

2020

Annual Report

member of CSC Group



CHUNG HUNG STEEL CORPORATION

Stock Code : 2014



2020 Annual Report

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N/A

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Note: This Annual Report is formulated in accordance with the “Regulations Governing Information to be Published in Annual Reports of Public Companies” of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan.

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders’ meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

A. Letter to Shareholders

Dear Shareholders,

The epidemic affected the steel market in early 2020 as international steel plants began overhauls and cut production. Difficulties in logistics and frequent accidents at steel plants also created psychological and substantial impact as supply side tightened. As the epidemic in Asia subsided in the second quarter, the lockdowns of major economies were gradually lifted. Mainland China began accelerating new infrastructure development to stabilize its domestic demand. By the third quarter, the demand for reconstruction for floods in Mainland China, recovery of the Purchasing Managers' Index (PMI) in the United States, Europe, and India to expansion, and accelerated recovery of automobiles, construction, and other industrial demand in different countries have made up for the lack of progress since the outbreak of the epidemic and companies began replenishing their inventories. As foreign steel plants had previously cut production due to the impact of the epidemic, the supply in the global steel market has tightened and steel prices have soared.

The launch of the COVID-19 vaccine in the fourth quarter, continuous implementation of economic stimulus policies by world governments, ample capital within the market, and rise in iron ore prices have increased the cost of production of steel products. As the Purchasing Managers' Index (PMI) in multiple countries continued to reach record highs and even returned to high points before the epidemic in certain industries, the global steel demand rebounded with a V-shaped recovery. Supply could no longer meet demand as customers outbid each other for materials, causing domestic and foreign steel prices to soar. The short-term forecast published by the World Steel Association (WSA) in October 2020 showed that although global steel demand fell by 2.4% to 1.7251 billion tons in 2020, global steel demand will rebound to 1.7951 billion tons in 2021 with an annual increase of 4.1%. Therefore, the 2021 global steel demand is expected to grow.

The current trends in the international steel market are slightly more complicated as marketability in Europe plateaued and lunar new year of China and Southeast Asia affected steel demand. However, steel prices in the United States continued to soar and the PMI in major countries across the world continued to expand. We expect stable growth in the demand of downstream industries.

I. 2020 Business and Financial Report

(I) Business Plan Implementation Results

1. Production plan implementation status:

Steel demand declined in the first half of 2020 due to the impact of the COVID-19 epidemic, but the economy gradually recovered in the second half of the year. The Company adjusted its production and sales plan in response and the product output compared to the previous year is listed as follows:

Item \ Year	2020 production (10,000 tons)	2019 production (10,000 tons)	Difference (10,000 tons)	Difference %
Hot-rolled products	217.95	209.11	8.84	4.23%
Cold-rolled products	27.14	26.28	0.86	3.27%
Steel pipe products	5.83	13.68	-7.85	-57.38%
Galvanized products	2.64	1.40	1.24	88.57%
Total	253.56	250.47	3.09	1.23%

2. Sales plan implementation status:

The demand in the global steel market in the first half of 2020 declined due to the impact of the COVID-19 epidemic which caused prices to fall. The economy gradually recovered in the second half of the year and the consolidated sales volume in 2020 was 2.4314 million tons which was a 5.51% increase from 2019.

(II) Analysis of operating income/expenses and profitability

The after-tax net profit was NT\$528 million in 2020. The operating revenue/expenses and profitability are as follows:

1. Revenue:

The consolidated operating revenue in 2020 was NT\$36.79 billion which was a decrease of approximately 9.1% from the operating revenue of NT\$40.47 billion in 2019.

2. Expenditures:

Consolidated operating costs and consolidated operating expenses totaled NT\$36.45 billion in 2020 which was a 10.4% decrease from NT\$40.69 billion in 2019.

3. Profitability:

As the steel market gradually recovered in the second half of 2020 and the decrease in costs was greater than the decrease in sales price, the pre-tax profit increased by NT\$517 million from 2019.

(III) Research and Development

The Company continues to update the equipment, refine the process, and advance

personal quality accountability. It also actively expands the product line and seeks to develop high add-value products with steel slab suppliers to improve product quality and the Company's overall competitiveness. The Company's material R&D and quality improvement in 2020 were as follows:

1. Product development:

- (1) The Company developed hot-rolled EN10149-2 S355MC products for automobile components based on customer requirements.
- (2) The Company developed hot-rolled EN10025-2 S355JR products for outlet racks based on customer requirements.
- (3) The Company developed CH300YU3 steel pipe products suitable for J55 upgradable products based on the heat treatment processes of customers.

2. Product quality improvements:

- (1) Improved the break-off rust defect on hot-rolled API steel pipe and board materials.
- (2) Improved coiling in hot rolling.
- (3) Reduced the occurrence of Tail Pinch in hot rolling.
- (4) Improved the pass rate of mechanical properties for hot-rolled SAPH440 with intelligent applications.
- (5) Improved the production capacity of ultra-thin hot-rolled plates ($\leq 1.15\text{mm}$).
- (6) Improved tensile strength $\geq 590\text{Mpa}$ for the flatness of pickled steel products in the Pickling & Galvanizing Department.
- (7) Improved the achievement rate of crowning of thick board fineblanking materials in hot rolling.
- (8) Reduced the occurrence of scratches in cold rolling.

3. Process research:

- (1) Establishment of the hot rolling S55C low-temperature rolled fineblanking technology.
- (2) Establishment of optimized technologies for the CQC annealing process in cold rolling.

4. Equipment technology establishment:

Improvement of the impact of fineblanking rust removal in the hot rolling process, establishment of the temperature increase monitoring and early warning system for the main fineblanking motors in the hot rolling process, improvement of the heating boiler slab reheating temperature (SRT) control of the Hot Rolling Department,

improvement of the control technologies for the hot rolling panels and the development of dedicated high-end composite CVC roll, establishment of the RCM roller smart production monitoring system in cold rolling, replacement of the electrical control system for the No. 19 crane in the Pickling and Galvanizing Department, establishment of the steel band milling equipment at the #4 steel pipe process in the Steel Pipe Plant, installation of pipe shape monitoring cameras and steel forging simulation and analysis software for comparing simulation results at the #4 steel pipe process in the Steel Pipe Plant, and establishment of semi-automatic measurement equipment at the #4 steel pipe process in the Steel Pipe Plant.

II. Summary of 2021 Business Plan

(I) 2021 Business Strategy

Chung Hung maintains ethical business operations and strives to become a sustainable, reliable, and approachable steel company. Chung Hung upholds the business strategy of "making full use of group resources and creating the optimal production and sales portfolio; flexible production and sales and smooth production, storage, transportation, and sales procedures; Strengthen manufacturing management and continue to promote smart production and sales; Cultivate talents for succession and implement knowledge use; Build up environmental safety, and health capabilities and fulfill corporate social responsibilities." The Company maintains a positive outlook on the steel market and works with upstream and downstream partners to create optimal results.

With the launch of the COVID-19 vaccine and the activation of additional economic stimulus plans in the United States, Europe, and Japan, we expect a significant increase in the global economy and the recovery of growth in steel demand in 2021. Faced with changes in the current global steel industry, Chung Hung will target three areas in future operations:

1. "Ensure abundant supply of slabs" — As the quantity of slabs supplied by Wakayama Iron Works has been adjusted, we will use slabs supplied by China Steel, Formosa Ha Tinh Steel, and externally purchased slabs and implement flexible adjustments to satisfy Chung Hung's demand for materials.
2. "Maximize group synergy and compete against imported materials" — CSC Group will leverage the powers of the Group and adopt a more practical internal sale pricing strategy to help downstream manufacturers increase their competitiveness in obtaining orders. We also hope that customers can continue to support CSC Group and work hard together to stabilize production and sales order in Taiwan.
3. "Enhance customer service and relationship and optimize the ratio of domestic and export sales" — Chung Hung will dedicate full efforts into enhancing customer services, listen to the opinions of customers, and build partnerships of mutual trust. In terms of the material supply strategy, we adopted a strategy of prioritizing domestic sales and pursuing additional export sales to optimize the ratio of domestic and export sales.

(II) Summary of 2021 Business Plan

The Company's consolidated sales target for all products in 2020 was 2.1 million tons and actual sales volume amounted to 2.4314 million tons. The achievement rate was 115.78%. In terms of product sales volume, domestic sales accounted for 61.28% and exports accounted for 38.72%. In terms of product sales, hot-rolled products accounted for the largest share with 80.64% while cold-rolled products placed second with 11.45%. Steel pipes accounted for 2.63% and galvanized products accounted for 5.28%.

