

YC Inox Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2023 and 2022 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
YC Inox Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of YC Inox Co., Ltd. and its subsidiaries (collectively, the “Group”) as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as 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 International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Done-Yuin Tseng and Shu-Chin Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 10, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 667,128	3	\$ 951,207	5	\$ 890,752	5
Financial assets at fair value through profit or loss - current (Note 7)	258,656	1	248,011	1	221,104	1
Notes receivable (Note 20)	108,061	1	88,122	1	60,607	-
Trade receivables (Notes 9, 20 and 27)	933,235	5	841,425	4	983,895	5
Other receivables	288,165	2	279,419	1	408,473	2
Inventories (Note 10)	5,018,647	26	5,172,264	26	5,854,547	29
Prepayments	1,436,363	8	1,546,255	8	1,077,976	5
Other current assets (Note 28)	5,544	-	5,637	-	2,468	-
Total current assets	8,715,799	46	9,132,340	46	9,499,822	47
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	1,909,487	10	3,006,601	15	3,750,189	19
Property, plant and equipment (Note 12)	6,734,998	35	6,043,505	31	5,176,711	25
Right-of-use assets (Note 13)	9,978	-	14,781	-	14,746	-
Computer software (Note 14)	9,189	-	8,597	-	8,581	-
Deferred tax assets (Notes 4 and 22)	350,416	2	301,099	2	478,465	2
Prepayments for equipment	1,011,318	5	869,611	4	1,253,339	6
Other non-current assets	360,973	2	287,248	2	204,047	1
Total non-current assets	10,386,359	54	10,531,442	54	10,886,078	53
TOTAL	<u>\$ 19,102,158</u>	<u>100</u>	<u>\$ 19,663,782</u>	<u>100</u>	<u>\$ 20,385,900</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	\$ 5,779,962	30	\$ 4,824,074	24	\$ 5,504,467	27
Short-term bills payable (Note 15)	99,980	1	-	-	-	-
Contract liabilities - current (Note 20)	520,210	3	407,896	2	408,872	2
Notes payable	243	-	556	-	268	-
Trade payables	205,234	1	192,793	1	170,947	1
Other payables (Note 17)	239,139	1	539,823	3	834,322	4
Current tax liabilities (Notes 4 and 22)	101,180	1	327,177	2	322,711	1
Lease liabilities - current (Note 13)	6,310	-	6,303	-	5,930	-
Current portion of long-term borrowings (Note 15)	357,143	2	160,714	1	121,429	1
Other current liabilities	88,812	-	48,347	-	43,655	-
Total current liabilities	7,398,213	39	6,507,683	33	7,412,601	36
NON-CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - non-current (Note 16)	-	-	236	-	865	-
Bonds payable (Note 16)	719,868	4	765,149	4	763,365	4
Long-term borrowings (Note 15)	2,026,190	11	1,882,143	10	1,521,429	8
Deferred tax liabilities (Notes 4 and 22)	7,148	-	2,614	-	37,730	-
Lease liabilities - non-current (Note 13)	3,423	-	8,161	-	8,443	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	48,144	-	51,148	-	68,128	-
Guarantee deposits received	33,321	-	30,385	-	42,804	-
Total non-current liabilities	2,838,094	15	2,739,836	14	2,442,764	12
Total liabilities	10,236,307	54	9,247,519	47	9,855,365	48
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	4,474,265	23	4,453,799	23	4,453,545	22
Registered capital (pending change)	1,518	-	-	-	254	-
Capital surplus	2,033,543	11	2,005,108	10	2,005,108	10
Retained earnings						
Legal reserve	1,346,931	7	1,292,961	7	1,292,961	6
Unappropriated earnings	409,734	2	1,022,254	5	1,550,504	8
Other equity	599,860	3	1,642,141	8	1,228,163	6
Total equity	8,865,851	46	10,416,263	53	10,530,535	52
TOTAL	<u>\$ 19,102,158</u>	<u>100</u>	<u>\$ 19,663,782</u>	<u>100</u>	<u>\$ 20,385,900</u>	<u>100</u>

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

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 27)	\$ 4,066,862	100	\$ 4,354,184	100	\$ 11,774,276	100	\$ 13,403,214	100
OPERATING COSTS (Notes 10 and 21)	<u>3,656,626</u>	<u>90</u>	<u>3,849,391</u>	<u>88</u>	<u>10,685,715</u>	<u>91</u>	<u>11,261,497</u>	<u>84</u>
GROSS PROFIT	<u>410,236</u>	<u>10</u>	<u>504,793</u>	<u>12</u>	<u>1,088,561</u>	<u>9</u>	<u>2,141,717</u>	<u>16</u>
OPERATING EXPENSES (Note 21)								
Selling and marketing expenses	132,701	3	233,537	5	370,005	3	795,258	6
General and administrative expenses	<u>66,457</u>	<u>2</u>	<u>79,275</u>	<u>2</u>	<u>211,645</u>	<u>2</u>	<u>249,455</u>	<u>2</u>
Total operating expenses	<u>199,158</u>	<u>5</u>	<u>312,812</u>	<u>7</u>	<u>581,650</u>	<u>5</u>	<u>1,044,713</u>	<u>8</u>
INCOME FROM OPERATIONS	<u>211,078</u>	<u>5</u>	<u>191,981</u>	<u>5</u>	<u>506,911</u>	<u>4</u>	<u>1,097,004</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 21)	(37,374)	(1)	(22,947)	(1)	(105,585)	(1)	(55,274)	-
Interest income	3,385	-	428	-	9,707	-	1,025	-
Other gains and losses, net (Notes 21 and 27)	(475,424)	(12)	23,239	-	(652,846)	(5)	31,854	-
Net gain (loss) on disposal of property, plant, equipment and ornaments	(4,868)	-	180	-	(4,249)	-	403	-
Foreign exchange gain, net (Note 30)	103,244	2	116,096	3	440,181	4	374,615	3
Gain (loss) on fair value changes of financial instruments at fair value through profit or loss	<u>(18,600)</u>	<u>-</u>	<u>25,696</u>	<u>1</u>	<u>10,882</u>	<u>-</u>	<u>(46,647)</u>	<u>-</u>
Total non-operating income and expenses	<u>(429,637)</u>	<u>(11)</u>	<u>142,692</u>	<u>3</u>	<u>(301,910)</u>	<u>(2)</u>	<u>305,976</u>	<u>3</u>
PROFIT (LOSS) BEFORE INCOME TAX	(218,559)	(6)	334,673	8	205,001	2	1,402,980	11
INCOME TAX EXPENSE (BENEFIT)(Notes 4 and 22)	<u>(30,643)</u>	<u>(1)</u>	<u>69,095</u>	<u>2</u>	<u>94,242</u>	<u>1</u>	<u>343,639</u>	<u>3</u>
NET PROFIT (LOSS)	<u>(187,916)</u>	<u>(5)</u>	<u>265,578</u>	<u>6</u>	<u>110,759</u>	<u>1</u>	<u>1,059,341</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(632,542)	(15)	1,014,829	23	(1,097,114)	(9)	1,056,540	8

(Continued)

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	\$ 1,118,852	28	\$ (78,269)	(2)	\$ 68,541	-	\$ (422,786)	(3)
Income tax related to items that may be reclassified subsequently to profit or loss	(223,770)	(6)	15,654	1	(13,708)	-	84,557	-
	<u>895,082</u>	<u>22</u>	<u>(62,615)</u>	<u>(1)</u>	<u>54,833</u>	<u>-</u>	<u>(338,229)</u>	<u>(3)</u>
Other comprehensive (loss) income for the period, net of income tax	<u>262,540</u>	<u>7</u>	<u>952,214</u>	<u>22</u>	<u>(1,042,281)</u>	<u>(9)</u>	<u>718,311</u>	<u>5</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ 74,624</u>	<u>2</u>	<u>\$ 1,217,792</u>	<u>28</u>	<u>\$ (931,522)</u>	<u>(8)</u>	<u>\$ 1,777,652</u>	<u>13</u>
EARNINGS (LOSS) PER SHARE (Note 23)								
Basic	<u>\$ (0.42)</u>		<u>\$ 0.60</u>		<u>\$ 0.25</u>		<u>\$ 2.38</u>	
Diluted	<u>\$ (0.39)</u>		<u>\$ 0.55</u>		<u>\$ 0.24</u>		<u>\$ 2.21</u>	

