

**CSBC CORPORATION, TAIWAN AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

Year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CSBC CORPORATION, TAIWAN

WEN-LON CHENG

March 10, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000504

To the Board of Directors and Shareholders of CSBC CORPORATION, TAIWAN

Opinion

We have audited the accompanying consolidated balance sheets of CSBC CORPORATION, TAIWAN and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Accounting estimates and assumptions for total cost of construction contracts

Description

Please refer to Note 4(31) for a description of the accounting policy on construction contracts. Please refer to Note 5 for critical accounting estimates and assumptions for total cost of construction contracts.

The Group is engaged in the business of designing and building of various ships and cruisers. Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

As the data used for assumptions involves subjective judgement and accounting estimates are highly uncertain, this may affect the completeness and relevant assertions. Considering that the estimated total cost of construction contracts is material to the financial statements, therefore, we assessed that these accounting estimates and assumptions as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Assessing the effectiveness of CSBC Group's internal control regarding the estimation process of total cost of construction contract. This includes:
 - (1) Whether the data used by management for estimates and assumptions is complete, relevant and accurate.
 - (2) Whether accounting estimates and assumptions have been reviewed and approved by proper management level.
 - (3) Whether the segregation of duties is appropriate.
2. Obtaining the Estimate at Completion Reports, selecting sample reports and verifying the accuracy, completeness and relevance of the data that was used for assumptions and estimations. Checking whether the use of estimates and assumptions in the Estimate at Completion Reports are appropriate.
3. Comparing cost at completion for the same or similar ships and then assessing the reasonableness of the Estimate at Completion Report.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CSBC CORPORATION TAIWAN, as at and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wang, Kuo-Hua

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,460,846	5	\$ 2,731,884	6
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	21,044	-
1136	Current financial assets at amortised cost	6(3) and 8	17,862	-	16,841	-
1140	Current contract assets	6(22)(26) and 7	4,672,768	10	3,105,843	7
1170	Accounts receivable, net	6(4)(22) and 7	1,331,521	3	2,047,312	5
1200	Other receivables		9,447	-	10,628	-
1210	Other receivables - related parties	7	-	-	117	-
130X	Inventories	6(5)(22)	5,548,029	12	2,827,237	7
1410	Prepayments	6(6) and 7	12,710,110	27	13,272,237	30
1479	Other current assets, others		30,170	-	19,399	-
11XX	Current Assets		<u>26,780,753</u>	<u>57</u>	<u>24,052,542</u>	<u>55</u>
Non-current assets						
1535	Non-current financial assets at amortised cost	6(3) and 8	1,259	-	-	-
1550	Investments accounted for under equity method	6(7)(35) and 7	1,437,395	3	1,466,880	3
1600	Property, plant and equipment	6(8)	13,049,687	28	12,848,497	29
1755	Right-of-use assets	6(9)	3,150,472	7	3,399,477	8
1760	Investment property - net	6(10)(11)	211,559	1	212,239	1
1780	Intangible assets	6(12)	53,606	-	39,426	-
1840	Deferred income tax assets	6(32)	1,496,828	3	1,523,988	4
1920	Guarantee deposits paid		325,168	1	167,059	-
1975	Net defined benefit asset, non-current	6(20)	131,397	-	11,403	-
15XX	Non-current assets		<u>19,857,371</u>	<u>43</u>	<u>19,668,969</u>	<u>45</u>
1XXX	Total assets		<u>\$ 46,638,124</u>	<u>100</u>	<u>\$ 43,721,511</u>	<u>100</u>

(Continued)

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 7,174,580	15	\$ 2,875,834	7
2110	Short-term notes and bills payable	6(14)	3,648,608	8	3,599,104	8
2130	Current contract liabilities	6(22)(26) and 7	7,688,807	17	10,387,846	24
2150	Notes payable	6(22)	17	-	32,424	-
2170	Accounts payable	6(22) and 7	1,385,564	3	1,050,437	2
2200	Other payables	6(15)	1,131,560	2	1,200,085	3
2230	Current income tax liabilities		6,637	-	801	-
2250	Provisions for liabilities - current	6(16)(22)	1,154,186	2	1,018,386	2
2280	Current lease liabilities	6(9)	269,504	1	273,379	1
2310	Advance receipts		98,049	-	14,590	-
21XX	Current Liabilities		<u>22,557,512</u>	<u>48</u>	<u>20,452,886</u>	<u>47</u>
Non-current liabilities						
2500	Non-current financial liabilities at fair value through profit or loss	6(2)(17)	15,896	-	7,045	-
2530	Bonds payable	6(17)	1,775,013	4	1,760,726	4
2540	Long-term borrowings	6(18)	7,076,985	15	2,548,831	6
2570	Deferred income tax liabilities	6(32)	1,324,697	3	1,325,335	3
2580	Non-current lease liabilities	6(9)	2,947,811	6	3,181,022	7
2610	Long-term notes and accounts payable	6(19)	717,121	2	705,134	2
2630	Long-term deferred revenue	6(19)	125,238	-	181,604	-
2645	Guarantee deposits received		283,091	1	287,431	1
2670	Other non-current liabilities, others		1,133	-	7,957	-
25XX	Non-current liabilities		<u>14,266,985</u>	<u>31</u>	<u>10,005,085</u>	<u>23</u>
2XXX	Total Liabilities		<u>36,824,497</u>	<u>79</u>	<u>30,457,971</u>	<u>70</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(21)(23) and 7	9,317,873	20	9,317,873	22
Capital surplus						
3200	Capital surplus	6(17)(24)	752,878	1	3,692,913	8
Retained earnings						
3320	Special reserve	6(24)(25)	3,166,471	7	3,166,471	7
3350	Accumulated deficit		(3,427,274)	(7)	(2,940,035)	(7)
31XX	Equity attributable to owners of the parent		<u>9,809,948</u>	<u>21</u>	<u>13,237,222</u>	<u>30</u>
36XX	Non-controlling interests		<u>3,679</u>	<u>-</u>	<u>26,318</u>	<u>-</u>
3XXX	Total equity		<u>9,813,627</u>	<u>21</u>	<u>13,263,540</u>	<u>30</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 46,638,124</u>	<u>100</u>	<u>\$ 43,721,511</u>	<u>100</u>

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings (losses) per share amount)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(26) and 7	\$ 21,994,050	100	\$ 19,113,429	100
5000	Operating costs	6(5)(12)(30)(31) and 7	(25,090,814)	(114)	(18,558,210)	(97)
5900	Net operating margin		(3,096,764)	(14)	555,219	3
	Operating expenses	6(12)(30)(31)				
6100	Selling expenses		(66,007)	-	(66,478)	-
6200	General and administrative expenses		(362,014)	(2)	(360,333)	(2)
6300	Research and development expenses		(209,163)	(1)	(124,101)	(1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(24,391)	-	(7,221)	-
6000	Total operating expenses		(661,575)	(3)	(558,133)	(3)
6900	Operating loss		(3,758,339)	(17)	(2,914)	-
	Non-operating income and expenses					
7100	Interest income		19,377	-	1,249	-
7010	Other income	6(10)(19)(27)	179,342	1	219,867	1
7020	Other gains and losses	6(28)	209,228	1	(64,134)	-
7050	Finance costs	6(8)(9)(19)(29)	(162,460)	(1)	(101,200)	(1)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	(29,485)	-	(42,553)	-
7000	Total non-operating income and expenses		216,002	1	13,229	-
7900	Profit (loss) before income tax		(3,542,337)	(16)	10,315	-
7950	Income tax expense	6(32)	(6,151)	-	(762)	-
8200	Profit (loss) for the year		<u>(\$ 3,548,488)</u>	<u>(16)</u>	<u>\$ 9,553</u>	<u>-</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plan	6(20)	\$ 145,156	-	\$ 40,933	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(32)	(29,031)	-	(8,187)	-
8300	Total other comprehensive income for the year		<u>\$ 116,125</u>	<u>-</u>	<u>\$ 32,746</u>	<u>-</u>
8500	Total comprehensive (loss) income for the year		<u>(\$ 3,432,363)</u>	<u>(16)</u>	<u>\$ 42,299</u>	<u>-</u>
	Profit (loss), attributable to:					
8610	Owners of the parent		(\$ 3,526,768)	(16)	\$ 13,235	-
8620	Non-controlling interest		(21,720)	-	(3,682)	-
	Total		<u>(\$ 3,548,488)</u>	<u>(16)</u>	<u>\$ 9,553</u>	<u>-</u>
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		(\$ 3,410,643)	(16)	\$ 45,981	-
8720	Non-controlling interest		(21,720)	-	(3,682)	-
	Total		<u>(\$ 3,432,363)</u>	<u>(16)</u>	<u>\$ 42,299</u>	<u>-</u>
9750	Basic earnings (losses) per share	6(33)				
	Total basic earnings (losses) per share		<u>(\$ 3.78)</u>		<u>\$ 0.02</u>	

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent				Total	Non-controlling interests	Total equity
		Share capital - common stock	Capital surplus	Retained Earnings				
				Special reserve	Accumulated deficit			
<u>2021</u>								
Balance at January 2021		\$ 4,730,555	\$ 97,071	\$ 3,166,471	(\$ 2,986,016)	\$ 5,008,081	\$ -	\$ 5,008,081
Profit (loss)		-	-	-	13,235	13,235	(3,682)	9,553
Other comprehensive income		-	-	-	32,746	32,746	-	32,746
Total comprehensive income (loss)		-	-	-	45,981	45,981	(3,682)	42,299
Cash capital increase	6(23)(24) and 7	4,500,000	3,367,059	-	-	7,867,059	-	7,867,059
Share-based payments	6(21)(24) and 7	-	128,818	-	-	128,818	-	128,818
Conversion of convertible bonds	6(17)(23)(24)	87,318	99,965	-	-	187,283	-	187,283
Acquisition of non-controlling interest of a subsidiary	6(35)	-	-	-	-	-	30,000	30,000
Balance at December 31, 2021		\$ 9,317,873	\$ 3,692,913	\$ 3,166,471	(\$ 2,940,035)	\$ 13,237,222	\$ 26,318	\$ 13,263,540
<u>2022</u>								
Balance at January 2022		\$ 9,317,873	\$ 3,692,913	\$ 3,166,471	(\$ 2,940,035)	\$ 13,237,222	\$ 26,318	\$ 13,263,540
Loss		-	-	-	(3,526,768)	(3,526,768)	(21,720)	(3,548,488)
Other comprehensive income		-	-	-	116,125	116,125	-	116,125
Total comprehensive loss		-	-	-	(3,410,643)	(3,410,643)	(21,720)	(3,432,363)
Capital surplus used to offset accumulated deficit	6(24)(25)	-	(2,940,035)	-	2,940,035	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(34)	-	-	-	(16,631)	(16,631)	(919)	(17,550)
Balance at December 31, 2022		\$ 9,317,873	\$ 752,878	\$ 3,166,471	(\$ 3,427,274)	\$ 9,809,948	\$ 3,679	\$ 9,813,627

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 3,542,337)	\$ 10,315
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	24,391	7,221
Depreciation of property, plant and equipment	6(8)(30)	655,832	654,269
Depreciation of right-of-use assets	6(9)(30)	246,367	246,569
Depreciation of investment property	6(11)	680	679
Amortization	6(12)(30)	21,857	12,461
Share of loss of investments accounted for using equity method	6(7)	29,485	42,553
Interest income		(19,377)	(1,249)
Government grant income	6(27)(29)(36)	(11,987)	(11,787)
Gain on valuation of financial assets and liabilities at fair value through profit or loss	6(28)	18,245	(19,055)
Loss on disposal of property, plant and equipment	6(28)	522	5,715
Interest expense	6(29)	162,460	101,200
Share-based payments	6(21)	-	128,818
Changes in operating assets and liabilities			
Changes in operating assets			
Loss on financial assets and liabilities at fair value through profit or loss - current		11,649	-
(Increase) decrease in current contract assets		(1,582,275)	1,688,881
Decrease (increase) in accounts receivable		715,114	(860,454)
Decrease in other receivables		1,867	15,853
Decrease in other receivables - related parties		117	21,828
Increase in inventories		(2,720,792)	(477,875)
Decrease (increase) in prepayments		562,127	(3,369,435)
Increase in other current assets		(11,009)	(14,662)
Decrease (increase) in net defined benefit asset-non-current		25,162	(11,403)
Changes in operating liabilities			
(Decrease) increase in current liabilities		(2,699,039)	3,689,055
(Decrease) increase in notes payable		(32,407)	24,308
Decrease in notes payable - related parties		-	(111,592)
Increase (decrease) in accounts payable		335,127	(550,450)
Decrease in other payables		(70,392)	(106,518)
Increase (decrease) in provisions - current		135,800	(274,376)
Increase (decrease) in receipts in advance		39,081	(5,870)
Increase in net defined benefit liability-non-current		-	37,532
Cash (outflow) inflow generated from operations		(7,703,732)	872,531
Interest received		18,691	1,232
Interest paid		(131,167)	(74,940)
Income tax paid		(2,585)	(813)
Net cash flows (used in) from operating activities		(7,818,793)	798,010