The Company's consolidated sales target for all products this year (2021) is 2.2 million tons with 59.09% in domestic sales and 40.91% for exports. Hot-rolled products account for the largest share with 80.64% while cold-rolled products place second with 11.45%. Steel pipe products account for 3.27% and galvanized products account for 4.64%. The management team will dedicate full efforts on achieving and exceeding goals.

III. Future Corporate Development Strategy, External Competition, Legal Regulation, and Overall Business Environment

The "World Economic Outlook" recently published by the International Monetary Fund (IMF) in January 2021 stated that as the economic recovery in certain developed countries and China has been better than the forecast, and as multiple COVID-19 vaccines have been approved, the global economic growth estimate for 2020 was adjusted from the forecast in October of -4.4% to -3.5%. The estimated global economic growth for 2021 was also adjusted from 5.2% to 5.5%. The adjustments reflected the economic stimulus policies implemented by major economies and the expected benefits of vaccines for promoting economic growth.

The Company shall uphold the marketing strategy of "stable domestic sales and flexible exports" and use advantages in the flexibility and speed of the supply chain along with dynamic and effective management to achieve optimal production and optimize product portfolio. We shall make full use of the high-quality slab materials from the China Steel Group or procurement of slab materials from external sources at appropriate times and appropriate quantities to actively increase purchase orders and to maximize sales performance.

As a member of the China Steel Corporation Group, Chung Hung Steel upholds the business philosophy of "integrity, growth, excellence, and responsibility" and aims to become a first-rate company "worthy of respect, trust, and interaction". The Company remains committed to compliance with new regulations and it did not see,

in the current period, or does not expect to see, in the near future, negative impacts or major changes in the legal environment in the Company's operations.

Lastly, I would like to wish all our shareholders health and prosperity.

Chairman of the Board

Min-Hsiung Liu

President

Kuei-Sung Tseng

B. Company Profile

I. Company Overview

Chung Hung Steel Corporation (hereinafter referred to as Chung Hung) is a member of the China Steel Corporation Group and it was established in Kaohsiung City in September 1983. It became listed on the Taiwan Stock Exchange Corporation in 1992 and its current paid-in capital is NT\$14.35 billion. Its main products include hot-rolled steel coils, cold-rolled steel coils, hot-dipped galvanized steel coils, JIS steel pipes, ASTM steel pipes, API steel pipes, and PE coated steel pipes.

Chung Hung has a total of five production plants including the Hot Rolling Department (designed annual capacity of 2.4 million tons), Cold Rolling Department (designed annual capacity of 450,000 tons), Dafa Steel Pipe Plant (designed annual capacity of 48,000 tons), and the Pickling and Galvanizing Department (the pickling production line has a designed annual capacity of 600,000 tons; the galvanizing production line has a designed annual capacity of 300,000 tons). All these four departments are located in Kaohsiung City and the Lukang steel pipe plant in Changhua Coastal Industrial Park in Changhua County (designed annual capacity of 200,000 tons).

II. Company Profile

Sept. 1983	Yelong Enterprise Co., Ltd. was established with a capital of NT\$500,000.
Mar. 1986	Commencement of the construction of Kaohsiung Plant.
Apr. 1986	Dafa 1st Plant was established in the Dafa Industrial Park in Daliao Township, Kaohsiung County.
Feb. 1987	Kaohsiung Plant was completed and production began.
May 1987	Dafa 1st Plant was completed and production began.
Mar. 1989	Dafa 1st Plant was awarded Japanese Industrial Standards certification by the Ministry of Economy, Trade and Industry (METI) of Japan and it was the first steel manufacturer in Taiwan to pass the JIS review. Official commissioning and production of the hydrogen annealing furnace in Kaohsiung Plant.
Apr. 1989	Dafa 1st Plant received American Petroleum Institute (API) trademark approval.
Oct. 1989	Dafa 1st Plant receives CNS Mark from the Bureau of Standards, Metrology and Inspection.
Feb. 1992	Common stocks officially launched for trading on the market.
Aug. 1994	Kaohsiung Plant received ISO 9002 certification.
May 1995	Commencement of the construction of Kaohsiung Hot Rolling Department.

Feb. 1996	Dafa 1st Plant received ISO 9002 certification.
Apr. 1997	Kaohsiung Hot Rolling Department was completed and production began.
May 1997	Kaohsiung Plant underwent ISO 14001 certification by DNV GL and it was certified in the same month.
Jul. 1998	Bureau of Standards, Metrology and Inspection approved the CNS Mark for carbon steel pipes produced by Dafa 1st Plant.
Nov. 1999	Kaohsiung Plant was assessed as “Excellent Enterprise in Labor Safety and Health Promotion” for 1999 by the Council of Labor Affairs.
Dec. 1999	Entered strategic alliance with China Steel Corporation.
Aug. 2001	Kaohsiung Plant received OHSAS 18001 certification.
Nov. 2001	Dafa 1st Plant received ISO 14001 certification.
Mar. 2002	Kaohsiung Hot Rolling Department received ISO 14001 certification.
May 2002	Kaohsiung Hot Rolling Department received ISO 9001 certification.
Sept. 2002	Kaohsiung Hot Rolling Department received OHSAS 18001 certification.
Jan. 2003	Dafa 1st Plant received OHSAS 18001 certification.
May 2003	The Company entered a slab steel supply agreement with Sumitomo Metal Industries in Wakayama, Japan.
Nov. 2003	The Hot Rolling Department received the “Enterprise Award of Excellence for Energy Conservation” from the Ministry of Economic Affairs.
Jun. 2004	The shareholders meeting passed the proposal for renaming the Company “Chung Hung Steel Corporation”.
Jul. 2004	The renaming was registered with the Department of Commerce, Ministry of Economic Affairs Approval. (MOEA’s official letter Shou-Shang-Zi No. 09301120280 dated July 14, 2004) "Yelong Enterprise Co., Ltd." was renamed “Chung Hung Steel Corporation”. Renamed “Kaohsiung Plant” to “Cold Rolling Department” Renamed “Kaohsiung Hot Rolling Department” to “Hot Rolling Department” Renamed “Dafa 1st Plant” to “steel pipe plant”
Sept. 2004	The stocks are issued under “Chung Hung Steel Corporation”.
Sept. 2004	The Cold Rolling Department received the “13th Annual ROC Enterprise Environmental Protection Award” from the Environmental Protection

	Administration, Executive Yuan.
Sept. 2005	The Hot Rolling Department received the “14th Annual ROC Enterprise Environmental Protection Award” from the Environmental Protection Administration, Executive Yuan.
Sept. 2005	The Cold Rolling Department received the “Enterprise Award of Excellence for Energy Conservation” from the Ministry of Economic Affairs.
Oct. 2005	Completion of the ERP system.
Oct. 2006	The Hot Rolling Department and Cold Rolling Department were assessed as “Outstanding Cigarette-Free Workplace” in the 2006 Kaohsiung County Tobacco Hazard Prevention Outstanding Workplace Assessment.
Nov. 2006	The Cold Rolling Department received the “Leaping Antelope Award” in the 2006 National Tobacco Hazard Prevention Outstanding Workplace Assessment.
Nov. 2007	The Cold Rolling Department received the “Health Leadership” award for healthy workplace from the Department of Health in 2007. The steel pipe plant passed the Healthy Workplace Accreditation by the Bureau of Health Promotion and received the “Tobacco Hazard Prevention Mark” and “Health Promotion Mark”.
Dec. 2007	The Hot Rolling Department received the “2005 Greenhouse Gas Inventory Statement” issued by the DNV.
Jan. 2008	The Company launched the first corporate volunteer program and adopted the “Heping Juvenile Home for Boys” of Kaohsiung County to provide regular volunteer services.
Jul. 2008	To thank Chung Hung for its long-term assistance in promoting policies of the town and active participation in social welfare activities and care for the disadvantaged, Gangshan Township issued an “Honorary Town Citizen ID Card” to the Company to express the gratitude of the people.
Aug. 2008	The company established an Energy-Saving Service Group and participated in the “2008 Ceremony for Flag Presentation to Energy-Saving Service Groups of Group Enterprises” hosted by the Bureau of Energy of the Ministry of Economic Affairs.
Oct. 2008	The Company signed a 5-year (2009 to 2013) Memorandum of Understanding for Energy Conservation & Carbon Reduction Assistance for Chung Hung with the Taiwan Green Productivity Foundation.