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

(Concluded)

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 19)		Capital Surplus (Note 19)	Retained Earnings (Note 19)		Other Equity (Note 4)		Total Equity
	Capital Stock Ordinary Shares	Registered Capital Pending Change		Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2022	\$ 4,445,345	\$ 1,080	\$ 1,994,700	\$ 1,166,385	\$ 1,276,096	\$ (1,012,464)	\$ 1,530,923	\$ 9,402,065
Appropriation of 2021 earnings								
Legal reserve	-	-	-	126,576	(126,576)	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(666,964)	-	-	(666,964)
Net profit for the nine months ended September 30, 2022	-	-	-	-	1,059,341	-	-	1,059,341
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	(338,229)	1,056,540	718,311
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	1,059,341	(338,229)	1,056,540	1,777,652
Convertible bonds converted to ordinary shares	8,200	(826)	10,408	-	-	-	-	17,782
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	8,607	-	(8,607)	-
BALANCE AT SEPTEMBER 30, 2022	\$ 4,453,545	\$ 254	\$ 2,005,108	\$ 1,292,961	\$ 1,550,504	\$ (1,350,693)	\$ 2,578,856	\$ 10,530,535
BALANCE AT JANUARY 1, 2023	\$ 4,453,799	\$ -	\$ 2,005,108	\$ 1,292,961	\$ 1,022,254	\$ (187,660)	\$ 1,829,801	\$ 10,416,263
Appropriation of 2022 earnings								
Legal reserve	-	-	-	53,970	(53,970)	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(669,309)	-	-	(669,309)
Net profit for the nine months ended September 30, 2023	-	-	-	-	110,759	-	-	110,759
Other comprehensive income (loss) for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	54,833	(1,097,114)	(1,042,281)
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	110,759	54,833	(1,097,114)	(931,522)
Convertible bonds converted to ordinary shares	20,466	1,518	28,435	-	-	-	-	50,419
BALANCE AT SEPTEMBER 30, 2023	\$ 4,474,265	\$ 1,518	\$ 2,033,543	\$ 1,346,931	\$ 409,734	\$ (132,827)	\$ 732,687	\$ 8,865,851

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

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 205,001	\$ 1,402,980
Adjustments for:		
Depreciation expense	264,399	222,875
Amortization expense	4,301	2,570
(Gain) loss on financial instruments at fair value through profit or loss, net	(10,881)	46,647
Finance costs	105,585	55,274
Interest income	(9,707)	(1,025)
Dividends income	(14,038)	(10,425)
Loss (gain) on disposal of property, plant, equipment and ornaments	4,249	(403)
Gain on lease modification	-	(26)
(Reversal of) write-down of inventories	(236,228)	328,862
Gain on foreign currency exchange, net	(22,356)	(45,140)
Effect of hyperinflation	671,723	-
Changes in operating assets and liabilities:		
Notes receivable	(19,939)	105,613
Trade receivables	(99,683)	284,259
Other receivables	(13,432)	(88,090)
Inventories	89,335	268,543
Prepayments	(199,449)	(596,141)
Other current assets	(22)	515
Contract liabilities	120,508	(107,832)
Notes payable	(313)	(14,289)
Trade payables	18,203	(599,858)
Other payables	(70,824)	(110,716)
Other current liabilities	46,507	14,887
Net defined benefit liabilities	(3,004)	(3,129)
Cash generated from operations	829,935	1,155,951
Interest received	9,707	1,025
Dividends received	14,038	10,425
Interest paid	(98,483)	(47,902)
Income tax paid	(378,967)	(417,776)
Net cash generated from operating activities	376,230	701,723
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	-	(39,770)
Disposal of financial assets at fair value through other comprehensive income	-	12,532
Acquisition of property, plant and equipment	(621,751)	(259,239)
Proceeds from disposal of property, plant and equipment	36,132	15,248
Decrease (increase) loss in refundable deposits	908	(4,409)
Acquisition of computer software	(4,949)	(4,839)

(Continued)

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
Increase in other non-current assets	\$ (13,526)	\$ -
Increase in prepayments for equipment	<u>(325,131)</u>	<u>(875,322)</u>
Net cash used in investing activities	<u>(928,317)</u>	<u>(1,155,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15,062,824	16,153,950
Repayments of short-term borrowings	(14,106,998)	(16,212,942)
Proceeds from short-term bills payable	100,000	-
Proceeds from long-term borrowings	600,000	1,000,000
Repayments of long-term borrowings	(259,524)	(257,142)
Increase in guarantee deposits received	2,936	12,174
Repayments of the principal portion of lease liabilities	(5,428)	(5,639)
Dividends paid to owners of the Company	<u>(669,309)</u>	<u>(666,964)</u>
Net cash generated from financing activities	<u>724,501</u>	<u>23,437</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(456,493)</u>	<u>(74,686)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(284,079)</u>	<u>(505,325)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>951,207</u>	<u>1,396,077</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 667,128</u>	<u>\$ 890,752</u>

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

(Concluded)

YC INOX CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

YC Inox Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in January 1973, and is mainly engaged in the production, processing and sale of stainless steel pipes, stainless steel sheets and coils, agency services and international trading of stainless steel products.

The Company’s shares were listed and have been trading on the Taiwan Stock Exchange since September 2001.

The consolidated financial statements of the Company and its subsidiaries (referred to collectively as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 10, 2023.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the 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 a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2024

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

- b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

c. Basis of consolidation

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

See Note 11 and Table 5 for the detailed information on subsidiaries (including the percentage of ownership and main business).

d. Other material accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2022.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The material accounting judgments and key sources of estimation uncertainty of these interim consolidated financial statements are the same as those applied to the preparation of the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 1,341	\$ 1,043	\$ 1,028
Checking accounts and demand deposits	665,787	796,557	604,201
Cash equivalents (investments with original maturities of 3 months or less)	<u>-</u>	<u>153,607</u>	<u>285,523</u>
	<u>\$ 667,128</u>	<u>\$ 951,207</u>	<u>\$ 890,752</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily measured at FVTPL			
Domestic listed shares	\$ <u>258,656</u>	\$ <u>248,011</u>	\$ <u>221,104</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON - CURRENT

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Investments in equity instruments</u>			
Foreign unlisted shares	\$ 277,645	\$ 277,645	\$ 250,311
Domestic emerging-market shares	<u>1,631,842</u>	<u>2,728,956</u>	<u>3,499,878</u>
	<u>\$ 1,909,487</u>	<u>\$ 3,006,601</u>	<u>\$ 3,750,189</u>

These investments in equity instruments are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. TRADE RECEIVABLES

	September 30, 2023	December 31, 2022	September 30, 2022
At amortized cost			
Gross carrying amount	\$ 882,793	\$ 831,620	\$ 951,515
Less: Allowance for impairment loss	<u>(2,242)</u>	<u>(2,242)</u>	<u>(2,242)</u>
	880,551	829,378	949,273
At FVTOCI	<u>52,684</u>	<u>12,047</u>	<u>34,622</u>
	<u>\$ 933,235</u>	<u>\$ 841,425</u>	<u>\$ 983,895</u>

a. At amortized cost

The credit period of sales of goods is 30 to 150 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

