,602 thousand in performance bond and warranty bond through a bank for construction contracts.

- (II) The Company and Subsidiaries provided approximately NT\$115,410 thousand in notes as the performance bond and warranty bond for major projects.
- (III) The Company and Subsidiaries' balance of issued but unutilized L/C for the purchase of construction equipment is approximately NT\$81,385 thousand.
- (IV) Property purchase and construction contracts for NT\$242,825 thousand were signed but not yet recorded.

33. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the Company and Subsidiaries 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:

	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2022			
Foreign currency assets			
Monetary items			
USD	\$ 2,418	30.7100 \$	74,265
CNY	193,885	4.4080	854,646
EUR	1,386	32.7200	45,341
JPY	132,580	0.2324	30,812
Non-monetary items			



	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2022			
Financial assets at fair value through other comprehensive income			
USD	3,347	30.7100	102,782
Foreign currency liabilities			
Monetary items			
USD	212	30.7100	6,503
	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2021			
Foreign currency assets			
Monetary items			
USD	\$ 26,480	27.6800	\$ 732,953
CNY	21,419	4.3440	93,043
EUR	446	31.3200	13,958
JPY	76,239	0.2405	18,335
Non-monetary items			
Financial assets at fair value through other comprehensive income			
USD	4,771	27.6800	132,068
Foreign currency liabilities			
Monetary items			
USD	452	27.6800	12,514

For 2022 and 2021, realized and unrealized net foreign exchange gains and losses were gain NT\$1,795 thousand and loss NT\$2,786 thousand. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies of the Company and Subsidiaries.

34. Separately disclosed items

Matters required to be disclosed in 2022 are as follows:

(I) Information on major transactions and (II) investees

1. Financing provided to others: None.
2. Endorsements or guarantees provided: None.
3. Marketable securities held at the end of the year (excluding investments in subsidiaries and associate): Table 1.
4. Marketable securities acquired and disposed of at costs or prices of 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 2.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
9. Derivatives trading: None.
10. Other: The business relationship and key transactions between intra-group companies and amount: None.
11. Information investees: Table 4.

(II) Information on investments in mainland China

1. Information on any investee 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, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.
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:
  - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
  - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.
  - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
  - (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
  - (6) 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.

- (III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: Table 6.

### 35. Segment Information

Information provided to the main decision-maker of business operations to distribute resources and assess segment performance, and focuses on each type of product or service delivered or provided. Segments required to be reported by the Company and Subsidiaries are as follows:

- China Ecotek Corporation (The Company) – Environmental protection projects.
- China Ecotek Vietnam Company Ltd. (CEVC)– Environmental protection projects.
- Other – General investments and subsidiaries that do not reach the quantified threshold required for segment reporting

#### (I) Department revenue and business results

The Company and Subsidiaries' revenue and business results, as well as assets and liabilities by reportable segment are analyzed below:

	The Company	CEVC	Others	Adjustment and offset	Merger
2022					
Revenue from customers other than the parent company and its subsidiaries	\$ 8,524,477	\$ 319,576	\$ -	\$ -	\$ 8,844,053
Revenue from the parent company and its subsidiaries	1,579	126	-	(1,705)	-
Total revenue	\$ 8,526,056	\$ 319,702	\$ -	\$ (1,705)	\$ 8,844,053
Segment income (losses)	\$ 331,280	\$ 4,338	\$ (2,985)	\$ -	\$ 332,633
Interest income	19,935	32,085	7,189	-	59,209
Other income	22,596	90	-	-	22,686
Other profits and losses	85,587	57	660	-	86,304
Financial costs	(797)	(9)	(9)	-	(815)
Share of income/losses of subsidiaries and associates recognized under the equity method	143,573	-	31,065	(62,753)	111,885
Pre-tax profit	602,174	36,561	35,920	(62,753)	611,902
Income tax expense	81,655	9,335	393	-	91,383
Net profit after tax	\$ 520,519	\$ 27,226	\$ 35,527	\$ (62,753)	\$ 520,519

	The Company	CEVC	Others	Adjustment and offset	Merger
December 31, 2022					
Segment assets	\$ 4,792,383	\$ 909,739	\$ 233,799	\$ (4,968)	\$ 5,930,953
Investments recognized under the equity method	2,062,574	-	1,017,685	(2,044,752)	1,035,507
Total assets	<u>\$ 6,854,957</u>	<u>\$ 909,739</u>	<u>\$ 1,251,484</u>	<u>\$ (2,049,720)</u>	<u>\$ 6,966,460</u>
Segment liabilities	<u>\$ 3,343,918</u>	<u>\$ 114,534</u>	<u>\$ 1,937</u>	<u>\$ (4,968)</u>	<u>\$ 3,455,421</u>
	The Company	CEVC	Others	Adjustment and offset	Merger
2021					
Revenue from customers other than the parent company and its subsidiaries	<u>\$ 8,371,228</u>	<u>\$ 113,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,484,613</u>
Segment income (loss)	\$ 238,999	\$ 6,965	\$ (3,659)	\$ -	\$ 242,305
Interest income	5,842	35,732	7,678	-	49,252
Other income	28,399	27	563	-	28,989
Other profits and losses	13,728	27	5,131	-	18,886
Financial costs	(1,514)	(6)	(8)	-	(1,528)
Share of income/losses of subsidiaries and associates recognized under the equity method	180,389	-	42,893	(78,347)	144,935
Pre-tax profit	465,843	42,745	52,598	(78,347)	482,839
Income tax expense	61,963	8,549	8,447	-	78,959
Net profit after tax	<u>\$ 403,880</u>	<u>\$ 34,196</u>	<u>\$ 44,151</u>	<u>\$ (78,347)</u>	<u>\$ 403,880</u>
December 31, 2021					
Segment assets	\$ 4,667,814	\$ 824,022	\$ 313,355	\$ (3,337)	\$ 5,801,854
Investments recognized under the equity method	2,085,965	-	929,593	(1,954,371)	1,061,187
Total assets	<u>\$ 6,753,779</u>	<u>\$ 824,022</u>	<u>\$ 1,242,948</u>	<u>\$ (1,957,708)</u>	<u>\$ 6,863,041</u>
Segment liabilities	<u>\$ 3,523,811</u>	<u>\$ 110,457</u>	<u>\$ 2,142</u>	<u>\$ (3,337)</u>	<u>\$ 3,633,073</u>

## (II) Information by region

The Company and Subsidiaries mainly operate in two regions – Taiwan and Vietnam.

The Company and Subsidiaries' revenue from external customers is categorized by the customer's country, while noncurrent assets are listed by their location as follows:

	Revenue from external customers		Noncurrent assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	\$	\$	\$	\$

	Revenue from external customers		Noncurrent assets	
	2022	2021	December 31, 2022	December 31, 2021
	<u>8,504,284</u>	<u>8,325,371</u>	<u>837,479</u>	<u>740,906</u>
Vietnam	336,001	153,220	1,537	2,301
Other	<u>3,768</u>	<u>6,022</u>	<u>1,462</u>	<u>1,852</u>
	<u>\$ 8,844,053</u>	<u>\$ 8,484,613</u>	<u>\$ 840,478</u>	<u>\$ 745,059</u>

Noncurrent assets do not include financial assets, investments recognized under the equity method, deferred income tax assets, and guarantee deposits paid.

(III) Information on major customers

The Company and Subsidiaries is mainly in the environmental protection engineering industry, and customers that account for 10% and above of the Company and Subsidiaries' revenue are as follows:

	2022		2021	
	Amount	As a percentage of operating revenues (%)	Amount	As a percentage of operating revenues (%)
Company A	\$ 5,836,308	66	\$ 5,893,134	69
Company B	<u>1,210,868</u>	<u>14</u>	<u>1,171,926</u>	<u>14</u>
	<u>\$ 7,047,176</u>	<u>80</u>	<u>\$ 7,065,060</u>	<u>83</u>

China Ecotek Corporation and Subsidiaries  
Marketable securities held at the end of the year  
December 31, 2022

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

Table 1

Held Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	End of the year				Note
				shares/ units	Carrying Value	Percentage of Ownership (%)	Fair value	
The Company	Stock							
	Yeong Long Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss-noncurrent	440,000	\$ 15,507	1.13	\$ 15,507	
	Ecotek Industrial Aquaculture Corp.	The held company as its director	Financial assets at fair value through profit or loss-noncurrent	74,681	600	19.30	600	
	Hsin Yu Energy Development Co., Ltd.	-	Financial assets at fair value through profit or loss-noncurrent	391,249	-	0.16	-	
	Green Shepherd Corporation	-	Financial assets at fair value through profit or loss-noncurrent	784,000	16,100	5.55	16,100	
					<u>\$ 32,207</u>		<u>\$ 32,207</u>	
	Stock							
	Asia Pacific Energy Development Company Limited	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	2,212,590	<u>\$ 102,782</u>	11.11	<u>\$ 102,782</u>	
	Stock							
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss-current	3,305,000	<u>\$ 94,311</u>	1.65	<u>\$ 94,311</u>	

China Ecotek Corporation and Subsidiaries  
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital  
From January 1 to December 31, 2022

Table 2

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

Purchaser/Seller	Related Party	Relationship	Transaction				Abnormal transaction		Receivables (Payables)		Note
			Purchase (sales)	Amount	Percentage of total purchases (sales) (%)	Payment Terms			Ending balance	As a percentage of total accounts receivable (payable)	
							Unit price	Credit period			
The Company	China Steel Corporation	Parent company	Construction revenue	\$ (5,690,474)	(67)	Contract period	Note	Note	\$ 305,299	42	
	Dragon Steel Corporation	Fellow subsidiary	Construction revenue	(1,196,088)	(14)	Contract period	Note	Note	94,010	13	
	China Steel Solar Tech Co., Ltd.	Fellow subsidiary	Construction revenue	(300,190)	(4)	Contract period	Note	Note	81,454	11	
	China Steel Machinery Corporation	Fellow subsidiary	Purchase of goods	136,735	2	Contract period	Note	Note	(5,251)	(1)	
China Ecotek Vietnam Company Limited	China Steel and Nippon Steel Vietnam Joint Stock Company	Fellow subsidiary	Construction revenue	(216,878)	(68)	Contract period	Note	Note	172,958	96	

Note: Please refer to Note 30.



China Ecotek Corporation and Subsidiaries  
Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital  
December 31, 2022

Table 3

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

Company Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	China Steel Corporation	Parent company	\$ 305,299	13.96	\$ -	-	\$ 302,118	\$ -
China Ecotek Vietnam Company Limited	China Steel and Nippon Steel Vietnam Joint Stock Company	Fellow subsidiary	172,958	2.46	-	-	168,736	-

China Ecotek Corporation and Subsidiaries  
Information investees  
From January 1 to December 31, 2022

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

Table 4

Investor Company	Investee Company	Location	Main Businesses and Products	Initial investment amount		Shareholding at the end of year			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				End of the current year	End of the previous year	Number of Shares	Percentage (%)	Carrying Amount			
The Company	CEC Development Corporation	Samoa	Holding and investment	\$ 478,579	\$ 494,146	17,000,000	100.00	\$ 986,012	\$ 30,774	\$ 30,774	Subsidiary (Note)
The Company	CEC International Corporation	Samoa	Holding and investment	30,642	30,642	10,000,000	100.00	41,017	914	914	Subsidiary (Note)
The Company	China Steel Machinery Corporation	Kaohsiung City	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	329,174	329,174	35,204,170	26.02	529,821	293,158	76,290	
The Company	Chiun Yu Investment Corporation	Kaohsiung City	General investment	14,233	14,233	1,196,000	40.00	30,217	6,379	2,551	
The Company	Chi-Yi Investment Corporation	Kaohsiung City	General investment	8,000	8,000	800,000	40.00	21,145	5,007	2,003	
The Company	Jiing-Cherng-Fa Investment Corporation	Kaohsiung City	General investment	8,050	8,050	805,000	35.00	19,603	5,847	2,046	
The Company	United Steel International Development Corporation	British Virgin Islands	Holding and investment	8,262	8,262	300,000	0.61	4,516	201,518	1,229	
The Company	Hung-chuan Investment Corporation	Kaohsiung City	General investment	6,000	6,000	600,000	30.00	15,755	4,972	1,492	
The Company	CSC Solar Corporation	Kaohsiung City	Solar power generation	348,800	348,800	34,880,000	20.00	280,240	121,014	24,203	
The Company	Eminent III Venture Capital Corporation	Taipei City	General investment	100,000	100,000	10,000,000	5.52	76,208	3,269	180	
The Company	Pro-Ascentek Investment Corporation	Kaohsiung City	General investment	60,000	60,000	6,000,000	5.00	58,002	37,820	1,891	
The Company	China Ecotek India Private Limited	India	Construction and design services	27	27	5,000	0.10	38	591	-	Subsidiary (Note)
CEC Development Corporation	China Ecotek Vietnam Company Limited	Vietnam	Construction and design services	302,065	302,065	-	100.00	795,205	27,226	27,226	Subsidiary (Note)
CEC International Corporation	China Ecotek India Private Limited	India	Construction and design services	27,070	27,070	4,995,000	99.90	37,816	591	591	Subsidiary (Note)

Note: Subsidiary was eliminated from the consolidated financial statements.

China Ecotek Corporation and Subsidiaries  
Information on Investments in Mainland China  
From January 1 to December 31, 2022

Table 5

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

Investee Company	Main Businesses and Products	Paid-in capital	Investment method	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Percentage of shares held directly or indirectly by the Company (%)	Investment Gain (Loss) (Note1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd.	Consulting services of construction technology	\$ -	Through investment in an existing company (CEC Development Corporation) in a third region for further investment in the Chinese company	\$ 12,458	\$ -	\$ 12,458	\$ -	\$ -	-	\$ -	\$ -	\$ -	Note 3
Ningbo Huayang Aluminium-Tech Co., Ltd.	Production and sale of aluminum products	1,504,790	Through investment in an existing company (United Steel International Development Corporation) in a third region for further investment in the Chinese company	9,213	-	-	9,213	201,875	0.61	1,231	4,463	665	
Xiamen Ecotek PRC Company Limited	Sales agency for import and export of equipment and materials	184,260	Through investment in an existing company (CEC Development Corporation) in a third region for further investment in the Chinese company	184,260	-	-	184,260	3,248	100.00	3,248	184,664	-	Note 2

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	The Company's Upper Limit On Investment In Mainland China (Note3)
China Ecotek Corporation	\$193,473	\$279,446	\$2,106,624

Note 1: Recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 2: Subsidiaries were eliminated from the consolidated financial statements.

Note 3: Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd. had completed disposal in September 2021 and the funds remitted back to Taiwan in January 2022.

Note 4: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" by the Investment Commission on August 29, 2008, investments shall not exceed 60% of its net worth.

China Ecotek Corporation  
Information on Major Shareholders  
December 31, 2022

Table 6

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio (%)
China Steel Corporation	55,393,138	44.76
Hua Eng Wire and Cable Co., Ltd.	11,843,730	9.57

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 held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the standalone 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 the 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.

# China Ecotek Corporation

## Standalone Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

Address: 8F, No. 88, Chenggong 2nd Rd.,  
Qianzhen Dist., Kaohsiung City  
Tel: (07)3336138

## Independent Auditors' Report

The Board of Directors and Shareholders  
China Ecotek Corporation

### **Opinion**

We have audited the accompanying standalone financial statements of China Ecotek Corporation (The “Company”), which comprise the standalone balance sheets as of December 31, 2022 and 2021, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2022 and 2021, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone 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 standalone financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we

do not provide a separate opinion on these matters.

Key audit matters of the Company's standalone financial statements for the year ended December 31, 2022 are stated as follows:

Assessment of the estimated total project cost

The Company has signed many construction contracts, and recognized construction revenues according to the percentage completion method during the contract period. If a construction contract is expected to result in a loss, the total loss resulting from the contract must be immediately recognized. Construction progress is calculated based on the actual construction costs incurred under each contract as a percentage of the estimated total construction cost of the project. The estimated total project cost involves a major accounting estimate, and affects the recognition of construction progress and revenues. Hence, the assessment of estimated total project cost is listed as a key audit matter. For relevant accounting policies, major accounting estimates, and explanations of determination, please refer to the Standalone Financial Statements Note 4 and Note 5.