- Nov. 2008 The Company received the two-star award (enterprise category) for high-quality groups of 2008 by the Chinese Society for Quality.
- Dec. 2008 The Hot Rolling Department received the “2007 Outstanding Enterprise in Industry Voluntary Greenhouse Gas Emissions Reduction”.
- Feb. 2009 The steel pipe plant passed the new “JIS” certification (JIS G3444, G3466 Carbon Steel Rectangular Tubes for General Structure, and JIS G3452 Carbon Steel Pipes for Ordinary Piping) of the Japan Quality Assurance Organization (JQA).
- Mar. 2009 The Company organized a NT\$4 billion capital cash increase in 2009 and increased its paid-in capital to NT\$16.85 billion.
- May 2009 To thank Chung Hung for its long-term support for rural construction, active care for the disadvantaged, and participation in social welfare activities, Ciaotou Town Office issued an “Honorary Ciaotou Citizen ID Card” to the Company to express the gratitude of the people.
- Nov. 2009 The Hot Rolling Department, Cold Rolling Department, and steel pipe plant passed the Taiwan Occupational Safety and Health Management System (TOSHMS) certification.
- Nov. 2009 The Hot Rolling Department received the “2008 Outstanding Enterprise in Industry Voluntary Greenhouse Gas Emissions Reduction” from the Industrial Development Bureau, Ministry of Economic Affairs.
- Dec. 2009 The hot-rolled products received the Indonesian SNI product certification.
- Jun. 2010 The Company received a Class A rating in the 2009 Information Disclosure Review conducted by the Securities & Futures Institute. (The Company was listed as a Class A company for three consecutive years from 2005 to 2007 and it was listed as a Class A⁺ company in 2008; it was also listed among companies with more transparent voluntary information disclosure from 2006 to 2008.)
- Jun. 2010 The Hot Rolling Department, Cold Rolling Department, and steel pipe plant received the “Steel and Iron Industry Radiation Detection Operations Certification” issued by the Atomic Energy Council, Executive Yuan. This certification improved the Company’s guarantee for its products and helped customers in winning construction tenders from government authorities.
- Aug. 2010 The Company received “Second Place for Growth Rate in Export Expansion in Key Markets” in the 2009 Award for International Trade presented by the Taiwan External Trade Development Council: No. 1 in growth rate in export expansion in the key market of Korea.

- Sept. 2010 The Company organized a capital reduction for the 2009 fiscal year to make up for losses and its paid-in capital was reduced from NT\$16.85 billion to NT\$13.8 billion.
- Nov. 2010 The Hot Rolling Department was certified for the “Health Promotion Mark for Healthy Workplace Voluntary Accreditation” by the Bureau of Health Promotion, Executive Yuan. The validity period is three years (November 1, 2010 to December 31, 2013).
- Nov. 2010 The Hot Rolling Department advanced the compressed air performance monitoring system update and received the “Energy Conservation Role Model” in the “2010 Manufacturing Industry Energy Conservation & Carbon Reduction Outcome Announcement Conference” organized by the Industrial Development Bureau, Ministry of Economic Affairs.
- Jan. 2011 The Company was recommended by Kaohsiung County Government as an outstanding private charity and public welfare organization. It also received public commendation from Taiwan Provincial Government and received the “Love and Care” award and certification.
- Apr. 2011 The Hot Rolling Department and Cold Rolling Department participated “Enterprise Energy Conservation Performance Contest” organized by the Environmental Protection Bureau of Kaohsiung City Government and were awarded for “Outstanding Energy Conservation Performance”.
- Jun. 2011 The Company received a Class A rating in the 2010 Information Disclosure Review conducted by the Securities & Futures Institute; it was also listed among companies with more transparent voluntary information disclosure.
- Aug. 2011 The Company established the Remuneration Committee.
- Sept. 2011 The hot-rolled products received the SIRIM certification in Malaysia (MS 1705 SPHC, MS 1768 SPHT1, JIS G3101 SS400, and SAE J403 1008).
- Nov. 2011 The groundbreaking ceremony of the new steel pipe construction was held by Chairman Kun-Mu Chen in Changhua Coastal Industrial Park in Changhua County in the morning of November 17.
- Mar. 2012 The hot-rolled products and cold-rolled products received the JIS Mark certification in Japan (JIS G3131 SPHC, JIS G3101 SS400, and JIS G3141 SPCC/SPCD).
- Jun. 2012 The Company received a Class A rating in the 2011 Information Disclosure Review conducted by the Securities & Futures Institute.

Sept. 2012	The hot-rolled products received the FPC certification in Singapore (JIS G3101 SS400, BS EN 0025-2 S275JR, BS EN 10025-2 S275JO, BS EN 10025-2 S235JR, and BS EN 10025-2 S235JO).
Nov. 2012	The Company's pursuit of quality and excellence received recognition and it received the "Asian Network for Quality Recognition for Excellence in Quality Practice" from the Chinese Society for Quality.
Dec. 2012	The Company worked with the Industrial Development Bureau, Ministry of Economic Affairs in the advancement of the emissions reduction offset program and received the "Carbon Reduction Pioneer" award.
Dec. 2012	The Company participated in the 2012 Workplace Safety Week program and received the "Excellence Award".
Dec. 2012	The Company received the "Authorized Economic Operator" (AEO) certification from the Customs Administration of the Ministry of Finance. The validity period is three years (December 27, 2012 to December 26, 2015).
Dec. 2012	ISO 50001 Energy Management System and Product Carbon Footprint and Environmental Product Declaration passed DNV inspection (certification).
Jun. 2013	The Company received a Class A rating in the 2012 Information Disclosure Review conducted by the Securities & Futures Institute.
Jul. 2013	The Cold Rolling Department was recognized as an "Outstanding Unit in the Advancement of Labor Safety and Health in Kaohsiung City in 2012" and received the "Outstanding Unit Award" as a "2012 Outstanding Labor Safety and Health Unit" from the Council of Labor Affairs, Executive Yuan.
Jul. 2013	Hot-rolled products received TIS certification in Thailand.
Nov. 2013	The Cold Rolling Department received the 2013 "Enterprise Award of Excellence for Energy Conservation" from the Ministry of Economic Affairs.
Nov. 2013	The Hot Rolling Department received the 2013 Outstanding Enterprise in Industry Voluntary Greenhouse Gas Emissions Reduction from the Industrial Development Bureau Ministry of Economic Affairs.
Jan. 2014	Passed ISO/IEC 17025: 2005 General requirements for the competence of testing and calibration laboratories and became a TAF-certified laboratory.
Apr. 2014	The Company's purchase of products with environmental protection marks for Green Procurement exceeded NT\$5 million in 2013 and it

	received an honorary certificate from the Environmental Protection Bureau of Kaohsiung City Government.
May 2014	The thesis promoting “Plant Regional Allied Defense” to improve the occupational management performance of steel plants received first prize for “Occupational Safety and Health Management Thesis” issued by Taichung City Government.
Jun. 2014	The cold-rolled products received the MS certification in Malaysia (JIS G3141: 2011 SPCC 1B and MS ISO 3574: 2009(P) CR1).
Jun. 2014	The Company received a Class A+ rating in the 11th Information Disclosure Review for Listed Companies conducted by the Securities & Futures Institute in 2013.
Jul. 2014	The hot-rolled products/PO, cold-rolled products, and galvanized products received the VN certification in Vietnam.
Jul. 2014	The Company was ranked 40th among outstanding import and export companies in 2013 by the Bureau of Foreign Trade, Ministry of Economic Affairs.
Sept. 2014	The Hot Rolling Department, Cold Rolling Department, and Dafa steel pipe plant received the ISO14064-1 Greenhouse Gas Inventory Statement.
Sept. 2014	The Company's purchase of products with environmental protection marks for Green Procurement exceeded NT\$20 million in 2013 and received an honorary certificate from the Environmental Protection Administration, Executive Yuan.
Oct. 2014	The Lukang steel pipe plant passed American Petroleum Institute (API) certification.
Oct. 2014	The Hot Rolling Department received the “Special Award” for safety and health performance in 2013 from Taiwan Steel & Iron Industries Association.
Nov. 2014	The Cold Rolling Department was recognized as an “Outstanding Unit in the Advancement of Labor Safety and Health in Kaohsiung City in 2013” and received the “Outstanding Unit Award” as a “2013 Outstanding Labor Safety and Health Unit” from the Ministry of Labor, Executive Yuan.
Nov. 2014	The Company (entered the contest with the Ciaotou Administration Building) won the “First Prize” in the electricity savings contest for small and medium enterprises organized by Taiwan Power Company.