The loss allowance of trade receivables of the Group was as follows:

	Not Past Due	Past Due 1-60 Days	Past Due 61-120 Days	Past Due 121-180 Days	Past Due More than 180 Days	Total
<u>September 30, 2023</u>						
Expected credit loss rate (%)	0	9.35-23.49	18.29-23.43	0-23.32	100	
Gross carrying amount	\$ 775,897	\$ 106,896	\$ -	\$ -	\$ -	\$ 882,793
Loss allowance	-	(2,242)	-	-	-	(2,242)
Amortized cost	<u>\$ 775,897</u>	<u>\$ 104,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,551</u>
<u>December 31, 2022</u>						
Expected credit loss rate (%)	0	0-5.26	2.96-15.73	4.35-15.21	100	
Gross carrying amount	\$ 731,329	\$ 100,275	\$ 16	\$ -	\$ -	\$ 831,620
Loss allowance	-	(2,242)	-	-	-	(2,242)
Amortized cost	<u>\$ 731,329</u>	<u>\$ 98,033</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 829,378</u>
<u>September 30, 2022</u>						
Expected credit loss rate (%)	0	1	10	50	100	
Gross carrying amount	\$ 857,106	\$ 94,409	\$ -	\$ -	\$ -	\$ 951,515
Loss allowance	-	(2,242)	-	-	-	(2,242)
Amortized cost	<u>\$ 857,106</u>	<u>\$ 92,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 949,273</u>

b. At FVTOCI

The Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group had no overdue trade receivables, and no impairment loss was recognized within the respective aging ranges.

Refer to Note 26 for details of the factoring agreements for trade receivables.

10. INVENTORIES

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 1,916,980	\$ 2,056,274	\$ 2,842,911
Work in progress	122,506	93,197	105,941
Semi-finished goods	502,739	402,878	438,132
Finished goods	2,463,089	2,594,961	2,430,222
Merchandise	<u>13,333</u>	<u>24,954</u>	<u>37,341</u>
	<u>\$ 5,018,647</u>	<u>\$ 5,172,264</u>	<u>\$ 5,854,547</u>

Operating costs related to inventory for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 was \$3,654,385 thousand, \$3,849,391 thousand, \$10,678,999 thousand and \$11,261,497 thousand, respectively.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Write-down (reversal of write-down) of inventories	<u>\$ 78,841</u>	<u>\$ (157,909)</u>	<u>\$ 236,228</u>	<u>\$ (328,862)</u>

Inventory write-downs were reversed as a result of increased selling prices of raw materials.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	% of Ownership		
		September 30, 2023	December 31, 2022	September 30, 2022
The Company	Chi Mao Investment Co., Ltd. (Chi Mao Company)	100	100	100
	YC INOX TR CELIK SANAYI VE TICARET A.S. (YC INOX TR Company)	100	100	100

For the nature of activities of the subsidiaries listed above, refer to Table 5.

The Company invested \$3,286,873 thousand in YC INOX TR Company, which was engaged in a seasoned equity offering for the year ended December 31, 2022. The aforementioned investment has been approved by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs (MOEA). Among the investments, the Group has been planning to increase the investment in YC INOX TR Company by TRY820,000 thousand, which was approved by the Company's board of directors in November 2022 and subsequently invested \$641,560 thousand, \$306,850 thousand and \$415,381 thousand, equivalent to TRY372,142 thousand, TRY187,555 thousand and TRY260,303 thousand in November 2022, January 2023 and February 2023, respectively. The aforementioned investments have been approved by the MOEA.

The Group has been planning to increase the investment in YC INOX TR Company by TRY900,000 thousand, which was approved by the Company's board of directors in May 2023 and subsequently investing \$430,360 thousand, equivalent to TRY272,645 thousand in May 2023 and \$314,200 thousand, equivalent to TRY269,329 thousand in August 2023. As of November 2, 2023, the aforementioned investments were approved by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs.

12. PROPERTY, PLANT AND EQUIPMENT

For the Nine Months Ended September 30, 2023						
	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Beginning balance January 1, 2023	\$ 2,318,756	\$ 1,497,060	\$ 3,185,073	\$ 1,229,703	\$ 886,641	\$ 9,117,233
Additions	-	8,609	102,632	79,555	275,118	465,914
Disposals	-	-	(18,481)	(82,105)	-	(100,586)
Reclassification	-	415,470	92,378	12,231	(413,325)	106,754
Effects of foreign currency exchange differences and inflation adjustments	(9,410)	543,185	276,676	12,700	(364,390)	458,761
Ending balance September 30, 2023	<u>\$ 2,309,346</u>	<u>\$ 2,464,324</u>	<u>\$ 3,638,278</u>	<u>\$ 1,252,084</u>	<u>\$ 384,044</u>	<u>\$ 10,048,076</u>
<u>Accumulated depreciation</u>						
Beginning balance January 1, 2023	\$ -	\$ 654,788	\$ 1,888,623	\$ 530,317	\$ -	\$ 3,073,728
Additions	-	59,927	126,385	73,168	-	259,480
Disposals	-	-	(16,317)	(43,888)	-	(60,205)
Effects of foreign currency exchange differences and inflation adjustments	-	7,048	30,160	2,867	-	40,075
Ending balance September 30, 2023	<u>\$ -</u>	<u>\$ 721,763</u>	<u>\$ 2,028,851</u>	<u>\$ 562,464</u>	<u>\$ -</u>	<u>\$ 3,313,078</u>
Ending carrying amount	<u>\$ 2,309,346</u>	<u>\$ 1,742,561</u>	<u>\$ 1,609,427</u>	<u>\$ 689,620</u>	<u>\$ 384,044</u>	<u>\$ 6,734,998</u>
For the Nine Months Ended September 30, 2022						
	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Beginning balance January 1, 2022	\$ 2,157,132	\$ 1,482,722	\$ 2,631,388	\$ 950,326	\$ 393,831	\$ 7,615,399
Additions	-	7,335	282,678	69,119	316,671	675,803
Disposals	-	-	(60,148)	(18,607)	-	(78,755)
Reclassifications	-	-	67,390	10,696	-	78,086
Effects of Foreign Currency Exchange Differences	(27,398)	-	(15,300)	(1,357)	(90,498)	(134,553)
Ending balance September 30, 2022	<u>\$ 2,129,734</u>	<u>\$ 1,490,057</u>	<u>\$ 2,906,008</u>	<u>\$ 1,010,177</u>	<u>\$ 620,004</u>	<u>\$ 8,155,980</u>
<u>Accumulated depreciation</u>						
Beginning balance January 1, 2022	\$ -	\$ 586,798	\$ 1,791,190	\$ 447,474	\$ -	\$ 2,825,462
Additions	-	50,591	104,339	63,735	-	218,665
Disposals	-	-	(57,879)	(6,031)	-	(63,910)
Effects of Foreign Currency Exchange Differences	-	-	(730)	(218)	-	(948)
Ending balance September 30, 2022	<u>\$ -</u>	<u>\$ 637,389</u>	<u>\$ 1,836,920</u>	<u>\$ 504,960</u>	<u>\$ -</u>	<u>\$ 2,979,269</u>
Ending carrying amount	<u>\$ 2,129,734</u>	<u>\$ 852,668</u>	<u>\$ 1,069,088</u>	<u>\$ 505,217</u>	<u>\$ 620,004</u>	<u>\$ 5,176,711</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Office buildings	20-35 years
Plants	10-20 years
Machinery and equipment	3-20 years
Other equipment	3-50 years

Farmland held by the Company which is situated in No.75-1 and 75-2 (2,044 square meters) of Jiumei Section, Shijou Township, Chang-Hwa County and No.115 (171 square meters), No.115-1 and 115-2 (3,218 square meters), and No.116 (120 square meters) situated in Xinguan Section., Puoshing Township, Chang-Hwa County were designated as parking lots, finished goods storage and loading areas. As registration for the transfer of ownership rights cannot currently be implemented in accordance with the law, all the farmland was registered under the name of Chairman Chang, Chin-Yu, and all the 6 lots of land were mortgaged to the Company for a total of \$40,000 thousand.