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CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in current financial assets at amortised cost		(\$ 1,021)	(\$ 16,841)
Increase in financial assets at amortised cost - non-current		(1,259)	-
Acquisition of investments accounted for using equity method	6(7)	-	(473,000)
Net cash flow from acquisition of subsidiaries	6(35)(36)	(12,407)	53,000
Cash payments for the purchase of property, plant and equipment	6(36)	(881,130)	(2,199,457)
Proceeds from disposal of property, plant and equipment		263	-
Acquisition of intangible assets	6(12)	(23,037)	(30,411)
Increase in refundable deposits		(268,591)	(116,920)
Decrease in refundable deposits		118,173	6,036
Net cash flows used in investing activities		(1,069,009)	(2,777,593)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans	6(37)	4,298,746	(2,403,312)
Increase in short-term notes and bills payable	6(37)	50,000	900,000
Proceeds from long-term debt	6(37)	4,531,180	-
Repayments of long-term debt	6(37)	-	(2,650,000)
Repayments of principal portion of lease liabilities	6(37)	(234,448)	(231,993)
Increase in guarantee deposit received	6(37)	143,419	145,342
Decrease in guarantee deposit received	6(37)	(147,759)	(141,303)
Decrease in other non-current liabilities	6(37)	(6,824)	(12,171)
Acquisition of ownership interests in subsidiaries	6(34)	(17,550)	-
Cash capital increase	6(23)	-	7,867,059
Net cash flows from financing activities		8,616,764	3,473,622
Net (decrease) increase in cash and cash equivalents		(271,038)	1,494,039
Cash and cash equivalents at beginning of year	6(1)	2,731,884	1,237,845
Cash and cash equivalents at end of year	6(1)	\$ 2,460,846	\$ 2,731,884

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) On May 1, 1946, Taiwan Machinery and Shipbuilding Company was established by the government, and then was divided into two companies ‘Taiwan Machinery Corporation’ and ‘Taiwan Shipbuilding Corporation (TSBC)’ to split the machinery and shipbuilding business for the purpose of management. In the late 1960s, the government built large shipyards in Xiaogang Kaohsiung which is the current place of business for CSBC CORPORATION, TAIWAN (the “Company”).
- (2) In July 1973, China Shipbuilding Corporation was established by the government. In the early days, most of its labour and techniques were supported by TSBC and they were both reverted to become state - owned companies under the Ministry of Economic Affairs. In January 1978, China Shipbuilding Corporation merged with TSBC and China Shipbuilding Corporation became the surviving company. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the business of building, manufacturing and repairing of various ships and onshore equipment, ship coating, anti-corrosion coating on large steel structure, surface treatment and professional coating.
- (3) On March 1, 2007, China Shipbuilding Corporation changed its name to CSBC Corporation, Taiwan.
- (4) The Company became a listed company since December 22, 2008.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
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

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	% of shares held as of		Description
			2022	2021	
CSBC CORPORATION, TAIWAN	CSBC Coating Solutions Co., Ltd.	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	100	
	CSBC Power Technology Co., Ltd.	Manufacturing of ships and its components etc.	86.67	60	Note 1
CSBC Coating Solutions Co., Ltd.	BLUE ACE CORPORATION	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	100	
	CSBC Construction Co., Ltd.	Construction project	100	-	Note 2
CSBC Coating Solutions Co., Ltd.	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Marine works services	100	100	

Note 1: On August 12, 2021, the Company cumulatively held a 60% equity interest and obtained control over the investee. Furthermore, on October 12, 2022, the Company acquired an additional 26.67% of outstanding shares in that investee. Refer to Notes 6(34) and 6(35) for further information.

Note 2: On April 18, 2022, the subsidiary acquired 100% of ownership interest in this company to acquire control over this company. Refer to Note 6(35) for further information.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(5) Classification of current and non-current items

- A. The Company is engaged in the business of shipbuilding, vessel building, major machinery building and ship repairing such that the contractual periods of these projects are usually over one year. Therefore, the assets and liabilities of these projects are classified as current assets or liabilities if the period of the project is shorter than the operating cycle; otherwise they are classified as non-current assets or liabilities. The classification criteria of assets and liabilities that are not project related are as follows : Current assets include cash, the assets held for trading or the assets arising from operating activities that are expected to be consumed or to be realized within twelve months from the balance sheet date; fixed assets and other assets that are not classified as current assets are non-current assets. Current liabilities include the liabilities arising mainly from trading activities and are expected to be settled within twelve months from the balance sheet date. The liabilities that are not classified as current liabilities are non-current liabilities.
- B. Classification of current and non-current items of the Company's subsidiaries is as follows:
 - (a) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - i. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - ii. Assets held mainly for trading purposes;
 - iii. Assets that are expected to be realised within twelve months from the balance sheet date;
 - iv. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

(b) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- i. Liabilities that are expected to be settled within the normal operating cycle;
- ii. Liabilities arising mainly from trading activities;
- iii. Liabilities that are to be settled within twelve months from the balance sheet date;
- iv. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(14) Investments accounted for under the equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Investment accounted for using equity method-joint ventures

Investment of joint arrangements are classified as joint ventures based on its contractual rights and obligations. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvements	5 ~ 50 years
Buildings and structures	8 ~ 65 years
Machinery and equipment	2 ~ 58 years
Transportation equipment	3 ~ 40 years
Leasehold improvements	3 ~ 14 years
Other equipment	2 ~ 14 years

(17) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable;

- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 60 years.

(19) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(20) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(22) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Convertible bonds

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus - share options’.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and nonvesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

- A. The revenues from construction contracts in relation to shipbuilding, vessel construction and machinery manufacturing are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the workload completed to the total expected workload of the contracts. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- B. The revenues from service contract in relation to ship/vessel repairs and anti-corrosion coating are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the actual cost incurred to the total expected cost of the contracts. At the beginning of the contract period, as the Group may find it difficult to estimate the result of obligation performance, it estimates the actual cost incurred for performing obligations which could be recovered. The contract revenue should be recognised only to the extent of actual costs incurred until the result of obligation performance could be measured reasonably.
- C. The Group's estimate about revenue, costs and percentage-of-completion is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

- D. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, according to the agreements, the Group does not adjust the transaction price to reflect the time value of money.
- E. The Company classifies its ship leasing business as an operating lease. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(32) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(33) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Construction contracts

The Group recognises construction contract revenue and costs using the percentage-of-completion method, wherein the revenue to be recognised is equal to the percentage of completed work out of the total estimated work.

Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

If the estimated total contract costs had increased/ decreased by 1% with all other variables held constant, construction profit for the year ended December 31, 2022 would have decreased by \$544,800 or increased by \$595,734 (the construction profit for the year ended December 31, 2021 would have decreased by \$445,900 or increased by \$365,873).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 620	\$ 696
Checking accounts and demand deposits	766,500	2,073,781
Time deposits	<u>1,693,726</u>	<u>657,407</u>
	<u>\$ 2,460,846</u>	<u>\$ 2,731,884</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. On December 31, 2022 and 2021, due to the issuance of letters of credit and letters of guarantee, pledges and collateral, the Group had restricted cash and cash equivalents in the amounts of \$15,441 and \$16,841, respectively, which were classified as financial assets at amortised cost. Refer to Note 6(3) for further information.

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Cross currency swap	\$ -	\$ 21,044
Non-current items:		
Financial liabilities designated as at air value through profit or loss		
Call and put options embedded in convertible bonds	(\$ 16,805)	(\$ 16,805)
Valuation adjustment	909	9,760
	<u>(\$ 15,896)</u>	<u>(\$ 7,045)</u>

A. Information about the amounts recognised in profit or loss in relation to financial assets (liabilities) at fair value through profit or loss is provided in Note 6(28).

B. The Group entered into cross currency swap contracts to hedge risks arising from exchange rate fluctuations on forecast transactions. The information on cross currency swap contracts that are not accounted for under hedge accounting on the balance sheet date and are not expired is as follows:

December 31, 2021			
Contract amount (in thousands)	Expiry date	Interest rate of amount paid	Interest rate of amount collected
EUR 17,611	2022.11.25	-	0.433%

There was no such transaction as of December 31, 2022.

C. Information about the terms of the first domestic secured convertible bonds issued by the Group is provided in Note 6(17).

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Restricted bank deposits	\$ 15,441	\$ 16,841
Pledged time deposits	2,421	-
Total	<u>\$ 17,862</u>	<u>\$ 16,841</u>
Non-current items:		
Pledged time deposits	<u>\$ 1,259</u>	<u>\$ -</u>

- A. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$19,121 and \$16,841, respectively.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Accounts receivable, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Construction receivables	\$ 1,326,085	\$ 2,180,583
Repair receivables	250,336	118,741
Lease payments receivable	<u>1,099</u>	<u>1,099</u>
	1,577,520	2,300,423
Less: Allowance for doubtful accounts	(<u>329,872</u>)	(<u>325,722</u>)
	<u>1,247,648</u>	<u>1,974,701</u>
Accounts receivable - related parties	84,256	72,611
Less: Allowance for doubtful accounts	(<u>383</u>)	<u>-</u>
	<u>83,873</u>	<u>72,611</u>
	<u>\$ 1,331,521</u>	<u>\$ 2,047,312</u>

- A. As of December 31, 2022 and 2021, accounts receivable was mainly from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers (including related parties) amounted to \$1,469,706.
- B. As at December 31, 2022 and 2021, with taking into account collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company' accounts receivable (including related parties) was \$1,331,521 and \$2,047,312, respectively.
- C. The Group had no past due accounts receivable.
- D. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,263,424	(\$ 37,271)	\$ 5,226,153
Work in process and repair of goods	286,937	-	286,937
Construction in progress	34,939	-	34,939
	<u>\$ 5,585,300</u>	<u>(\$ 37,271)</u>	<u>\$ 5,548,029</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,759,321	(\$ 38,677)	\$ 2,720,644
Work in process and repair of goods	106,593	-	106,593
	<u>\$ 2,865,914</u>	<u>(\$ 38,677)</u>	<u>\$ 2,827,237</u>

The amount of inventories recognised as expense for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,	
	2022	2021
Raw materials costs	\$ 12,733,511	\$ 7,752,754
Gain from reversal of obsolete inventories	(1,406)	(3,496)
	<u>\$ 12,732,105</u>	<u>\$ 7,749,258</u>

The Group reversed a previous inventory write-down and accounted for this transaction as a reduction of expenses because the related inventory items were scrapped or sold in 2022 and 2021.

(6) Prepayments

	December 31, 2022	December 31, 2021
Prepayments of suppliers	\$ 12,510,046	\$ 13,231,771
Excess VAT paid	114,046	10,506
Other prepayments	86,018	29,960
	<u>\$ 12,710,110</u>	<u>\$ 13,272,237</u>

(7) Investments accounted for under equity method

A. Details of investments accounted for under equity method are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,466,880	\$ 1,059,433
Additional investments accounted for using the equity method	-	473,000
Disposal investments accounted for using the equity method (Note)	-	(23,000)
Share of profit or loss of investments accounted for using the equity method	(29,485)	(42,553)
At December 31	<u>\$ 1,437,395</u>	<u>\$ 1,466,880</u>

Note: Refer to Note 6(35) for information on business combinations.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates:		
Taiwan International Windpower Training Corporation Ltd. (Note 1)	\$ 12,284	\$ 11,463
Taiwan Offshore Wind Farm Services Corporation (Note 2)	-	-
Fuhai Wind Farm Corporation (Note 3)	-	-
Joint Ventures:		
CSBC - DEME Wind Engineering Co., Ltd. (Note 4)	<u>1,425,111</u>	<u>1,455,417</u>
	<u>\$ 1,437,395</u>	<u>\$ 1,466,880</u>

Note 1: On May 11, 2018, with reporting to the Board of Directors for future reference, the Group, Taiwan International Ports Corporation, Ltd. and other companies jointly established Taiwan International Windpower Training Corporation Ltd. for investment. The Group owns 12% of the investee's share capital and one seat in the Board of Directors of the investee.

Note 2: On March 21, 2014, the Board of Directors has resolved that the Group and Taiwan Generations Corporation would jointly establish Taiwan Offshore Wind Farm Services Corporation. The Company has acquired 40% of share capital in September 2014. The Group has ceased recognising its share of losses in this company since the fourth quarter of 2018 and the unrecognised share of losses in associate for the year ended December 31, 2022 and accumulated share of losses in associate amounted to \$342 and \$10,771, respectively.

On December 13, 2022, the shareholders of Taiwan Offshore Wind Farm Services Corporation resolved to process a reduction in paid-in capital of \$9,000, and the resolution had violated the Company Act and the Articles of Incorporation. On January 17, 2023, the Group lodged a complaint to Taipei City Government, and was waiting for the reply of the executive authority.

Note 3: On August 9, 2016, the Board of Directors resolved to invest in Fuhai Wind Farm Corporation and obtained 37.97% of ownership shares. The Group has ceased recognising its share of losses in this company since the third quarter of 2017 and the unrecognised share of losses in associate for the year ended December 31, 2022 and accumulated share of losses in associate amounted to \$12,632 and \$105,768, respectively.

On November 12, 2021, the Board of Directors resolved to increase its paid-in capital by issuing 8,500 thousand new shares with a par value of \$10 (in dollars) per share. On December 23, 2021, the Company filed a litigation to the Taiwan Taipei District Court for a declaratory judgment confirming the invalidity of the resolution of the Board of Directors. On August 12, 2022, the Taiwan Taipei District Court dismissed the Company's case. The Group's ownership interest changed to 31.44%.

Note 4: On September 12, 2018, the Company's Board of Directors resolved to jointly invest in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. (formerly named GeoSea N.V.). Although the Company held a 50.0001% equity interest in CSBC-DEME Wind Engineering Co., Ltd., the resolutions presented to the Board of Directors of CSBC-DEME Wind Engineering Co., Ltd. require a unanimous approval by both the Company and DEME Offshore Holding N.V. as required by the Articles of Incorporation of CSBC-DEME Wind Engineering Co., Ltd.

On January 15, 2020 and March 18, 2021, the Company's Board of Directors resolved to jointly increase investments in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. for building a marine installation vessel in order to implement maritime engineering business. CSBC-DEME Wind Engineering Co., Ltd. completed the capital increase approximately to \$3 billion (approximately EUR 83.24 million). The Company subscribed 15,151,514 shares, equivalent to \$1,500,000, according to its shareholding ratio.