Dec. 2014	Chairman Mr. Yu-Sung Chen retired upon reaching retirement age and Mr. Tsung-Ying Huang took over as Chairman.
Dec. 2014	The Hot Rolling Department received the 2014 “Industry Award of Excellence” for water conservation from the Water Resources Agency, Ministry of Economic Affairs.
Jan. 2015	The new laboratory of Lukang Steel Pipe Plant passed ISO/IEC 17025: 2005 General requirements for the competence of testing and calibration laboratories and became a TAF-certified laboratory.
Apr. 2015	The Company’s Green Procurement exceeded NT\$5 million in 2014 and it received an honorary certificate from the Environmental Protection Bureau of Kaohsiung City Government.
Apr. 2015	The Company received a Class A+ rating in the 12th Information Disclosure Review for Listed Companies conducted by the Securities & Futures Institute in 2014. It was also ranked among the top 6% to 20% of companies in the first Corporate Governance Review.
Jun. 2015	The Company established an Audit Committee.
Sept. 2015	Lukang steel pipe plant passed ISO 14001 and OHSAS 18001 certification.
Oct. 2015	The Hot Rolling Department received the “Excellence Award” in the 2015 Energy Conservation Contest organized by the Ministry of Economic Affairs.
Oct. 2015	The Cold Rolling Department received the “Special Award” for safety and health performance in 2014 from Taiwan Steel & Iron Industries Association.
Nov. 2015	Lukang steel pipe plant passed TOSHMS (CNS 15506) certification.
Nov. 2015	Lukang steel pipe plant passed ISO 9001 certification.
Nov. 2015	The Cold Rolling Department was recognized as an “Outstanding Unit in the Advancement of Occupational Safety and Health in Kaohsiung City in 2014” and received the “Five-Star Award” as a “2014 Outstanding Occupational Safety and Health Unit” from the Ministry of Labor, Executive Yuan.
Jan. 2016	The Hot Rolling Department received the “Special Prize” for enterprise manufacturing plant in the 2015 Carbon Reduction Actions Award from the Environmental Protection Administration and the Ciaotou Administration Building received “Outstanding Award” for carbon emissions reduction in the office space.

Apr. 2016	The Company's purchase of products with environmental protection marks for Green Procurement exceeded NT\$10 million in 2015 and it received an honorary certificate from the Environmental Protection Bureau of Kaohsiung City Government.
Aug. 2016	The Company was selected as an outstanding group enterprise in electricity savings in 2015 by the Ministry of Economic Affairs and received a "Electricity Savings Role Model" trophy.
Sept. 2016	Hot-rolled products received EU's CE marking certification.
Nov. 2016	Chairman Mr. Tsung-Ying Huang retired upon reaching retirement age and Mr. Shun-Te Chiu took over as Chairman.
Nov. 2016	The Hot Rolling Department and Cold Rolling Department both received the "Special Award" for occupational safety performance in 2015 from Taiwan Steel & Iron Industries Association.
Nov. 2016	The Hot Rolling Department was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health in Kaohsiung City in 2015" and received the "2015 Outstanding Occupational Safety and Health Unit Award" from the Ministry of Labor, Executive Yuan.
Oct. 2017	The Hot Rolling Department received the "2016 Excellent Unit for Promoting Occupational Safety and Health" from the Labor Affairs Bureau of Kaohsiung City Government.
Oct. 2017	The Company received recognition for inter-department greenhouse gas reduction and cooperation program in 2017 from the Environmental Protection Bureau of Kaohsiung City Government.
Oct. 2017	The Hot Rolling Department and Cold Rolling Department both received the "Special Award" for occupational safety performance in 2016 from Taiwan Steel & Iron Industries Association.
Nov. 2017	The Hot Rolling Department received the "2016 Excellent Unit for Promoting Occupational Safety and Health" from the Ministry of Labor.
Dec. 2017	Lukang steel pipe plant received the "Health Management Award" for outstanding workplace health in 2017 from the Health Promotion Administration of the Ministry of Health and Welfare.
Dec. 2017	The Hot Rolling Department received the CIDB certification in Malaysia.
Jan. 2018	Chairman Mr. Shun-Te Chiu retired upon reaching retirement age and Mr. Yi-Chung Han took over as Chairman.

Jun. 2018	June 1 was adopted as the baseline date for the merger of the Company and the subsidiary Hung Li Steel Corporation which became the Company's "Pickling and Galvanizing Department".
Jun. 2018	Official launch of the Company's new website in traditional Chinese and English.
Jul. 2018	Lukang steel pipe plant passed ISO 50001 certification.
Jul. 2018	The Hot Rolling Department organized the first energy conservation demonstration seminar for China Steel Corporation Group on behalf of the Company.
Sept. 2018	Lukang steel pipe plant obtained JIS Mark Certification.
Sept. 2018	The Hot Rolling Department was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2017" and received the "Five-Star Award" as a "2017 Outstanding Occupational Safety and Health Unit" from the Ministry of Labor.
Oct. 2018	Taiwan Ratings gave Chung Hung Steel Corporation a rating of "twA/twA-1" and "stable" outlook.
Oct. 2018	The Company received recognition for inter-department greenhouse gas reduction and cooperation program in 2018 from the Environmental Protection Bureau of Kaohsiung City Government.
Oct. 2018	The Company was awarded in 15th National Brand Yushan Award (Outstanding Enterprise Category).
Oct. 2018	Lukang Steel Pipe Plant received the "Excellence Award" for safety and health performance in 2017 from Taiwan Steel & Iron Industries Association.
Dec. 2018	Awarded the silver medal certification in the Talent Quality-management System (TTQS) of the Ministry of Labor.
Dec. 2018	The Company received the "Authorized Economic Operator" (AEO) certification from the Customs Administration of the Ministry of Finance.
Mar. 2019	Received recognition for outstanding performance as company responsible for air quality improvements in Kaohsiung Clean Air Quality Region in 2018 from the Environmental Protection Bureau of Kaohsiung City Government.
May 2019	The heating furnace fuel conversion project of the Hot Rolling Department for replacing GHG emissions received the first year reduction quota of 52,506 tons of CO ₂ e issued by the Environmental Protection Administration.