Furthermore, in September 2023, the Company acquired agricultural land located at No.74-3 (6,273 square meters) of Jiumei Section, Shijou Township, Chang-Hwa County for a contract price of \$17,272 thousand. This land is currently being used as carpark, storage space for finished goods, loading and unloading bay. As registration for transfer of ownership rights cannot currently be implemented in accordance with the law, the property is currently being registered under the name of Chairman Chang, Chin-Yu. The Company has secured a mortgage on the aforementioned land for a total consideration of \$30 million. As of September 30, 2023, the relevant prepayment for the land was recognized as other non-current asset, as the acceptance process has not been completed.

No impairment assessment was performed for the nine months ended September 30, 2023 and 2022 as there was no indication of impairment.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2023		December 31, 2022		September 30, 2022	
<u>Carrying amount</u>						
Land	\$	2,377	\$	2,623	\$	2,705
Buildings		500		800		900
Transportation equipment		4,418		6,480		5,532
Other equipment		<u>2,683</u>		<u>4,878</u>		<u>5,609</u>
	\$	<u>9,978</u>	\$	<u>14,781</u>	\$	<u>14,746</u>
	For the Three Months Ended September 30		For the Nine Months Ended September 30			
	2023	2022	2023	2022		
Additions to right-of-use assets			\$	<u>1,623</u>	\$	<u>15,906</u>
Depreciation of right-of-use assets						
Land	\$	82	\$	82	\$	192
Buildings		100		300		300
Transportation equipment		859		2,178		1,623
Other equipment		<u>732</u>		<u>2,195</u>		<u>2,095</u>
	\$	<u>1,773</u>	\$	<u>1,473</u>	\$	<u>4,210</u>

The Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2023 and 2022.

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amount</u>			
Current	\$ 6,310	\$ 6,303	\$ 5,930
Non-current	<u>3,423</u>	<u>8,161</u>	<u>8,443</u>
	<u>\$ 9,733</u>	<u>\$ 14,464</u>	<u>\$ 14,373</u>

Discount rates for lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Land	2.20%	2.20%	2.20%
Buildings	1.15%	1.15%	1.15%
Transportation equipment	16.50%-28.00%	16.50%-28.00%	16.50%-28.00%
Other equipment	2.60%	2.60%	2.60%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Expenses relating short-term leases	<u>\$ 818</u>	<u>\$ 115</u>	<u>\$ 2,154</u>	<u>\$ 383</u>
Expenses relating to low value asset leases	<u>\$ 506</u>	<u>\$ 173</u>	<u>\$ 942</u>	<u>\$ 702</u>
Total cash outflow for leases			<u>\$ 8,524</u>	<u>\$ 6,724</u>

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

d. Material leasing activities and terms (the Group is lessee)

The Group leases certain land, buildings, transportation equipment and other equipment for operating uses with lease terms of 2 to 9 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings, transportation equipment and other equipment at the end of the lease terms.

14. COMPUTER SOFTWARE

For the Nine Months Ended September 30, 2023					
	Beginning Balance	Additions	Disposals	Effects of Foreign Currency Exchange Differences and Inflation Adjustments	Ending Balance
Cost	\$ 14,840	<u>\$ 4,949</u>	<u>\$ -</u>	<u>\$ (419)</u>	\$ 19,370
Accumulated amortization	<u>6,243</u>	<u>\$ 4,301</u>	<u>\$ -</u>	<u>\$ (363)</u>	<u>10,181</u>
	<u>\$ 8,597</u>				<u>\$ 9,189</u>
For the Nine Months Ended September 30, 2022					
	Beginning Balance	Additions	Disposals	Effects of Foreign Currency Exchange Differences and Inflation Adjustments	Ending Balance
Cost	\$ 9,903	<u>\$ 4,839</u>	<u>\$ (1,266)</u>	<u>\$ (69)</u>	\$ 13,407
Accumulated amortization	<u>3,543</u>	<u>\$ 2,570</u>	<u>\$ (1,266)</u>	<u>\$ (21)</u>	<u>4,826</u>
	<u>\$ 6,360</u>				<u>\$ 8,581</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1-5 years.

15. BORROWINGS

a. Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Letter of credit borrowings and export bills	\$ 2,009,962	\$ 1,254,074	\$ 2,034,467
Line of credit borrowings	<u>3,770,000</u>	<u>3,570,000</u>	<u>3,470,000</u>
	<u>\$ 5,779,962</u>	<u>\$ 4,824,074</u>	<u>\$ 5,504,467</u>
<u>Annual interest rate range (%)</u>			
Letter of credit borrowings and export bills	1.76-6.74	1.18-6.21	1.15-4.93
Line of credit borrowings	1.53-2.33	1.22-2.24	0.87-1.79

b. Short-term bills payable

	September 30, 2023	December 31, 2022	September 30, 2022
Commercial paper	\$ 100,000	\$ -	\$ -
Less: Unamortized discount on bills payable	<u>(20)</u>	<u>-</u>	<u>-</u>
	<u>\$ 99,980</u>	<u>\$ -</u>	<u>\$ -</u>
Annual interest rate range (%)	1.81	-	-

c. Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ 2,383,333	\$ 2,042,857	\$ 1,642,858
Less: Current portion	<u>(357,143)</u>	<u>(160,714)</u>	<u>(121,429)</u>
Long-term borrowings	<u>\$ 2,026,190</u>	<u>\$ 1,882,143</u>	<u>\$ 1,521,429</u>
Annual interest rate range (%)	1.66-1.74	1.43-1.80	1.29-1.41

The line of credit borrowings of the Group will be repaid in New Taiwan dollars. The borrowings are repayable in installments or paid in one lump sum upon maturity at varying amounts from October 2024 to November 2027.

16. BONDS PAYABLE

	September 30, 2023	December 31, 2022	September 30, 2022
3 rd domestic unsecured convertible bonds	<u>\$ 719,868</u>	<u>\$ 765,149</u>	<u>\$ 763,635</u>

On December 15, 2020, the Company issued 5-year, 0% NTD-denominated unsecured convertible bonds in Taiwan for \$1,000,000 thousand, and the maturity date of the bonds is December 15, 2025. Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$26.5, which shall be later adjusted in accordance with the formula stated in the Anti-dilution provisions of the “Rules and conditions of issuance and conversion of the 3rd domestic unsecured corporate bonds” (as of September 30, 2023, the conversion price has been adjusted to \$22.4). Three months from the date of issuance of the convertible bonds (March 16, 2021) to 40 days before the maturity date (November 5, 2025), if the closing share price of the Company exceeds 30% of the prevailing conversion price for 30 consecutive business days or the outstanding balance falls lower than 10% of the original total issuance amount, the Company may redeem the bonds in cash at face value. In addition, holders may request to sell the bonds they hold back to the Company at any time within 30 days before the expiry of the third year from the date of issuance (December 15, 2023).

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

As of September 30, 2023, the face value of the bonds payable converted by the holders was \$265,300 thousand.