Our audit procedures performed included the following:

1. Understand control procedures for the assessment of the estimated total project cost, and conduct sampling inspections of the consistency between preparation process and internal controls.
2. Conduct a sampling inspection of documentation related to the assessment of the estimated total project cost for new projects and additions/reductions in the current year.
3. Conduct a sampling inspection to see if there are any major abnormalities between the actual total cost of projects concluded this year and their estimated total project cost, in order to verify the reasonableness of estimated total project cost. Conduct a sampling inspection of abnormal changes in estimated total cost, in order to determine the reasonableness of calculating the percentage of construction progress based on the estimated total project cost before the balance sheet date.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 or supervisors, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Republic of China will always detect a material misstatement when it exists. Misstatement 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 standalone financial statements.

As part of an audit in accordance with the auditing standards generally accepted in 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 standalone 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 omission, misrepresentation, 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 auditor's report to the related disclosures in the standalone 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 standalone financial statements, including the disclosures, and whether the standalone 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 standalone 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 standalone financial statements for the year ended December 31, 2022 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 Yu-Hsiang Liu and Chao-Chun Wang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2023

Notice to Readers

*The accompanying standalone financial statements are intended only to present the standalone 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 standalone financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying standalone 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 standalone financial statements shall prevail.*

China Ecotek Corporation  
Standalone Balance Sheets  
December 31, 2022 and 2021

In Thousand of NTD

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6, and 14)	\$ 1,000,064	15	\$ 613,523	9
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	94,311	1	218,977	4
1139	Financial assets for hedging - current (Notes 4 and 12)	984,542	14	748,517	11
1140	Contract assets - current (Notes 4, 24, and 30)	450,892	7	618,425	9
1150	Notes receivable (Notes 4 and 9)	43	-	-	-
1170	Accounts receivable, net (Notes 4 and 9)	239,763	4	104,035	2
1180	Accounts receivable - related parties (Notes 4, 9, and 30)	484,866	7	684,886	10
1200	Other receivables (Note 9)	12,645	-	6,360	-
1220	Current tax assets (Note 26)	6,496	-	8,495	-
130X	Inventories (Notes 4 and 10)	19,334	-	6,214	-
1476	Other financial assets - current (Notes 12 and 31)	351,553	5	484,707	7
1479	Other current assets (Note 13)	121,620	2	133,382	2
11XX	Total current assets	3,766,129	55	3,627,521	54
	Noncurrent assets				
1510	Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	32,207	-	70,880	1
1517	Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	102,782	2	132,068	2
1550	Investments accounted for using equity method (Notes 4 and 11)	2,062,574	30	2,085,965	31
1600	Property, plant and equipment (Notes 4 and 15)	310,550	5	636,124	9
1755	Right-of-use assets (Notes 4 and 16)	92,956	1	100,779	2
1760	Investment properties (Notes 4, 17, and 30)	323,521	5	-	-
1780	Intangible assets (Note 4)	8,206	-	3,956	-
1840	Deferred tax assets (Note 26)	47,934	1	90,348	1
1915	Advance payments for equipment	101,801	1	-	-
1920	Refundable deposits	5,852	-	6,091	-
1995	Other noncurrent assets	445	-	47	-
15XX	Total noncurrent assets	3,088,828	45	3,126,258	46
1XXX	Total assets	\$ 6,854,957	100	\$ 6,753,779	100
	Liabilities and equity				
	Current liabilities				
2130	Contract liabilities - current (Notes 4, 24, and 30)	\$ 1,597,256	23	\$ 1,705,516	25
2170	Accounts payable (Note 18)	601,610	9	691,459	10
2180	Accounts payable - related parties (Notes 18 and 30)	14,016	-	7,131	-
2200	Other payables (Notes 14 and 19)	588,815	8	528,781	8
2230	Current tax liabilities (Note 26)	56,904	1	-	-
2250	Provisions - current (Notes 4, 14, and 20)	35,314	1	53,250	1
2280	Lease liabilities - current (Notes 4, 16, and 30)	37,163	1	35,301	1
2399	Other current liabilities (Note 19)	99,213	1	93,078	1
21XX	Total current liabilities	3,030,291	44	3,114,516	46
	Noncurrent liabilities				
2550	Provisions - noncurrent (Notes 4, 14, and 20)	41,418	1	23,746	-
2570	Deferred tax liabilities (Note 26)	60,578	1	57,674	1
2580	Lease liabilities - noncurrent (Notes 4, 16, and 30)	55,991	1	64,212	1
2640	Net defined benefit liability (Notes 4 and 21)	155,640	2	263,663	4
25XX	Total noncurrent liabilities	313,627	5	409,295	6
2XXX	Total liabilities	3,343,918	49	3,523,811	52
	Equity (Note 23)				
3110	Capital - common stock	1,237,426	18	1,237,426	18
3200	Capital surplus	628,374	9	628,374	9
	Retained earnings				
3310	Legal reserve	671,306	10	631,546	9
3320	Special reserve	56,639	1	95,811	2
3350	Undistributed earnings	916,958	13	693,450	10
3300	Total retained earnings	1,644,903	24	1,420,807	21
3400	Other equity	336	-	(56,639)	-
3XXX	Total equity	3,511,039	51	3,229,968	48
	Total liabilities and equity interests	\$ 6,854,957	100	\$ 6,753,779	100

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation  
Standalone Statements of Comprehensive Income  
January 1 to December 31, 2022 and 2021

In Thousand of NTD, Except EPS

Code	2022		2021	
	Amount	%	Amount	%
Operating revenues (Notes 4, 14, 24, and 30)				
4100 Sales revenue	\$ 113,139	1	\$ 84,797	1
4500 Construction revenue	8,115,265	95	7,992,593	95
4600 Technical service revenue	297,652	4	293,838	4
4000 Total operating revenue	8,526,056	100	8,371,228	100
Operating costs (Notes 10, 14, 25, and 30)				
5110 Cost of goods sold	86,213	1	59,953	1
5500 Construction costs	7,401,402	87	7,368,033	88
5600 Technical service costs	250,781	3	247,782	3
5000 Total operating costs	7,738,396	91	7,675,768	92
5900 Gross profit	787,660	9	695,460	8
5910 Less: Unrealized gain from sale	8,305	-	23,804	-
5920 Plus: Realized gain from sale	8,184	-	10,277	-
5950 Realized gross profit from operations	787,539	9	681,933	8
Operating expenses (Note 25)				
6100 Selling expenses	39,966	-	56,160	1
6200 General and administrative expenses	401,500	5	369,894	4
6300 Research and development expenses	14,793	-	16,880	-
6000 Total operating expenses	456,259	5	442,934	5
6900 Operating profit	331,280	4	238,999	3
Non-operating income and expenses (Notes 11, 25, and 30)				
7100 Interest income	19,935	-	5,842	-
7010 Other income	22,596	-	28,399	1
7020 Other profits and losses	85,587	1	13,728	-
7050 Financial costs	(797)	-	(1,514)	-
7060 Share of the profit of associates	143,573	2	180,389	2
7000 Total	270,894	3	226,844	3
7900 Profit before income tax	602,174	7	465,843	6
7950 Income tax expense (Notes 4 and 26)	81,655	1	61,963	1
8200 Net profit for the year	520,519	6	403,880	5
Other comprehensive income (Notes 21, 23, and 26)				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Remeasurements of the defined benefit plan	26,139	-	(13,396)	-
8316 Unrealized gains and losses on	(29,286)	(1)	(25,652)	(1)

	investments in equity instruments at fair value through other comprehensive income				
8320	Share of the other comprehensive income of associates	(13,303)	-	29,398	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	629	-	7,810	-
8360	Items that may be reclassified subsequently to profit or loss				
8368	Gains and losses on hedging instruments	58,485	1	(17,363)	-
8370	Share of the other comprehensive income of associates	64,349	1	61,781	1
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(23,102)</u>	<u>-</u>	<u>(9,693)</u>	<u>-</u>
8300	Other comprehensive income for the year, net of income tax	<u>83,911</u>	<u>1</u>	<u>32,885</u>	<u>-</u>
8500	Total comprehensive income in the current year	<u>\$ 604,430</u>	<u>7</u>	<u>\$ 436,765</u>	<u>5</u>
Earnings per share (Note 27)					
9750	Basic	\$ 4.21	\$	3.26	
9850	Diluted	4.18		3.25	

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation  
Standalone Statements of Changes in Equity  
January 1 to December 31, 2022 and 2021

In Thousand of NTD

Code		Capital – common stock		Retained earnings				Other equity					Total equity
		Shares (In thousand)	Amount	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translating foreign operations	Unrealized gains and losses on financial assets at fair value through other comprehensive income	Gain and losses on hedging instruments	Total other equity	
A1	Balance at January 1, 2021	123,743	\$ 1,237,426	\$ 628,374	\$ 614,474	\$ 68,655	\$ 507,138	\$ 1,190,267	\$ (156,349)	\$ 76,397	\$ (15,859)	\$ (95,811)	\$ 2,960,256
	Appropriation and distribution of 2020 earnings (Note 23)												
B1	Legal reserve	-	-	-	17,072	-	(17,072)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	27,156	(27,156)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(167,053)	(167,053)	-	-	-	-	(167,053)
		-	-	-	17,072	27,156	(211,281)	(167,053)	-	-	-	-	(167,053)
D1	Net profit - 2021	-	-	-	-	-	403,880	403,880	-	-	-	-	403,880
D3	Other comprehensive income after tax - 2021	-	-	-	-	-	(9,093)	(9,093)	52,719	7,253	(17,994)	41,978	32,885
D5	Total comprehensive income - 2021	-	-	-	-	-	394,787	394,787	52,719	7,253	(17,994)	41,978	436,765
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	2,806	2,806	-	(2,806)	-	(2,806)	-
Z1	Balance at December 31, 2021	123,743	1,237,426	628,374	631,546	95,811	693,450	1,420,807	(103,630)	80,844	(33,853)	(56,639)	3,229,968
	Appropriation and distribution of 2021 earnings (Note 23)												
B1	Legal reserve	-	-	-	39,760	-	(39,760)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	(39,172)	39,172	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(321,731)	(321,731)	-	-	-	-	(321,731)
		-	-	-	39,760	(39,172)	(322,319)	(321,731)	-	-	-	-	(321,731)
D1	Net profit - 2022	-	-	-	-	-	520,519	520,519	-	-	-	-	520,519
D3	Other comprehensive income after tax - 2022	-	-	-	-	-	26,900	26,900	48,885	(42,721)	50,847	57,011	83,911
D5	Total comprehensive income - 2022	-	-	-	-	-	547,419	547,419	48,885	(42,721)	50,847	57,011	604,430
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	36	36	-	(36)	-	(36)	-
T1	Adjustment from changes in equity of associate for using equity method						(1,628)	(1,628)					(1,628)
Z1	Balance at December 31, 2022	123,743	\$ 1,237,426	\$ 628,374	\$ 671,306	\$ 56,639	\$ 916,958	\$ 1,644,903	\$ (54,745)	\$ 38,087	\$ 16,994	\$ 336	\$ 3,511,039

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation  
Standalone Cash Flow Statements  
January 1 to December 31, 2022 and 2021

In Thousand of NTD

Code		2022	2021
	Cash flow from operating activities		
A10000	Profit before income tax	\$ 602,174	\$ 465,843
A20010	Adjustments for:		
A20100	Depreciation expense	52,695	51,839
A20200	Amortization expense	5,410	3,545
A20400	Net gain on financial assets and liabilities at fair value through profit or loss	(85,590)	(17,234)
A20900	Financial costs	797	1,514
A21200	Interest income	(19,935)	(5,842)
A21300	Dividend income	(14,529)	(26,400)
A22300	Share of the profit of subsidiaries and associates	(143,573)	(180,389)
A22500	Gain or loss on disposal of property, plant and equipment	(85)	(117)
A23900	Unrealized sales margin	8,305	23,804
A24000	Realized sales margin	(8,184)	(10,277)
A29900	Recognition of provisions	30,150	33,282
A29900	Others	(155)	(50)
A30000	Net changes in operating assets and liabilities		
A31120	Hedging financial assets	(177,540)	(97,727)
A31125	Contract assets	167,533	(49,956)
A31130	Notes receivable	(43)	-
A31150	Accounts receivable	(135,728)	69,990
A31160	Accounts receivable - related parties	200,020	211,749
A31180	Other receivables	84	(5,202)
A31200	Inventories	(13,120)	(267)
A31240	Other current assets	(47,597)	(22,594)
A32125	Contract liabilities	(108,260)	68,360
A32150	Accounts payable	(89,849)	(154,901)
A32160	Accounts payable - related parties	6,885	1,164
A32180	Other payables	60,453	29,995
A32200	Provisions	(30,414)	(81,663)
A32230	Other current liabilities	3,712	18,761
A32240	Net defined benefit liability	(81,884)	(111,719)
A33000	Cash generated from operations	181,732	215,508
A33500	Income tax paid	93	(9,699)
AAAA	Net cash generated from operating activities	181,825	205,809
	Cash flow from investing activities		

B00100	Acquisition of financial assets at fair value through profit or loss	-	(1,027,226)
B00200	Disposal of financial assets at fair value through profit or loss	248,929	843,914
B01800	Acquisition of investments recognized under the equity method	-	(60,000)
B02300	Net cash inflow from disposal of subsidiaries	-	46,373
B02400	Refunded payments for shares from capital reduction of investee recognized under the equity method	15,567	141
B02700	Acquisition of property, plant and equipment	(119,119)	(509,214)
B02800	Proceeds from disposal of property, plant and equipment	85	120
B03700	Increase in refundable deposits	-	(36,680)
B03800	Decrease in refundable deposits	59,598	-
B04100	Increase in other receivables	-	(60)
B04500	Acquisition of intangible assets	(9,660)	(3,022)
B06500	Increase in other financial assets	-	(315,853)
B06600	Decrease in other financial assets	133,154	-
B06700	Increase in other noncurrent assets	(398)	-
B06800	Decrease in other noncurrent assets	-	1,029
B07500	Interest received	13,566	5,102
B07600	Dividend received from associates	200,694	184,406
B07600	Dividend received from others	14,529	26,400
BBBB	Net cash used in investing activities	<u>556,945</u>	<u>(844,570)</u>
Cash flow from financing activities			
C03000	Increase in guarantee deposit received	2,423	4,231
C04020	Repayment of principal of lease liabilities	(32,124)	(31,490)
C04500	Cash dividends paid	(321,731)	(167,053)
C05600	Interest paid	(797)	(1,514)
CCCC	Net cash used in financing activities	<u>(352,229)</u>	<u>(195,826)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	386,541	(834,587)
E00100	Cash and cash equivalents at the beginning of year	<u>613,523</u>	<u>1,448,110</u>
E00200	Cash and cash equivalents at the end of year	<u>\$ 1,000,064</u>	<u>\$ 613,523</u>

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang



China Ecotek Corporation  
Notes to Standalone Financial Statements  
For the years ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Company History

China Ecotek Corporation (the “Company”) was established in March 1993, and its main shareholder is China Steel Corporation (owned 44.76% shares of the Company’s voting shares; parent company has substantive control over the Company). The Company mainly engages in the planning, design, installation, maintenance, and environmental impact assessment for environmental protection equipment, co-generation equipment, and steel industry equipment. The shares of the Company have been listed on the Taiwan Stock Exchange since September 2001.

The standalone financial statements are presented in the Company’s function currency, the New Taiwan dollars.

2. Date and Procedures of Approval of the Financial Statements

The standalone financial statements were approved by the board of directors and authorized for issue on February 21, 2023.

3. Application of New Standards, Amendments, and Interpretations

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation and its subsidiaries' accounting policies.