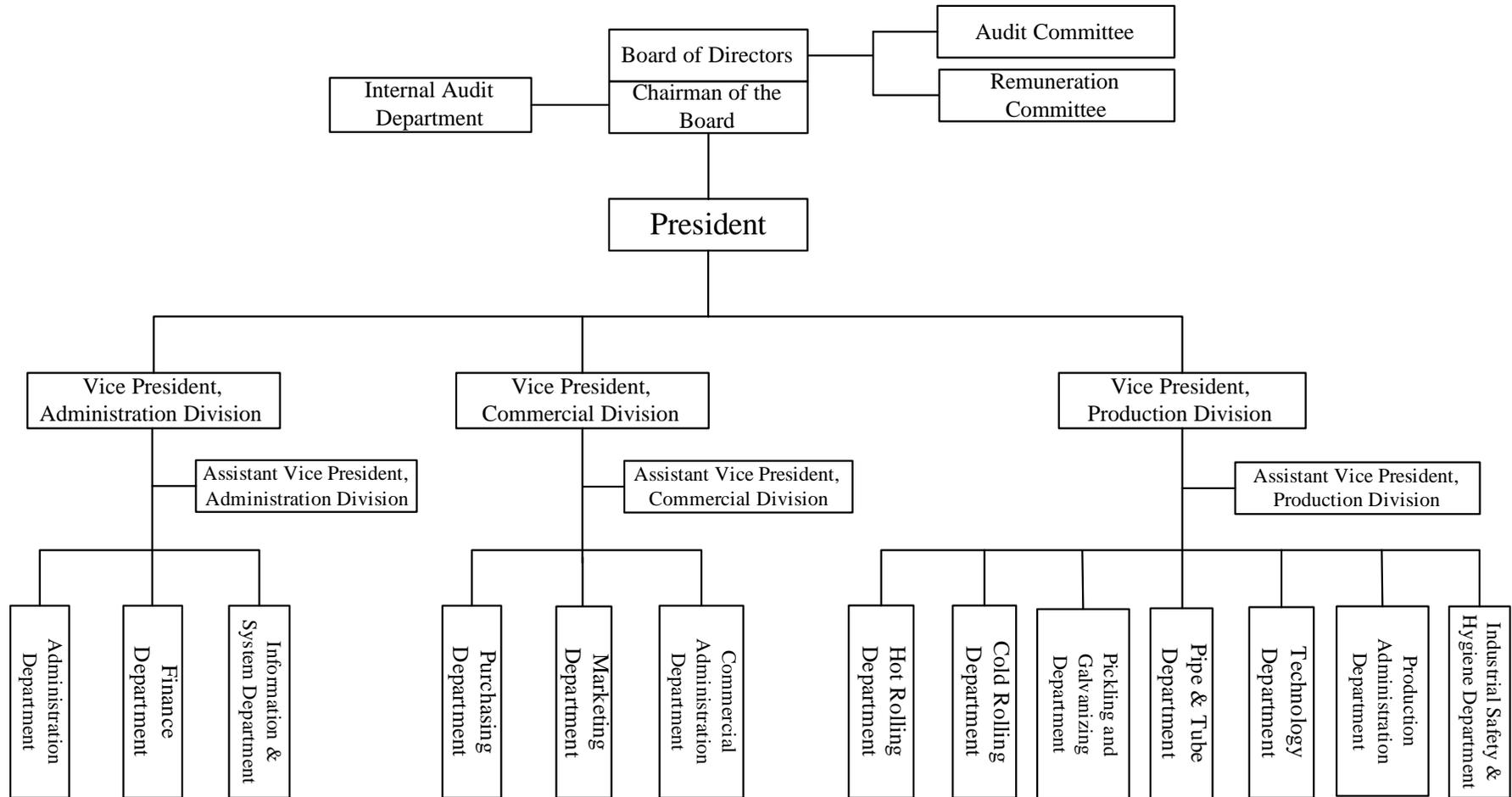
- Jun. 2019 Received recognition for 2018 Outstanding Green Procurement Enterprise Award in Kaohsiung city from the Environmental Protection Bureau of Kaohsiung City Government for more than NT\$5 million of green procurement in 2018.
- Jul. 2019 Passed ISO 45001: 2018 Management System certification.
- Jul. 2019 Passed CNS 45001: 2018 Management System certification.
- Jul. 2019 The Hot Rolling Department passed the product licensing exchange review in Malaysia (MS).
- Aug. 2019 Passed ISO 50001: 2018 Management System certification.
- Sept. 2019 The Dafa Steel Pipe Plant was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2018" and received the "2018 Outstanding Occupational Safety and Health Unit" award from the Ministry of Labor, Executive Yuan.
- Sept. 2019 Chairman Mr. Yi-Chung Han retired upon reaching retirement age and Mr. Min-Hsiung Liu took over as Chairman.
- Oct. 2019 The Pickling and Galvanizing Department passed IATF 16949: 2016 certification.
- Oct. 2019 Received the 2018 Award for International Trade (Best Trade Contribution Award) from the Bureau of Foreign Trade, Ministry of Economic Affairs.
- Oct. 2019 Received certificate of top 500 ranking among outstanding import and export companies in 2018 from the Bureau of Foreign Trade, Ministry of Economic Affairs.
- Nov. 2019 Received the 2019 Sports Corporate Certification from the Sports Administration of the Ministry of Education.
- Nov. 2019 The Hot Rolling Department, Cold Rolling Department, and Dafa Steel Pipe Plant received the "Special Award" for safety and health performance in 2018 from Taiwan Steel & Iron Industries Association.
- Nov. 2019 Received the Corporate Sustainability Report Award and Top 50 Corporate Comprehensive Performance Award in the 2019 Taiwan Corporate Sustainability Awards.
- Dec. 2019 The Cold Rolling Department received the "Health Management Award" for outstanding workplace health in 2019 from the Health Promotion Administration of the Ministry of Health and Welfare.
- Dec. 2019 Passed ISO/IEC 17025: 2017 revision verification and inspections.
- Dec. 2019 President Tsung-Chang Lee retired upon reaching retirement age and Mr. Kung-Ching Wu took over as President.

Apr. 2020	The Company was rated among the top 6% to 20% of companies in the 6th Corporate Governance Evaluation of the Securities & Futures Institute in 2019.
Apr. 2020	The Company received a certificate of appreciation for inter-department greenhouse gas reduction and cooperation program in 2019 and 2020 from the Environmental Protection Bureau of Kaohsiung City Government.
Sept. 2020	The heating furnace fuel conversion project of the Hot Rolling Department for replacing GHG emissions received the second reduction quota (second to third year) of 102,606 tons of CO ₂ e issued by the Environmental Protection Administration.
Sept. 2020	Received recognition for 2019 Outstanding Green Procurement Enterprise Award in Kaohsiung city from the Environmental Protection Bureau of Kaohsiung City Government for more than NT\$5 million of green procurement in 2019.
Sept. 2020	The Dafa Steel Pipe Plant was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health in Kaohsiung City in 2020" and received the "2020 Outstanding Occupational Safety and Health Unit" award from the Ministry of Labor.
Nov. 2020	Received the Gold Corporate Sustainability Report Award in the 2020 Taiwan Corporate Sustainability Awards.
Nov. 2020	Dafa Steel Pipe Plant and Lukang Steel Pipe Plant passed FPC certification in New Zealand.
Nov. 2020	Both the Hot Rolling Department and Cold Rolling Department received the "Special Award" for safety and health performance in 2019 from Taiwan Steel & Iron Industries Association.
Nov. 2020	Awarded the silver medal certification in the Talent Quality-management System (TTQS) from the Ministry of Labor.

C. Corporate Governance Report

I. Organization

(I) Organization Chart



(II) Responsibilities and functions of major departments

Unit		Responsibilities
Internal Audit Department		Credit loan management, internal controls of the company, audit planning and execution, fraud prevention, and disclosure of business risks.
Administration Division	Administration Department	Human resources, organization planning, public relations, processing of affairs with foreign entities, company welfare, and establishment of management systems.
	Finance Department	Accounting affairs, finance, shareholders' meetings, board of directors, insurance, and related matters as well as procedures and management for costs, investments, and capital expenditures.
	Information & System Department	Overall information system and hardware planning, development, establishment, and maintenance as well as the rationalization, standardization, and institutionalization of the Company's overall information system.
Commercial Division	Purchasing Department	Establishment of raw materials and construction procurement system and materials, resources, construction procurement operations, management, market survey, and research.
	Marketing Department	Sales, delivery, and account management for business activities, customer credit investigation, responses to related feedback, after-sales services, and market development.
	Commercial Administration Department	Establishment of management systems, consolidation of market surveys, external business activities, and transportation management.
Production Division	Hot Rolling Department	Production of hot-rolled products, quality control, inventory management, equipment maintenance, environmental safety and sanitation management, etc.
	Cold Rolling Department	Production of cold-rolled products, quality control, inventory management, equipment maintenance, environmental safety and sanitation management, etc.
	Pickling and Galvanizing Department	Production of pickled and galvanized products, quality control, inventory management, equipment maintenance, environmental safety and sanitation management, etc.
	Pipe & Tube Department	Production of pipe and tube products, quality control, inventory management, equipment maintenance, environmental safety and sanitation management, etc.

Unit		Responsibilities
	Technology Department	Maintenance of ISO 9001, API, JIS, CNS, ISO/IEC 17025, and IATF 16949 certification, establishment of a quality inspection system, execution of inspections and tests, and processing customer complaints for materials/products.
	Production Administration Department	Production plans, production and sales coordination, and coordination, cooperation, and integration of resources of different departments of the Production Division.
	Industrial Safety & Hygiene Department	Planning, and supervision of labor safety, hygiene, environmental protection, and energy. Establishment, integration, and advancement of ISO 14001, ISO 45001, and ISO 50001 management systems and the ISO 14064 greenhouse gas inventory and reduction.

II. Profile of Directors, Independent Directors, and Managerial Officers

(I) Directors and Independent Directors

March 31, 2021

Title	Nationality or place of registration	Name	Gender	Date Elected (Appointed)	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Chairman of the Board	Taiwan	China Steel Corporation Representative: Min-Hsiung Liu	Male	2018.6.22	3 years	2006.6.29	582,673,153	40.59	582,673,153	40.59	-	-	-	-	Department of Business Administration, National Cheng Kung University Assistant Vice President of Commercial Division, China Steel Corporation	Chairman of the Company Vice President of Commercial Division, China Steel Corporation Director of Dragon Steel Corporation Director of China Steel Global Trading Corporation Director of China Steel Express Corporation	None	None	None	None.
Director	Taiwan	China Steel Corporation Representative: Chao-Tung Wong	Male	2018.6.22	3 years	2006.6.29	582,673,153	40.59	582,673,153	40.59	-	-	-	-	Ph.D. in Resources Engineering, National Cheng Kung University President of China Steel Corporation	Does not hold positions in the Company Chairman of China Steel Corporation Chairman of China Prosperity Development Corporation	None	None	None	None.