Changes in the master contract of the debt and sell-back rights of derivatives (recognized as financial liabilities at FVTPL - non-current) are as follows:

	Debt Instrument for Master Contracts	
	For the Nine Months Ended September 30	
	2023	2022
Balance at January 1	\$ 765,149	\$ 775,775
Amortization of discount this period	5,138	5,372
Converted into ordinary shares this period	<u>(50,419)</u>	<u>(17,782)</u>
Balance at September 30	<u>\$ 719,868</u>	<u>\$ 763,365</u>

	For the Nine Months Ended September 30	
<u>Derivative Instrument - Call Options (Financial Liabilities)</u>	2023	2022
Balance at January 1	\$ 236	\$ 966
Changes in fair value	<u>(236)</u>	<u>(101)</u>
Balance at September 30	<u>\$ -</u>	<u>\$ 865</u>

17. OTHER PAYABLES

	September 30, 2023	December 31, 2022	September 30, 2022
Payables for salaries and bonuses	\$ 92,213	\$ 141,153	\$ 85,524
Payables for acquisition of equipment	35,040	254,213	540,194
Payables for profit sharing bonus of employees and remuneration of directors	9,311	43,000	100,390
Payables for commission	3,437	3,022	3,729
Others	<u>99,138</u>	<u>98,435</u>	<u>104,485</u>
	<u>\$ 239,139</u>	<u>\$ 539,823</u>	<u>\$ 834,322</u>

18. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2023 and 2022, the pension expenses of defined benefit plans were \$196 thousand and \$192 thousand, respectively, and for the nine months ended September 30, 2023 and 2022, the pension expenses of defined benefit plans were \$588 thousand and \$576 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021, respectively.

19. EQUITY

a. Capital stock

	September 30, 2023	December 31, 2022	September 30, 2022
Authorized shares (in thousands of shares)	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>
Authorized capital	<u>\$ 6,600,000</u>	<u>\$ 6,600,000</u>	<u>\$ 6,600,000</u>
Issued and paid shares (in thousands of shares)	<u>447,427</u>	<u>445,380</u>	<u>445,355</u>
Issued capital	<u>\$ 4,474,265</u>	<u>\$ 4,453,799</u>	<u>\$ 4,453,545</u>
Registered capital (pending change)	<u>\$ 1,518</u>	<u>\$ -</u>	<u>\$ 254</u>

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

b. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to capital</u>			
Additional paid-in capital	\$ 1,466,300	\$ 1,466,300	\$ 1,466,300
Conversion of bonds	531,944	501,394	501,394
Interest premium payable on convertible bonds	5,239	5,239	5,239
<u>Not allowed to be used for any purpose</u>			
Share warrants of convertible bonds	<u>30,060</u>	<u>32,175</u>	<u>32,175</u>
	<u>\$ 2,033,543</u>	<u>\$ 2,005,108</u>	<u>\$ 2,005,108</u>

The capital surplus generated from the excess of the issuance price over the par value of capital stock, the conversion of bonds and interest premium payable on convertible bonds may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended articles of incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of Employees' profit-sharing and directors' compensation, please refer to Note 21.

In line with the current and future development plans, the Company's dividend policy stipulates that at least 50% of the accumulated unappropriated earnings should be distributed as dividends to shareholders, taking into consideration the investment environment, funding needs, and foreign and domestic competition. However, when the dividend is less than 0.5 dollars per share, the Company reserves the right to not distribute any dividends. As the Company belongs to the traditional industry, and current operations have entered into a mature and stable phase, cash dividends should take precedence over share dividends. In the case of distribution of share and cash dividends, the amount of cash dividends distributed should not be lower than 20% of the total dividends distributed.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

In June 2022, the shareholders of the Company held a meeting and resolved to amend the Articles of the Company to specify that when the special reserve is allocated from the net deduction of other equity accumulated in the previous period, if the undistributed surplus in the previous period is insufficient for allocation, the post-tax income plus items other than the after-tax net income of the current period will be added to the undistributed surplus of the current period for the allocation.

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

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Legal reserve	\$ 53,970	\$ 126,576		
Cash dividends	669,309	666,964	\$ 1.5	\$ 1.5

20. NET REVENUE

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 4,057,403	\$ 4,354,184	\$ 11,749,290	\$ 13,403,214
Other operating revenue				
Electricity sales revenue	9,459	-	24,986	-
	<u>\$ 4,066,862</u>	<u>\$ 4,354,184</u>	<u>\$ 11,774,276</u>	<u>\$ 13,403,214</u>

Contract liabilities

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Notes and trade receivables	<u>\$1,041,296</u>	<u>\$ 929,547</u>	<u>\$1,044,502</u>	<u>\$1,408,090</u>
Contract balance				
Sale of goods	<u>\$ 520,210</u>	<u>\$ 407,896</u>	<u>\$ 408,872</u>	<u>\$ 518,204</u>

21. NET PROFIT

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Interest on borrowings	\$ 35,501	\$ 21,192	\$ 99,299	\$ 48,645
Interest on short-term bills payable	100	-	223	30
Interest on lease liabilities	90	(26)	925	1,227
Interest on bonds payable	<u>1,683</u>	<u>1,781</u>	<u>5,138</u>	<u>5,372</u>
	<u>\$ 37,374</u>	<u>\$ 22,947</u>	<u>\$ 105,585</u>	<u>\$ 55,274</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Rental income	\$ 8	\$ 8	\$ 23	\$ 23
Dividend income	14,038	10,425	14,038	10,425
Others	3,019	12,806	4,816	21,406
Loss on hyperinflation (e)	<u>(492,489)</u>	<u>-</u>	<u>(671,723)</u>	<u>-</u>
	<u>\$ (475,424)</u>	<u>\$ 23,239</u>	<u>\$ (652,846)</u>	<u>\$ 31,854</u>

c. Employee benefits expense, depreciation expense and amortization expense

For the Three Months Ended September 30						
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries expense	\$ 127,789	\$ 41,694	\$ 169,483	\$ 116,935	\$ 48,274	\$ 165,209
Post-employment benefits						
Defined contribution plans	5,552	2,059	7,611	5,217	1,523	6,740
Defined benefit plans	123	73	196	140	52	192
Directors' compensation	-	(4,548)	(4,548)	-	7,329	7,329
Labor and health insurance expense	13,825	4,078	17,903	12,010	1,516	13,526
Other employee benefits	13,712	3,050	16,762	10,423	2,174	12,597
Depreciation expense	80,424	10,749	91,173	73,067	9,381	82,448
Amortization expense	152	1,417	1,569	111	802	913

For the Nine Months Ended September 30						
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries expense	\$ 386,392	\$ 135,125	\$ 521,517	\$ 374,116	\$ 161,124	\$ 535,240
Post-employment benefits						
Defined contribution plans	15,639	5,596	21,235	14,864	4,526	19,390
Defined benefit plans	368	220	588	420	156	576
Directors' compensation	-	3,988	3,988	-	30,091	30,091
Labor and health insurance expense	40,335	12,598	52,933	37,861	11,906	49,767
Other employee benefits	40,018	7,900	47,918	34,273	6,697	40,970
Depreciation expense	233,025	31,374	264,399	196,046	26,829	222,875
Amortization expense	441	3,860	4,301	192	2,378	2,570

d. Employees' profit-sharing and directors' compensation

The Articles of Incorporation of the Company were amended in June 2022. According to the provisions of the Articles of Incorporation, when the Company has a profit in the year, it should accrue employees' profit-sharing and directors' compensation at rates of 2%-6% and no higher than 2%, respectively, of net income before income tax. The employees' profit-sharing and directors' compensation (and reversal of) for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were estimated as follows:

	For the Three Months Ended September 30			
	2023		2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' profit-sharing	5%	\$ (12,517)	5%	\$ 17,397
Directors' compensation	2%	(5,008)	2%	6,959

	For the Nine Months Ended September 30			
	2023		2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' profit-sharing	5%	\$ 6,653	5%	\$ 71,709
Directors' compensation	2%	2,658	2%	28,681

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

The appropriations of employees' profit-sharing and directors' compensation for 2022 and 2021 that were resolved by the board of directors in March 2023 and 2022, respectively, are as shown below:

	For the Year Ended December 31	
	2022	2021
Employees' profit-sharing	\$ 30,000	\$ 84,774
Directors' compensation	13,000	33,909

There is no difference between the actual amounts of employees' profit-sharing and directors' compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' profit-sharing and directors' compensation resolved by the board of directors of the Company is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Loss on hyperinflation

Following the categorization of Turkey with reference to the statistical indices from IMF DATA published by the International Monetary Fund as a country with a three-year cumulative inflation rate exceeding 100%, Turkey fulfills the requirements to be designated as a hyperinflationary economy under IAS 29 beginning April 21, 2022. Furthermore, according to Turkish Statistical Institute estimates, Turkey's consumer price index - annual were 619.09, 432.46 and 401.1 as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively, with an annualized volatility of 43.16% for the nine months ended September 30, 2023. Therefore, the Group has applied hyperinflationary accounting for Turkish subsidiaries whose financial statements have been measured in terms of the current unit of measurement as of September 30, 2023, leading to a loss of \$671,723 thousand on the net monetary position included in profit or loss.