(II) The IFRSs endorsed by the FSC for application starting from 2023

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the standalone financial statements were passed by the Board of Directors and released, the Company has determined that other amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

- (III) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective date Announced by IASB(Note1)
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
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Classification of Liabilities with covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are 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.

As of the date the standalone financial statements were passed by the Board of Directors and released, the Company is still assessing the impact of other amendments to standards and interpretations on its financial position and financial performance, and will disclose the results once assessment is completed.

#### 4. Summarized of Significant Accounting Policies

- (I) Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments that 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).
3. Level 3 inputs are unobservable inputs for an asset or liability.

The Company used the equity method for subsidiaries and associates when preparing the standalone financial statements. For profit/loss, other comprehensive income, and equity in the current year in the standalone financial statements to match the profit/loss, other comprehensive income, and equity attributable to owners of the Company in the consolidated financial statements, "investments recognized under the equity method," "share of profits/losses of subsidiaries and associates under the equity method," "share of other

comprehensive income of subsidiaries and associates under the equity method," and related equity items were adjusted for several accounting differences between the standalone and consolidated basis.

(III) Classification of current and noncurrent 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 and cash equivalents 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; and
3. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

The operating cycle of the construction business is longer than 1 year; hence the construction business of the Company was divided into current and noncurrent according to the general operating cycle.

#### (IV) Foreign currencies

When the Company was preparing the standalone financial statements, transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. Except for currency translation difference resulting from hedging transactions against exchange rate risk, the currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current year.

Foreign currency-denominated nonmonetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated nonmonetary items carried at historical costs are converted on the transaction date and are not re-converted.

If the Company disposes of all equity interests in a foreign operation, or dispose of a portion of equity interests in the subsidiary of a foreign operation but loses control, or the retained equity interest after disposing of an associate of a foreign operation is a financial asset accounted according to the accounting policy for financial instruments, all accumulated currency translation difference related to the foreign operation will be reclassified as profit or loss.

If disposal of a portion of equity interest in a foreign operation by a subsidiary does not result in loss of control, accumulated currency translation difference will be proportionally recognized as an equity transaction but not recognized as profit or loss. Accumulated currency translation difference is reclassified to gains/losses according to the percentage of foreign operations disposed of in any other part.

(V) Inventory

Inventory includes raw materials and finished goods. Inventories are measured at cost and net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. The cost of inventories is calculated at its weighted average.

(VI) Investments recognized under the equity method

The Company handles investments in subsidiaries and associates using the equity method.

1. Investment subsidiary

A subsidiary refers to an entity in which the Company exercises control.

Under the equity method, investments are originally recognized at cost, and then its book value increases along with the Company's share of profits, losses and other comprehensive income of subsidiaries and profit distribution. Furthermore, changes to other

equity interests of subsidiaries are recognized according to the Company's shareholding ratio.

Any change in the ownership interest that does not cause the Company to lose control of the subsidiary is accounted under the equity method. Difference between the book value of an investee and the fair value of considerations paid/received is directly recognized as equity.

When the Company's share of loss in a subsidiary is equal to or exceeds the Company's equity in the subsidiary (including the subsidiary's carrying amount under the equity method and other long-term equity interests that are part of the Company's net investment in the subsidiary), the loss is recognized according to the shareholding percentage.

When the Company assesses impairment, cash generating units are considered as a whole in financial statements and the recoverable amount is compared with the carrying amount. When the recoverable amount of assets increases, then impairment loss is reversed and recognized as gain. However, after reversal of impairment losses, the carrying amount of assets may not exceed the amortized carrying amount of assets before recognizing impairment loss. Goodwill impairment may not be reversed in subsequent periods.

When the Company loses control over a subsidiary, the Company measures the remaining investment in the former subsidiary based on the fair value on the date control was lost. The difference between the fair value of the remaining investment with the proceeds from disposal and the investment's carrying amount on



the date control is lost is listed as profit or loss in the current year. All amounts previously recognized in other comprehensive income related to the subsidiary shall be accounted on the same basis as if the subsidiary had directly disposed of such assets or liabilities.

Unrealized gains from downstream transactions between the Company and subsidiaries are eliminated from the standalone financial statements. Gains/losses arising from upstream transactions between the Company and subsidiaries and transactions among subsidiaries were not within the scope of control exercised by the Company over subsidiaries, and were thus recognized in the standalone financial statements.

## 2. Investment in associates

An associate is an enterprise in which the Company has significant influence, but is not a subsidiary or a joint venture. Joint venture refers to an agreement between the Company with other companies to have joint control and rights over net assets.

The Company's investments in associates are recognized under the equity method. Under the equity method, investments in associates are originally recognized at cost, and then its book value increases along with the Company's share of profits, losses and other comprehensive income of associates and profit distribution. Furthermore, changes to equity interests of associates are recognized according to shareholding ratio.

When an associate issues new shares, if the Company does not subscribe for the shares according to its shareholding percentage

and results in a change in shareholding percentage, which causes the net value of equity invested to increase or decrease, capital surplus – net value of equity of associates recognized under the equity method and investments recognized under the equity method will be adjusted according to the change. If ownership interest in an associate decreases due to not subscribing for or acquiring shares according shareholding ratio, all amounts previously recognized in other comprehensive income related to the associates will be reclassified according to the decreased percentage, and the basis for accounting treatment will be the same as if the associates had directly disposed of such assets or liabilities. If capital surplus needs to be decreased for the adjustment above and the balance of capital surplus from investments recognized under the equity method is insufficient, the difference is deducted from retained earnings.

When the Company is assessing impairment, the overall carrying amount of the investment is viewed as a single asset to compare the recoverable amount with carrying amount for impairment testing, and the impairment losses recognized is a part of the investment's carrying amount. Any reversal of impairment losses is recognized within the scope of increase in recoverable amount of the investment.

The Company stops using the equity method when the investee is no longer an associate, and retained interests in the original associates are measured at fair value. The difference between the fair value and proceeds from the disposal and carrying amount of the investment on the date the equity method is no longer used is listed as a profit or loss in the current year. All amounts previously recognized in other comprehensive income related to

associates shall be accounted on the same basis as if the associates had directly disposed of such assets or liabilities.

Gains or losses arising from upstream, downstream, and lateral transactions between the Company and associates were not within the scope of control exercised by the Company over associates, and were recognized in the standalone financial statements.

#### (VII) Joint operations

Joint operations refer to an agreement between the Company with other companies to have joint control and rights over net assets and jointly responsible for liabilities.

When the Company obtains equity in operations that meet the definition of joint operations, it is handled according to the accounting policy for company mergers. However, this does not apply when the parties that share joint control before and after equity of the joint operations is obtained are under the non-temporary control of the same ultimate controller.

With regard to equity of joint operations, the Company recognizes:

1. Its assets include the share of any jointly owned assets.
2. Its liabilities include the share of any jointly borne liabilities.
3. Its share of sales revenue from joint operations.
4. Its share of income from sale of joint operations.
5. Its expenses include the share of any jointly incurred expenses.

The Company handles assets, liabilities, revenues, and expenses related to joint operations they have an equity interest in according to the applicable standards.

The Company sells or invests assets in joint operations, profits or losses from the transaction are only recognized with the scope of equity interest other parties have in the joint operations. When the Company purchases assets from the joint operations, the share of the profit or loss is not recognized until the asset is sold to a third party.

(VIII) Property, plant and equipment

Property, plant and equipment are measured and recognized at cost after accumulated depreciation.

Property, plant and equipment under construction are recognized at cost. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciation expenses are recognized.

Depreciation is separately recognized for each major part of property, plant and equipment on a straight-line basis. The Company reviews methods for estimating useful life in years, residual value, and depreciation, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(IX) Investment properties

Investment properties are properties held to earn rentals.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

The property of property, plant and equipment was reclassified to investment properties by carry amount at the end of self-use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

(X) Intangible assets

1. Independently acquire

Independently acquired intangible assets with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis during their useful life. The Company reviews methods for estimating useful life in years, residual value, and amortization, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates. Intangible assets with an indefinite useful life are listed at cost less accumulated impairment losses.

2. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current year.

- (XI) Impairment of property, plant and equipment, right-of-use assets, intangible assets, and assets related to contract cost

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, and intangible assets on each balance sheet date. If any signs of impairment exist, then the asset's recoverable amount is estimated. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate recoverable amounts for the entire cash-generating unit. The recoverable amount of corporate assets is allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "utilization value." If the recoverable amount of an individual asset or cash-generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash-generating unit down to the recoverable amount and recognize impairment loss.

Impairment losses of inventory, property, plant and equipment, and intangible assets recognized due to customer contracts are first recognized according to inventory impairment rules and the provision above. The book value of assets related to contract costs exceeding the balance of considerations that can be expected to be recovered from the provision of related products or professional services, minus directly related costs, is recognized as impairment loss. The book value of

contract cost related assets is then calculated in the cash-generating unit to assess the impairment of the cash-generating unit.

When impairment losses are reversed, the book value of the asset, cash-generating unit, or contract cost related asset is increased to the revised recoverable amount. However, the increased book value may not exceed the asset, cash-generating unit, or contract cost related asset's book value in the previous year before impairment loss was recognized (less depreciation and amortization). Reversal of impairment losses is listed in income.

## (XII) Financial instruments

When the Company is a party to the contract, financial assets and financial liabilities are recognized in the balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then they are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

### 1. Financial assets

Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

#### (1) Type of measurement

Financial assets held by the Company include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss. Financial assets required to be measured at fair value through profit or loss includes investments in equity instruments not specified by the Company to be measured at fair value through other comprehensive income, and investments in liability instruments that do not qualify to be measured at amortized cost or are measured at fair value through other comprehensive income.

For "financial assets at fair value through profit or loss," any profit or loss (including any dividends generated by the financial assets) from the remeasurement of fair value is listed in income. Please refer to Note 29 for methods for determining fair value.

B. Financial assets at amortized cost

Financial assets that the Company invests in are classified as financial assets at amortized cost if they meet both of the conditions below:



- a. Held under a certain business model that aims to collect cash flow from the financial asset; and
- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, accounts receivable (including related parties), other receivables, other financial assets, and refundable deposits), they are measured at carrying amount determined using the effective interest rate method less any impairment losses. Any foreign exchange gains or losses are recognized in profit and loss.

Except for the two situations below, interest income is calculated by multiplying the effective interest rate with the financial asset's total carrying amount.

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial asset.
- b. For non-purchased or non-originated credit-impaired financial assets that subsequently become credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate by the amortized cost of the financial asset.

Credit-impaired financial assets mean that the issuer or debtor has encountered major financial difficulties,

defaulted, may very likely declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid time deposits and commercial paper that can be converted into a specific amount of cash with low risk of value change within 3 months after being acquired. Cash equivalents are used to meet short-term cash commitments.

C. Investments in equity instruments measured at fair value through other comprehensive income

The Company may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains is directly transferred to retained earnings and not reclassified as income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Company is determined to have the

right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

(2) Impairment of financial assets and contract assets

The Company evaluates the impairment loss of financial assets (including accounts receivable) and contract assets at amortized cost using ECL on each balance sheet date.

A loss provision is recognized for lifetime ECL for accounts receivables and contract assets. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the Company may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

A. There is internal or external information showing that the debtor is no longer able to repay debts.

B. More than 120 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

The impairment loss on all financial assets is recognized by lowering the book value of the loss provision.

(3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

Equity instruments issued by the Company are recognized at the price amount obtained less the direct flotation costs.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, any difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized in income or loss.

(XIII) Hedge accounting

The Company engages in cash flow hedges using designated hedging tools (including non-derivative tools for avoiding exchange rate risk), and uses cash flow hedges for hedging against exchange rate risks of firm commitments.

Gains and losses on the effective portion of designated hedging tools that are cash flow hedges are recognized in other comprehensive income. The ineffective portion is immediately recognized as profit or loss.

When a hedge is recognized as profit or loss, the amount originally recognized in other comprehensive income will be reclassified to profit or loss, and recognized under hedged items in the Statement of Comprehensive Income. However, when expected hedging transactions are recognized as non-financial assets or non-financial liabilities, the amount originally recognized in other comprehensive income will be transferred from equity to the original cost of the non-financial asset or liability.

The Company only extends or suspends hedge accounting when the hedging relationship no longer meets the criteria of hedge accounting. This includes the maturity, sale, termination, or exercise of hedging tools. The amount already recognized in other comprehensive income during the effective period of the hedge is still recognized in equity before the expected transaction occurs. When the expected transaction is no longer expected to occur, the amount originally recognized in other comprehensive income will be immediately recognized in profit or loss.

#### (XIV) Provision

The amount recognized as liability provision give considers to the risk and uncertainty of obligations. It represents the best estimate of the cash outlay needed to settle obligations on the balance sheet date. Liability provision is measured at the discounted cash flow required to settle obligations.

##### 1. Onerous contracts of projects

When the Company expects that unavoidable costs of fulfilling obligations of a construction contract will exceed the economic benefits expected to be obtained from the contract, the present obligation of the project's onerous contract is recognized as a liability provision. When evaluating whether a contract is lossing, before 2021(inclusive), the contract cost only includes the incremental cost; however, since 2022 the contract cost includes both incremental cost and other allocated direct costs.

## 2. Decommissioning and maintenance reserve

When equipment maintenance reserve is recognized as an expense in the current year according to commercial practices, and there is new information that makes it necessary to revise previous estimates, a change in accounting estimate is made to adjust the profit/loss in the current year. When maintenance costs are paid, the equipment maintenance reserve is first offset, and any shortfall is recognized as an expense in the current year.

## (XV) Revenue recognition

After the Company identifies its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

### 1. Sale of goods

Sales revenue is recognized when the Company fulfills contractual obligations by transferring goods to the customer (in principle, when the goods are shipped for domestic sales and when the goods are loaded on to the ship for exports).

Sales revenue is measured at the fair value of considerations (after commercial discounts and quantity discounts) agreed to by the Company with customers. For contracts in which the transfer of goods and collection of consideration is less than one year apart, the trading price of its significant financing component is not adjusted.

## 2. Construction revenue

Revenue from construction contracts is gradually recognized by the Company in the construction process. The costs incurred by construction are directly related to the fulfillment of contractual obligations, so the Company estimates progress based on the ratio of actual costs to the estimated total project cost. The Company gradually recognizes contract assets in the construction process, and lists them under accounts receivable when an invoice is issued. If the construction payment collected exceeds the amount recognized in revenue, the difference is recognized in contract liabilities. Pursuant to the terms and conditions of contracts, the purpose of construction retainage is to ensure that the Company completes all contractual obligations, and is recognized as a contract asset before the Company completes contract performance.

## 3. Provision of labor services

Revenue from the provision of labor services according to a contract is recognized according to the progress of contract completion.

## (XVI) Lease

On the date a contract is formed, the Company evaluates if the contract is (or includes) a lease.

### Where the Company is the lessee

Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis



over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

Right-of-use assets are initially measured at cost (including the original amount of lease liabilities), and are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

Lease liabilities (including fixed payments and variable lease payments determined by an index or rate) are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

In subsequent periods, lease liabilities is measured at amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. If there is a change to the lease tenor or the index or fee rate used to determine lease payments that results in a change in future lease payments, the Company will remeasure lease liabilities and adjust corresponding right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, then the remaining

remeasurement amount will be recognized in profit or loss. Lease liabilities are independently presented in the balance sheet.

Where the Company is the lessor

Proceeds received for an operating lease are recognized as income on a straight-line basis over the lease tenor. All initial and direct costs incurred in relation to the negotiation and arrangement of operating leases are added to the book value of the lease asset, and recognized as gains using the straight-line basis over the lease tenor. Under an operating lease agreement, contingent rent is recognized as gains in the year of occurrence.

(XVII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; the cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in the current period) and net interest accrued on net defined benefit liabilities are recognized as employee benefit expenses when they occur. The number of

remeasurement (including calculation of income and losses and return on assets of the plans less interest) is recognized in other comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

Net defined benefit liability is the deficit of contributions to defined benefit plans.