B. The Group's share of the operating results in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2022	2021
Profit for the year from continuing operations	\$ 821	\$ 552
Other comprehensive income - net of tax	-	-
Total comprehensive income	<u>\$ 821</u>	<u>\$ 552</u>

C. Share of the operating results of the Group's individually immaterial joint ventures is summarised below:

	Years ended December 31,	
	2022	2021
Loss for the year from continuing operations	(\$ 30,306)	(\$ 43,105)
Other comprehensive income - net of tax	-	-
Total comprehensive loss	<u>(\$ 30,306)</u>	<u>(\$ 43,105)</u>

D. The Group had impairment loss in investments accounted for using equity method as the carrying amount exceeds recoverable amount. As of December 31, 2022 and 2021, the accumulated impairment loss amounted to \$124,807 and \$124,915, respectively.

(8) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
<u>At January 1, 2022</u>									
Cost	\$6,093,941	\$ 1,156,680	\$ 7,865,426	\$ 12,167,910	\$ 1,590,583	\$ 1,073,756	\$ 158,673	\$ 595,933	\$30,702,902
Accumulated depreciation and impairment	-	(823,555)	(6,776,663)	(8,494,041)	(759,866)	(877,356)	(122,924)	-	(17,854,405)
	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,673,869</u>	<u>\$ 830,717</u>	<u>\$ 196,400</u>	<u>\$ 35,749</u>	<u>\$ 595,933</u>	<u>\$12,848,497</u>
<u>2022</u>									
Opening net book amount as at January 1	\$6,093,941	\$ 333,125	\$ 1,088,763	\$ 3,673,869	\$ 830,717	\$ 196,400	\$ 35,749	\$ 595,933	\$12,848,497
Additions	-	-	-	1,142	-	3,455	6,746	1,725,510	1,736,853
Reclassifications - costs (Note)	-	34,855	88,436	475,844	14,414	-	52,185	(1,544,780)	(879,046)
Disposals - costs	-	-	(897)	(64,076)	(10,671)	-	(5,191)	-	(80,835)
Depreciation charge	-	(29,854)	(60,540)	(436,478)	(72,209)	(42,603)	(14,148)	-	(655,832)
Disposals - accumulated depreciation	-	-	897	63,706	10,261	-	5,186	-	80,050
Closing net book amount as at December 31	<u>\$6,093,941</u>	<u>\$ 338,126</u>	<u>\$ 1,116,659</u>	<u>\$ 3,714,007</u>	<u>\$ 772,512</u>	<u>\$ 157,252</u>	<u>\$ 80,527</u>	<u>\$ 776,663</u>	<u>\$13,049,687</u>
<u>At December 31, 2022</u>									
Cost	\$6,093,941	\$ 1,191,535	\$ 7,952,965	\$ 12,580,820	\$ 1,594,326	\$ 1,077,211	\$ 212,413	\$ 776,663	\$31,479,874
Accumulated depreciation and impairment	-	(853,409)	(6,836,306)	(8,866,813)	(821,814)	(919,959)	(131,886)	-	(18,430,187)
	<u>\$6,093,941</u>	<u>\$ 338,126</u>	<u>\$ 1,116,659</u>	<u>\$ 3,714,007</u>	<u>\$ 772,512</u>	<u>\$ 157,252</u>	<u>\$ 80,527</u>	<u>\$ 776,663</u>	<u>\$13,049,687</u>

Note: The Group previously built a container ship for leasing to others, however, the Board of Directors approved to transfer them for selling. The Group signed a ship sale contract with an owner of ships, and thus the related cost was reclassified as inventory and revenue is recognised in accordance with the construction contract.

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2021</u>									
Cost	\$6,093,941	\$ 1,147,689	\$ 7,701,647	\$ 10,297,052	\$ 1,585,768	\$ 1,073,756	\$ 150,706	\$ 646,483	\$28,697,042
Accumulated depreciation and impairment	-	(791,864)	(6,685,290)	(8,254,867)	(689,443)	(828,611)	(115,899)	-	(17,365,974)
	<u>\$6,093,941</u>	<u>\$ 355,825</u>	<u>\$ 1,016,357</u>	<u>\$ 2,042,185</u>	<u>\$ 896,325</u>	<u>\$ 245,145</u>	<u>\$ 34,807</u>	<u>\$ 646,483</u>	<u>\$11,331,068</u>
<u>2021</u>									
Opening net book amount as at January 1	\$6,093,941	\$ 355,825	\$ 1,016,357	\$ 2,042,185	\$ 896,325	\$ 245,145	\$ 34,807	\$ 646,483	\$11,331,068
Additions	-	-	-	37	281	-	752	2,176,343	2,177,413
Reclassifications - costs	-	8,991	166,905	2,035,498	5,886	-	9,613	(2,226,893)	-
Disposals - costs	-	-	(3,126)	(164,677)	(1,352)	-	(2,398)	-	(171,553)
Depreciation charge	-	(31,691)	(94,431)	(398,295)	(71,775)	(48,745)	(9,332)	-	(654,269)
Disposals - accumulated depreciation	-	-	3,058	159,121	1,352	-	2,307	-	165,838
Closing net book amount as at December 31	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,673,869</u>	<u>\$ 830,717</u>	<u>\$ 196,400</u>	<u>\$ 35,749</u>	<u>\$ 595,933</u>	<u>\$12,848,497</u>
<u>At December 31, 2021</u>									
Cost	\$6,093,941	\$ 1,156,680	\$ 7,865,426	\$ 12,167,910	\$ 1,590,583	\$ 1,073,756	\$ 158,673	\$ 595,933	\$30,702,902
Accumulated depreciation and impairment	-	(823,555)	(6,776,663)	(8,494,041)	(759,866)	(877,356)	(122,924)	-	(17,854,405)
	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,673,869</u>	<u>\$ 830,717</u>	<u>\$ 196,400</u>	<u>\$ 35,749</u>	<u>\$ 595,933</u>	<u>\$12,848,497</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment are as follows:

	Years ended December 31,	
	2022	2021
Amount capitalised	\$ -	\$ 361
Interest rate	—	0.03%~0.97%

B. Significant components and the useful lives of land improvements, buildings, and machinery equipment of the Group are as follows:

- The significant components of land improvements include construction expenses for wharf, which are depreciated over 45 years.
- The significant components of buildings include shipyard, plants and warehouse, and office buildings, which are depreciated over 40, 45 and 60 years, respectively.
- The significant components of machinery equipment include hoisting machine, crane and substation as well as welding machine and working platform, which are depreciated over 25, 20 and 10 years, respectively.

C. The Group's property, plant and equipment all was acquired for self-use and was not pledged to others as collateral.

(9) Lease transactions — lessee

A. The Group leases various assets including land, buildings and terminal equipment. Rental contracts are typically made for periods of 4 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and may not affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Book value	Book value
Land	\$ 2,834,626	\$ 3,010,401
Buildings and structures	69,888	80,356
Transportation equipment (terminal equipment)	245,958	308,720
	<u>\$ 3,150,472</u>	<u>\$ 3,399,477</u>
	Years ended December 31,	
	2022	2021
	Depreciation expense	Depreciation expense
Land	\$ 161,860	\$ 164,179
Buildings and structures	14,083	13,431
Transportation equipment (terminal equipment)	70,424	68,959
	<u>\$ 246,367</u>	<u>\$ 246,569</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$0 and \$145,102, respectively. In addition, the Group had a decrease in lease liabilities of \$2,638 and \$0 for the years ended December 31, 2022 and 2021, respectively, due to the impact of variable lease payments in lease liabilities, and made a corresponding adjustment to the right-of use assets.

D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 40,391	\$ 41,458
Expense on short-term lease contracts	248,753	13,672
Expense on leases of low-value assets	<u>1,172</u>	<u>645</u>
	<u>\$ 290,316</u>	<u>\$ 55,775</u>

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$524,764 and \$287,768, respectively.

(10) Leasing arrangements – lessor

A. The Group leases various assets including land, buildings and ships. Rental contracts are typically made for periods of 2 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To secure the use of the leased assets, the leased assets may not be used to sublease, sublet, lend, donate, sell or grant to others under any method.

In addition, the Group leases rooftop of its plants for lessees to install solar photovoltaic power generation equipment. Rental contracts are typically made for periods of 20 years. Lease payments consist of fixed base rent and variable operating rent.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of \$123,958 and \$209,394, respectively, based on the operating lease agreement, in which the amounts of variable lease payments were not material.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less than 1 year	\$ 25,197	\$ 27,507
Later than 1 year but not later than 5 years	83,330	90,142
Later than 5 years	<u>212,630</u>	<u>230,349</u>
	<u>\$ 321,157</u>	<u>\$ 347,998</u>

(11) Investment property, net

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(20,084)</u>	<u>(20,084)</u>
	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>
<u>2022</u>			
Opening net book amount as at January 1	\$ 202,578	\$ 9,661	\$ 212,239
Depreciation charge	<u>-</u>	<u>(680)</u>	<u>(680)</u>
Closing net book amount as at December 31	<u>\$ 202,578</u>	<u>\$ 8,981</u>	<u>\$ 211,559</u>
<u>At December 31, 2022</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(20,764)</u>	<u>(20,764)</u>
	<u>\$ 202,578</u>	<u>\$ 8,981</u>	<u>\$ 211,559</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(19,405)</u>	<u>(19,405)</u>
	<u>\$ 202,578</u>	<u>\$ 10,340</u>	<u>\$ 212,918</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 202,578	\$ 10,340	\$ 212,918
Depreciation charge	<u>-</u>	<u>(679)</u>	<u>(679)</u>
Closing net book amount as at December 31	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>
<u>At December 31, 2021</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(20,084)</u>	<u>(20,084)</u>
	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2022	2021
Rental income from the lease of the investment property	\$ 26,221	\$ 27,351
Direct operating expenses arising from the investment property that generate rental income in the period	\$ 1,446	\$ 982

B. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 were \$705,345 and \$692,194, respectively, which was revalued by independent valuers. Valuations were made using the comparison method, cost method for land development analysis and the income approach.

(12) Intangible assets

	Years ended December 31, 2022		
	Other intangible		Total
	Software	assets	
<u>At January 1</u>			
Cost	\$ 53,161	\$ -	\$ 53,161
Accumulated amortisation and impairment	(13,735)	-	(13,735)
	<u>\$ 39,426</u>	<u>\$ -</u>	<u>\$ 39,426</u>
Opening net book amount as at January 1	\$ 39,426	\$ -	\$ 39,426
Additions - acquired separately	23,037	-	23,037
Additions - acquired through business combinations	-	13,000	13,000
Disposals - costs	(11,918)	-	(11,918)
Amortisation charge	(21,857)	-	(21,857)
Disposals - accumulated amortisation	11,918	-	11,918
Closing net book amount as at December 31	<u>\$ 40,606</u>	<u>\$ 13,000</u>	<u>\$ 53,606</u>
<u>At December 31</u>			
Cost	\$ 64,280	\$ 13,000	\$ 77,280
Accumulated amortisation and impairment	(23,674)	-	(23,674)
	<u>\$ 40,606</u>	<u>\$ 13,000</u>	<u>\$ 53,606</u>

	Years ended December 31, 2021	
	<u>Software</u>	
<u>At January 1</u>		
Cost	\$	34,869
Accumulated amortisation and impairment	(13,393)
	\$	<u>21,476</u>
Opening net book amount as at January 1	\$	21,476
Additions - acquired separately		30,411
Disposals - costs	(12,119)
Amortisation charge	(12,461)
Disposals - accumulated amortisation		<u>12,119</u>
Closing net book amount as at December 31	\$	<u>39,426</u>
<u>At December 31</u>		
Cost	\$	53,161
Accumulated amortisation and impairment	(13,735)
	\$	<u>39,426</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Operating costs	\$ 20,182	\$ 12,158
Administrative expenses	<u>1,675</u>	<u>303</u>
	<u>\$ 21,857</u>	<u>\$ 12,461</u>

(13) Short-term loans

Type of loans	December 31, 2022	Interest rate range	Collateral
<u>Bank loans</u>			
Unsecured loans	\$ 7,121,000	1.68% ~ 2.30%	None
Procurement unsecured loans	<u>53,580</u>	0.67% ~ 5.99%	None
	<u>\$ 7,174,580</u>		
Type of loans	December 31, 2021	Interest rate range	Collateral
<u>Bank loans</u>			
Unsecured loans	\$ 2,668,000	0.85% ~ 1.80%	None
Procurement unsecured loans	<u>207,834</u>	0.40% ~ 1.35%	None
	<u>\$ 2,875,834</u>		

(14) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial papers payable	\$ 3,650,000	\$ 3,600,000
Less: Unamortized discount	(1,392)	(896)
	<u>\$ 3,648,608</u>	<u>\$ 3,599,104</u>
Annual interest rates	<u>1.50% ~ 2.09%</u>	<u>0.42% ~ 0.72%</u>

The above commercial paper payables are guaranteed and issued by domestic bills financial institutions.