22. INCOME TAX EXPENSE (PROFIT)

- a. Major components of income tax expense (benefit) recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	\$ 48,810	\$ 75,854	\$ 163,023	\$ 382,809
Adjustment for prior years	<u>(16)</u>	<u>177</u>	<u>(10,289)</u>	<u>(5,415)</u>
	48,794	76,031	152,734	377,394
Deferred tax				
In respect of the current period	<u>(79,437)</u>	<u>(6,936)</u>	<u>(58,492)</u>	<u>(33,755)</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (30,643)</u>	<u>\$ 69,095</u>	<u>\$ 94,242</u>	<u>\$ 343,639</u>

- b. Income tax assessments

The tax returns through 2021 of the Company and Chi Mao Company have been assessed by the tax authorities.

23. EARNINGS (LOSS) PER SHARE

	Net Profit (Loss) Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings (Loss) Per Share (NT\$)
<u>For the Three Months Ended September 30, 2023</u>			
Basic earnings (loss) per share			
Net income (loss) for the period attributable to owners of the Company	\$ (187,916)	446,991	<u>\$(0.42)</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	244	
Convertible bonds	<u>1,347</u>	<u>32,799</u>	
Diluted earnings (loss) per share			
Net income (loss) for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ (186,569)</u>	<u>480,034</u>	<u>\$(0.39)</u>

	Net Profit (Loss) Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings (Loss) Per Share (NT\$)
<u>For the Three Months Ended September 30, 2022</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 265,578	445,126	<u>\$0.60</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	2,627	
Convertible bonds	<u>920</u>	<u>33,322</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 266,498</u>	<u>481,075</u>	<u>\$0.55</u>
<u>For the Nine Months Ended September 30, 2023</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 110,759	446,991	<u>\$0.25</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	485	
Convertible bonds	<u>3,922</u>	<u>32,799</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 114,681</u>	<u>480,275</u>	<u>\$0.24</u>
<u>For the Nine Months Ended September 30, 2022</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 1,059,341	445,126	<u>\$2.38</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	3,315	
Convertible bonds	<u>4,217</u>	<u>33,322</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 1,063,558</u>	<u>481,763</u>	<u>\$2.21</u>

The Group may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Group has to assume that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potentially dilutive shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. 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.

24. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the financial statements of cash flows for the nine months ended September 30, 2023 and 2022:

The amount of cash paid for the acquisition of property, plant and equipment for the nine months ended September 30, 2023 and 2022 are as follows:

	For the Nine Months Ended September 30	
	2023	2022
Purchase of property, plant and equipment	\$ 465,914	\$ 675,803
Net changes in payables for acquisition of equipment	219,173	(381,028)
Foreign exchange movements and inflation adjustments	<u>(63,336)</u>	<u>(35,536)</u>
Payments for property, plant and equipment	<u>\$ 621,751</u>	<u>\$ 259,239</u>

b. Changes in liabilities arising from financing activities

For the Nine Months ended September 30, 2023

	Beginning Balance	Cash Flows	Non-cash Changes					Ending Balance
			Exercise of Conversion Option	Discount Amortization	New Lease	Amortized Interest Expense	Change in Exchange Rate	
Short-term borrowings	\$ 4,824,074	\$ 955,826	\$ -	\$ -	\$ -	\$ -	\$ 62	\$ 5,779,962
Short-term bills payable	-	100,000	-	(20)	-	-	-	99,980
Bonds payable	765,149	-	(50,419)	5,138	-	-	-	719,868
Long-term borrowings (including current portion)	2,042,857	340,476	-	-	-	-	-	2,383,333
Guarantee deposits received	30,385	2,936	-	-	-	-	-	33,321
Lease liabilities	<u>14,464</u>	<u>(5,428)</u>	<u>-</u>	<u>-</u>	<u>1,623</u>	<u>925</u>	<u>(1,851)</u>	<u>9,733</u>
	<u>\$ 7,676,929</u>	<u>\$ 1,393,810</u>	<u>\$ (50,419)</u>	<u>\$ 5,118</u>	<u>\$ 1,623</u>	<u>\$ 925</u>	<u>\$ (1,789)</u>	<u>\$ 9,026,197</u>

For the Nine Months ended September 30, 2022

	Beginning Balance	Cash Flows	Non-cash Changes					Ending Balance
			Exercise of Conversion Option	Discount Amortization	New Lease	Amortized Interest Expense	Change in Exchange Rate	
Short-term borrowings	\$ 5,559,180	\$ (58,992)	\$ -	\$ -	\$ -	\$ -	\$ 4,279	\$ 5,504,467
Bonds payable	775,775	-	(17,782)	5,372	-	-	-	763,365
Long-term borrowings (including current portion)	900,000	742,858	-	-	-	-	-	1,642,858
Guarantee deposits received	30,630	12,174	-	-	-	-	-	42,804
Lease liabilities	<u>3,280</u>	<u>(5,639)</u>	<u>-</u>	<u>-</u>	<u>15,906</u>	<u>1,227</u>	<u>(401)</u>	<u>14,373</u>
	<u>\$ 7,268,865</u>	<u>\$ 690,401</u>	<u>\$ (17,782)</u>	<u>\$ 5,372</u>	<u>\$ 15,906</u>	<u>\$ 1,227</u>	<u>\$ 3,878</u>	<u>\$ 7,967,867</u>

25. CAPITAL MANAGEMENT

The capital risk management objective, policy and procedures of the Group, as well as the capital structure of the Group remain consistent with the consolidated financial statements for the year ended December 31, 2022.

26. FINANCIAL INSTRUMENTS

a. Fair value

1) Fair value of financial instruments not measured at fair value

Management of the Group considers the carrying amounts of the Group's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

2) Fair value of financial instruments measured at fair value on a recurring basis

a) Fair value hierarchy

The following analysis details measurement of financial instruments since initial recognition. 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 are as follows:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2023</u>				
Financial assets at FVTPL				
Listed shares	\$ 258,656	\$ -	\$ -	\$ 258,656
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares and emerging-market shares	1,631,842	-	277,645	1,909,487
Investment in debt instruments				
Trade receivables	-	-	52,684	52,684
	<u>\$ 1,890,498</u>	<u>\$ -</u>	<u>\$ 330,329</u>	<u>\$ 2,220,827</u>
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Listed shares	\$ 248,011	\$ -	\$ -	\$ 248,011
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares and emerging-market shares	2,728,956	-	277,645	3,006,601
Investment in debt instruments				
Trade receivables	-	-	12,047	12,047
	<u>\$ 2,976,967</u>	<u>\$ -</u>	<u>\$ 289,692</u>	<u>\$ 3,266,659</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236</u>	<u>\$ 236</u>