#### (XVIII) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

##### 1. Current income tax

The Company determines current income (loss) according to the regulations enacted by each income tax reporting jurisdiction, and calculates the income tax payable (recoverable) on this basis.

Income tax on undistributed earnings is calculated in accordance with the Income Tax Act and recognized in the year the resolution is adopted by the shareholders' meeting.

An adjustment to the income tax payable in the previous year is listed as the current income tax.

##### 2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities from the taxable income that was calculated. Deferred income tax liabilities

are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when there is likely to be taxable income to offset the temporary difference.

Taxable temporary differences relating to subsidiaries, associated companies and joint ventures are recognized as deferred income tax liabilities, except in cases where the Company is able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each balance sheet date, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each balance sheet date, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the

ways the Company expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis by management. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Incentives and

penalties stipulated in the contract are considered as variable consideration and should be included in the contract revenue only when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The estimated total contract costs and contractual items are assessed and determined by management, based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profit and loss from the construction contracts.

6. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 877	\$ 758
Checking accounts and demand deposits	199,187	192,787
Cash equivalents (investments with original maturities of less than 3 months)		
Commercial papers	800,000	419,978
	<u>\$ 1,000,064</u>	<u>\$ 613,523</u>

7. Financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		
Mandatorily measure at FVTPL		
Non-derivative financial assets		
Emerging market shares in Taiwan	\$ 94,311	\$ 13,996
Beneficiary Certificate	-	204,981
	<u>\$ 94,311</u>	<u>\$ 218,977</u>

<u>Noncurrent</u>		
Mandatorily measure at FVTPL		
Non-derivative financial assets – Unlisted shares in Taiwan	\$ <u>32,207</u>	\$ <u>70,880</u>

8. Financial instruments at fair value through other comprehensive income

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Noncurrent</u>		
Equity instrument investments		
Foreign investments – Unlisted shares	\$ <u>102,782</u>	\$ <u>132,068</u>

9. Notes, Accounts receivable and other receivables

	<u>December 31,2022</u>	<u>December 31,2021</u>
Notes receivable		
Measured at amortized cost	\$ <u>43</u>	\$ <u>-</u>
Accounts receivable (including related parties)		
Measured at amortized cost	\$ <u>724,629</u>	\$ <u>788,921</u>
Other receivables		
Interest receivable	\$ 7,467	\$ 1,098
Technical service revenue receivable	4,968	3,258
Others	210	2,004
	\$ <u>12,645</u>	\$ <u>6,360</u>

(I) Accounts receivable

The Company's accounts receivable is measured at amortized cost. The Company makes prudent assessment of their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. The Company continues to manage the financial condition and entire credit risk of their customers, and obtain

sufficient collateral if needed to mitigate the risk of financial loss from late payment.

The Company continues to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Company reviews the recoverable amount of receivables one by one on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The expected credit losses on accounts receivable are estimated by reference to 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 direction of economic conditions at the reporting date.

The Company writes off a trade receivable when there is evidence 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 accounts receivable based on the impaired aging analysis.

December 31,2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 724,672	\$ -	\$ -	\$ -	\$ -	\$ 724,672
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	\$ 724,672	\$ -	\$ -	\$ -	\$ -	\$ 724,672

December 31,2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 785,978	\$ 323	\$ 2,620	\$ -	\$ -	\$ 788,921



Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	\$ 785,978	\$ 323	\$ 2,620	\$ -	\$ -	\$ 788,921

(II) Other receivables

The Company estimates the unrecoverable amount based on its historical experience and analysis of current financial position, and allocates a loss provision accordingly.

There was no loss provision balance as at December 31, 2022 and 2021.

10. Inventories

	December 31,2022	December 31,2021
Raw materials	\$ 4,595	\$ 4,832
Finished goods	14,739	1,382
	<u>\$ 19,334</u>	<u>\$ 6,214</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 were NT\$86,213 thousand and NT\$59,953 thousand, respectively.

11. Investments recognized under the equity method

	December 31,2022	December 31,2021
Investment in subsidiaries	\$ 1,027,067	\$ 1,024,778
Investment in associates	1,035,507	1,061,187
	<u>\$ 2,062,574</u>	<u>\$ 2,085,965</u>

Investment in subsidiaries

	December 31,2022		December 31,2021	
	Amount	% of Ownership	Amount	% of Ownership
CEC Development Corporation	\$ 986,012	100	\$ 984,625	100
CEC International Corporation	41,017	100	40,116	100

	December 31, 2022		December 31, 2021	
	Amount	% of Ownership	Amount	% of Ownership
China Ecotek India Private Limited	38	0.1	37	0.1
	<u>\$ 1,027,067</u>		<u>\$ 1,024,778</u>	

Investment in associates

	December 31, 2022	December 31, 2021
Material associates		
China Steel Machinery Corporation (CSMC)	\$ 529,821	\$ 535,388
CSC Solar Corporation (CSCSOLAR)	280,240	279,656
	810,061	815,044
Associates that are not individually material	225,446	246,143
	<u>\$ 1,035,507</u>	<u>\$ 1,061,187</u>

(I) Material associates

Name of Associate	Main Businesses	Principal place of business	Shareholding and voting rights (%)	
			December 31, 2022	December 31, 2021
CSMC	Production and sales of machinery and equipment, such as steel equipment, railway vehicles, transportation equipment, and power generators	Kaohsiung City	26.02	26.02
CSCSOLAR	Solar power generation	Kaohsiung City	20	20

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

CSMC

	December 31, 2022	December 31, 2021
Current assets	\$ 3,776,675	\$ 4,052,379
Noncurrent assets	1,367,849	1,417,579
Current liabilities	(2,836,946)	(3,000,076)
Noncurrent liabilities	(271,372)	(412,281)

Equity	\$ <u>2,036,206</u>	\$ <u>2,057,601</u>
Proportion of the Company's ownership (%)	26.02	26.02
Equity attributable to the Company (carrying amount of the investment)	\$ <u>529,821</u>	\$ <u>535,388</u>
	<u>2022</u>	<u>2021</u>
Operating revenue	\$ <u>6,106,697</u>	\$ <u>6,002,090</u>
Net profit for the year	\$ 293,158	\$ 392,308
Other comprehensive income	50,197	(9,109)
Total comprehensive income	\$ <u>343,355</u>	\$ <u>383,199</u>

#### CSCSOLAR

	<u>December 31,2022</u>	<u>December 31,2021</u>
Current assets	\$ 148,887	\$ 98,219
Noncurrent assets	4,122,408	3,920,985
Current liabilities	(969,251)	(692,403)
Noncurrent liabilities	(1,393,073)	(1,421,350)
Equity	\$ <u>1,908,971</u>	\$ <u>1,905,451</u>
Proportion of the Company's ownership (%)	20	20
Equity attributable to the Company	\$ 381,794	\$ 381,089
Unrealized gains or losses resulting from downstream transactions	(101,554)	(101,433)
Carrying amount of the investment	\$ <u>280,240</u>	\$ <u>279,656</u>
	<u>2022</u>	<u>2021</u>
Operating revenue	\$ <u>482,647</u>	\$ <u>457,875</u>
Net profit for the year	\$ 121,014	\$ 128,163
Other comprehensive income	(2,380)	1,859
Total comprehensive income	\$ <u>118,634</u>	\$ <u>130,022</u>

(II) Aggregate information of associates that are not individually material

	<u>2022</u>	<u>2021</u>
The Company's share of		
Net profit for the year	\$ 11,392	\$ 12,407
Other comprehensive income	(18,564)	27,351
Total comprehensive income	<u>\$ (7,172)</u>	<u>\$ 39,758</u>

The Company held more than 20% of the shares with its parent company CSC and fellow subsidiaries are accounted for using the equity method.

Refer to Table 4 "Information on Investees" and Table 5 "Information on Investments in Mainland China" for the nature of business, principal place of business, and country of registration of the investees above.

12. Hedging financial assets and other financial assets

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Financial assets for hedging - current</u>		
Time deposits	\$ 654,994	\$ 513,134
Demand deposits	329,548	43,350
Commercial papers	-	192,033
	<u>\$ 984,542</u>	<u>\$ 748,517</u>

The Company purchases foreign currency bank deposits to pay for materials purchased from other countries for construction projects, in order to lower the cash flow risk generated by exchange rate fluctuations. Please refer to Note 29.

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Other financial assets - current</u>		
Restricted bank deposits (Note 31)	\$ 251,553	\$ 250,707
Time deposits with original maturities more than 3 months	100,000	234,000
	<u>\$ 351,553</u>	<u>\$ 484,707</u>

13. Other current assets

	<u>December 31,2022</u>	<u>December 31,2021</u>
Temporary and stand-in payments	\$ 56,914	\$ 22,988
Advance payments	39,973	26,302
Refundable deposits	<u>24,733</u>	<u>84,092</u>
	<u>\$ 121,620</u>	<u>\$ 133,382</u>

14. Joint control operations

Since March 2004, the Company and jointly contracted were contracted to jointly operate and maintain water treatment equipment of Chengcing Lake water treatment plant for a 15-year period until February 2019. The Company obtained a new contract to February 2022, and according to the agreement in the contract the performance period was extended to February 2025. According to the contract, operation and maintenance work should be jointly controlled and operated by both parties. The assets, liabilities, revenue and costs related to this project are shared by the Company (51%) and foreign contractor (49%). A bank account for working capital was opened in the Company's name.

Items handled by the contractor include:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Demand deposits	\$ 111,491	\$ 107,387
Temporary receipts (funds collected on behalf of the joint company)	46,586	51,801

As of December 31, 2022 and 2021, the bank has provided Taiwan Water Corporation with a performance guarantee of NT\$51,000 thousand.

The Company recognized the following amounts of assets, liabilities, revenue, and costs of joint operations in the standalone financial statements:

## (1) Assets

	December 31,2022	December 31,2021
Demand deposits	\$ <u>56,860</u>	\$ <u>54,767</u>

## (2) Liabilities

	December 31,2022	December 31,2021
Provision (including current and noncurrent)	\$ 18,198	\$ 16,278
Other payables (Note 19)	<u>19,648</u>	<u>14,844</u>
	\$ <u>37,846</u>	\$ <u>31,122</u>

## (3) Revenues and costs

	2022	2021
Operating revenue	\$ 158,116	\$ 145,618
Operating costs	<u>136,761</u>	<u>129,543</u>
Gross profit	\$ <u>21,355</u>	\$ <u>16,075</u>

## 15. Property, plant and equipment

2022

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold improvements	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1	\$ 529,148	\$ 96,469	\$ 117,977	\$ 6,667	\$ 63,113	\$ 42,668	\$ 500	\$ 856,542
Additions	-	-	7,473	-	-	4,895	4,531	16,889
Disposals	-	-	(25,729)	(48)	-	(4,501)	-	(30,278)
Reclassify to investment property	(323,521)	-	-	-	-	-	-	(323,521)
Balance at December 31	<u>\$ 205,627</u>	<u>\$ 96,469</u>	<u>\$ 99,721</u>	<u>\$ 6,619</u>	<u>\$ 63,113</u>	<u>\$ 43,062</u>	<u>\$ 5,031</u>	<u>\$ 519,642</u>
Accumulated depreciation								
Balance at January 1	\$ -	\$ 48,563	\$ 77,171	\$ 5,040	\$ 55,395	\$ 34,249	\$ -	\$ 220,418
Depreciation	-	2,117	7,251	444	4,538	4,602	-	18,952
Disposals	-	-	(25,729)	(48)	-	(4,501)	-	(30,278)
Balance at December 31	<u>\$ -</u>	<u>\$ 50,680</u>	<u>\$ 58,693</u>	<u>\$ 5,436</u>	<u>\$ 59,933</u>	<u>\$ 34,350</u>	<u>\$ -</u>	<u>\$ 209,092</u>
Carrying amount at December 31	<u>\$ 205,627</u>	<u>\$ 45,789</u>	<u>\$ 41,028</u>	<u>\$ 1,183</u>	<u>\$ 3,180</u>	<u>\$ 8,712</u>	<u>\$ 5,031</u>	<u>\$ 310,550</u>

2021

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold improvements	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1	\$ 37,454	\$ 96,469	\$ 99,982	\$ 5,865	\$ 63,113	\$ 43,320	\$ -	\$ 346,203
Additions	491,694	-	19,122	1,234	-	5,518	500	518,068
Disposals	-	-	(1,127)	(432)	-	(6,170)	-	(7,729)
Balance at December 31	<u>\$ 529,148</u>	<u>\$ 96,469</u>	<u>\$ 117,977</u>	<u>\$ 6,667</u>	<u>\$ 63,113</u>	<u>\$ 42,668</u>	<u>\$ 500</u>	<u>\$ 856,542</u>

Accumulated depreciation									
Balance at January 1	\$	-	\$ 46,445	\$ 71,813	\$ 4,980	\$ 48,714	\$ 36,167	\$ -	\$ 208,119
Depreciation		-	2,118	6,485	492	6,681	4,249	-	20,025
Disposals		-	-	(1,127)	(432)	-	(6,167)	-	(7,726)
Balance at December 31	\$	-	\$ 48,563	\$ 77,171	\$ 5,040	\$ 55,395	\$ 34,249	\$ -	\$ 220,418
Carrying amount at December 31	\$	529,148	\$ 47,906	\$ 40,806	\$ 1,627	\$ 7,718	\$ 8,419	\$ 500	\$ 636,124

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

#### Buildings

Main building 35-55 years

Renovation 10 years

Machinery and equipment 3-10 years

Transportation equipment 3-10 years

Leasehold improvements 4-10 years

Other Equipment 3-10 years

#### 16. Lease agreement

##### (I) Right-of-use assets

	December 31, 2022	December 31, 2021
Right-of-use assets		
Land	\$ 10,150	\$ 16,916
Buildings	68,909	72,503
Machinery	1,000	1,429
Transportation equipment	12,897	9,931
	<u>\$ 92,956</u>	<u>\$ 100,779</u>

	2022	2021
Additions	<u>\$ 34,272</u>	<u>\$ 52,191</u>

##### Depreciation charge for right-of-use assets

Land	\$ 6,766	\$ 6,396
Buildings	18,397	17,312
Machinery	429	456
Transportation equipment	8,151	7,650

\$	<u>33,743</u>	\$	<u>31,814</u>
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Except for the additions and depreciation charge above, there was no significant sub-lease and impairment of the Company's right-of-use assets in 2022 and 2021.

(II) Lease liabilities

	<u>December 31,2022</u>	<u>December 31,2021</u>
Carrying amounts of Lease liabilities		
Current	\$ <u>37,163</u>	\$ <u>35,301</u>
Non-current	\$ <u>55,991</u>	\$ <u>64,212</u>

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

	<u>December 31,2022</u>	<u>December 31,2021</u>
Land	0.5625	0.5625
Buildings	0.5649~1.7071	0.5649~1.2742
Machinery	0.5707	0.5707
Transportation equipment	0.5641~1.6771	0.5641~0.9220

(III) Important lease activities and clauses

The Company leased factories, land, and offices for operations from non-related parties Pwu Diing Enterprise Co., Ltd., You Cheng Enterprise Co., Ltd., Port of Taichung, and Jye Chi Corporation, and the parent company CSC with a lease period of 3-10 years.

(IV) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases and low-value asset leases	\$ <u>5,311</u>	\$ <u>7,030</u>
Expenses relating to variable leases payments not included in the measurement of lease liabilities	\$ <u>1,446</u>	\$ <u>1,974</u>



	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>(39,677)</u>	\$ <u>(41,318)</u>

For buildings and transportation equipments which qualify as short-term leases and as 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.

For the agreement of the Company to lease its own investment properties, please refer to note 17.

#### 17. Investment property

<u>2022</u>	<u>Land</u>
Balance at January 1	\$ -
Reclassify from Property, plant and equipment	323,521
Balance at December 31	\$ <u>323,521</u>

The fair value of investment property on December 31, 2022 was NT\$323,521 thousand. The fair value has not been evaluated by an independent evaluator, but was measured by the company's management with reference to market evidence of similar real estate transaction prices using level 3 input values.