Title	Nationality or place of registration	Name	Gender	Date Elected (Appointed)	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
															Chairman of Shang Yang Venture Capital Co., Ltd. Director of Dragon Steel Corporation Director of China Steel Chemical Corporation Director of China Ecotek Corporation Director of Taiwan High Speed Rail Corporation					
Director	Taiwan	China Steel Corporation Representative: Kuei-Sung Tseng (Note 1)	Male	2018.6.22	3 years	2006.6.29	582,673,153	40.59	582,673,153	40.59	-	-	-	-	Systems and Naval Mechatronic Engineering, National Cheng Kung University Assistant Vice President, Production Division, China Steel Corporation	President of the Company Chairman of China Steel Corporation India Pvt. Ltd.	None	None	None	None.
Director	Taiwan	China Steel Corporation Representative: Kai-Ming Huang	Male	2018.6.22	3 years	2006.6.29	582,673,153	40.59	582,673,153	40.59	-	-	-	-	Department of Business Administration, National Chengchi University Director of Marketing Department, China Steel Corporation	Does not hold positions in the Company Assistant Vice President of Commercial Division, China Steel Corporation	None	None	None	None.

Title	Nationality or place of registration	Name	Gender	Date Elected (Appointed)	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Independent Director	Taiwan	Juh-Shan Chiou	Male	2018.6.22	3 years	2015.6.26	-	-	-	-	-	-	-	-	MBA, National Sun Yat-sen University CPA, Chung Sun Certified Public Accountants	Does not hold positions in the Company CPA, Chung Sun Certified Public Accountants Independent Director and Audit Committee Convener, King Point Enterprise Co., Ltd.	None	None	None	None.
Independent Director	Taiwan	Hsien-Tang Tsai	Male	2018.6.22	3 years	2015.6.26	-	-	-	-	-	-	-	-	Ph.D. in Management, Purdue University Dean of the College of Management, National Sun Yat-sen University	Does not hold positions in the Company Independent Director, Audit Committee Member, and Remuneration Committee Convener, Logah Technology Corporation Independent Director, Audit Committee Member, and Remuneration Committee Member, Fulin Plastic Industry (Cayman) Holding Co., Ltd. Independent Director, Fulin Plastic Industry (Vietnam) Co., Ltd. (wholly-owned subsidiary of FULIN-KY)	None	None	None	None.

Title	Nationality or place of registration	Name	Gender	Date Elected (Appointed)	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Independent Director	Taiwan	Lin-Lin Lee	Female	2018.6.22	3 years	2015.6.26	-	-	-	-	-	-	-	-	Master of Law, National Taiwan University Vice Chairman, Taiwan Bar Association	Does not hold positions in the Company Partner-in-Charge, Ling Yun Attorneys-at-Law Independent Director, Audit Committee Member, and Remuneration Committee Member, Sentien Printing Factory Co., Ltd.	None	None	None	None.

Note 1: The corporate shareholder China Steel Corporation assigned Mr. Kuei-Sung Tseng to replace Mr. Kung-Ching Wu as its representative on January 31, 2021.

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

Note 3: The Company has no employee subscription warrants and is not required to disclose employee subscription warrants held by Directors or managerial officers.

Table 1: Major shareholders of corporate shareholders

December 31, 2020

Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholders (Note 2)
China Steel Corporation	Ministry of Economic Affairs (MOEA) (20.00%), Employee's Stock Trust of China Steel Corporation (4.22%), Transglory Investment Corporation (1.63%), Vanguard Total International Stock Index Fund (1.33%), Vanguard Emerging Markets Stock Index Fund (1.06%), Norges Bank Investment Management (1.04%), Winning Investment Corporation (1.02%), New Labor Pension Fund (0.96%), Public Service Pension Fund (0.91%), Labor Insurance Fund (0.81%).

Note 1: For directors and supervisors who are the representatives of corporate shareholders, the names of the corporate shareholders shall be disclosed.

Note 2: Fill in the names of main shareholders of the corporate shareholder (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio. If the major shareholder is a corporate shareholder, its name shall be filled in Table 2 below.

Note 3: Where a corporate shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.

Table 2: Major shareholders of major corporate shareholders listed in Table 1

December 31, 2020

Name of Legal Entity (Note 1)	Major shareholders of corporate shareholders (Note 2)
Transglory Investment Corporation	China Steel Express Corporation (49.89%), Chung Hung Steel Corporation (40.91%), and China Steel Chemical Corporation (9.20%).
Winning Investment Corporation	Gains Investment Corporation (49.00%), Maruichi Steel Tube Ltd. (42.00%), and Transglory Investment Corporation (9.00%).

Note 1: If the major shareholders in the preceding Table 1 are corporate shareholders, the name of the corporate shareholder shall be disclosed.

Note 2: Fill in the names of main shareholders of the corporate shareholder (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio.

Note 3: Where a corporate shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.

Directors and Independent Directors

March 31, 2021

Name	Has at least 5 years of work experience and meets one of the following professional qualifications			Compliance of independence (Note 1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Criteria	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior College, College or University	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11		12
Corporate Director Representative: Min-Hsiung Liu			✓			✓	✓				✓		✓	✓	✓		0
Corporate Director Representative: Chao-Tung Wong			✓			✓	✓				✓		✓	✓	✓		0
Corporate Director Representative: Kuei-Sung Tseng			✓			✓	✓	✓				✓	✓	✓	✓		0
Corporate Director Representative: Kai-Ming Huang			✓			✓	✓	✓			✓	✓	✓	✓	✓		0
Independent Director Juh-Shan Chiou		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Hsien-Tang Tsai	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director Lin-Lin Lee		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: Please fill-in a “✓” in the empty spaces for the various directors and supervisors who fits the following conditions two years prior to their appointments or during their tenures.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(II) Main Managerial Officers

March 31, 2021

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shares held		Shares Held by Spouse and Underage Children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
President	Taiwan	Kung-Ching Wu (Dismissed on January 31, 2021)	Male	2019.12.31	0	0	0	0	0	0	Department of Systems and Naval Mechatronic Engineering, National Cheng Kung University Assistant Vice President, Production Division, China Steel Corporation	None	None	None	None	None.
	Taiwan	Kuei-Sung Tseng (Appointed on January 31, 2021)	Male	2021.01.31	0	0	0	0	0	0	Department of Systems and Naval Mechatronic Engineering, National Cheng Kung University Assistant Vice President, Production Division, China Steel Corporation	Chairman of China Steel Corporation India Pvt. Ltd.	None	None	None	None.
Vice President, Administration Division	Taiwan	Chia-Wen Luo	Male	2018.01.01	0	0	0	0	0	0	MBA, National Sun Yat-sen University Project Director, Finance Division, China Steel Corporation	Chairman of Hung Kao Investment Corporation Director, Pro-Ascentek	None	None	None	None.

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shares held		Shares Held by Spouse and Underage Children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
												Investment Corporation				
Vice President, Commercial Division	Taiwan	Wen-Chou Li (Dismissed on June 1, 2020)	Male	2018.09.01	0	0	0	0	0	0	Department of Business Administration, National Cheng Kung University Section Chief, Second Section, Marketing Department, China Steel Corporation	None	None	None	None	None.
	Taiwan	Po-Han Chen (Appointed on June 1, 2020)	Male	2020.06.01	0	0	0	0	0	0	Master of International Business, National Taiwan University Manager of Domestic Marketing Research Section-2, Marketing Administration Department, China Steel Corporation	Supervisor of Pacific Harbor Stevedoring Corporation	None	None	None	None.
Vice President of Production	Taiwan	Chien-Chou Chen (Dismissed on February 1, 2020)	Male	2019.03.01	0	0	0	0	0	0	Department of Industrial Engineering, National Tsing Hua University Deputy Director of Production Planning	None	None	None	None	None.