	Level 1	Level 2	Level 3	Total
<u>September 30, 2022</u>				
Financial assets at FVTPL				
Listed shares	\$ 221,104	\$ -	\$ -	\$ 221,104
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares and emerging-market shares	3,499,878	-	250,311	3,750,189
Investment in debt instrument				
Trade receivables	<u>-</u>	<u>-</u>	<u>34,622</u>	<u>34,622</u>
	<u>\$ 3,720,982</u>	<u>\$ -</u>	<u>\$ 284,933</u>	<u>\$ 4,005,915</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ 865</u>

There were no transfers between Levels 1 and 2 in the current and prior period.

b) Reconciliation of Level 3 fair value measurements of financial instruments

For the Nine Months ended September 30, 2023

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2023	\$ 277,645	\$ 12,047	\$ 289,692
Net increase in trade receivables	-	133,445	133,445
Trade receivables factoring	<u>-</u>	<u>(92,808)</u>	<u>(92,808)</u>
Balance at September 30, 2023	<u>\$ 277,645</u>	<u>\$ 52,684</u>	<u>\$ 330,329</u>

For the Nine Months ended September 30, 2022

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2022	\$ 250,311	\$ 48,380	\$ 298,691
Net increase in trade receivables	-	25,194	25,194
Trade receivables factoring	<u>-</u>	<u>(38,952)</u>	<u>(38,952)</u>
Balance at September 30, 2022	<u>\$ 250,311</u>	<u>\$ 34,622</u>	<u>\$ 284,933</u>

Financial Liabilities at FVTPL	For the Nine Months Ended September 30	
	2023	2022
<u>Derivatives</u>		
Balance at January 1	\$ 236	\$ 966
Recognized in profit or loss (included in other gains and losses)	<u>(236)</u>	<u>(101)</u>
Balance at September 30	<u>\$ -</u>	<u>\$ 865</u>

c) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Foreign unlisted shares in equity instruments	<p>Discounted cash flow:</p> <p>Future cash flows are discounted at a rate that reflects current borrowing interest rates of bond issuers at the end of the reporting period.</p> <p>Market approach:</p> <p>In the market approach, the selling price of comparable companies was used to estimate the fair value of the target asset through comparison, analysis and adjustments.</p>
Factored trade receivables	As the effect of discounting is not significant, the fair value is measured based on the original invoice amount.
Financial liabilities at FVTPL	<p>The binomial tree evaluation model of convertible bonds:</p> <p>Consideration of the duration, the share price and volatility of the convertible bond object, conversion price, risk-free interest rate, discount rate, liquidity risk of the convertible bonds and other factors</p>

b. Categories of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 258,656	\$ 248,011	\$ 221,104
Financial assets at amortized cost	1,950,162	2,153,135	2,315,546
Financial assets at FVTOCI			
Equity instruments	1,909,487	3,006,601	3,750,189
Trade receivables	52,684	12,047	34,622

(Continued)

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial liabilities</u>			
Amortized cost	\$ 9,461,080	\$ 8,395,637	\$ 8,959,031
FVTPL			
Derivatives	-	236	865
			(Concluded)

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, pledged time deposits (recognized as other current assets) and refundable deposits.

The balances include financial liabilities at amortized cost, which comprise short-term and long-term borrowings (including current portion of long-term borrowings), short-term bills payable, notes payable, trade payables, other payables, bonds payable and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity, trade receivables, trade payables, borrowings, and lease liabilities. The Group's finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The finance department reports quarterly to the management, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There is no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group enters into foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the period are set out in Note 30.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the NTD against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in income before income tax associated with the NTD strengthening 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be an equal and opposite impact on profit (loss) before income tax, and the balances below would be negative.

	Impact on profit or loss	
	For the Nine Months Ended	
	September 30	
	2023	2022
NTD/USD	\$ 8,428	\$ 9,057
TRY/USD	3,256	2,284

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring that most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the period were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk			
Financial assets	\$ 2,100	\$ 155,707	\$ 287,623
Financial liabilities	729,601	779,613	777,738
Cash flow interest rate risk			
Financial assets	437,699	493,293	304,139
Financial liabilities	8,263,275	6,866,931	7,147,325

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the period was outstanding for the whole year. A 0.1% increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.1% higher or lower and all other variables were held constant, the Group's income (loss) before income tax for the nine months ended September 30, 2023 and 2022 would have changed by \$5,869 thousand and \$5,132 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risk levels.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the period.

If equity prices been 1% higher or lower, pre-tax profit for the nine months ended September 30, 2023 and 2022 would have changed by \$2,587 thousand and \$2,211 thousand, respectively.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continuously monitors its exposure to credit risk and the credit ratings of its counterparties, and allocates the total transaction amount among the creditworthy customers. The management also controls credit risk by reviewing the credit limits of its counterparties on an annual basis.

The Group also continuously evaluates the financial status of the customers of the trade receivables, and purchases credit guarantee insurance contracts when necessary.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2023, December 31, 2022 and September 30, 2022, the amount of unused financing facilities was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Amount unused	<u>\$ 13,809,146</u>	<u>\$ 14,280,296</u>	<u>\$ 14,721,926</u>

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

As the Group has sufficient operating capital, there is no liquidity risk from inability to raise funds to satisfy performance obligations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods.

	Less than 1 Year	1-5 Years	Total
<u>September 30, 2023</u>			
Non-interest bearing liabilities	\$ 444,616	\$ -	\$ 444,616
Lease liabilities	6,658	3,568	10,226
Floating interest rate liabilities	6,237,085	2,026,190	8,263,275
Fixed interest rate liabilities	-	734,700	734,700
	<u>\$ 6,688,359</u>	<u>\$ 2,764,458</u>	<u>\$ 9,452,817</u>
<u>December 31, 2022</u>			
Non-interest bearing liabilities	\$ 733,172	\$ -	\$ 733,172
Lease liabilities	7,200	8,360	15,560
Floating interest rate liabilities	4,984,788	1,882,143	6,866,931
Fixed interest rate liabilities	-	786,400	786,400
	<u>\$ 5,725,160</u>	<u>\$ 2,676,903</u>	<u>\$ 8,402,063</u>
<u>September 30, 2022</u>			
Non-interest bearing liabilities	\$ 1,414,409	\$ -	\$ 1,414,409
Lease liabilities	6,711	8,670	15,381
Floating interest rate liabilities	5,625,896	1,521,429	7,147,325
Fixed interest rate liabilities	-	786,400	786,400
	<u>\$ 7,047,016</u>	<u>\$ 2,316,499</u>	<u>\$ 9,363,515</u>

d. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the period were as follows:

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used)
<u>September 30, 2023</u>					
Fubon Bank	\$ 506,087 (USD 15,683)	\$ 225,670 (USD 6,993)	\$ 175,062 (USD 5,425)	\$ 280,417 (USD 8,690)	2M TAIFX3 +0.25%
<u>December 31, 2022</u>					
Fubon Bank	\$ 356,417 (USD 11,606)	\$ 217,211 (USD 7,073)	\$ 161,699 (USD 5,265)	\$ 139,025 (USD 4,533)	2M TAIFX3 +0.25% (Continued)

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used)
<u>September 30, 2022</u>					
Fubon Bank	\$ 673,126 (USD 21,201)	\$ 379,762 (USD 11,961)	\$ 281,909 (USD 8,879)	\$ 293,364 (USD 9,240)	2M TAIFX3 +0.25% (Concluded)

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks (receivables factoring proceeds are classified as other receivables).