Future minimum leases for operating leases had been fully charged.

The investment property is owned by the Company.

For the leased transactions to related parties, please refer to note 30.

## 18. Accounts payable

The company's accounts payable (including related parties) are all incurred due to business operations, and the Company does not provide collateral to creditors for accounts payable (including related parties).

The Company established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance, hence interest does not need to be added.

Accounts payable include construction retainage in construction contracts. Interest is not accrued on construction retainage, and is paid after the retention period of the construction contract ends. The retention period is the normal business cycle of the Company, and usually exceeds 1 year.

## 19. Other liabilities

		<u>December 31,2022</u>	<u>December 31,2021</u>
	<u>Current</u>		
Other payables			
Salaries and bonus	\$	472,570	\$ 444,491
Business tax		33,552	13,675
Compensation of employees and remuneration of directors		31,355	24,198
Equipment operation and maintenance expenses (Note 14)		19,648	14,844
Others		31,690	31,573
	\$	<u>588,815</u>	\$ <u>528,781</u>
Other current liabilities			
Temporary receipts	\$	48,140	\$ 53,714
Collections for third parties		25,842	21,416
Refund liabilities		20,371	17,948
Others		4,860	-
	\$	<u>99,213</u>	\$ <u>93,078</u>

20. Provision

		<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Current</u>			
Onerous contracts	\$	18,209	\$ 23,638
Decommissioning and maintenance reserve		<u>17,105</u>	<u>29,612</u>
	\$	<u><u>35,314</u></u>	<u><u>53,250</u></u>
<u>Non-current</u>			
Decommissioning and maintenance reserve	\$	<u><u>41,418</u></u>	<u><u>23,746</u></u>

		<u>Onerous contracts</u>	<u>Decommissioning and maintenance reserve</u>	<u>Total</u>
Balance at January 1,2022	\$	23,638	\$ 53,358	\$ 76,996
Recognized		2,200	27,950	30,150
Paid		<u>(7,629)</u>	<u>(22,785)</u>	<u>(30,414)</u>
Balance at December 31,2022	\$	<u><u>18,209</u></u>	<u><u>58,523</u></u>	<u><u>76,732</u></u>
Balance at January 1,2021	\$	63,730	\$ 61,647	\$ 125,377
Recognized		5,332	27,950	33,282
Paid		<u>(45,424)</u>	<u>(36,239)</u>	<u>(81,663)</u>
Balance at December 31,2021	\$	<u><u>23,638</u></u>	<u><u>53,358</u></u>	<u><u>76,996</u></u>

21. Retirement benefit plans

(I) Defined contribution plans

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

(II) Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. 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 amount of defined benefit plans included in the standalone balance sheets were as follows:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Present value of defined benefit obligation	\$ 605,305	\$ 618,862
Fair value of plan assets	<u>(449,665)</u>	<u>(355,199)</u>
Net defined benefit liabilities	<u>\$ 155,640</u>	<u>\$ 263,663</u>

Movements of net defined benefit liabilities were as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance at January 1,2022	\$ 618,862	\$ (355,199)	\$ 263,663
Service cost			

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Current service cost	11,073	-	11,073
Interest expense (income)	3,067	(1,784)	1,283
Recognized in profit or loss	14,140	(1,784)	12,356
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(24,402)	(24,402)
Actuarial gain - changes in financial assumptions	(16,455)	-	(16,455)
Actuarial loss - experience adjustments	14,718	-	14,718
Recognized in other comprehensive income	(1,737)	(24,402)	(26,139)
Benefits paid	(25,960)	16,098	(9,862)
Contributions from the employer	-	(84,378)	(84,378)
Balance at December 31,2022	\$ 605,305	\$ (449,665)	\$ 155,640
Balance at January 1,2021	\$ 606,408	\$ (244,422)	\$ 361,986
Service cost			
Current service cost	12,841	-	12,841
Interest expense (income)	2,965	(1,190)	1,775
Recognized in profit or loss	15,806	(1,190)	14,616
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,354)	(3,354)
Actuarial gain - changes in demographic assumptions	(673)	-	(673)
Actuarial loss - experience adjustments	17,423	-	17,423
Recognized in other comprehensive income	16,750	(3,354)	13,396
Benefits paid	(20,102)	17,929	(2,173)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Contributions from the employer	-	(124,162)	(124,162)
Balance at December 31, 2021	\$ 618,862	\$ (355,199)	\$ 263,663

Summary of defined benefit plans recognized in profit or loss by function:

	2022	2021
Summary by function		
Operating costs	\$ 9,204	\$ 8,920
Selling expenses	445	507
Administrative expenses	2,649	5,108
R&D expenses	58	81
	<u>\$ 12,356</u>	<u>\$ 14,616</u>

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

1. Investment risks

The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

A decrease in government bond interest rate will cause the present value of defined benefit liabilities to increase. However, this will

be partially offset by an increase in the return on the plan's debt investments.

### 3. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary 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 obligations were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate (%)	1.500	0.500
Estimated salary growth rate (%)	3.500	2.750
Mortality rate	Sixth Taiwan Standard Ordinary Experience Mortality Table	Sixth Taiwan Standard Ordinary Experience Mortality Table
Employee turnover rate (%)	0-4.0	0-4.0
Disability rate	10% of mortality rate	10% of mortality rate

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Discount rate 0.25% increase	\$ <u>(14,391)</u>	\$ <u>(15,450)</u>

0.25% decrease	\$	<u>14,888</u>	\$	<u>16,016</u>
Estimated salary growth rate				
0.25% increase	\$	<u>14,371</u>	\$	<u>15,411</u>
0.25% decrease	\$	<u>(13,967)</u>	\$	<u>(14,950)</u>

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

	<u>December 31,2022</u>	<u>December 31,2021</u>
The expected contributions to the plan for the next year	\$ <u>23,289</u>	\$ <u>14,000</u>
The average duration of the defined benefit obligation	9.6 years	9.9 years

## 22. Asset and liability maturity analysis

Assets and liabilities of the Company related to environmental protection projects are divided into current and noncurrent based on business cycle. Accounts are listed by amount expected to be collected or paid within 1 year or longer than 1 year after the balance sheet date:

<u>December 31,2022</u>	<u>Within 1 year</u>	<u>Over 1 Year</u>	<u>Total</u>
Assets			
Contract assets-current	\$ 312,147	\$ 138,745	\$ 450,892
Notes receivable	43	-	43
Accounts receivable (including related parties)	724,629	-	724,629
Restricted bank deposits - recognized in other financial assets	251,203	350	251,553



	Within 1 year	Over 1 Year	Total
December 31,2022			
Refundable deposits - recognized in other current assets	15,952	8,781	24,733
	<u>\$ 1,303,974</u>	<u>\$ 147,876</u>	<u>\$ 1,451,850</u>

#### Liabilities

Contract liabilities - current	\$ 1,260,235	\$ 337,021	\$ 1,597,256
Accounts payable (including related parties)	558,970	56,656	615,626
Provisions - current	32,236	3,078	35,314
Refund liabilities - recognized in other current liabilities	12,699	7,672	20,371
	<u>\$ 1,864,140</u>	<u>\$ 404,427</u>	<u>\$ 2,268,567</u>

	Within 1 year	Over 1 Year	Total
December 31,2021			
Assets			
Contract assets-current	\$ 410,370	\$ 208,055	\$ 618,425
Accounts receivable (including related parties)	788,921	-	788,921
Restricted bank deposits - recognized in other financial assets	50,000	200,707	250,707
Refundable deposits - recognized in other current assets	74,711	9,381	84,092
	<u>\$ 1,324,002</u>	<u>\$ 418,143</u>	<u>\$ 1,742,145</u>

#### Liabilities

Contract liabilities - current	\$ 1,499,632	\$ 205,788	\$ 1,705,420
Accounts payable (including related parties)	665,964	32,626	698,590
Provisions - current	49,184	4,066	53,250
Refund liabilities - recognized in other current liabilities	12,445	5,503	17,948
	<u>\$ 2,227,225</u>	<u>\$ 247,983</u>	<u>\$ 2,475,208</u>

23. Equity

(I) Capital – common stock

	<u>December 31,2022</u>	<u>December 31,2021</u>
Number of shares authorized (in thousands)	<u>220,000</u>	<u>220,000</u>
Authorized capital	\$ <u>2,200,000</u>	\$ <u>2,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>123,743</u>	<u>123,743</u>
Issued capital	\$ <u>1,237,426</u>	\$ <u>1,237,426</u>

The Company's common shares have a face value of NT\$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital surplus

	<u>December 31,2022</u>	<u>December 31,2021</u>
May be used to offset deficit, distribute cash or transfer to share capital (see Note below)		
Additional paid-in capital	\$ 628,364	\$ 628,364
May be used to offset deficit only		
Gains on the disposal of fixed assets	<u>10</u>	<u>10</u>
	\$ <u>628,374</u>	\$ <u>628,374</u>

Note: The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital).

(III) Retained earnings and dividend policy

Pursuant to the Articles of Incorporation, if there is a profit after year-end closing, after compensating for losses of previous years, it shall be distributed in the following order:

1. Appropriate 10% as the legal reserve, until the aggregate amount has reached the Company's paid-in capital.
2. Set aside or reverse a special reserve depending on operating needs and regulatory requirements.
3. Where there are still distributable earnings, the board of directors shall then submit an earnings distribution proposal to the shareholders' meeting for approval

The Company is in a high-tech engineering market with stable growth and also develops diverse strategies at the same time. The Company also expands the business operating foundation in the development of investment plans, including environmental protection and energy etc. During the establishment of the proposal for distribution of earnings by the board of directors, it is necessary to consider the stability of dividends. Except when there is need for capital, the earnings distributed each year shall account for more than 50 percent of the distributable earnings, and where the shareholders' cash dividend shall not be less than 10 percent of the shareholders' dividend.

The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that exceeds 25% of paid-in capital may be capitalized and may also be distributed in cash.

The Company passed the 2021 and 2020 earnings distribution in the annual general meeting in June 2022 and August 2021, respectively:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 39,760	\$ 17,072		
Special reserve (reversal)	(39,172)	27,156		
Cash dividends	321,731	167,053	\$ 2.60	\$ 1.35
	<u>\$ 322,319</u>	<u>\$ 211,281</u>		

The Company passed the 2022 earnings distribution in the Board meeting in February 2023:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 54,583	
Reversal of special reserve	(56,639)	
Cash dividends	371,228	\$ 3.0
	<u>\$ 369,172</u>	

The appropriations of earnings for 2022 are subject to the resolution of the shareholder's meeting to be held in June 2023.

#### (IV) Other equity items

##### 1. Exchange differences on translating foreign operations

	2022	2021
Balance, beginning of the year	\$ <u>(103,630)</u>	\$ <u>(156,349)</u>
Recognized during the year		
Share from subsidiaries and associates accounted for using the equity method	60,290	65,884
Income tax relating to share from subsidiaries and associates accounted for using the equity method	<u>(11,405)</u>	<u>(13,165)</u>
Other comprehensive income (loss) recognized in the year	<u>48,885</u>	<u>52,719</u>

Balance, end of the year	\$ <u>(54,745)</u>	\$ <u>(103,630)</u>
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2. Unrealized gains and losses on financial assets at fair value through other comprehensive income

	2022	2021
Balance, beginning of the year	\$ <u>80,844</u>	\$ <u>76,397</u>
Recognized during the year		
Unrealized gains and losses - equity instruments	(29,286)	(25,652)
Share from associates accounted for using the equity method	(19,292)	27,775
Income tax relating to unrealized gains and losses	<u>5,857</u>	<u>5,130</u>
Other comprehensive income (loss) recognized in the year	<u>(42,721)</u>	<u>7,253</u>
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(36)</u>	<u>(2,806)</u>
Balance, end of the year	\$ <u>38,087</u>	\$ <u>80,844</u>

3. Gains and losses on hedging instrument

	2022	2021
Balance, beginning of the year	\$ <u>(33,853)</u>	\$ <u>(15,859)</u>
Recognized during the year		
Profit or loss from changes in fair value of hedging tools - Exchange rate risk	4,557	1,358
Share from associates accounted for using the equity method	4,059	(4,103)
Income tax effect	(911)	(272)

Reclassification adjustment		
Profit or loss from changes in fair value of hedging tools -		
Exchange rate risk	53,928	(18,721)
Income tax effect	(10,786)	3,744
Other comprehensive income (loss) recognized in the year	<u>50,847</u>	<u>(17,994)</u>
Balance, end of the year	<u>\$ 16,994</u>	<u>\$ (33,853)</u>

## 24. Revenues

The Company's operating revenues on the Standalone Statement of Comprehensive Income are all from contracts with customers, and have been divided according to economic factors.

### (I) Contract balance

	December 31,2022	December 31,2021	January 1, 2021
Notes and accounts receivable (including related parties)	<u>\$ 724,672</u>	<u>\$ 788,921</u>	<u>\$ 1,070,660</u>
Contract assets-current			
Construction contracts	<u>\$ 450,892</u>	<u>\$ 618,425</u>	<u>\$ 568,469</u>
Contract liabilities - current			
Construction contracts	\$ 1,597,256	\$ 1,705,420	\$ 1,637,156
Sales contracts	<u>-</u>	<u>96</u>	<u>-</u>
	<u>\$ 1,597,256</u>	<u>\$ 1,705,516</u>	<u>\$ 1,637,156</u>

The changes in the balance of contract assets and contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment.

Revenue recognized in the current reporting period from the contract

liabilities at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

	2022	2021
From the contract liabilities at the beginning of the year		
Construction contracts	\$ 1,203,136	\$ 1,500,414
Sale contracts	96	-
	<u>\$ 1,203,232</u>	<u>\$ 1,500,414</u>

(II) Partially completed contracts

As of December 31, 2022 and 2021, the transaction price allocated to the performance obligations that were not fully satisfied amounted to NT\$17,448,064 thousand and NT\$15,129,011 thousand, respectively. The Company will recognize revenue as the construction is being completed and expected timing for recognition of revenue is on various dates through June 2027.

25. Profit before income tax

Profit before income tax includes the following items:

(I) Interest income

	2022	2021
Demand deposits	\$ 16,202	\$ 3,831
Others	3,733	2,011
	<u>\$ 19,935</u>	<u>\$ 5,842</u>

(II) Other income

	2022	2021
Dividend income	\$ 14,529	\$ 26,400
Rental income	7,510	151
Others	557	1,848
	<u>\$ 22,596</u>	<u>\$ 28,399</u>

(III) Other profits and losses

	2022	2021
Gains on financial assets at fair value through profit or loss	\$ 85,590	\$ 17,234
Net foreign exchange gain (loss)	1,033	(3,396)
Others	(1,036)	(110)
	<u>\$ 85,587</u>	<u>\$ 13,728</u>

The net foreign exchange gains or losses above includes:

	2022	2021
Foreign exchange gain	\$ 2,002	\$ 764
Foreign exchange loss	(969)	(4,160)
Net exchange gain (loss)	<u>\$ 1,033</u>	<u>\$ (3,396)</u>

(IV) Financial costs

	2022	2021
Interest of lease liabilities	\$ 796	\$ 824
Others	1	690
	<u>\$ 797</u>	<u>\$ 1,514</u>



(V) Depreciation and amortization

	2022	2021
Property, plant and equipment	\$ 18,952	\$ 20,025
Right-of-use assets	33,743	31,814
Intangible assets	5,410	3,545
	<u>\$ 58,105</u>	<u>\$ 55,384</u>

An analysis of depreciation by function

Operating costs	\$ 23,486	\$ 21,985
Operating expenses	29,209	29,854
	<u>\$ 52,695</u>	<u>\$ 51,839</u>

An analysis of amortization by function

Operating expenses	<u>\$ 5,410</u>	<u>\$ 3,545</u>
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(VI) Employee benefit expenses

	2022	2021
Short-term employee benefits		
Salaries	\$ 1,294,496	\$ 1,201,381
Labor and health insurance	99,947	96,145
Others	24,647	19,985
	<u>1,419,090</u>	<u>1,317,511</u>

Post-employment benefits (Note 21)

Defined contribution plans	42,728	40,631
Defined benefit plans	12,356	14,616
	<u>55,084</u>	<u>55,247</u>

Employee benefit expenses	<u>\$ 1,474,174</u>	<u>\$ 1,372,758</u>
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An analysis of employee benefits by function

Operating costs	\$ 1,137,643	\$ 1,057,844
Operating expenses	336,531	314,914

\$	<u>1,474,174</u>	\$	<u>1,372,758</u>
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(VII) Compensation of employees and remuneration of directors

According to the Articles of Incorporation, the article stipulate the Company distributed compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 1%, respectively, of pre-tax profit prior to deducting compensation of employees and remuneration of directors. The Board of Directors adopted the following resolutions in February 2023 and 2022 on compensation of employees and remuneration of directors in 2022 and 2021 (all distributed in cash):

	2022	2021
Compensation of employees	\$ 26,129	\$ 20,165
Remuneration of directors	5,226	4,033

If there is any change in the amounts after the annual standalone financial statements are authorized for issue, the difference is record as a change in accounting estimate in the next following year.