(15) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued expenses	\$ 1,065,724	\$ 1,121,026
Construction payment refund	22,896	41,711
Others	42,940	37,348
	<u>\$ 1,131,560</u>	<u>\$ 1,200,085</u>

(16) Provisions

	<u>Warranty</u>	<u>Onerous contracts</u>	<u>Total</u>
At January 1, 2022	\$ 594,915	\$ 423,471	\$ 1,018,386
Additional provisions	119,543	1,382,466	1,502,009
Used during the year	(122,927)	(1,228,200)	(1,351,127)
Unused amounts reversed	(1,239)	(13,843)	(15,082)
At December 31, 2022	<u>\$ 590,292</u>	<u>\$ 563,894</u>	<u>\$ 1,154,186</u>

The analysis of provisions is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Realised in one year	\$ 461,794	\$ 214,307	\$ 447,495
Realised after one year	692,392	804,079	845,267
	<u>\$ 1,154,186</u>	<u>\$ 1,018,386</u>	<u>\$ 1,292,762</u>

A. Provision for warranty

The Group gives warranties on contracts revenue in relation to shipbuilding, vessel construction and anti-corrosion coating. Provision for warranty is estimated based on historical warranty data of products.

B. Provision for onerous contract

Under the irrevocable contracts of shipbuilding, vessel construction and anti-corrosion coating, the Group's estimated provision for onerous contract is the difference between the inevitable cost of existing obligations to be performed in the future and the expected economic benefits from the contracts. The estimated provision may change with the actual construction situation.

(17) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The first domestic secured convertible bonds	\$ 1,806,300	\$ 1,806,300
Less: Discount on bonds payable	(31,287)	(45,574)
	1,775,013	1,760,726
Less: Expiring within one year (shown as 'long-term liabilities, current portion')	-	-
	<u>\$ 1,775,013</u>	<u>\$ 1,760,726</u>

A. The issuance of domestic convertible bonds by the Company

(a) The terms of the first domestic secured convertible bonds issued by the Company are as follows:

i. The Company issued \$2 billion, 0% first domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 5 years from the issue date (February 24, 2020 ~ February 24, 2025).

The bonds will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on February 24, 2020.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (May 25, 2020) to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds. The conversion price is \$25.1 (in dollars) per share, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be recalculated based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the recalculated conversion price is lower than the conversion price before the recalculation, the conversion price will be adjusted; however, it will not be adjusted if it is higher.

Where there is an increase in the number of the Company's issued shares after the issuance of the bonds, the Company shall adjust the conversion price based on the formula stipulated in the terms of the bonds. As of December 31, 2022, the conversion price was \$22 (in dollars).

iv. The Company may notify to repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the closing price of the Company's common shares is above the then conversion price by at least 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

Alternatively, the Company may repurchase the bonds outstanding in cash at the bonds' face value at any time if the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

v. The bonds set the date after four years from the issue date (February 24, 2024) as the put effective date for the bondholders to early put the bonds back to the Company. The bondholders have the right to require the Company to redeem the bonds in cash at 102.0151% of the bonds' face value (a yield to put of 0.5%).

vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2022, the bonds with a face value of \$193,700 have been converted into 8,795 thousand common shares. Refer to Note 6(23) for details.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$96,153 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.8084%.

(18) Long-term borrowings and long-term liabilities current portion

	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Secured borrowings				
Bank of Panshin	Borrowing period is from June 13, 2022 to June 13, 2026; interest is repayable monthly and principal is repayable in a lump sum amount at maturity.	2.80%	Note 1	\$ 60,000
Unsecured borrowings				
Syndicated loan of several banks consisting of Bank of Taiwan	Refer to note 2 for details.	1.80%~ 1.95%	None	4,000,000
Bank of Panshin	Borrowing period is from Nov. 11, 2022 to Nov. 11, 2026. Refer to note 3 for details.	2.10%	None	
				21,180
				<u>4,081,180</u>
Commercial papers payable				
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2021 to Oct. 25, 2024. Refer to note 4 for details.	1.24%~ 1.26%	None	700,000
Taishin International Bank	Borrowing period is from Jun. 21, 2021 to Dec. 20, 2024. Refer to note 4 for details.	1.09%	None	800,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 24, 2021 to Dec. 15, 2024. Refer to note 4 for details.	1.01%~ 1.24%	None	1,000,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2021 to Jun. 21, 2024. Refer to note 4 for details.	0.95%	None	500,000
Less: Discount on commercial papers payable				(4,195)
				<u>2,995,805</u>
				<u>\$ 7,076,985</u>

	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Commercial papers payable				
Taishin International Bank	Borrowing period is from Jun. 21, 2021 to Dec. 20, 2024. Details are set out at note 4.	0.40%	None	\$ 800,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 24, 2021 to Dec. 15, 2024. Details are set out at note 4.	0.59%	None	700,000
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2021 to Oct. 25, 2024. Details are set out at note 4.	0.55%	None	700,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2021 to Jun. 21, 2024. Details are set out at note 4.	0.50%	None	350,000
Less: Discount on commercial papers payable				(1,169)
				<u>\$ 2,548,831</u>

Note 1: It was a land and building financing of the subsidiary, CSBC Coating Solutions Co., Ltd., under a joint construction and separate sale contract signed with a non-related party. The owner of the land was the joint guarantor and created the land as the first mortgage.

Note 2: For the year ended December 31, 2022, the Group and a bank consortium signed a 5-year syndicated credit contract, and the final maturity date is in September 2027 (except for guarantee for bond issuance which matures 5 years and 3 months after proceeds from issuance of bonds are collected). The credit facilities are divided into Tranche A and Tranche B. For Tranche A long-term bank borrowings, the first installment is 30 months from the date of the first drawn and every six months is an instalments after that, in a total of 6 installment. 10% of the principal is repayable from the first to the fifth instalments, and the remaining principal is repayable in the sixth installment. Tranche B credit facilities are further divided into Tranche B1 - long-term bank borrowings, Tranche B2 - long-term commercial papers payable and Tranche B3 - guarantee for bond issuance. The Group can withdraw the facility at its discretion. For Tranches B1 and B2, when each drawdown expires, the Group can directly repay the loan principal that is originally expired with the new drawn loan, without actually remitting funds.

The syndicated credit contract stipulates several financial restrictions, and the Group did not violate those restrictions.

Note 3: Interest is repayable monthly; the grace period for the principal is 1 year, the principal is repayable monthly in the amount of \$100 from the second year, \$300 from the third year and \$500 from the fourth year, and the remaining principal is repayable at maturity.

Note 4: The Group, bills companies and banks signed the revolving issued commercial papers (60 ~ 180 days) and guaranteed underwriting purchase agreement, and the contract period is 2 ~ 3 years. The agreement can be renewed by both parties upon maturity. During the contract period, the Group only needs to pay fees and interest, and thus it was accounted as ‘long-term borrowings’.

(19) Deferred revenue

A. The Republic of China Government started to promote privatization starting from 2008. The Privatization Fund, Executive Yuan, would provide a loan in the amount of \$1,500,000 to cover a portion of the shortfall to settle the pension and severance obligation as a result of the privatization. The Group was required to repay the loan to the Privatization Fund in a period of ten years, under the condition that the Company is profitable. As approved by the Executive Yuan in November 2022, the Company can make a yearly repayment starting from 2017. If the earnings after tax in the prior year is below \$500 million, the repayment amount is 15% of earnings after tax. If the earnings after tax in the prior year is above \$500 million, the repayment amount is the aforementioned ratio plus 20% of earnings after tax exceeding \$500 million until the loan is fully repaid. The Group uses the average long-term loan interest rate on the loan for discounting. The discounted values are recorded under “long-term notes payable and payables”. The difference between the discounted value and the amount received is listed in “deferred revenue”. The amounts that are payable within one year are listed in “other financial liabilities-current”. The unamortised amounts are shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term notes and accounts receivable	\$ 717,121	\$ 705,134
Long-term deferred revenue	<u>24,379</u>	<u>36,366</u>
	<u>\$ 741,500</u>	<u>\$ 741,500</u>

B. Government grants and interest expenses that should be amortised are recognised under ‘other revenue’ and ‘finance costs’, respectively, for the years ended December 31, 2022 and 2021. For more information, please refer to Notes 6(27) and (29).

(20) Pension

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 13% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. The Company has assessed that the balance is sufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of funded obligations	(\$ 1,913,322)	(\$ 1,813,037)
Fair value of plan assets	<u>2,044,719</u>	<u>1,824,440</u>
Net defined benefit asset	<u>\$ 131,397</u>	<u>\$ 11,403</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset (liability)</u>
<u>Year ended December 31, 2022</u>			
Balance at January 1	(\$ 1,813,037)	\$ 1,824,440	\$ 11,403
Current service cost	(146,232)	-	(146,232)
Interest (expense) income	(26,875)	27,945	1,070
	<u>(1,986,144)</u>	<u>1,852,385</u>	<u>(133,759)</u>
Remeasurements:			
Return on plan assets	-	125,160	125,160
Change in financial assumptions	-	-	-
Experience adjustments	19,996	-	19,996
	<u>19,996</u>	<u>125,160</u>	<u>145,156</u>
Pension fund contribution	-	120,000	120,000
Paid pension	52,826	(52,826)	-
Balance at December 31	<u>(\$ 1,913,322)</u>	<u>\$ 2,044,719</u>	<u>\$ 131,397</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset (liability)
<u>Year ended December 31, 2021</u>			
Balance at January 1	(\$ 1,751,981)	\$ 1,748,580	(\$ 3,401)
Current service cost	(147,030)	-	(147,030)
Interest (expense) income	(25,753)	26,654	901
	<u>(1,924,764)</u>	<u>1,775,234</u>	<u>(149,530)</u>
Remeasurements:			
Return on plan assets	-	4,184	4,184
Change in financial assumptions	-	-	-
Experience adjustments	36,749	-	36,749
	<u>36,749</u>	<u>4,184</u>	<u>40,933</u>
Pension fund contribution	-	120,000	120,000
Paid pension	74,978	(74,978)	-
Balance at December 31	<u>(\$ 1,813,037)</u>	<u>\$ 1,824,440</u>	<u>\$ 11,403</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.50%	1.50%
Future salary increases	3.25%	3.25%

Future mortality rate is estimated with 70% of the 3rd Taiwan Standard Ordinary Experience Mortality Table. The disability rate is set based on 10% of mortality rate.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
Effect on present value of defined benefit obligation				
December 31, 2022	<u>(\$ 34,954)</u>	<u>\$ 35,912</u>	<u>\$ 30,588</u>	<u>(\$ 29,976)</u>
December 31, 2021	<u>(\$ 36,466)</u>	<u>\$ 37,547</u>	<u>\$ 32,464</u>	<u>(\$ 31,750)</u>

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$120,000.
- (g) As of December 31, 2022, the weighted average duration of the defined benefit obligations is 6 years. The distribution of the present value of expected defined benefit obligations (within 10 years) is as follows:

For the year ended December 31, 2023	\$	1,789,199
For the year ended December 31, 2024		1,783,922
For the year ended December 31, 2025		1,798,128
For the year ended December 31, 2026		1,765,933
For the year ended December 31, 2027		1,754,186
For the year ended December 31, 2028		1,615,433
For the year ended December 31, 2029		1,255,152
For the year ended December 31, 2030		819,662
For the year ended December 31, 2031		554,323
For the year ended December 31, 2032		478,114

Note: The same person who meets the retirement conditions will calculate the present value of expected defined benefit obligations in each subsequent year until he/she meets the mandatory retirement age of 65.

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$103,393 and \$101,224, respectively.

(21) Share-based payment

A. The Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2021.02.19	33,989 thousand shares	NA	Vested immediately

The share-based payment arrangements above are settled by equity.

B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Expected price volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Cash capital increase reserved for employee preemption	2021.02.19	21.29 dollars	17.5 dollars	26.61% Note 1	27 days	-	Note 2	3.79 dollars

Note 1: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options’ expected life, and the standard deviation of return on the stock during this period.

Note 2: It was calculated based on the closing price on the valuation date and interest rate of government bonds in the secondary market announced on the website of Taipei Exchange.

C. The Group’s expenses arising from equity-settled share-based payment transactions recognised during the year ended December 31, 2021 was \$128,818. There was no such transaction for the year ended December 31, 2022.

(22) Analysis of assets and liabilities

Assets and liabilities of the Group related to the business of shipbuilding, vessel building, major machinery and ship repair, are classified as current or non-current based on the operating cycle. However, such assets and liabilities were analyzed on "one year" basis as follows:

	<u>Less than 12 months</u>	<u>More than 12 months</u>	<u>Total</u>
<u>December 31, 2022</u>			
Assets			
Contract assets (including related parties)	\$ 4,078,244	\$ 147,993	\$ 4,226,237
Accounts receivable, net (including related parties)	1,303,416	-	1,303,416
Inventories, net	<u>5,508,042</u>	<u>-</u>	<u>5,508,042</u>
	<u>\$ 10,889,702</u>	<u>\$ 147,993</u>	<u>\$ 11,037,695</u>
Liabilities			
Contract liabilities (including related parties)	\$ 304,066	\$ 7,382,944	\$ 7,687,010
Accounts payable	1,173,957	-	1,173,957
Provision for liabilities	<u>461,147</u>	<u>683,322</u>	<u>1,144,469</u>
	<u>\$ 1,939,170</u>	<u>\$ 8,066,266</u>	<u>\$ 10,005,436</u>
	<u>Less than 12 months</u>	<u>More than 12 months</u>	<u>Total</u>
<u>December 31, 2021</u>			
Assets			
Contract assets (including related parties)	\$ 2,522,428	\$ 257,715	\$ 2,780,143
Accounts receivable, net (including related parties)	1,347,575	670,981	2,018,556
Inventories, net	<u>2,827,237</u>	<u>-</u>	<u>2,827,237</u>
	<u>\$ 6,697,240</u>	<u>\$ 928,696</u>	<u>\$ 7,625,936</u>
Liabilities			
Contract liabilities (including related parties)	\$ 51,838	\$ 10,307,752	\$ 10,359,590
Notes payable (including related parties)	32,400	-	32,400
Accounts payable	859,084	-	859,084
Provision for liabilities	<u>213,682</u>	<u>798,299</u>	<u>1,011,981</u>
	<u>\$ 1,157,004</u>	<u>\$ 11,106,051</u>	<u>\$ 12,263,055</u>

(23) Common stock

A. As of December 31, 2022, the Company's authorised capital was \$11,138,997, consisting of 1,113,899.7 thousand shares of ordinary stock and the paid-in capital was \$9,317,873, consisting of 931,787 thousand shares of ordinary stock (including private placement of 60 million shares), with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Shares in thousands	
	2022	2021
At January 1	931,787	473,056
Cash capital increase	-	450,000
Conversion of corporate bonds	-	8,731
At December 31	931,787	931,787

B. For the year ended December 31, 2021, the Company's bonds were converted into 8,731 thousand ordinary shares, of which 8,586 thousand shares and 145 thousand shares were conducted by issuing new shares with effective dates on August 11, 2021 and November 10, 2021, respectively, as approved by the Board of Directors. The registrations have been completed. For the year ended December 31, 2020, the Company's bonds were converted into 64 thousand ordinary shares by issuing new shares with effective date on February 22, 2021, as approved by the Board of Directors. The registration has been completed.