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shares held		Shares Held by Spouse and Underage Children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
											Department, China Steel Corporation					
	Taiwan	Chih-Ho Chiu (Appointed on February 1, 2020)	Male	2020.02.01	0	0	0	0	0	0	Department of Systems Engineering and Naval Architecture, National Taiwan Ocean University Assistant Superintendent, Rolling Mill Dept-III Cold Rolled Product, China Steel Corporation	None	None	None	None	None.
Assistant Vice President, Administration Division	Taiwan	Shu-Cheng Yen	Male	2017.09.01	0	0	0	0	0	0	MBA, I-Shou University Director of Administration Division, Chung Hung Steel Corporation	None	None	None	None	None.
Assistant Vice President, Commercial Division	Taiwan	Ming-Ju Yang	Male	2012.04.01	0	0	0	0	0	0	EMBA, National Cheng Kung University Assistant Vice President, Production Division, Chung Hung Steel Corporation	None	None	None	None	None.

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shares held		Shares Held by Spouse and Underage Children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Assistant Vice President, Production Division	Taiwan	Chin-Ming Hsu	Male	2016.01.01	0	0	0	0	0	0	Department of Industrial Engineering, Feng Chia University Assistant Vice President of Commercial Division, Chung Hung Steel Corporation	None	None	None	None	None.
Assistant Vice President, Production Division	Taiwan	Chien-Hsiung Tung (Dismissed on June 1, 2020)	Male	2018.08.15	0	0	0	0	0	0	Department of Shipbuilding Engineering, National Taiwan University Deputy Director, Batch Annealing Refinement Workshop, China Steel Corporation	None	None	None	None	None.
	Taiwan	Juei-Tsai Huang (Appointed on June 1, 2020)	Male	2020.06.01	0	0	0	0	0	0	Department of Systems Engineering and Naval Architecture, National Taiwan Ocean University Director, First Hot-Rolled Steel Coil	None	None	None	None	None.

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shares held		Shares Held by Spouse and Underage Children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
											Workshop, China Steel Corporation					
Director of the Finance Department (Chief Accounting Officer)	Taiwan	Pei-Yu Lee (Dismissed on March 1, 2021)	Female	2017.09.01	0	0	0	0	0	0	Master's degree, Department of Public Finance, National Chengchi University Section Chief, Accounting Department, China Steel Corporation	None	None	None	None	None.
	Taiwan	Wen-Ping Huang (Appointed on March 1, 2021)	Female	2021.03.01	2,000	0	0	0	0	0	Master's degree, Department of Finance, National Sun Yat-sen University Section Chief, Accounting Department, China Steel Corporation	None	None	None	None	None.

Note 1: Where the Chairman, President, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managerial officers).

Note 2: All shares specified in the table are ordinary shares.

Hsien-Tang Tsai																				
Lin-Lin Lee																				

1. Please describe the policy, system, standards and structure of the remuneration packages of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment:
(1) Independent Directors are provided with fixed remuneration. The Director Juh-Shan Chiou and Director Lin-Lin Lee receive NT\$50,000 per person per month. The Director Hsien-Tang Tsai received NT\$50,000 each month from January to July 2020, and received NT\$22,500 each month from August to December 2020. They do not collect the remuneration for Directors specified in Article 28 of the Articles of Incorporation. The Company's profit or loss does not affect the fixed remuneration of Independent Directors.
(2) Independent Directors are required to attend meetings of the Board of Directors with transportation allowances paid by the Company.
(3) Where Independent Directors serve as members of the functional committees of the Board of Directors, they shall attend the meetings of the functional committees and the Company shall pay attendance fees based on their actual attendance.
2. In addition to the disclosure above, compensation paid to Directors for their services (e.g. providing consulting services as a non-employee) to all the consolidated entities in the financial report: None.

Remuneration Range Table

December 31, 2020

Remuneration range for each director in the Company	Name of Director			
	Total amount of the 4 preceding remunerations (A+B+C+D)		Total amount of the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report H	The Company	The parent company and all investees I
Less than NT\$ 1,000,000	Min-Hsiung Liu, Chao-Tung Wong, Kai-Ming Huang, Kung-Ching Wu, Juh-Shan Chiou, Hsien-Tang Tsai, Lin-Lin Lee	Min-Hsiung Liu, Chao-Tung Wong, Kai-Ming Huang, Kung-Ching Wu, Juh-Shan Chiou, Hsien-Tang Tsai, Lin-Lin Lee	Min-Hsiung Liu, Chao-Tung Wong, Kai-Ming Huang, Juh-Shan Chiou, Hsien-Tang Tsai, Lin-Lin Lee	Juh-Shan Chiou, Hsien-Tang Tsai, Lin-Lin Lee
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	0	0	0	0
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	0	0	0	Kai-Ming Huang
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	0	0	Kung-Ching Wu	Min-Hsiung Liu, Kung-Ching Wu
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	China Steel Corporation	China Steel Corporation	China Steel Corporation	China Steel Corporation, Chao-Tung Wong
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	0	0	0	0
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	0	0	0	0

NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	0	0	0	0
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	0	0	0	0
Higher than NT\$100,000,000	0	0	0	0
Total	8	8	8	8

Remunerations to President and Vice President

Unit: NT\$1,000, December 31, 2020

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances, etc. (C)		Employee remuneration (D)				Total remuneration (A+B+C+D) as a percentage of net income after tax		Remuneration received from investees other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Kung-Ching Wu													
Vice President, Administration Division	Chia-Wen Luo													
Vice President, Commercial Division	Wen-Chou Li (Dismissed on June 1, 2020)													
	Po-Han Chen (Appointed on June 1, 2020)													
Vice President of Production	Chien-Chou Chen (Dismissed on February 1, 2020)													
	Chih-Ho Chiu (Appointed on February 1, 2020)	15,233	15,233	2,179	2,179	3,249	3,249	1,473	0	1,473	0	4.19	4.19	224
Assistant Vice President, Administration Division	Shu-Cheng Yen													
Assistant Vice President, Commercial Division	Ming-Ju Yang													
Assistant Vice President, Production Division	Chin-Ming Hsu													
	Chien-Hsiung Tung (Dismissed on June 1, 2020)													
	Juei-Tsai Huang (Appointed on June 1, 2020)													

Note 1: All companies in the financial report include the Company.

Remuneration Range Table

December 31, 2020

Range of Remuneration Paid to the President and Vice Presidents of the Company	Name of President and Vice Presidents	
	The Company	The parent company and all investees
Less than NT\$ 1,000,000	Chien-Chou Chen	Chien-Chou Chen
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	Chien-Hsiung Tung, Juei-Tsai Huang, Wen-Chou Li, Po-Han Chen	Chien-Hsiung Tung, Juei-Tsai Huang, Wen-Chou Li, Po-Han Chen
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	Chia-Wen Luo, Shu-Cheng Yen, Chih-Ho Chiu, Ming-Ju Yang, Chin-Ming Hsu	Chia-Wen Luo, Shu-Cheng Yen, Chih-Ho Chiu, Ming-Ju Yang, Chin-Ming Hsu
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	Kung-Ching Wu	Kung-Ching Wu
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	0	0
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	0	0
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	0	0
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	0	0
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	0	0
Higher than NT\$100,000,000	0	0
Total	11	11

Note: The range of remuneration of the aforementioned managerial officers included all companies mentioned in the consolidated financial report.

Names of managerial officers who received employee remuneration and the details

Unit: NT\$1,000, December 31, 2020

	Title	Name	Stock amount	Cash amount	Total	Ratio accounted compared to the total net income (%)
Managerial Officer	President	Kung-Ching Wu	0	1,572	1,572	0.30
	Vice President, Administration Division	Chia-Wen Luo				
	Vice President, Commercial Division	Wen-Chou Li (Dismissed on June 1, 2020)				
		Po-Han Chen (Appointed on June 1, 2020)				
	Vice President of Production	Chien-Chou Chen (Dismissed on February 1, 2020)				
		Chih-Ho Chiu (Appointed on February 1, 2020)				
	Assistant Vice President, Administration Division	Shu-Cheng Yen				
	Assistant Vice President, Commercial Division	Ming-Ju Yang				
	Assistant Vice President, Production Division	Chin-Ming Hsu				
		Chien-Hsiung Tung (Dismissed on June 1, 2020)				
Juei-Tsai Huang (Appointed on June 1, 2020)						
Chief Accounting Officer	Pei-Yu Lee					

(IV) Comparison of compensation paid by the Company and all the consolidated entities in the last two years to the company's Directors (including Independent Directors), President and Vice Presidents as a percentage to the net income after tax. Explanation on remuneration policies, standards and combination, the procedures in determining remuneration, and association with business performance and future risks.