The appropriations for compensation of employees and remuneration of directors for 2021 and 2020 which had been approved by the board of directors' meeting in February 2022 and 2021, respectively, were as follows:

	2021	2020
Compensation of employees	\$ 20,165	\$ 7,660
Remuneration of directors	4,033	1,532

The amounts recognized in the standalone financial statement for 2021 and 2020 are the same as which approved in the board of directors' meeting.

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

26. Income tax

(I) Income tax recognized in profit or loss

The major components of income tax were as follows:

	2022	2021
Current tax		
In respect of the current year	\$ 58,070	\$ -
In respect of prior years	740	(562)
	<u>58,810</u>	<u>(562)</u>
Deferred tax		
In respect of the current year	22,845	62,525
	<u>\$ 81,655</u>	<u>\$ 61,963</u>

The reconciliation of accounting profit and income tax expense was as follows:

	2022	2021
Profit before income tax	\$ <u>602,174</u>	\$ <u>465,843</u>
Income tax expense calculated at the statutory rate	\$ 120,435	\$ 93,168
Tax-exempt income	(39,520)	(30,643)
In respect of prior years	<u>740</u>	<u>(562)</u>
	<u>\$ 81,655</u>	<u>\$ 61,963</u>

(II) Income tax gains (expenses) recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred tax		
Remeasurement of defined benefit plans	\$ (5,228)	\$ 2,680
Investments in equity instruments measured at fair value through other comprehensive income	5,857	5,130
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	(11,405)	(13,165)
Profit or loss from hedging instruments	(11,697)	3,472
	<u>\$ (22,473)</u>	<u>\$ (1,883)</u>

(III) Current income tax assets and liabilities

	<u>December 31,2022</u>	<u>December 31,2021</u>
Current income tax assets		
Tax refunds receivable	\$ <u>6,496</u>	\$ <u>8,495</u>
Current income tax liabilities		
Income tax payable	\$ <u>56,904</u>	\$ <u>-</u>

(IV) Deferred income tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

2022

	<u>Balance, beginning of year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance, end of year</u>
Deferred tax assets				
Temporary differences				
Defined benefit pension plan	\$ 20,771	\$ (15,543)	\$ (5,228)	-

2022

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
Provision	7,874	1,679	-	9,553
Difference between tax reporting and financial reporting - construction revenues and costs	4,706	(1,020)	-	3,686
Unrealized gain on the transactions with subsidiaries and associates	20,286	25	-	20,311
Currency translation difference of foreign operations	25,198	-	(11,405)	13,793
Losses carried forward	3,331	(3,331)	-	-
Others	8,182	(197)	(7,394)	591
	<u>\$ 90,348</u>	<u>\$ (18,387)</u>	<u>\$ (24,027)</u>	<u>\$ 47,934</u>

Deferred tax liabilitiesTemporary differences

Financial assets at fair value through other comprehensive income	\$ 23,664	\$ -	\$ (5,857)	\$ 17,807
Foreign investment gain	34,010	3,612	-	37,622
Defined benefit pension plan	-	834	-	834
Others	-	12	4,303	4,315
	<u>\$ 57,674</u>	<u>\$ 4,458</u>	<u>\$ (1,554)</u>	<u>\$ 60,578</u>

2021

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
<u>Deferred tax assets</u>				
<u>Temporary differences</u>				
Defined benefit pension plan	\$ 40,435	\$ (22,344)	\$ 2,680	\$ 20,771
Provision	8,335	(461)	-	7,874
Difference between tax reporting and financial reporting - construction revenues and costs	12,792	(8,086)	-	4,706

2021

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
Unrealized gain on the transactions with subsidiaries and associates	17,581	2,705	-	20,286
Foreign investment loss	2,372	(2,372)	-	-
Currency translation difference of foreign operations	38,363	-	(13,165)	25,198
Losses carried forward	-	3,331	-	3,331
Others	5,998	(1,288)	3,472	8,182
	<u>\$ 125,876</u>	<u>\$ (28,515)</u>	<u>\$ (7,013)</u>	<u>\$ 90,348</u>
<u>Deferred tax liabilities</u>				
<u>Temporary differences</u>				
Financial assets at fair value through other comprehensive income	\$ 28,794	\$ -	\$ (5,130)	\$ 23,664
Foreign investment gain	-	34,010	-	34,010
	<u>\$ 28,794</u>	<u>\$ 34,010</u>	<u>\$ (5,130)</u>	<u>\$ 57,674</u>

Other temporary differences above are mainly temporary differences between cash flow hedges and net amount of unrealized foreign exchange gain/loss.

(V) Income tax assessment

The Company's income tax returns through 2020 have been assessed by the tax authorities.

27. Earnings per share

The earnings and weighted average number of shares outstanding used to computation of earnings per share were as follows:

Net profit for the year

	2022	2021
Net profit for the year	\$ <u>520,519</u>	\$ <u>403,880</u>

Number of shares (in thousand shares)

	2022	2021
Weighted average number of ordinary shares used in computation of basic earnings per share	123,743	123,743
Effect of dilutive potential ordinary shares-Compensation of employees	<u>683</u>	<u>536</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>124,426</u>	<u>124,279</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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.

28. Capital risk management

The Company engages in capital management to ensure that it can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that it is able to continue as a going concern.

The Company's capital structure consists of net liabilities (i.e., loans less cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained

earnings, and other equity interests). The Company is not required to comply with other external capital related regulations.

29. Financial instruments

(I) Information on fair value

1. Information on fair value –Fair value of financial instruments that are measured at fair value on a recurring basis

<u>December 31,2022</u>					
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>					
Emerging market shares in Taiwan	\$	-	\$ -	\$ 94,311	\$ 94,311
Unlisted shares in Taiwan		-	-	32,207	32,207
	\$	<u>-</u>	<u>\$ -</u>	<u>\$ 126,518</u>	<u>\$ 126,518</u>
<u>Financial assets at fair value through other comprehensive income</u>					
Foreign unlisted shares	\$	<u>-</u>	<u>\$ -</u>	<u>\$ 102,782</u>	<u>\$ 102,782</u>
<u>December 31,2021</u>					
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>					
Beneficiary Certificate	\$	204,981	\$ -	\$ -	\$ 204,981
Emerging market shares in Taiwan		-	-	13,996	13,996
Unlisted shares in Taiwan		-	-	70,880	70,880
	\$	<u>204,981</u>	<u>\$ -</u>	<u>\$ 84,876</u>	<u>\$ 289,857</u>
<u>Financial assets at fair value through other comprehensive income</u>					
Foreign unlisted shares	\$	<u>-</u>	<u>\$ -</u>	<u>\$ 132,068</u>	<u>\$ 132,068</u>

There was no transfer between level 1 and level 2 fair value measurements in 2022 and 2021.



2. Reconciliation of Level 3 fair value measurements of financial assets

2022

Financial Asset	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance, beginning of the year	\$ 84,876	\$ 132,068	\$ 216,944
Disposals	(45,899)	-	(45,899)
Recognized in profit or loss	87,541	-	87,541
Recognized in other comprehensive income	-	(29,286)	(29,286)
Balance, end of the year	<u>\$ 126,518</u>	<u>\$ 102,782</u>	<u>\$ 229,300</u>
Unrealized gains and losses for the year	\$ <u>53,929</u>		\$ <u>53,929</u>

2021

Financial Asset	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance, beginning of the year	\$ 23,202	\$ 157,720	\$ 180,922
Purchases	56,100	-	56,100
Disposals	(2,623)	-	(2,623)
Recognized in profit or loss	8,197	-	8,197
Recognized in other comprehensive income	-	(25,652)	(25,652)
Balance, end of the year	<u>\$ 84,876</u>	<u>\$ 132,068</u>	<u>\$ 216,944</u>
Unrealized gains and losses for the year	\$ <u>8,197</u>		\$ <u>8,197</u>

3. Valuation techniques and inputs applied for the purpose of measuring level 3 fair value measurement

- (1) The fair value of emerging stock is estimated based on its closing

price and taking into consideration its liquidity.

- (2) The fair value of domestic unlisted stock is estimated based on the most recent net value of the investee or transaction price. The fair value of foreign unlisted stocks is estimated using the market approach.

(II) Financial instruments by category

	<u>December 31,2022</u>	<u>December 31,2021</u>
<u>Financial Asset</u>		
Financial assets at fair value through profit or loss	\$ 126,518	\$ 289,857
Financial assets for hedging	984,542	748,517
Financial assets at amortized cost Note 1)	2,119,519	1,983,694
Financial assets at fair value through other comprehensive income	102,782	132,068
<u>Financial liabilities</u>		
Financial liabilities at amortized cost Note 2)	1,224,812	1,245,319

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other financial assets, refundable deposits (the current portion is listed in other current assets), and other financial assets at amortized cost.

Note 2: The balance includes accounts payable (including related parties), other payables, and guarantee deposits received (the current portion is listed under other current liabilities), and other financial liabilities at amortized cost.

(III) The purpose and policy of financial risk management

The Company's main financial instruments include financial assets for hedging, accounts receivable, equity investments, other financial assets, accounts payable, and lease liabilities. The financial management department provides services to business units, coordinates operations in domestic and foreign financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Company's operations. Such risks include market risks (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The significant financial activities of the Company are reviewed by the Board of Directors according to regulations and the internal control system. Internal auditors continue to review policy compliance and exposure. The Company has not used financial instruments (including derivative financial instruments) for speculative trading.

1. Market Risk

(1) Foreign exchange risk

The Company purchases and sells goods denominated in foreign currencies, and is thus exposed to the risk of exchange rate fluctuations. The Company manages exposure to foreign exchange risk using foreign currency deposits and firm commitment opposite to exchange rate fluctuations within the scope permitted by policy.

Please see Note 33 for the carrying amount of the Company's major monetary assets not denominated in the functional currency on the balance sheet date.

The table below shows the Company's sensitivity analysis when NTD (the functional currency) appreciates/depreciates 1% against foreign currencies. A positive number is the amount that pre-tax profit or equity will increase when NTD depreciates 1% against RMB and USD. Pre-tax profit or equity will decrease the same amount when NTD appreciates 1% against RMB and USD.

	USD Impact		RMB Impact	
	2022	2021	2022	2021
Profit before income tax \$	37 \$	66 \$	53 \$	14
Equity	1,619	8,433	8,493	50

## (2) Interest rate risk

The book value of the Company's financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial liabilities \$	93,154 \$	99,513
Cash flow interest rate risk		
Financial assets	497,388	209,621

The Company is exposed to interest rate risk due to financial assets with floating interest rates. The method for analyzing floating interest rate assets assumes that the amount of assets

outstanding on the balance sheet date were outstanding throughout the year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have been lower/higher by NT\$4,974 thousand and NT\$2,096 thousand, respectively, and is mainly due to the Company's floating interest rate bank deposits and project-specific bank deposits (listed in other financial assets - current).

## 2. Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counterparties. As of the balance sheet date, the Company's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is in the book value of financial assets recognized on the standalone balance sheet.

Among the balance of the Company's accounts receivable, customers that account for over 10% of total accounts receivable are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Customer A	\$ 305,299	\$ 530,923
Customer B	206,121	-
Customer C	94,010	149,782
Customer D	81,454	3,248
	<u>\$ 686,884</u>	<u>\$ 683,953</u>

### 3. Liquidity risk

The Company manages and maintains a sufficient position of cash and cash equivalents or financial products that can easily be liquidated, and maintains a suitable credit limit through loan agreements with financial institutions to meet the needs of operations.

The table below provides the maturity analysis of remaining non-derivative financial liabilities for the repayment period agreed to by the Company. It is prepared based on the non-discounted cash flow (including principal and interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Company.

	Within 1 year	Over 1 Year	Total
December 31, 2022			
Accounts payable (including related parties)	\$ 558,970	\$ 56,656	\$ 615,626
Other payables	588,815	-	588,815
Lease liabilities	38,026	57,238	95,264
Guarantee deposits received	12,699	7,672	20,371
	<u>\$ 1,198,510</u>	<u>\$ 121,566</u>	<u>\$ 1,320,076</u>
December 31, 2021			
Accounts payable (including related parties)	\$ 665,964	\$ 32,626	\$ 698,590
Other payables	528,781	-	528,781
Lease liabilities	36,023	65,673	101,696
Guarantee deposits received	12,445	5,503	17,948
	<u>\$ 1,243,213</u>	<u>\$ 103,802</u>	<u>\$ 1,347,015</u>

#### 4. Cash flow hedging

December 31, 2022

Hedging instruments	Currency	Contract amount	Maturity	Forward price	Line items on the balance sheets	Carry amount	
						Asset	Liability
Cash flow hedging							
Hedging deposits	JPY	\$ 132,576	NA	NA	Financial assets for hedging	\$ 30,811	\$ -
	USD	1,924	NA	NA	Financial assets for hedging	59,077	-
	EUR	1,385	NA	NA	Financial assets for hedging	45,332	-
	RMB	192,677	NA	NA	Financial assets for hedging	849,322	-
						<u>\$ 984,542</u>	<u>\$ -</u>

December 31, 2022

Hedged Items	Change in fair value of hedged items used for calculating hedge ineffectiveness	Balance in other equity	
		Continuing hedges	Discontinuing hedges
Cash flow hedging			
Forecast purchases and construction contracts	\$ (58,485)	\$ 21,518	\$ -

2022

Effect on Comprehensive Income (Loss)	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging					
Hedging deposits and commercial paper	\$ 3,646	\$ -	-	\$ 43,142	\$ -

December 31, 2021

Hedging instruments	Currency	Contract amount	Maturity	Forward price	Line items on the balance sheets	Carry amount	
						Asset	Liability
Cash flow hedging							
Hedging deposits	JPY	\$ 76,236	NA	NA	Financial assets for hedging	\$ 18,335	\$ -
	USD	25,693	NA	NA	Financial assets for hedging	711,183	-
	EUR	446	NA	NA	Financial assets for hedging	13,953	-
	RMB	1,162	NA	NA	Financial assets for hedging	5,046	-
						<u>\$ 748,517</u>	<u>\$ -</u>

December 31, 2021

Hedged Items	Change in fair value of hedged items used for calculating hedge ineffectiveness	Balance in other equity	
		Continuing hedges	Discontinuing hedges
Cash flow hedging			
Forecast purchases and construction contracts	\$ 17,363	\$ (36,968)	\$ -

2021

Amount Reclassified to P/L

Effect on Comprehensive Income (Loss)	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging Hedging deposits and commercial paper	\$ 1,086	\$ -	-	\$ (14,977)	\$ -