C. In order to fulfil its capital and repay the bank loans, as resolved by the Board of Directors on November 11, 2020, the Company conducted a public offering for cash capital increase by issuing common stock, which was approved by Financial Supervisory Commission pursuant to Jin-Guan-Zheng-Fa-Zi Letter No. 1090378803, dated January 15, 2021. The Company issued 450 million common stocks at an issue price of \$17.5 (in dollars) per share. The rights and obligations of shares issued at this capital increase are the same as the original common stocks. The total amount raised was \$7.875 billion. The effective date of capital increase was on March 26, 2021 and the registration has been completed.

The abovementioned capital increase was subscribed by the Company's legal entity director, Yue-Li Investment Corporation, in the amount of \$35,324, equivalent to 2,019 thousand shares. In addition, the government related parties, Financing Investment Venture Capital, National Defense Industrial Development Foundation, and the management committee of Yao Hua Glass Co., Ltd. participated in the capital increase in the amounts of \$1,750,000, \$500,000 and \$500,000, equivalent to 100,000 thousand shares, 28,571 thousand shares, and 28,571 thousand shares, respectively.

D. The Company's special shareholders' meeting has approved the proposal regarding the capital increase through private placement on December 21, 2017. The record date for capital increase resolved by the Board of Directors at their meeting on May 11, 2018 was May 25, 2018. The amount of capital raised through the private placement was \$2,526,000 by issuing common stock amounting to 60 million shares at premium of \$42.10 (in dollars) per share, of which the government related entity, Financing Investment Venture Capital, and the management committee of Yao Hua Glass Corp., Ltd. each subscribed 30 million shares amounted to \$1,263,000. The Company has completed the registration of the capital increase. The investors in this private placement is entitled to the same rights and obligations as those of outstanding shares except that they cannot freely transfer the shares within 3 years of settlement unless under certain circumstances pursuant to Article 43-8 of Securities and Exchange Act. Under the resolution, the Board of Directors are authorised to file for listing the ordinary shares in private placement with the competent authority after 3 years of settlement.

(24) Capital surplus

A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022		
	Share premium	Share options	Total
At January 1	\$ 3,606,072	\$ 86,841	\$ 3,692,913
Capital surplus used to off set accumulated deficits	(2,940,035)	-	(2,940,035)
At December 31	<u>\$ 666,037</u>	<u>\$ 86,841</u>	<u>\$ 752,878</u>
	2021		
	Share premium	Share options	Total
At January 1	\$ 995	\$ 96,076	\$ 97,071
Cash capital increase	3,495,877	(128,818)	3,367,059
Share-based payment transactions	-	128,818	128,818
Conversion of convertible bonds	109,200	(9,235)	99,965
At December 31	<u>\$ 3,606,072</u>	<u>\$ 86,841</u>	<u>\$ 3,692,913</u>

B. Please refer to Note 6(17) for the information of capital surplus—share options.

(25) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 10% of the Company's distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve amounting to \$3,201,365 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

c) The Company disposed land in 2013 and 2018. Therefore, the Company reversed special reserve of \$34,894 to undistributed earnings.

E. The proposal for deficit compensation for the year ended December 31, 2020 was resolved by the stockholders at the regular stockholders' meeting on August 25, 2021. Dividends will not be distributed to stockholders as there were still accumulated deficits to be covered.

The proposal for deficit compensation for the year ended December 31, 2021 was resolved by the stockholders at the regular stockholders' meeting on June 22, 2022. After the deficit compensation with capital surplus, the accumulated deficits to be covered was \$0, and thus dividends will not be distributed. Additionally, the proposal for deficit compensation using the capital surplus, additional paid-in capital, of \$2,940,035 was approved.

On March 10, 2023, the Board of Directors has proposed the deficit compensation for year 2022.

(26) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 21,916,485	\$ 18,931,386
Others - ship rental revenue	77,565	182,043
	<u>\$ 21,994,050</u>	<u>\$ 19,113,429</u>

The Group's operating revenue is from contracts with customers.

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time in the following major product types:

	Years ended December 31,	
	2022	2021
Construction of ships and vessels		
Shipbuilding	\$ 5,167,993	\$ 5,976,755
Vessel construction	15,330,882	11,363,002
	<u>20,498,875</u>	<u>17,339,757</u>
All other segments		
Ship/vessel repair	1,163,687	822,077
Anti-corrosion coating	257,209	256,299
Machinery building	(38,361)	473,390
Others	35,075	39,863
	<u>1,417,610</u>	<u>1,591,629</u>
	<u>\$ 21,916,485</u>	<u>\$ 18,931,386</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	\$ 3,050,755	\$ 2,392,962	\$ 4,622,917
Contract assets - related parties	1,833,313	904,323	363,249
	4,884,068	3,297,285	4,986,166
Less: Loss allowance	(211,300)	(191,442)	(192,290)
	<u>\$ 4,672,768</u>	<u>\$ 3,105,843</u>	<u>\$ 4,793,876</u>
Contract liabilities	\$ 7,426,902	\$ 10,354,225	\$ 5,209,594
Contract liabilities - related parties	261,905	33,621	1,489,197
	<u>\$ 7,688,807</u>	<u>\$ 10,387,846</u>	<u>\$ 6,698,791</u>

Please refer to Note 7 for related party transactions.

Revenue recognised that was included in the contract liability balance at the beginning of the period

The Group had a contract liability balance at the beginning of the period, of which \$9,955,222 and \$5,711,073 was recognised as revenue for the years ended December 31, 2022 and 2021, respectively.

- C. As of December 31, 2022, the total transaction price allocated to unfulfilled contract obligations was \$38,945,610 and this amount would be recognised as revenue gradually with the completion process of shipbuilding, vessel construction and anti-corrosion coating. The shipbuilding, vessel construction and anti-corrosion coating are expected to be completed during the period from January 2023 to October 2027.

(27) Other income

	Years ended December 31,	
	2022	2021
Government grant revenue (Note)	\$ 89,763	\$ 146,757
Rental revenue	46,393	27,351
Indemnity revenue	16,138	19,642
Others	27,048	26,117
	<u>\$ 179,342</u>	<u>\$ 219,867</u>

Note: The Group recognised income of \$115,739, as a result of the application for the Salary and Working Capital Subsidies for Manufacturing Industry and its Technical Services Industry Suffered by Severe Pneumonia with Novel Pathogens (COVID-19) Handled by Industrial Development Bureau the Ministry of Economic Affairs during the year ended December 31, 2021. There was no such transaction for the year ended December 31, 2022.

(28) Other gains and losses

	Years ended December 31,	
	2022	2021
Foreign exchange gains (losses)	\$ 274,958	(\$ 37,162)
Losses on disposal of property, plant and equipment	(522)	(5,715)
(Loss) gain on financial assets and liabilities at fair value through profit or loss	(18,245)	19,055
Other losses	(46,963)	(40,312)
	<u>\$ 209,228</u>	<u>(\$ 64,134)</u>

(29) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank loans	\$ 175,400	\$ 107,135
Amortisation on lease liabilities	40,391	41,458
Amortisation on convertible bonds	14,287	14,769
Expenses amortised from government grants payable	11,987	11,787
Less: Capitalisation of qualifying assets	(79,605)	(73,949)
	<u>\$ 162,460</u>	<u>\$ 101,200</u>

(30) Expenses by nature

	Years ended December 31,	
	2022	2021
Change in inventory of finished goods and work in process	\$ 3,202,346	(\$ 70,394)
Direct materials	12,733,511	7,752,754
Employee benefit expense	3,641,796	3,757,749
Depreciation and amortisation charges	924,056	913,299
Outsourcing fees	2,872,778	3,802,637
Professional service fees	790,008	1,767,741
Other expenses	1,587,894	1,192,557
Operating costs and expenses	<u>\$ 25,752,389</u>	<u>\$ 19,116,343</u>

(31) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 3,045,884	\$ 3,029,725
Labor and health insurance fees	282,094	283,850
Pension cost	248,555	247,353
Directors' remuneration	3,435	3,550
Employee stock option	-	128,818
Other personnel expenses	61,828	64,453
	<u>\$ 3,641,796</u>	<u>\$ 3,757,749</u>

- A. According to the Articles of Incorporation of the Company, the Company shall distribute employees' compensation, based on the distributable profit of the current year, in a ratio of profit. Employees' compensation can be distributed in the form of shares or in cash. If a company has accumulated deficit, earnings should first be channeled to cover losses. Employees' compensation shall account for 1% to 5%, directors' remuneration shall account for less than 1%, of the amount of current year's pre-tax profit but excluding the employees' compensation and directors' remuneration.
- B. The Company did not recognise employees' compensation and directors' remuneration as a result of the operating deficit for the years ended December 31, 2022 and 2021.

The Board of Directors resolved not to appropriate employees' compensation and directors' remuneration as a result of the operating accumulated deficit for the years ended December 31, 2022 and 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(32) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 7,204	(\$ 816)
(Over) understatement provision of income tax in prior year	1,456	(54)
Total current tax	<u>8,660</u>	<u>(870)</u>
Deferred tax:		
Origination and reversal of temporary differences	(2,509)	1,632
Income tax expense	<u>\$ 6,151</u>	<u>\$ 762</u>

- (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligations	<u>\$ 29,031</u>	<u>\$ 8,187</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on loss before tax and statutory tax rate	(\$ 708,467)	\$ 1,910
Tax exempt income by tax regulation	1,898 (24,986)
Effects from items disallowed by tax regulation	12,277	10,794
Taxable loss not recognised as deferred tax assets	698,987	13,098
Over provision of income tax in prior year	1,456 (54)
Income tax expense	<u>\$ 6,151</u>	<u>\$ 762</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and tax losses are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	\$ 84,694	\$ 28,085	\$ -	\$ 112,779
Unrealised warranty liability	118,983	(925)	-	118,058
Unused compensated absences	62,827	(2,530)	-	60,297
Allowance for doubtful accounts	63,318	(913)	-	62,405
Others	26,611	(5,981)	(29,031)	(8,401)
Tax losses	<u>1,167,555</u>	<u>(15,865)</u>	<u>-</u>	<u>1,151,690</u>
	<u>1,523,988</u>	<u>1,871</u>	<u>(29,031)</u>	<u>1,496,828</u>
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Others	(638)	638	-	-
	<u>(1,325,335)</u>	<u>638</u>	<u>-</u>	<u>(1,324,697)</u>
Total	<u>\$ 198,653</u>	<u>\$ 2,509</u>	<u>(\$ 29,031)</u>	<u>\$ 172,131</u>

	2021			
	<u>January 1</u>	Recognised		<u>December 31</u>
		<u>loss</u>	in profit or	
		loss	income	
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	\$ 156,086	(\$ 71,392)	\$ -	\$ 84,694
Unrealised warranty liability	102,467	16,516	-	118,983
Unused compensated absences payable	64,664	(1,837)	-	62,827
Allowance for doubtful accounts	61,916	1,402	-	63,318
Others	15,218	19,580	(8,187)	26,611
Tax losses	<u>1,132,818</u>	<u>34,737</u>	<u>-</u>	<u>1,167,555</u>
	<u>1,533,169</u>	<u>(994)</u>	<u>(8,187)</u>	<u>1,523,988</u>
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Others	<u>-</u>	<u>(638)</u>	<u>-</u>	<u>(638)</u>
	<u>(1,324,697)</u>	<u>(638)</u>	<u>-</u>	<u>(1,325,335)</u>
Total	<u>\$ 208,472</u>	<u>(\$ 1,632)</u>	<u>(\$ 8,187)</u>	<u>\$ 198,653</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	Unrecognised deferred <u>tax assets</u>	<u>Expiry year</u>
2015	Assessed	\$ 671,021	\$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	2,802,895	2027
2018	Assessed	2,577,518	2,577,518	2028
2019	Assessed	2,657,346	2,657,346	2029
2020	Assessed	2,305,136	2,305,136	2030
2021	Amount filed	282,377	282,377	2031
2022	Estimated filing amount	3,409,213	3,409,213	2032

December 31, 2021

<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2015	Assessed	\$ 671,021	\$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	2,723,570	2027
2018	Assessed	2,577,518	2,577,518	2028
2019	Assessed	2,657,346	2,657,346	2029
2020	Amount filed	2,305,136	2,305,136	2030
2021	Estimated filing amount	236,855	236,855	2031

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of March 10, 2023, there was no administrative remedies.