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Categories of related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Tai Chyang Investment Co., Ltd.	Other related party
Chin Ying Fa Mechanical Ind Co., Ltd.	Other related party

b. Sale of goods

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	\$ <u>835</u>	\$ <u>684</u>	\$ <u>2,082</u>	\$ <u>2,187</u>

The transactions with the related parties were conducted under normal terms.

c. Receivables from related parties

Line Item	Related Party Category	September 30, 2023	December 31, 2022	September 30, 2022
Trade receivables	Other related parties	\$ <u>462</u>	\$ <u>544</u>	\$ <u>632</u>

d. Other income

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	\$ <u>7</u>	\$ <u>7</u>	\$ <u>22</u>	\$ <u>22</u>

e. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ (2,129)	\$ 22,244	\$ 22,011	\$ 62,812
Post-employment benefits	<u>79</u>	<u>95</u>	<u>273</u>	<u>289</u>
	<u>\$ (2,050)</u>	<u>\$ 22,339</u>	<u>\$ 22,284</u>	<u>\$ 63,101</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for usage of gas and construction:

	September 30, 2023	December 31, 2022	September 30, 2022
Pledged time deposits (classified as other current assets)	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 2,100</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Group as of September 30, 2023 and 2022 were as follows:

- As of September 30, 2023, December 31, 2022 and September 30, 2022, unused letters of credit for purchases of raw materials amounted to \$483,489 thousand, \$479,217 thousand and \$133,879 thousand, respectively.
- As of September 30, 2023, December 31, 2022 and September 30, 2022, unpaid contracts for purchases of raw materials and equipment amounted to \$1,778,384 thousand, \$2,748,210 thousand and \$1,077,516 thousand, respectively.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2023			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 26,639	32.27 (USD : NTD)	\$ 859,626
USD	10,329	27.38 (USD : TRY)	333,091
Financial liabilities			
USD	521	32.27 (USD : NTD)	16,803
USD	234	27.38 (USD : TRY)	7,537
December 31, 2022			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 32,040	30.71(USD : NTD)	\$ 983,951
USD	15,124	18.70(USD : TRY)	464,617
Financial liabilities			
USD	2,431	30.71(USD : NTD)	74,669
USD	7,133	18.70(USD : TRY)	219,149
September 30, 2022			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 33,303	31.75(USD : NTD)	\$ 1,057,382
USD	16,914	18.50(USD : TRY)	536,599
Financial liabilities			
USD	4,777	31.75(USD : NTD)	151,683
USD	9,715	18.50(USD : TRY)	308,209

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

Foreign Currency	For the Three Months Ended September 30, 2023		For the Three Months Ended September 30, 2022	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.0000 (NTD:NTD)	\$ 53,808	1.0000 (NTD:NTD)	\$ 77,990
TRY	1.1818 (TRY:NTD)	<u>49,436</u>	1.6935 (TRY:NTD)	<u>38,106</u>
		<u>\$ 103,244</u>		<u>\$ 116,096</u>
Foreign Currency	For the Nine Months Ended September 30, 2023		For the Nine Months Ended September 30, 2022	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.0000 (NTD:NTD)	\$ 83,408	1.0000 (NTD:NTD)	\$ 165,350
TRY	1.1779 (TRY:NTD)	<u>356,773</u>	1.8420 (TRY:NTD)	<u>209,265</u>
		<u>\$ 440,181</u>		<u>\$ 374,615</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 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 (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (None)

- b. Information on investees (Table 5)
- c. Information on investments in mainland China (None)
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as stainless steel tubes/pipes, stainless steel sheets/coils, and others.

Segment revenue and operating results

	For the Nine Months Ended September 30			
	Segment Revenue		Segment Profit or Loss	
	2023	2022	2023	2022
Stainless steel tubes/pipes	\$ 6,689,577	\$ 7,544,105	\$ 334,190	\$ 847,129
Stainless steel sheets/coils	4,890,151	5,629,460	154,919	230,892
Others	<u>194,548</u>	<u>229,649</u>	<u>17,802</u>	<u>18,983</u>
Generated from continuing operating segment	<u>\$ 11,774,276</u>	<u>\$ 13,403,214</u>	506,911	1,097,004
Finance costs			(105,585)	(55,274)
Interest income			9,707	1,025
Other gains and losses, net			(652,846)	31,854
Net gain (loss) on disposal of property, plant, equipment and ornaments			(4,249)	403
Net gain on foreign exchange			440,181	374,615
Gain (loss) on financial instruments at FVTPL			<u>10,882</u>	<u>(46,647)</u>
Income before income tax			<u>\$ 205,001</u>	<u>\$ 1,402,980</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for nine months ended September 30, 2023 and 2022.

Segment profit represents the gains and losses earned by each segment excluding finance costs, interest income, net other gains and losses, gain (loss) on disposal of property, plant, equipment and ornaments, net gain on foreign exchange, gain (loss) on financial instruments at FVTPL and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

TABLE 1

YC INOX CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 3)	Ending Balance (Note 3)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	The Company	YC INOX TR Company	Other receivables-related party	Yes	\$ 1,613,500 (USD 50,000)	\$ 1,613,500 (USD 50,000)	\$ -	7.81%	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 1,773,170	\$ 3,546,340	

Note 1: 0 represents the parent company.

Note 2: The financing limit for each borrower and aggregate financing limit are 20% and 40%, respectively, of the net assets of the Company.

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

YC INOX CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	YC INOX TR Company	Subsidiary	\$ 1,773,170	\$ 322,700 (USD 10,000)	\$ 322,700 (USD 10,000)	\$ 6,550	\$ -	3.64	\$ 3,546,340	Y	-	-	-

Note 1: 0 represents the parent company.

Note 2: The endorsement/guarantee limit for each entity and aggregate endorsement/guarantee limit are 20% and 40%, respectively, of the net assets of the Company.

Note 3: Figures in foreign currency in the table above were converted into New Taiwan dollars at the exchange rate on the balance sheet date.

TABLE 3

YC INOX CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2023			
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	<u>Ordinary Shares</u>						
	Ta Chen Stainless Pipe Co., Ltd.	None	Financial assets at FVTPL - current	7,019	\$ 258,656	0.29	\$ 258,656
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	11,051	63,987	9.31	63,987
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	7,910	1,469,991	6.98	1,469,991
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-2	None	Financial assets at FVTOCI - non-current	20,426	118,266	23.00	118,266
Chi Mao Company	<u>Ordinary Shares</u>						
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	560	3,242	0.47	3,242
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	871	161,851	0.77	161,851
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-1	None	Financial assets at FVTOCI - non-current	15,915	92,150	4.74	92,150

TABLE 4

YC INOX CO., LTD AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 2)		Acquisition (Note 3)		Disposal				Ending Balance (Note 2)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	Ordinary Shares (Note 1)	Investment accounted for using the equity method	YC INOX TR Company	Subsidiary	2,552	\$ 5,044,831	990	\$ 1,466,791	-	\$ -	\$ -	\$ -	3,542	\$ 6,166,555

Note 1: YC INOX TR Company’s ordinary shares have a par value of TRY1,000 thousand.

Note 2: The balance included the share of profit or loss from investments in subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 3: Refer to Note 11 of consolidated financial statements.

Note 4: Eliminated.

TABLE 5

YC INOX CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company (Note)	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit (Loss)
				September 30, 2023	December 31, 2022	Number of Shares	%	Carrying Amount		
The Company	Chi Mao Company	Shijou Township, Chang-Hwa County, Taiwan	Investment	\$ 100,120	\$ 100,120	10,000,000	100	\$ 195,616	\$ (1,256)	\$ (1,256)
	YC INOX TR Company	Turkey	Manufacturing and distribution of stainless steel tubes/pipes and sheets/coils	7,400,745	5,933,954	3,542	100	6,166,555	(417,871)	(417,871)

Note: Eliminated.

TABLE 6**YC INOX CO., LTD AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2023**

Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of Ownership (%)
Tai Chyang Investment Co., Ltd.	61,209,508	13.67
Chang, Chin-Peng	26,030,000	5.81

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