### 30. Related Party Transactions

#### (I) Name and relationship of related parties

Name of related party	Relationship with the Company
China Steel Corporation	Parent company
China Ecotek Vietnam Company Ltd.	Subsidiary
Dragon Steel Corporation (Dragon Steel)	Fellow subsidiary
China Steel Machinery Corporation	Fellow subsidiary
United Steel Engineering & Construction Corporation	Fellow subsidiary
CSC Solar Corporation (CSCSOLAR)	Fellow subsidiary
Chung Hung Steel Corporation	Fellow subsidiary
C.S. Aluminum Corporation	Fellow subsidiary
Steel Castle Technology Corporation	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
InfoChamp Systems Corporation	Fellow subsidiary
China Steel Security Corporation	Fellow subsidiary
CHC Resources Corporation	Fellow subsidiary
China Steel Management Consulting Corporation	Fellow subsidiary
Union Steel Development Corporation	Fellow subsidiary
Universal Exchange Inc.	Fellow subsidiary
Sing Da Marine Structure Corporation	Fellow subsidiary
CSC Steel Sdn. Bhd.	Fellow subsidiary
Betacera Inc.	Fellow subsidiary
China Steel Global Trading Corporation	Fellow subsidiary
China Steel Structure Co., Ltd.	Fellow subsidiary
China Steel Express Corporation	Fellow subsidiary
HIMAG Magnetic Corporation	Fellow subsidiary
Taiwan Intelligent Transportation Co., Ltd.	Fellow subsidiary
Honley Auto. Parts Co., Ltd.	Associate
Formosa Ha Tinh Steel Corporation	Other related party
Hua Eng Wire and Cable Co., Ltd.	Director of the Company
Great Grandeul Steel Co., Ltd.	Director of the Company



(II) Business transaction

	2022	2021
<u>Operating revenue</u>		
Parent company	\$ 5,836,308	\$ 5,893,134
Subsidiary	1,579	-
Fellow subsidiary		
Dragon Steel	1,210,868	1,171,926
Others	410,344	339,811
Associate	-	550
Other related parties- Formosa Ha		
Tinh Steel Corporation	16,418	39,834
Director of the Company	114	-
	<u>\$ 7,475,631</u>	<u>\$ 7,445,255</u>
<u>Purchase of goods and outsourcing fees</u>		
Parent company	\$ 14,224	\$ 18,356
Fellow subsidiary	279,475	346,023
Director of the Company	4,428	4,635
	<u>\$ 298,127</u>	<u>\$ 369,014</u>

The Company's operating revenues were mainly from construction revenues from the companies above, and the total contract price was negotiated based on the scale or nature of each project. The receivables were collected within approximately 2-3 months after the invoice is issued. The Company's contracts with related parties were different from unrelated parties, so there were no similar transactions for comparison.

Purchase of goods and outsourcing fees were negotiated based on the model or nature of the project, and payment was paid within 1-2 months. The Company's transactions with related parties were different from unrelated parties, so there were no similar transactions for comparison.

The balances of contract assets, contract liabilities, and accounts payable/receivable to/from related parties on the balance sheet date were as follows:

Account Items	Related Parties Types	December 31, 2022	December 31, 2021
Contract assets-current	Parent company	\$ 364,423	\$ 423,437
	Fellow subsidiary		
	Dragon Steel	67,567	28,778
	Others	6,858	7,425
		<u>\$ 438,848</u>	<u>\$ 459,640</u>
Contract liabilities-current	Parent company	\$ 1,159,154	\$ 1,393,756
	Fellow subsidiary	162,896	112,843
	Other related parties- Formosa Ha Tinh Steel Corporation	11,574	18,569
		<u>\$ 1,333,624</u>	<u>\$ 1,525,168</u>
Accounts receivable - related parties	Parent company	\$ 305,299	\$ 530,923
	Fellow subsidiary		
	Dragon Steel	94,010	149,782
	CSCSOLAR	81,454	3,248
	Others	4,103	644
	Associate	-	289
		<u>\$ 484,886</u>	<u>\$ 684,886</u>
Accounts payable - related parties	Parent company	\$ 23	\$ -
	Subsidiary	-	79
	Fellow subsidiary	13,993	7,052
		<u>\$ 14,016</u>	<u>\$ 7,131</u>

The outstanding accounts payable to related parties were unsecured and will be settled in cash. Accounts receivable from related parties were also unsecured and no impairment loss was recognized as of December 31, 2022 and 2021.

(III) Other transactions

1. Construction contracts

The balance of construction contracts not yet performed in operating revenues is listed below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Parent company	\$ 12,100,564	\$ 13,276,300
Fellow subsidiary		
Dragon Steel	2,268,478	444,479
Others	566,898	375,877
Other related parties- Formosa Ha Tinh Steel Corporation	<u>13,930</u>	<u>20,926</u>
	<u>\$ 14,949,870</u>	<u>\$ 14,117,582</u>

Accumulated balance of construction progress of construction contracts is listed below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Parent company	\$ 7,816,541	\$ 7,212,209
Fellow subsidiary		
Dragon Steel	1,939,911	1,802,848
Others	329,215	1,578,676
Other related parties- Formosa Ha Tinh Steel Corporation	<u>1,671,475</u>	<u>1,664,480</u>
	<u>\$ 11,757,142</u>	<u>\$ 12,258,213</u>

2. Lease agreements

<u>Account Items</u>	<u>Related Parties Types</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease liabilities (current and noncurrent)	Parent company	\$ <u>25,600</u>	\$ <u>19,545</u>

		2022	2021
<u>Related Parties Types</u>			
Interest expense			
Parent company	\$	129	\$ 216
Rent expenses			
Parent company	\$	1,666	\$ 2,217

The Company leased offices and production equipment from the parent company with a lease period of 3-5 years. The rental was based on the rental for similar assets and was paid quarterly or semi-annually according to the lease agreements.

Rent expenses included short-term leases and low value asset leases of buildings and transportation equipment and variable lease payments that were not included in the measurement of the lease liability.

#### (IV) Lease arrangements

As described in Note 17, the Company leased out land, which was located in the Linyuan District, Kaohsiung City to its parent entity. Price was negotiated between both sides and collected every half year. The lease term of the contract will end in May 2023. As of December 31, 2022, the gross lease payment had been fully received. The amount of lease income recognized for 2022 was NT\$6,804 thousand.

#### (V) Compensation for management

		2022	2021
Short-term employee benefits (salary, dividends, and bonuses)	\$	27,004	\$ 25,045
Post-employment benefit		-	36

	2022	2021
	\$ <u>27,004</u>	\$ <u>25,081</u>

Remuneration of directors and management was determined by the remuneration committee based on the personal performance evaluation and market trends.

### 31. Pledged Assets

The Company provides the following assets as guarantee for contract performance:

	December 31, 2022	December 31, 2021
Time deposits (recognized in other financial assets – current)	\$ <u>251,553</u>	\$ <u>250,707</u>

### 32. Significant Contingent Liabilities and Unrecognized Commitments

In addition to those described in other notes, the Company also has the following significant commitments and contingencies on December 31, 2022

- (I) The Company provided approximately NT\$766,421 thousand in performance bond and warranty bond through a bank for construction contracts.
- (II) The Company provided approximately NT\$115,410 thousand in notes as the performance bond and warranty bond for key projects.
- (III) The Company's balance of issued but unutilized L/C for the purchase of construction equipment is approximately NT\$81,385 thousand.

(IV) Property purchase and construction contracts for NT\$242,825 thousand were signed but not yet recorded.

33. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of 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:

	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2022			
Foreign currency assets			
Monetary items			
USD	\$ 2,070	30.7100 \$	63,569
RMB	193,884	4.4080	854,642
EUR	1,386	32.7200	45,341
JPY	132,580	0.2324	30,812
Nonmonetary items			
Financial assets at fair value through other comprehensive income			
USD	3,347	30.7100	102,782
Foreign currency liabilities			
Monetary items			
USD	25	30.7100	767
	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)

	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2021			
Foreign currency assets			
Monetary items			
USD	\$ 26,218	27.6800 \$	725,705
RMB	1,477	4.3440	6,414
EUR	446	31.3200	13,958
JPY	76,239	0.2405	18,335
Nonmonetary items			
Financial assets at fair value through other comprehensive income			
USD	4,771	27.6800	132,068
Foreign currency liabilities			
Monetary items			
USD	288	27.6800	7,961

For 2022 and 2021, realized and unrealized net foreign exchange gains and losses were gain NT\$1,033 thousand and loss NT\$3,396 thousand. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies of the Corporation.

#### 34. Separately disclosed items

Matters required to be disclosed in 2022 are as follows:

##### (I) Information about significant transactions and (II) investees

1. Financing provided to others: None.

2. Endorsements or guarantees provided: None.
3. Marketable securities held at the end of the year (excluding investments in subsidiaries and associate): Table 1.
4. Marketable securities acquired and disposed of at costs or prices of 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 2.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
9. Derivatives trading: None.
10. Other: The business relationship and key transactions between intra-group companies and amount: None.
11. Information investees: Table 4.

(II) Information on investments in mainland China

1. Information on any investee 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, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.
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:



- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
  - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.
  - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
  - (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
  - (6) 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.
- (III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: Table 6.

35. Segment Information

The Company had already disclosed segment information in the consolidated financial statements, so it is not required to disclose such information in the standalone financial statements.

China Ecotek Corporation and Subsidiaries  
Marketable securities held at the end of the year  
December 31, 2022

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

Table 1

Held Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	End of the year				Note
				shares/ units	Carrying Value	Percentage of Ownership (%)	Fair value	
The Company	Stock							
	Yeong Long Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss-noncurrent	440,000	\$ 15,507	1.13	\$ 15,507	
	Ecotek Industrial Aquaculture Corp.	The held company as its director	Financial assets at fair value through profit or loss-noncurrent	74,681	600	19.30	600	
	Hsin Yu Energy Development Co., Ltd.	-	Financial assets at fair value through profit or loss-noncurrent	391,249	-	0.16	-	
	Green Shepherd Corporation	-	Financial assets at fair value through profit or loss-noncurrent	784,000	16,100	5.55	16,100	
					<u>\$ 32,207</u>		<u>\$ 32,207</u>	
	Stock							
	Asia Pacific Energy Development Company Limited	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	2,212,590	\$ 102,782	11.11	\$ 102,782	
	Stock							
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss-current	3,305,000	\$ 94,311	1.65	\$ 94,311	

China Ecotek Corporation and Subsidiaries  
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital  
From January 1 to December 31, 2022

Table 2

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

Purchaser/Seller	Related Party	Relationship	Transaction				Abnormal transaction		Receivables (Payables)		Note
			Purchase (sales)	Amount	Percentage of total purchases (sales) (%)	Payment Terms			Ending balance	As a percentage of total accounts receivable (payable)	
							Unit price	Credit period			
The Company	China Steel Corporation	Parent company	Construction revenue	\$ (5,690,474)	(67)	Contract period	Note	Note	\$ 305,299	42	
	Dragon Steel Corporation	Fellow subsidiary	Construction revenue	(1,196,088)	(14)	Contract period	Note	Note	94,010	13	
	China Steel Solar Tech Co., Ltd.	Fellow subsidiary	Construction revenue	(300,190)	(4)	Contract period	Note	Note	81,454	11	
	China Steel Machinery Corporation	Fellow subsidiary	Purchase of goods	136,735	2	Contract period	Note	Note	(5,251)	(1)	
China Ecotek Vietnam Company Limited	China Steel and Nippon Steel Vietnam Joint Stock Company	Fellow subsidiary	Construction revenue	(216,878)	(68)	Contract period	Note	Note	172,958	96	

Note: Please refer to Note 30.

China Ecotek Corporation and Subsidiaries  
Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital  
December 31, 2022

Table 3

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

Company Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	China Steel Corporation	Parent company	\$ 305,299	13.96	\$ -	-	\$ 302,118	\$ -
China Ecotek Vietnam Company Limited	China Steel and Nippon Steel Vietnam Joint Stock Company	Fellow subsidiary	172,958	2.46	-	-	168,736	-

China Ecotek Corporation and Subsidiaries  
Information investees  
From January 1 to December 31, 2022

Table 4

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

Investor Company	Investee Company	Location	Main Businesses and Products	Initial investment amount		Shareholding at the end of year			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				End of the current year	End of the previous year	Number of Shares	Percentage (%)	Carrying Amount			
The Company	CEC Development Corporation	Samoa	Holding and investment	\$ 478,579	\$ 494,146	17,000,000	100.00	\$ 986,012	\$ 30,774	\$ 30,774	Subsidiary
The Company	CEC International Corporation	Samoa	Holding and investment	30,642	30,642	10,000,000	100.00	41,017	914	914	Subsidiary
The Company	China Steel Machinery Corporation	Kaohsiung City	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	329,174	329,174	35,204,170	26.02	529,821	293,158	76,290	
The Company	Chiun Yu Investment Corporation	Kaohsiung City	General investment	14,233	14,233	1,196,000	40.00	30,217	6,379	2,551	
The Company	Chi-Yi Investment Corporation	Kaohsiung City	General investment	8,000	8,000	800,000	40.00	21,145	5,007	2,003	
The Company	Jiing-Cherng-Fa Investment Corporation	Kaohsiung City	General investment	8,050	8,050	805,000	35.00	19,603	5,847	2,046	
The Company	United Steel International Development Corporation	British Virgin Islands	Holding and investment	8,262	8,262	300,000	0.61	4,516	201,518	1,229	
The Company	Hung-chuan Investment Corporation	Kaohsiung City	General investment	6,000	6,000	600,000	30.00	15,755	4,972	1,492	
The Company	CSC Solar Corporation	Kaohsiung City	Solar power generation	348,800	348,800	34,880,000	20.00	280,240	121,014	24,203	
The Company	Eminent III Venture Capital Corporation	Taipei City	General investment	100,000	100,000	10,000,000	5.52	76,208	3,269	180	
The Company	Pro-Ascentek Investment Corporation	Kaohsiung City	General investment	60,000	60,000	6,000,000	5.00	58,002	37,820	1,891	
The Company	China Ecotek India Private Limited	India	Construction and design services	27	27	5,000	0.10	38	591	-	Subsidiary
CEC Development Corporation	China Ecotek Vietnam Company Limited	Vietnam	Construction and design services	302,065	302,065	-	100.00	795,205	27,226	27,226	Subsidiary
CEC International Corporation	China Ecotek India Private Limited	India	Construction and design services	27,070	27,070	4,995,000	99.90	37,816	591	591	Subsidiary

Note: Please refer to Note 11.

China Ecotek Corporation and Subsidiaries  
Information on Investments in Mainland China  
From January 1 to December 31, 2022

Table 5

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

Investee Company	Main Businesses and Products	Paid-in capital	Investment method	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Percentage of shares held directly or indirectly by the Company (%)	Investment Gain(Loss) (Note1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd.	Consulting services of construction technology	\$ -	Through investment in an existing company (CEC Development Corporation) in a third region for further investment in the Chinese company	\$ 12,458	\$ -	\$ 12,458	\$ -	\$ -	-	\$ -	\$ -	\$ -	Note 2
Ningbo Huayang Aluminium-Tech Co., Ltd	Production and sale of aluminum products	1,504,790	Through investment in an existing company (United Steel International Development Corporation) in a third region for further investment in the Chinese company	9,213	-	-	9,213	201,875	0.61	1,231	4,463	665	
Xiamen Ecotek PRC Company Limited	Sales agency for import and export of equipment and materials	184,260	Through investment in an existing company (CEC Development Corporation) in a third region for further investment in the Chinese company	184,260	-	-	184,260	3,248	100.00	3,248	184,664	-	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	The Company's Uapper Limit On Investment In Mainland China (Note3)
China Ecotek Corporation	\$193,473	\$279,446	\$2,106,624

Note 1: Recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 2: Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd. had completed disposal in September 2021 and the funds remitted back to Taiwan in January 2022.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" by the Investment Commission on August 29, 2008, investments shall not exceed 60% of its net worth.