(33) Earnings (losses) per share

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Profit attributable to ordinary shareholders	(\$ 3,526,768)	931,787	(\$ 3.78)
	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 13,235	824,157	\$ 0.02

The Group's convertible corporate bonds had anti-dilution effect for the years ended December 31, 2022 and 2021; thus, they were not included in the calculation of diluted gains (losses) per share.

(34) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

On October 12, 2022, the Group acquired an additional 26.67% of shares of its subsidiary—CSBC Power Technology Co., Ltd. for a total cash consideration of \$17,550. The carrying amount of non-controlling interest in CSBC Power Technology Co., Ltd. was \$1,380 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$919 and a decrease in the equity attributable to owners of the parent by \$16,631. The effect of changes in interests in CSBC Power Technology Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2022 is shown below:

	<u>Year ended December 31, 2022</u>
Carrying amount of non-controlling interest acquired	\$ 919
Consideration paid to non-controlling interest	(17,550)
Difference between consideration and carrying amount of subsidiaries acquired (shown as ‘deficits to be covered’)	<u>(\$ 16,631)</u>

Please refer to Note 6 (35) B for the information of year ended December 31, 2021.

(35) Business combinations

A. (a) On January 20, 2022, the subsidiary, CSBC Coating Solutions Co., Ltd., contracted to acquire 100% of ownership interest of Longquan Civil Engineering Co., Ltd. for \$20,149 to obtain control over it, and the legal procedure had been completed on April 18, 2022. This entity was renamed as CSBC Construction Co., Ltd. (CSBC Construction) and is a Class A comprehensive construction enterprise.

(b) The following table summarises the consideration paid for CSBC Construction Co., Ltd. and the fair values of the assets acquired and liability assumed at the acquisition date:

	<u>April 18, 2022</u>
Purchase consideration	
Cash paid	\$ 500
Other payables	19,649
	<u>\$ 20,149</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	\$ 593
Other current assets	3,856
Intangible assets - Class A comprehensive construction enterprise registration certificate	13,000
Other non-current assets	7,691
Other current liabilities	(4,991)
Total identifiable net assets	<u>\$ 20,149</u>

(c) CSBC Construction has not generated significant operating revenue and net profit since the merger with the Group on April 18, 2022.

- B. (a) On March 18, 2021, with reporting to the Board of Directors for future reference, the Group, AND International Co., Ltd., AnEnergy Co., Ltd. and Amita Technologies Inc. jointly established CSBC Power Technology Co., Ltd.. The Group is the single largest shareholder with 30.67% of voting power from participating in the establishment and capital increase of the investee in an accumulated investment amount of \$23,000. Given that the number and distribution of voting shares held by other shareholders are not widely dispersed, and the Group has less than half of board seats, which indicates that the Group has no current ability to direct the relevant activities, the Group's management considers that it has no control, but only has significant influence, over the investee, and included the investee as an associate.
- (b) On August 12, 2021, the Group acquired an additional 29.33% equity interest in CSBC Power Technology Co., Ltd. for a cash consideration of \$22,000. Thus, the Group cumulatively held a 60% equity interest and obtained control over CSBC Power Technology Co., Ltd., which gave the Group the ability to direct the investee's operations and to strive for more policy-driven business opportunities.
- (c) The following table summarises the consideration paid for CSBC Power Technology Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the information on non-controlling interest at the acquisition date:

	<u>August 12, 2021</u>
Purchase consideration	
Cash paid	\$ 22,000
Fair value of equity interest in CSBC Power Technology Co., Ltd. held before the business combination	23,000
Non-controlling interests	<u>30,000</u>
	<u>\$ 75,000</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	<u>75,000</u>
Total identifiable net assets	<u>\$ 75,000</u>

- (d) CSBC Power Technology Co., Ltd. is a start-up business incorporated on March 15, 2021, and thus has not yet generated any significant operating profit or incurred loss.

(36) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 1,736,853	\$ 2,177,413
Add : Beginning balance of payable on equipment	41,711	63,755
Less : Ending balance of payable on equipment	(22,896)	(41,711)
Less : Reclassified to inventory	(874,538)	-
Cash paid on purchase of property, plant and equipment during the year	<u>\$ 881,130</u>	<u>\$ 2,199,457</u>

B. Investment and financing activities with no cash flow effects:

	Years ended December 31,	
	2022	2021
Interest expense amortised from government grants	\$ 11,987	\$ 11,787
Increase in right-of-use assets	\$ -	\$ 145,102
Less: Increase in lease liabilities	-	(145,102)
	\$ -	\$ -
Decrease in lease liabilities due to remeasurement	(\$ 2,638)	\$ -
Less: Decrease in right-of-use assets	2,638	-
	\$ -	\$ -
The unpaid amount for acquisition of a subsidiary (shown as 'other payables')	\$ 7,149	\$ -

(37) Changes in liabilities from financing activities

	2022			
	January 1	Changes in cash flow from financing activities	Changes in non-cash items	December 31
Short-term borrowings	\$ 2,875,834	\$ 4,298,746	\$ -	\$ 7,174,580
Short-term notes and bills payable	3,599,104	50,000	(496)	3,648,608
Corporate bonds payable	1,760,726	-	14,287	1,775,013
Long-term borrowings	2,548,831	4,531,180	(3,026)	7,076,985
Lease liability	3,454,401	(234,448)	(2,638)	3,217,315
Long-term notes and accounts payable	705,134	-	11,987	717,121
Long-term deferred revenue	181,604	-	(56,366)	125,238
Guarantee deposits received	287,431	(4,340)	-	283,091
Other non-current liabilities, others	7,957	(6,824)	-	1,133
	<u>\$ 15,421,022</u>	<u>\$ 8,634,314</u>	<u>(\$ 36,252)</u>	<u>\$ 24,019,084</u>
	2021			
	January 1	Changes in cash flow from financing activities	Changes in non-cash items	December 31
Short-term borrowings	\$ 5,279,146	(\$ 2,403,312)	\$ -	\$ 2,875,834
Short-term notes and bills payable	2,699,405	900,000	(301)	3,599,104
Corporate bonds payable	1,932,301	-	(171,575)	1,760,726
Long-term borrowings (Note)	5,198,570	(2,650,000)	261	2,548,831
Lease liability	3,541,292	(231,993)	145,102	3,454,401
Long-term notes and accounts payable	693,347	-	11,787	705,134
Long-term deferred revenue	193,391	-	(11,787)	181,604
Guarantee deposits received	283,392	4,039	-	287,431
Other non-current liabilities, others	20,128	(12,171)	-	7,957
	<u>\$ 19,840,972</u>	<u>(\$ 4,393,437)</u>	<u>(\$ 26,513)</u>	<u>\$ 15,421,022</u>

Note: Including current portion.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
CPC Corporation, Taiwan	The Company's legal entity director
Yue-Li Investment Corporation	The Company's legal entity director, that was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Corporation	The Company's legal entity director, that was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Express Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Machinery Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Sing Da Marine Structure Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Steel Castle Technology Corp.	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Taiwan International Windpower Training Corporation Ltd.	Associate
CSBC Power Technology Co., Ltd.	Associate. However, it has been included as a consolidated entity since obtaining control over the investee on August 12, 2021
Taiwan Offshore Wind Farm Services Corporation	Associate
Fuhai Wind Farm Corporation	Associate
CSBC-DEME Wind Engineering Co., Ltd.	Joint venture
COWE Green Jude Shipowner Co., Ltd.	Subsidiary of a joint venture
Financing Investment Venture Capital	Government related entity
Yao Hua Glass Co.,Ltd. Management Committee	Government related entity
National Defense Industrial Development Foundation	Government related entity

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2022	2021
Other related parties:		
Joint ventures		
CSBC-DEME Wind Engineering Co., Ltd.	\$ 1,768,669	\$ 4,324,686
Key management:		
Subsidiary of the Company's legal entity director		
China Steel Express Corporation	204,000	-
China Steel Machinery Corporation	-	9,354
Sing Da Marine Structure Corporation	(82,166)	100,415
Legal entity director		
CPC Corporation, Taiwan	94,555	108,427
	<u>\$ 1,985,058</u>	<u>\$ 4,542,882</u>

(a) The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

(b) On June 30, 2020, the Group entered into an agreement with CSBC-DEME Wind Engineering Co., Ltd. to build a heavy lift and installation vessel for its offshore wind power engineering. Please refer to item C for further information.

B. Purchases of goods

	Years ended December 31,	
	2022	2021
Purchases of goods:		
Key management:		
Legal entity director		
China Steel Corporation	\$ 448,291	\$ 650,261
CPC Corporation, Taiwan	59,369	70,015
Purchases of services:		
Key management:		
Subsidiary of the Company's legal entity director		
Steel Castle Technology Corp.	-	26,241
	<u>\$ 507,660</u>	<u>\$ 746,517</u>

The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

C. Contract assets and contract liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract assets:		
Other related parties:		
Joint ventures		
CSBC-DEME Wind Engineering Co., Ltd.	\$ 1,643,123	\$ 511,591
Associates :		
Fuhai Wind Farm Corporation (Note)	190,190	190,190
Key management:		
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	-	202,542
	<u>1,833,313</u>	<u>904,323</u>
Less: Loss allowance	(<u>197,666</u>)	(<u>190,468</u>)
	<u>\$ 1,635,647</u>	<u>\$ 713,855</u>

Note: In March 2014, the Group was commissioned by Fuhai Wind Farm Corporation (hereafter referred to as Fuhai) for the construction of a meteorological observation tower, offshore windfarm off the coast of Changhua County included in Changhua Offshore Pilot Project and Fuhai offshore windfarm for a total contract price of NT\$3.2 billion. However, Bureau of Energy, MOEA decided to reject the development project in February 2018 because of the disapproved Environmental Impact Assessment. The Group has recognised impairment loss amounting to \$190,190 since the contract assets may not be recovered as assessed.

Contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Key management:		
Legal entity director CPC Corporation, Taiwan	\$ <u>261,905</u>	\$ <u>33,621</u>

D. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable :		
Key management:		
Legal entity director		
CPC Corporation, Taiwan	\$ 84,256	\$ 46,127
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	-	26,484
	<u>84,256</u>	<u>72,611</u>
Less: Loss allowance	(<u>383</u>)	-
	<u>83,873</u>	<u>72,611</u>
Other receivables :		
Key management:		
Legal entity director		
China Steel Corporation	-	117
	<u>83,873</u>	<u>72,728</u>

E. Prepaid accounts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Key management:		
Legal entity director		
CPC Corporation, Taiwan	\$ 5,352	\$ 2,990
China Steel Corporation	-	8,966
	<u>\$ 5,352</u>	<u>\$ 11,956</u>

F. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Key management:		
Legal entity director		
CPC Corporation, Taiwan	\$ 2,665	\$ 472

G. Acquisition of financial assets

Information of the Company participating in the cash capital increase of the subsidiary, CSBC Power Technology Co., Ltd., and the joint venture, CSBC-DEME Wind Engineering Co., Ltd., is provided in Note 6(7).

H. Endorsements and guarantees provided to related parties

	<u>December 31, 2022</u>
Other related parties:	
Joint ventures	
CSBC-DEME Wind Engineering Co., Ltd.	
Endorsement/guarantee amount	\$ 28,908,120
Actual amount drawn down	\$ -

The total amount of endorsement/guarantee provided to CSBC-DEME Wind Engineering Co., Ltd. by the Company amounted to EUR 883.5 million. The exchange rate of translation into New Taiwan dollars at the financial reporting date was 32.72.

(a) As of December 31, 2021: None.

(b) Information on significant events after the balance sheet date is provided in Note 11.

I Others

(a) Details on capital increase from the related parties are provided in Note 6(23).

(b) The Company's joint venture, CSBC-DEME Wind Engineering Co., Ltd. signed a Zhang Fang and West Island Offshore Wind Farm Fan Transportation and Installation Plan on November 19, 2019. The Company and DEME Offshore are the joint contractors of the plan and issued performance letter of guarantee and advance payment guarantee with a total amount of EUR 11,802 thousand for contracting the construction according to their shareholding ratios. The Company issued bank guarantee amounting to EUR 5,901 thousand (NT\$194 million) based on its shareholding ratio of 50.0001%.

(c) Information on Significant Contingent Liabilities and Unrecognised Contract Commitments is provided in Note 9.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 24,533	\$ 22,633
Post-employment benefits	2,706	2,245
Share-based payments	-	1,216
	<u>\$ 27,239</u>	<u>\$ 26,094</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Restricted bank deposits (shown as "Current financial assets at amortised cost")	\$ 15,441	\$ 16,841	Guarantee for issuance of letters of credit and letters of guarantee
Pledged time deposits (shown as 'Financial assets at amortised cost - current')	2,421	-	Construction deposits for warranty
Pledged time deposits (shown as "Non-current financial assets at amortised cost")	1,259	-	Construction deposits for warranty
	<u>\$ 19,121</u>	<u>\$ 16,841</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The balance of the Group's unused letters of credit for import of materials is as follows:

	December 31, 2022	December 31, 2021
Balance of unused letters of credit	<u>\$ 1,946,475</u>	<u>\$ 1,578,923</u>

(2) The amounts of unfulfilled contract obligations of the Group's contracts are as follows:

	December 31, 2022	December 31, 2021
Unfulfilled customer contract obligations	<u>\$ 38,945,610</u>	<u>\$ 44,584,837</u>

(3) The guaranteed credit by banks for the Group's construction projects is as follows:

	December 31, 2022	December 31, 2021
Guaranteed credit by banks	<u>\$ 11,028,922</u>	<u>\$ 12,455,404</u>

Refer to Note 7(2) I(b) for further information.

(4) The amount of the Group’s purchase contracts and outsourcing construction contracts to be paid is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchase contracts to be paid	\$ 911,253	\$ 11,002,939
Outsourcing construction contracts to be paid	<u>1,707,067</u>	<u>2,182,244</u>
	<u>\$ 2,618,320</u>	<u>\$ 13,185,183</u>

(5) As of December 31, 2022 and 2021, the amounts of guarantee notes issued by the Group for the bank borrowings were \$57.479 billion and \$49.9 billion, respectively.

(6) On March 16, 2022, the Board of Directors of the subsidiary, CSBC Coating Solutions Co., Ltd. (“CSBC Coating Solutions”), approved to sign a joint construction and separate sale contract with a non-related party for the land on Pingsong section, Xiaogang District. The ratios of the joint construction and separate sale for the landowner and CSBC Coating Solutions are 25% and 75%, respectively. CSBC Coating Solutions expected to invest about \$553.46 million as construction cost. The contract period starts from the signing date to December 31, 2025.

(7) The Group, Century Iron and Steel Industrial Co., Ltd. and Taiwan Generations Corp. are the joint-originators for Fuhai Wind Farm Corporation (Fuhai Corporation). The joint-originators entered into the “Incentive Program of Offshore Wind Power Demonstration System” (“the Government Grant Scheme”) on August 19, 2013, which was granted by the Ministry of Economic Affairs, and committed to be jointly responsible for Fuhai Corporation. The total amount of endorsement/ guarantee provided by the Group amounted to \$886 million. On November 9, 2018, the Board of Directors of the Group during their meeting resolved to cease the endorsement/ guarantee amount to Fuhai Corporation.

Because Fuhai Wind Farm Corporation failed to comply with the regulation of the “Incentive Program of Offshore Wind Power Demonstration System”, the Bureau of Energy exercised the right of performance bond and took back the entire government grant. Accordingly, the Group recognised losses amounting to \$75,000 for the year ended December 31, 2018.

In addition, the Ministry of Economic Affairs claimed past due liquidated damages amounting to \$88.6 million from Fuhai Corporation, as a joint-originator of the Incentive Program, the Group was committed to be jointly responsible for Fuhai Corporation. Currently, the case is still ongoing. According to the Group’s designated lawyer, the Ministry of Economic Affairs has not indicated its intention of claiming the liquidated damages from the Group and the Group has not reached the payment stage, therefore, the Group did not estimate the possible losses on liquidated damages.

Fuhai Corporation alleged that the Group did not issue an incentive guarantee of offshore wind power demonstration system based on the Article 1 of Memorandum of Understanding which was signed under mutual agreement, whereby Fuhai Corporation could not apply a government grant of \$0.1 billion from Bureau of Energy. Fuhai Corporation filed a lawsuit to claim an equal compensation for the \$0.1 billion government grant.

After the Taiwan Taipei District Court and Taiwan High Court ruled in favour of the Group on March 24, 2020 and August 17, 2021, respectively, Fuhai Corporation filed a third instance appeal. The Supreme Court denied the appeal of Fuhai Corporation on March 3, 2022, and the appeal is affirmed. On May 25, 2022, the Supreme Court sent a notice letter that Fuhai Corporation filed an administrative appeal to Bureau of Energy, Ministry of Economic Affairs, which had been approved, and filed for a retrial. On June 15, 2022, the Supreme Court denied the retrial of the third instance of Fuhai Corporation by the judgement of Tai-Sheng-Zi No. 1724 of 2022 and transferred the case to the Taiwan High Court. According to the judgement of Zhong-Zai-Zi No.20 of 2022, because Fuhai Corporation did not pay the court costs before the due date, the Taiwan High Court ruled the retrial was illegal and denied the retrial on August 1, 2022.

- (8) Uni-wagon marine Co., Ltd. purchased a marine hull insurance for its vessel -Natchan Rera from Tokio Marine Nawa Insurance Co., Ltd.. In January 2016, the hull was damaged because of unknown reasons during a repair made by the Group. Tokio Marine Nawa Insurance Co., Ltd. and Uni-wagon marine Co., Ltd. requested compensation payments of NT\$25 million and NT\$15 million, respectively. On May 22, 2019, the Taiwan Keelung District Court rendered a decision against the Group. The Group filed a second instance appeal. On August 25, 2021, the High Court dismissed the appeal. According to the Group's designated lawyer, the Group had strict liability on the damage of the hull which resulted from the ship colliding with the dock after the rope disconnected. The Group has filed a third instance appeal for remedy. Thus, the original ruling has not yet been determined and the amount of loss to the Group cannot be ascertained.

Since the aforementioned compensation claim is covered by the Company's ship repairer liability insurance, the second instance ruling, which ruled against the Company and held the Company liable for compensation, had no material impact on the Company's operations.

- (9) Refer to Note 7 for the endorsements/guarantees provided by the Group to others.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 16, 2023, the Board of Directors of the Company approved to provide endorsements/guarantees in the amounts of NT\$110 million and EUR 96.42 million, totalling NT\$ 3.23 billion, to CSBC-DEME Wind Engineering Co., Ltd. for the business requirement.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Following the industry practices, the Group uses gearing ratio to control capital.

The Group's policy is to maintain a stable gearing ratio. Ratios are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gearing ratio	79%	70%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 21,044
Financial assets at amortised cost		
Cash and cash equivalents	\$ 2,460,846	\$ 2,731,884
Financial assets at amortised cost (including non-current portion)	19,121	16,841
Accounts receivable (including related parties)	1,331,521	2,047,312
Other receivables (including related parties)	9,447	10,745
Guarantee deposits paid	325,168	167,059
	<u>\$ 4,146,103</u>	<u>\$ 4,973,841</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	\$ 15,896	\$ 7,045
Financial liabilities at amortised cost		
Short-term borrowings	\$ 7,174,580	\$ 2,875,834
Short-term notes and bills payable	3,648,608	3,599,104
Notes payable (including related parties)	17	32,424
Accounts payable	1,385,564	1,050,437
Other payables	1,131,560	1,200,085
Corporate bonds payable	1,775,013	1,760,726
Long-term borrowings	7,076,985	2,548,831
Long-term notes and accounts payable	717,121	705,134
Guarantee deposits received	283,091	287,431
	<u>\$ 23,192,539</u>	<u>\$ 14,060,006</u>
Lease liability	<u>\$ 3,217,315</u>	<u>\$ 3,454,401</u>

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as cross currency swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

For supervising management, the Board of Directors has set related rules to authorize the management to perform daily operations within acceptable risk range and requires the internal audit to inspect the management and report on a regular basis. The internal audit must report to the Board of Directors if there is any unusual situation at any time, and respond to the situations adequately.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The foreign exchange risk is mainly arising from USD and EUR. Management has set up a policy to companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the treasury. Exchange rate risk is measured through a forecast of highly probable USD revenues and JPY expenditures. Cross currency swap contracts are adopted to minimise the volatility of the exchange rate affecting forecast foreign currency income and cost of inventory purchases.
- ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 87,891	30.66	\$ 2,694,738
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,019	30.76	31,344
EUR:NTD	587	32.92	19,324

	December 31, 2021		
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 95,580	27.63	\$ 2,640,875
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	208	27.73	5,768
EUR:NTD	5,870	31.52	185,022

iii. If NTD had appreciated/ depreciated by 1% against USD with all other variables held constant, effect to post-tax profit (loss) is as follows:

If NTD had appreciated/ depreciated by 1% against tax	Years ended December 31,	
	2022	2021
Increase (decrease) in net profit (loss) after tax	\$ 21,153	\$ 19,601

iv. The net exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$274,958 and (\$37,162), respectively.

Price risk

The Group is not exposed to significant commodity price risk.

Interest rate risk

- i. The convertible bonds issued by the Company are zero-interest bonds with conversion options, and its fair value is affected by the stock price volatility. Based on the assessment, there is no material change in interest rate that would expose the Group to cash flow risk.
- ii. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. If the interest rate had increased/decreased by 0.25% with all other variables held constant, cash flows for the years ended December 31, 2022 and 2021 would have increased/decreased by \$17,703 and \$6,375, respectively.

(b) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other receivables based on the agreed terms. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at amortised cost

The Group only trades with counterparties with good credit, in accordance with the Group's transaction policies. There is no recent violation of significant cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at amortised cost.

Contract assets, accounts receivable and other receivables

- i. The Group appointed external agency to perform proper credit investigations for customers before signing the contracts of shipbuilding, vessel construction and machinery manufacturing. The results of the credit investigations were low risk, therefore, the credit risks of relevant receivables (primarily under accounts receivable or contract assets) were low risk.
- ii. The Group's contract assets and accounts receivable were due from government (including state-owned enterprises) and general business. To maintain the quality of the accounts receivable and contract assets, the Group has established credit risk management procedures for operating. The Group considered customers' financial status, historical trading record and future economic condition in accordance with types of customer, and took into account factors that may influence customers' ability to pay to assess the credit quality of customers. The Group estimated expected credit loss by individual assessment.
- iii. In line with credit risk management procedure, when the counterparty failed to fulfil the mutual agreements nor to conduct negotiation, the default has occurred.
- iv. As of December 31, 2022 and 2021, the expected loss rates of not past due accounts receivable and contract assets were 1% and 0.455%; 1% and 0.04%, respectively.

After considering the counterparties' financial status, historical experience and other factors, the expected credit loss based on the individual assessment both amounted to \$315,838 as of December 31, 2022 and 2021.

- v. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	<u>2022</u>		
	<u>Accounts</u>	<u>Contract</u>	
	<u>receivable</u>	<u>assets</u>	<u>Total</u>
At January 1	\$ 325,722	\$ 191,442	\$ 517,164
Provision for (reversal of) impairment loss	<u>4,533</u>	<u>19,858</u>	<u>24,391</u>
At December 31	<u>\$ 330,255</u>	<u>\$ 211,300</u>	<u>\$ 541,555</u>

	2021		
	Accounts receivable	Contract assets	Total
At January 1	\$ 317,653	\$ 192,290	\$ 509,943
Provision for (reversal of) impairment loss	8,069	(848)	7,221
At December 31	<u>\$ 325,722</u>	<u>\$ 191,442</u>	<u>\$ 517,164</u>

For the years ended December 31, 2022 and 2021, the expected credit losses arising from accounts receivable and contract assets generated from customers' contracts amounted to \$24,391 and \$7,221, respectively.

- vi. As of December 31, 2022 and 2021, the balances of receivables and contract assets from the top three counterparties amounted to \$4,534,022 and \$3,942,596, respectively. The credit risk concentration occurs when the ability of counterparties to meet its contractual obligations is affected by changes in economic or other conditions.

(c) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 7,179,480	\$ -	\$ -	\$ -
Short-term notes payable	3,650,000	-	-	-
Payables	2,819,788	685,514	443,420	155,155
Lease liability	269,504	272,504	707,274	2,367,279
Corporate bonds payable	-	-	1,806,300	-
Long-term borrowings	77,285	3,078,669	4,288,667	-
	<u>\$ 13,996,057</u>	<u>\$ 4,036,687</u>	<u>\$ 7,245,661</u>	<u>\$ 2,522,434</u>
Derivative financial liabilities:				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,896</u>	<u>\$ -</u>

December 31, 2021:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 2,876,211	\$ -	\$ -	\$ -
Short-term notes payable	3,600,000	-	-	-
Payables	2,586,462	710,287	463,325	154,300
Lease liability	273,379	273,590	759,760	2,586,887
Corporate bonds payable	-	-	1,806,300	-
Long-term borrowings	-	-	2,550,000	-
	<u>\$ 9,336,052</u>	<u>\$ 983,877</u>	<u>\$ 5,579,385</u>	<u>\$ 2,741,187</u>
Derivative financial liabilities:				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,045</u>	<u>\$ -</u>

The Group and many public and private financial institutions entered into comprehensive credit facility contracts whereby the undrawn borrowings facilities are sufficient for its future operating activities and to fulfill its capital commitments.

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. Call and put options embedded in convertible bonds are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, Financial assets at amortised cost, accounts receivable (including related parties), other receivables (including related parties) guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, bonds payable, long-term borrowings, long-term notes and accounts payable, guarantee deposits received and lease liabilities are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets: None.				
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,896</u>	<u>\$ 15,896</u>

December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Cross currency swap	<u>\$ -</u>	<u>\$ 21,044</u>	<u>\$ -</u>	<u>\$ 21,044</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,045</u>	<u>\$ 7,045</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. Derivative financial instruments - cross currency swap contracts are valued by adopting the valuation information provided by the counterparty bank. The counterparty uses the discounted cash flow method to estimate the future cash flows based on observable exchange rates at the end of the year and contract exchange/interest rates and discount separately at discount rates that reflect the credit risk of each counterparty.
- ii. Certain inputs used in the valuation model for measuring the fair value of the Group's debt instruments with embedded derivatives in are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Derivative instrument</u>	<u>Derivative instrument</u>
At January 1	\$ 7,045	\$ 5,995
Losses recognised in profit or loss		
Recorded as non-operating income and expenses	8,851	1,989
Converted in the year	-	(939)
At December 31	<u>\$ 15,896</u>	<u>\$ 7,045</u>
Movement of unrealised loss in profit or loss of liabilities held as at December 31, 2022 and 2021 (Note)	<u>\$ 8,851</u>	<u>\$ 1,989</u>

Note: Recorded as non-operating income and expense.

G. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at</u>	<u>Valuation</u>	<u>Input</u>	<u>Range</u>
	<u>December 31, 2022</u>	<u>technique</u>	<u>Input</u>	<u>(weighted average)</u>
Hybrid instrument:				
Options embedded in convertible bonds	\$15,896	Binary tree convertible bond valuation model	Stock price	19.50 dollars
			Volatility	30.23%
			Risk discount rate	1.4908%
	<u>Fair value at</u>	<u>Valuation</u>	<u>Input</u>	<u>Range</u>
	<u>December 31, 2021</u>	<u>technique</u>	<u>Input</u>	<u>(weighted average)</u>
Hybrid instrument:				
Options embedded in convertible bonds	\$7,045	Binary tree convertible bond valuation model	Stock price	21.95 dollars
			Volatility	43.88%
			Risk discount rate	0.5526%

The lower the stock price, the lower the redemption value; the lower the volatility, the lower the redemption value; the higher the risk discount rate, the lower the redemption value. Thus, the redemption value for the year decreased (redemptions are financial assets of the issue company). Put options are also affected by the change in stock price, volatility and risk-free interest rate. The lower the stock price, the higher the put option value; the lower the volatility, the higher the put option value; the higher the risk discount rate, the higher the put option value. Thus, the put option value for the year increased (put options are financial liabilities of the issue company).

- J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022		
		Recognised in profit or loss		
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial liabilities				
Hybrid instrument	Stock price volatility	±5%	\$ 1,626	(\$ 2,168)
		December 31, 2021		
		Recognised in profit or loss		
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial liabilities				
Hybrid instrument	Stock price volatility	±5%	\$ 181	(\$ 1,626)

(4) Other information

Due to the COVID-19 pandemic and various epidemic prevention measures imposed by the government, the Group reduced contact between employees and risk of cross infection in compliance with the relevant measures announced by the Central Epidemic Command Centre and the relevant epidemic prevention regulations of the Communicable Disease Control Act. The pandemic had no significant impact on the Group's overall operations and financial position.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2) for the information.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Chief Operating Decision-Maker considers the business from a product perspective. The reportable operating segments derive their revenue primarily from the construction and repairing of ships and vessels. As other businesses, mainly including machinery engineering, leases and coating, do not meet the quantitative thresholds required by IFRS 8, the results of these operations are included in the 'all other segments' column.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the gross profit of each business category. This measurement basis excludes the effects of operating expenses, non-operating revenue and non-operating expenses from the operating segments.

Information about operating segments

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022				Total
	Construction of ships and vessels	Ship / vessel repairs	All other segments	Adjustments and eliminations (Note 1)	
Revenue from external customers	\$ 20,498,875	\$ 1,163,687	\$ 331,488	\$ -	\$ 21,994,050
Inter-segment revenue	-	-	451,857	(451,857)	-
Total segment revenue	<u>\$ 20,498,875</u>	<u>\$ 1,163,687</u>	<u>\$ 783,345</u>	<u>(\$ 451,857)</u>	<u>\$ 21,994,050</u>
Segment (loss) profit	<u>(\$ 3,572,990)</u>	<u>\$ 304,995</u>	<u>\$ 171,231</u>	<u>\$ -</u>	<u>(\$ 3,096,764)</u>
Undistributed amount:					
Operating expenses					(\$ 639,646)
Depreciation and amortization					(21,929)
Interest income					19,377
Interest expense					(162,460)
Income tax expense					(6,151)
Loss on investments accounted for using equity method					(29,485)
Total undistributed amount					<u>(\$ 840,294)</u>
Segment assets (Note 2)					<u>\$ 46,638,124</u>
Investments accounted for under equity method					<u>\$ 1,437,395</u>
Increase in non-current assets					<u>\$ -</u>
Segment liabilities (Note 2)					<u>\$ 36,824,498</u>

Year ended December 31, 2021

	Construction of ships and vessels	Ship / vessel repairs	All other segments	Adjustments and eliminations (Note 1)	Total
Revenue from external customers	\$ 17,339,757	\$ 822,077	\$ 951,595	\$ -	\$ 19,113,429
Inter-segment revenue	-	-	148,000	(148,000)	-
Total segment revenue	<u>\$ 17,339,757</u>	<u>\$ 822,077</u>	<u>\$ 1,099,595</u>	<u>(\$ 148,000)</u>	<u>\$ 19,113,429</u>
Segment profit	<u>\$ 271,292</u>	<u>\$ 223,249</u>	<u>\$ 60,678</u>	<u>\$ -</u>	<u>\$ 555,219</u>
Undistributed amount:					
Operating expenses					(\$ 539,317)
Depreciation and amortization					(18,816)
Interest income					1,249
Interest expense					(101,200)
Income tax expense					(762)
Loss on investments accounted for using equity method					(42,553)
Total undistributed amount					<u>(\$ 701,399)</u>
Segment assets (Note 2)					<u>\$ 43,721,511</u>
Investments accounted for under equity method					<u>\$ 1,466,880</u>
Increase in non-current assets					<u>\$ 1,433,233</u>
Segment liabilities (Note 2)					<u>\$ 30,457,971</u>

Note 1: Refers to the elimination of inter-segment revenue.

Note 2: Segment assets and liabilities are regularly provided to the Chief Operating Decision-Maker, but not distributed to each reportable segment.

(3) Information about segment profit or loss, assets and liabilities

The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of segment profit to (loss) profit before tax and discontinued operations is provided as follows:

	Years ended December 31,	
	2022	2021
Segment (loss) profit	(\$ 3,267,995)	\$ 494,541
Other segment profit	171,231	60,678
Total segments	(3,096,764)	555,219
Operating expenses	(661,575)	(558,133)
Non-operating income and expenses	216,002	13,229
(Loss) profit before tax and discontinued operations	(\$ 3,542,337)	\$ 10,315

(4) Information on products and services

Revenues from external customers are mainly derived from the construction of ships and vessels. Breakdown of the revenue from all sources is as follows:

	Years ended December 31,	
	2022	2021
Revenue from construction of ships and vessels	\$ 20,498,875	\$ 17,339,757
Revenue from ship/vessel repair	1,163,687	822,077
Revenue from anti-corrosion coating	257,209	256,299
Revenue from machinery manufacturing	(38,361)	473,390
Other revenue	112,640	221,906
Total	\$ 21,994,050	\$ 19,113,429

(5) Geographical information

Revenue information by geographic area:

	Year ended and as of December 31, 2022		Year ended and as of December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 18,730,819	\$ 16,465,324	\$ 17,346,116	\$ 16,499,639
Singapore	3,062,775	-	-	-
Liberia	(3,600)	-	1,419,012	-
Others	204,056	-	348,301	-
Total	\$ 21,994,050	\$ 16,465,324	\$ 19,113,429	\$ 16,499,639

(6) Major customer information

The customers accounting for more than 10% of the Group's operating revenues are as follows:

Year ended December 31, 2022		
<u>Clients</u>	<u>Sales amount</u>	<u>Department</u>
Client 5	\$ 12,109,972	Construction of ships and vessels
Client H	3,009,780	Construction of ships and vessels
Client D	<u>2,708,526</u>	Construction of ships and vessels
	<u>\$ 17,828,278</u>	

Year ended December 31, 2021		
<u>Clients</u>	<u>Sales amount</u>	<u>Department</u>
Client 5	\$ 7,410,960	Construction of ships and vessels
Client H	4,324,686	Construction of ships and vessels
Client D	<u>3,738,150</u>	Construction of ships and vessels
	<u>\$ 15,473,796</u>	

CSBC CORPORATION TAIWAN

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					year ended December 31, 2022	December 31, 2022							Item	Value			
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Other receivables-related parties	Y	\$ 210,000	\$ 210,000	\$ 130,000	2.44%	For short-term financing	-	Operating turnover	-	Promissory note	\$ 210,000	\$ 980,994	\$ 3,923,979	Note 2

Note 1: The code represents the nature of loans as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: The Company's "Procedures for Provision of Loans" are as follows:

- (1) For borrowers, the Company should not loan to any shareholders or others, except for subsidiaries or investees that require short-term financing for business requirement.
- (2) Ceiling on total loans granted is 40% of the Company's net assets.
- (3) Limit on loans granted to a single party is 10% of the Company's net assets. However, loans to directly or indirectly wholly-owned subsidiaries of the Company are not limited.

CSBC CORPORATION TAIWAN
Provision of endorsements and guarantees to others
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of asset value of the endorser/guarantor guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	2	\$ 68,669,636	\$ 530,000	\$ 530,000	\$ 500,000	\$ -	5%	\$ 78,479,584	Y	N	N	Note 3
0	CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	2	68,669,636	28,908,120	28,908,120	-	-	295%	78,479,584	N	N	N	Note 3, 4

Note 1: The explanation for column "Number" is as follow:

- (1) Fill "0" for the Issuer.
- (2) The investee company is numbered sequentially starting with Arabic numeral 1 for each entity.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: The regulations on the endorsement/guarantees provided by the Company to others are as follows:

- (1) Ceiling on total amount of endorsements/guarantees provided by the Company: No higher than 800% of the Company's net assets.
- (2) Limit on endorsements/guarantees provided by the Company for a single party: No higher than 700% of the Company's net assets.

For companies having business relationship with the Company, limit on the amount of endorsements/guarantees is the amount of business transactions occurred between the creditor and borrower. The amount of the transactions is the higher value of purchasing and selling during current year on the year of financing.

Note 4: The guarantee which was denominated in foreign currency was EUR 883.5 million. The exchange rate of translation into New Taiwan dollars at the financial reporting date was 32.72.

CSBC CORPORATION TAIWAN

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Total notes/accounts receivable	
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Other related parties	Sale	(1,768,669)	(8.13%)	Note 1	Note 1	Note 1	-	-	Note 2
CSBC Corporation, Taiwan	China Steel Express Corporation	Other related parties	Purchases	(204,000)	(0.94%)	Note 1	Note 1	Note 1	-	-	Note 3
CSBC Corporation, Taiwan	China Steel Corporation	Corporate Director	Sale	448,291	4.59%	Note 1	Note 1	Note 1	-	-	Note 3
CSBC Corporation, Taiwan	CSBC Coating Solution Co., Ltd.	Subsidiary	Purchases	166,297	1.70%	Note 1	Note 1	Note 1	(6,430)	(0.54%)	-
CSBC Corporation, Taiwan	Blue Ace Corporation	Subsidiary	Purchases	121,582	1.24%	Note 1	Note 1	Note 1	(2,105)	(0.18%)	-

Note 1: Based on the contract, the payment terms is the same as in general transactions.

Note 2: The contract assets from CSBC-DEME Wind Engineering Co., Ltd. amounted to \$1,643,123.

Note 3: It was dismissed due to the expiry of term of office on June 22, 2022. Please refer to Note 7 for details.

CSBC CORPORATION TAIWAN

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2022

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Parent company	\$ 130,000	-	\$ -	-	\$ -	-

CSBC CORPORATION TAIWAN

Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Outsourcing expenses	\$ 166,297	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Property, plant and equipment	90,587	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Prepayments of suppliers	53,982	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Sales revenue	28,723	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Accounts payable	6,430	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	121,582	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	2,105	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Parent company to subsidiary	Other receivable (Loans to others)	130,000	Note 5	-
1	CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	44,394	Note 4	-
1	CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	22,093	Note 4	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.

For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts, based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Based on the contract, the payment terms is the same as in general transactions.

Note 5: The terms and conditions of loans to subsidiary are that the facility of first drawn is repayable in 1 year and the interest was calculated at floating rate (2.44%). For the year ended December 31, 2022, the interest received was \$676.

CSBC CORPORATION TAIWAN

Information on investees

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income(loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Taiwan	Installation of cable, lease of ships, and contracting of ships services	\$ 1,549,500	\$ 1,549,500	15,651,515	50.00	\$ 1,425,111	(\$ 60,612)	(\$ 30,306)	Note 1
CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd.	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	125,000	125,000	15,471,504	100.00	207,141	28,426	28,426	
CSBC Corporation, Taiwan	CSBC Power Technology Co., Ltd.	Taiwan	Manufacturing of ships and its components etc.	62,550	45,000	6,500,000	86.67	23,906	(38,209)	(16,489)	
CSBC Corporation, Taiwan	Taiwan International Windpower Training Corporation Ltd.	Taiwan	Research and development, energy technology service	12,000	12,000	1,200,000	12.00	12,284	6,845	821	Note 1
CSBC Corporation, Taiwan	Taiwan Offshore Wind Farm Services Corporation	Taiwan	Manufacturing of metal structure, building component, power generation and others	4,000	4,000	400,000	40.00	-	(854)	-	Note 1
CSBC Corporation, Taiwan	Fuhai Wind Farm Corporation	Taiwan	Wind power industry	178,156	178,156	15,000,000	31.44	-	(40,017)	-	Note 1
CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	25,000	25,000	-	100.00	29,656	3,971	-	Note 2
CSBC Coating Solutions Co., Ltd	CSBC Construction Co., Ltd.	Taiwan	Building construction	20,149	-	-	100.00	20,208	59	-	Note 2
CSBC Coating Solutions Co., Ltd	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Hong Kong	Marine works services	304	304	100	100.00	(142)	(169)	-	Note 2

Note 1 : Please refer to Note 6(7) for details about investments accounted for under equity method.

Note 2 : The amount has been included in the profit (loss) of the Company's investee accounted for using equity method and has been recognised as gain (loss) on investment.

CSBC CORPORATION TAIWAN

Major shareholders information

December 31, 2022

Table 7

Name of major shareholders	Number of shares held	Shares
		Ownership (%)
Financing Investment Venture Capital	136,032,305	14.59%
Ministry of Economic Affairs, R.O.C.	105,070,366	11.27%
Yao Hua Glass Co., Ltd. Management Committee	64,603,733	6.93%
National Defense Industrial Development Foundation	53,571,428	5.74%

Description: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may differ from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information on reported share equity of insiders, please refer to the Market Observation Post System.

(3) The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

(4) Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

(5) Total shares transferred in dematerialised form (including treasury shares) amounted to 931,787,296 shares= 931,787,296 common shares+0 preference shares.