China Ecotek Corporation  
Information on Major Shareholders  
December 31, 2022

Table 6

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio (%)
China Steel Corporation	55,393,138	44.76
Hua Eng Wire and Cable Co., Ltd.	11,843,730	9.57

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 held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the standalone 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 the 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.

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China Ecotek Corporation  
Statement of cash and cash equivalents  
December 31, 2022

Statement 1 (In Thousands of New Taiwan Dollars,  
Unless Stated Otherwise)

Item	Maturity Date	Interest rate (%)	Amount
Petty cash and working capital			\$ 877
Cash in banks			
Checking accounts and demand deposits			189,501
Foreign currency demand deposits (Note 1 and Note 2)			9,686
Cash equivalents (Investments within 3 months of its original maturity date)			
Commercial papers	2022.12.22- 2023.01.18	1.13-1.15	800,000
			\$ <u>1,000,064</u>

Note 1: Foreign currency demand deposits include USD 143 thousand, JPY 4 thousand, EUR 1 thousand, and RMB 1,197 thousand.

Note 2: The exchange rates for USD, EUR, RMB, and JPY are US\$1=NT\$30.71, EUR\$1=NT\$32.72, RMB \$1=NT\$4.408, and JPY\$1=NT\$0.2324.

China Ecotek Corporation  
Statement of financial assets at fair value through profit or loss - current  
December 31, 2022

Statement 2

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

Name of financial instrument	shares or units	Acquisition cost	Fair value		Note
			Unit price (NTD)	Total amount	
Stock					
Locus Cell Co., Ltd.	3,305,000	\$ <u>33,050</u>	\$ <u>28.5360</u>	\$ <u>94,311</u>	

Note: Fair value is measured on the closing prices of stocks on the balance sheet date and after considering liquidity.

China Ecotek Corporation  
Statement of hedging financial assets - current  
December 31, 2022

Statement 3 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	(Note)	Maturity Date	Interest rate (%)	Amount
Time deposits				
RMB	148,592 thousand	2022.05.06 -2023.09.27	2.1-2.88	\$ 654,994
Demand deposits				
JPY	132,576 thousand			30,811
USD	1,924 thousand			59,077
RMB	44,085 thousand			194,328
EUR	1,385 thousand			45,332
				<u>\$ 984,542</u>

Note: The exchange rates for USD, EUR, RMB, and JPY are US\$1=NT\$30.71, EUR\$1=NT\$32.72, RMB\$1=NT\$4.408, and JPY\$1=NT\$0.2324.

China Ecotek Corporation  
Statement of notes receivable  
December 31, 2022

Statement 4

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

	Amount	Overdue for 1 year above	Note
Non-related party			
CHAN-HSIN			
environmental engineering			
Co., Ltd.	\$ 43	-	Sales

Note: None of the balances are overdue.

China Ecotek Corporation  
Statement of accounts receivable  
December 31, 2022

Statement 5

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

	<u>Amount</u>	<u>Overdue for 1 year and above</u>	<u>Note</u>
Non-related party			
Taiwan Power Company	\$ 206,121	\$ -	Construction
Taiwan Water Corporation	25,450	-	Construction
Others (Note)	<u>8,192</u>	<u>-</u>	
	<u>\$ 239,763</u>	<u>\$ -</u>	
Related party			
China Steel Corporation	\$ 305,299	\$ -	Construction and sales
Dragon Steel Corporation	94,010	-	Construction and sales
CSC Solar Corporation	81,454	-	Construction and sales
Others (Note)	<u>4,103</u>	<u>-</u>	
	<u>\$ 484,866</u>	<u>\$ -</u>	

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

China Ecotek Corporation  
Statement of other financial assets – current  
December 31, 2022

Statement 6 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

<u>Item</u>	<u>Maturity Date</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Time deposits more than 3 months from its original maturity date			
Time deposits			
NTD	2022.06.24- 2023.07.05	0.95	\$ 100,000
Restricted bank deposits			
Time deposits			
NTD	2022.12.10- 2023.03.21	0.51-1.035	<u>251,553</u>
			\$ <u><u>351,553</u></u>

China Ecotek Corporation  
Statement of changes in financial assets at fair value through profit or loss – noncurrent  
2022

Statement 7

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

Name	Beginning of year		Additions		Decrease		End of the year		Collateral	Note
	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value (Note 1)		
Stock										
Yeong Long Technologies Co., Ltd.	440,000	\$ 14,180	-	\$ 1,327	-	\$ -	440,000	\$ 15,507	None	
Ecotek Industrial Aquaculture Corp.	74,681	600	-	-	-	-	74,681	600	None	
Hsin Yu Energy Development Co., Ltd.	391,249	-	-	-	-	-	391,249	-	None	
Green Shepherd Corporation	784,000	16,100	-	-	-	-	784,000	16,100	None	
Locus Cell Co., Ltd.	4,000,000	<u>40,000</u>	-	<u>-</u>	4,000,000	<u>40,000</u>	-	<u>-</u>	None	Note 2
		<u>\$ 70,880</u>		<u>\$ 1,327</u>		<u>\$ 40,000</u>		<u>\$ 32,207</u>		

Note 1: Please refer to Note 29 for the valuation method for determining fair value.

Note 2: The decrease in the current year is due to reclassification to financial assets at fair value through profit or loss - current.

China Ecotek Corporation  
Statement of changes in financial assets at fair value through other comprehensive income - noncurrent  
2022

Statement 8

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

Name	Beginning of year		Additions		Decrease		End of the year		Collateral	Note
	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value (Note 1)		
Stock										
Asia Pacific Energy Development Company Limited	2,212,590	\$ <u>132,068</u>	-	\$ <u>-</u>	-	\$ <u>29,286</u>	2,212,590	\$ <u>102,782</u>	None	

Note 1: Please refer to Note 29 for the valuation method for determining fair value.



China Ecotek Corporation  
Statement of changes in investments recognized under the equity method  
2022

Statement 9

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

Name	Opening balance		Addition		Decrease		End of the year		Market price or net value of equity	Collateral	Note
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			
Unlisted company											
CEC Development Corporation	17,000,000	\$ 984,625	-	\$ 1,387	-	\$ -	17,000,000	\$ 986,012	986,012	None	
China Steel Machinery Corporation	35,204,170	535,388	-	-	-	5,567	35,204,170	529,821	529,821	None	
CEC International Corporation	10,000,000	40,116	-	901	-	-	10,000,000	41,017	41,017	None	
Chiun Yu Investment Corporation	1,196,000	34,938	-	-	-	4,721	1,196,000	30,217	30,217	None	
Chi-Yi Investment Corporation	800,000	22,900	-	-	-	1,755	800,000	21,145	21,145	None	
Jiing-Cherng-Fa Investment Corporation	805,000	20,833	-	-	-	1,230	805,000	19,603	19,603	None	
United Steel International Development Corporation	300,000	3,244	-	1,272	-	-	300,000	4,516	4,516	None	
Hung-chuan Investment Corporation	600,000	17,063	-	-	-	1,308	600,000	15,755	15,755	None	
CSC Solar Corporation	34,880,000	279,656	-	584	-	-	34,880,000	280,240	381,794	None	
Eminent III Venture Capital Corporation	10,000,000	83,294	-	-	-	7,086	10,000,000	76,208	76,208	None	
China Ecotek India Private Limited	5,000	37	-	1	-	-	5,000	38	38	None	
Pro-Ascentek Investment Corporation	6,000,000	63,871	-	-	-	5,869	6,000,000	58,002	58,002	None	
		<u>\$ 2,085,965</u>		<u>\$ 4,145</u>		<u>\$ 27,536</u>		<u>\$ 2,062,574</u>	<u>\$ 2,164,128</u>		

Note: Increases and decreases in the current year include increase in investments, refunded payments for shares due to capital reduction of investees, and proceeds collected for the liquidation of subsidiaries, which as investment gains/losses and equity-related adjustments recognized under the equity method, and the net amount of cash dividends.

China Ecotek Corporation  
Statement of changes in right-of-use assets  
2022

Statement 10

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

Item	Opening balance	Additions	Decrease	Closing balance
Cost				
Land	\$ 20,299	\$ -	\$ -	20,299
Buildings	110,465	23,155	41,759	91,861
Machinery and equipment	1,715	-	-	1,715
Transportation equipment	<u>20,699</u>	<u>11,117</u>	<u>8,197</u>	<u>23,619</u>
Total	<u>153,178</u>	<u>\$ 34,272</u>	<u>\$ 49,956</u>	<u>137,494</u>
Accumulated depreciation				
Land	3,383	\$ 6,766	-	10,149
Buildings	37,962	18,397	33,407	22,952
Machinery and equipment	286	429	-	715
Transportation equipment	<u>10,768</u>	<u>8,151</u>	<u>8,197</u>	<u>10,722</u>
Total	<u>52,399</u>	<u>\$ 33,743</u>	<u>\$ 41,604</u>	<u>44,538</u>
	<u>\$ 100,779</u>			<u>\$ 92,956</u>

China Ecotek Corporation  
Statement of accounts payable  
December 31, 2022

Statement 11 (In Thousands of New Taiwan Dollars,  
Unless Stated Otherwise)

Name of vendor	Amount
<hr/>	
Non-related party	
Others (Note)	\$ <u>601,610</u>
Related party	
Steel Castle Technology Corporation	\$ 5,888
China Steel Machinery Corporation	5,251
InfoChamp Systems Corporation	1,823
Union Steel Development Corporation	816
Others (Note)	<u>238</u>
	\$ <u><u>14,016</u></u>

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

China Ecotek Corporation  
Statement of lease liabilities  
December 31, 2022

Statement 12

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

Item	Object	Period (Note 2)	Discount rate (%)	Balance
Land	Leased land	2021.07.01- 2024.06.30	Note 1	\$ 10,193
Buildings	Leased plant and offices	2019.04.17- 2029.12.31	Note 1	69,300
Machinery and equipment	Construction equipment	2021.05.01- 2026.04.30	Note 1	950
Transportation equipment	Corporate vehicle lease	2020.02.27- 2025.10.17	Note 1	<u>12,711</u>
				93,154
Less: Current portion (Note 3)				<u>37,163</u>
				\$ <u><u>55,991</u></u>

Note 1: Please refer to Note 16.

Note 2: Refers to the lease period defined in Paragraphs 18-21 of IFRS 16 and not the contract period.

Note 3: Lease liabilities that will mature within one year shall be listed as current liabilities.

China Ecotek Corporation  
Statement of operating revenue  
2022

Statement 13

(In Thousands of New Taiwan Dollars,

Unless Stated Otherwise)

Item	Amount
Sales revenue	
Water treatment agent of power plant	\$ 27,647
Sales of air purifiers to non-related party	19,290
Others (Note)	66,202
	<u>113,139</u>
Construction revenue	
Others (Note)	<u>8,115,265</u>
Technical service revenue	
Operation of Chengcing Lake Water Treatment Plant	158,116
Operation and maintenance of Kinmen Taihu Water Treatment Plant	49,213
IWI operation and maintenance project	47,269
Others (Note)	43,054
	<u>297,652</u>
	<u>\$ 8,526,056</u>

Note: There is no single amount that exceeds 10% of the amount for this item.

China Ecotek Corporation  
Statement of operating costs  
2022

Statement 14

(In Thousands of New Taiwan Dollars,

Unless Stated Otherwise)

Item	Amount
Construction costs	
Construction materials	\$ 1,542,623
Construction labors	1,071,658
Construction expenses	<u>4,792,039</u>
	7,406,320
Plus: Construction in progress at the beginning of the year	20,022,321
Net amount of construction profit recognized according to the percentage of completion	713,848
Construction costs recognized according to the percentage of completion	7,401,402
Provision at the end of the year	18,209
Less: Construction in progress at the end of the year	(18,589,104)
Offsets of construction payments collected in advance recognized according to the percentage of completion	(9,547,956)
Provision at the beginning of the year	<u>(23,638)</u>
	7,401,402
Technical service costs	250,781
Cost of goods sold	<u>86,213</u>
	<u><u>\$ 7,738,396</u></u>

China Ecotek Corporation  
Statement of operating expenses  
2022

Statement 15

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

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll expense	\$ 39,516	\$ 285,940	\$ 11,075	\$ 336,531
Professional fees	66	8,524	2,151	10,741
Depreciation expense and amortization	-	34,446	173	34,619
Others (Note)	<u>384</u>	<u>72,590</u>	<u>1,394</u>	<u>74,368</u>
	<u>\$ 39,966</u>	<u>\$ 401,500</u>	<u>\$ 14,793</u>	<u>\$ 456,259</u>

Note: None of the balances exceed 5% of the balance for this item.

China Ecotek Corporation  
Summary of employee benefits, depreciation and amortization expenses  
2022 and 2021

Statement 16

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

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	\$ 1,017,631	\$ 265,529	\$ 1,283,160	\$ 943,565	\$ 244,724	\$ 1,188,289
Labor and health insurance	75,368	24,579	99,947	72,123	24,022	96,145
Post-employment benefits	44,644	10,440	55,084	42,143	13,104	55,247
Director's remuneration	-	11,336	11,336	-	13,092	13,092
Others	-	24,647	24,647	13	19,972	19,985
	<u>\$ 1,137,643</u>	<u>\$ 336,531</u>	<u>\$ 1,474,174</u>	<u>\$ 1,057,844</u>	<u>\$ 314,914</u>	<u>\$ 1,372,758</u>
Depreciation	\$ 23,486	\$ 29,209	\$ 52,695	\$ 21,985	\$ 29,854	\$ 51,839
Amortization	\$ -	\$ 5,410	\$ 5,410	\$ -	\$ 3,545	\$ 3,545

Note 1: The Company had 1,186 and 1,188 employees. Among them 9 and 10 directors did not serve concurrently as employees in 2022 and 2021, respectively.

Note 2: Additional disclosures are as follows:

1. Average employee benefit expenses [(Total employee benefit expenses - Total director's remuneration)/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,243 thousand this year.  
Average employee benefit expenses [(Total employee benefit expenses - Total director's remuneration)/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,154 thousand in the previous year.
2. Average employee salary expenses [Total employee salary expenses/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,090 thousand this year.  
Average employee salary expenses [Total employee salary expenses/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,009 thousand in the previous year.
3. Adjustments and changes to average employee salary expenses [(Average employee salary expenses in the current year - Average employee salary expenses in the previous year)/Average employee salary expenses in the previous year]: 8.0%.



4. The Company's remuneration policy:

(1) Directors' remuneration policy:

Director's remuneration is specified in Article 32 of the Articles of Incorporation. Where the Company has a profit for a fiscal year, no more than 1% of such profit shall be appropriated as directors' remuneration through a resolution of the board of directors' meeting. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before directors' remuneration can be allocated according to the above percentage.

(2) President and vice presidents' remuneration policy

The Company's remuneration to the president and vice presidents is in accordance with the Remuneration Management Regulations and reported to the Board of Directors for approval. A certain proportion of profits in the previous year is allocated as a performance bonus that is distributed to all employees according to related regulations on rewards, and is directly related to business performance.

(3) Employees' remuneration policy:

Employees' remuneration mainly includes basic salary, performance bonuses, and employee bonuses.

- A. Remuneration standards are set based on supply and demand in the labor market and the industry standard. Basic salaries are in principle higher than the minimum required by the Ministry of Labor, and take into consideration the job, education, and relevant experience. Standards may be revised each year based on the consumer price index, salaries offered in the market, and the Company's business situation. Employees are evaluated for a raise each year based on the Company's business situation, their individual work performance, and the work performance of their unit.
- B. A certain proportion of profits in the previous year is allocated as a performance bonus that is distributed to all employees according to related regulations on rewards, and is directly related to business performance. Furthermore, employee bonuses is specified in Article 32 of the Articles of Incorporation. Where the Company has a profit for a fiscal year, no less than 0.1% of such profit shall be appropriated as employee bonuses through a resolution of the board of directors' meeting. The recipients of employee bonuses include employees of affiliates meeting certain criteria. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before employee bonuses can be allocated according to the above percentage.