1. The Company's remuneration for Directors (including Independent Directors), President, and Vice Presidents in 2020 accounted for 6.52% of the after-tax net profit. The remuneration for Directors (including Independent Directors), President, and Vice Presidents in 2019 accounted for 276.73% of the after-tax net profit. The salary and transportation allowances of Directors were established by the Board of Directors based on standards adopted by the industry and listed companies in accordance with Article 22 of the Company's Articles of Incorporation. Article 28 of the Articles of Incorporation specifies that if the Company has profit for the year, it shall allocate no more than 1% of the profit as remuneration for Directors. However, the Company's Independent Directors receive fixed remuneration and are not included in the distribution of remuneration for

Directors. The salary for the President and Vice Presidents of the Company are processed in accordance with the "Duties Division Table of the Board of Directors, Chairman, and President". The salary for the President and Vice Presidents shall be approved by the Board of Directors and the salary for Assistant Vice Presidents shall be approved by the Chairman. The employee remuneration shall be approved by the Board of Directors.

2. According to Article 2.7 of the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors", the performance evaluation results of individual Directors (excluding Independent Directors) are used as the basis for the distribution of remuneration for Directors. The assessment includes the following items: familiarity with the goals and missions of the company, awareness of the duties of a Director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. The Company has completed the 2020 performance evaluation for Directors and we will distribute remuneration of Directors based on the results of the evaluation. The evaluation items for managerial officers include work performance, core competencies (customer services, teamwork, etc.), and management competencies (leadership, development of subordinates, security, discipline, etc.). Related performance evaluation and the salary and remuneration must be approved by the Remuneration Committee and the Board of Directors. The remuneration system shall also be reviewed based on actual business operations and changes in regulations.
3. Linkage of the remuneration of Directors (including Independent Directors), President and Vice Presidents to business performance and future risks: None.

III. Implementation of Corporate Governance

(I) Board of Directors operating status and evaluation status

A total of 8 (A) meetings of the Board of Directors were held in 2020. The attendance of Directors was as follows:

2020.01.01~2020.12.31

Title	Name	Attendance in person B	Attendance by proxy	Attendance in person rate [B/A]	Remarks
Chairman of the Board	Representative of China Steel Corporation Min-Hsiung Liu	8	0	100	None
Director	Representative of China Steel Corporation Chao-Tung Wong	7	1	87.5	None
Director	Representative of China Steel Corporation Kung-Ching Wu	8	0	100	None
Director	Representative of China Steel Corporation Kai-Ming Huang	8	0	100	None
Independent Director	Juh-Shan Chiou	8	0	100	None
Independent Director	Hsien-Tang Tsai	8	0	100	None
Independent Director	Lin-Lin Lee	8	0	100	None

Other matters that should be recorded:

- I. The items included in Article 14-3 of the Securities and Exchange Act and other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors should indicate the dates, sessions, contents of the motion, opinions of all Independent Directors and how the company handles the opinion of the Independent Directors: Independent Directors issued no objections or qualified opinions on material issues.
- II. The directors' avoidance of interest motion should indicate the names of the directors, contents of the motion and reasons of avoidance of interest as well as the involvement in voting:
 1. 14th meeting of the 14th Board of Directors on January 21, 2020: Proposal on the salary for the newly-appointed President Mr. Kung-Ching Wu. The Director Kung-Ching Wu recused himself in accordance with laws (Mr. Kung-Ching Wu is the President of the Company).
 2. 21st meeting of the 14th Board of Directors on December 24, 2020: Proposal for the adjustment of the basic salary for the Company's President and Vice Presidents. The Director Kung-Ching Wu recused himself in accordance with laws.
- III. The evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors are detailed in the evaluation status of the Board of Directors for 2020 set forth below.

IV. Measures this year and in the most recent year in strengthening the functions of the Board (for example, set up an auditing committee, improve transparency, etc.) and execution evaluation:

1. The Company established the Audit Committee starting from the 13th Board of Directors in June, 2015. Four meetings of the Audit Committee were convened on February 26, April 30, July 29, and November 3 in 2020 and the resolutions of the Audit Committee were reported to the Board of Directors.
2. The Remuneration Committee was established under the Board of Directors in September, 2011. Operations of the Remuneration Committee in 2020: The Company convened four meetings of the Remuneration Committee on January 21, February 20, May 26, and December 24 in 2020 in accordance with Article 14-6 of the Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" announced by the Financial Supervisory Commission on March 18, 2011. The resolutions of the Committee were compiled into meeting minutes and reported to the Board of Directors.
3. The Company announces material resolutions of the Board of Directors and the operations of functional committees on the website.
4. The attendance, continuing education of Directors, current posts, experience, and concurrent posts of Independent Directors are disclosed on the Market Observation Post System.
5. The Company has purchased D&O liability insurance for all Directors (including Independent Directors) and managerial officers and reported to the Board of Directors in the meeting on July 29, 2020. The information was reported on the Market Observation Post System in accordance with regulations.

The Board of Directors evaluation status in 2020 was as follows:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
Once every year	From January 1, 2020 to December 31, 2020	Performance evaluation of the Board of Directors, individual Directors, Audit Committee, and Remuneration Committee	Self-evaluation of the Board of Directors and self-evaluation of Directors	Described as follows

- I. The Company passed the establishment of the "Regulations Governing the Evaluation of the Performance of the Board of Directors" (hereinafter referred to as the Regulations) in the 13th meeting of the 14th Board of Directors on December 30, 2019, and passed the amendment in the 20th meeting of the 14th Board of Directors on November 3, 2020. The Regulations are used for the implementation of the internal evaluations of the Board of Directors, Directors, and functional committees of the Board of Directors. The evaluation is conducted through questionnaires and the Finance Department of the Company collects and analyzes the evaluation results before submitting them to the Board of Directors on February 24, 2021. The results are used as the basis for determining the performance of individual Directors and the establishment of remuneration.
- II. The Regulations stipulate that internal evaluations shall be implemented each year and an external evaluation shall be implemented at least once every three years.
 - (I) The criteria for evaluating the performance of the Board of Directors of the Company shall cover at least the following five aspects:
 1. Participation in the operation of the Company.
 2. Improvement of the quality of the Board of Directors' decision making.
 3. Composition and structure of the Board of Directors.
 4. Election and continuing education of the Directors.
 5. Internal control.

- (II) The criteria for evaluating the performance of the Directors shall cover at least the following six aspects:
1. Familiarity with the goals and missions of the company.
 2. Awareness of the duties of a Director.
 3. Participation in the operation of the Company.
 4. Management of internal relationship and communication.
 5. The director's professionalism and continuing education.
 6. Internal control.
- (III) The criteria for evaluating the performance of the functional committees of the Company (Audit Committee and Remuneration Committee) shall cover at least the following five aspects:
1. Participation in the operation of the Company.
 2. Knowledge of the duties of the functional committee.
 3. Improvement of the quality of functional committee's decisions.
 4. Functional committee composition and election of members.
 5. Internal control.
- III. The performance evaluation of the Board of Directors (including functional committees) in 2020 include 4 categories with 20 self-evaluation indicators in each category. The maximum score for each self-evaluation indicator is 5 points. The evaluation results are summarized as follows:
- (I) Results of the performance self-evaluation of the Board of Directors:
1. Total average score of the questionnaire: 96.57 points
 2. Total average indicator score: 4.83 points
- (II) Results of the performance self-evaluation of the Directors:
1. Total average score of the questionnaire: 97.29 points
 2. Total average indicator score: 4.86 points
- (III) Results of the performance self-evaluation of the Audit Committee:
1. Total average score of the questionnaire: 97.00 points
 2. Total average indicator score: 4.85 points
- (IV) Results of the performance self-evaluation of the Remuneration Committee:
1. Total average score of the questionnaire: 97.33 points
 2. Total average indicator score: 4.87 points
- IV. Based on the results of the performance evaluation of the Board of Directors, members of the Board of Directors, Audit Committee, and Remuneration Committee, the Company provides the following explanation and improvements for indicators with lower scores including "the Director made effective contributions to the Board such as providing specific recommendations for proposals", "the Director has sufficient knowledge of the Company, its management team, and its industry to render professional and adequate judgments", "the Audit Committee carefully evaluates and oversees the Company's existing or potential risks", and "adequate follow-up measures are implemented for resolutions of the Remuneration Committee":
- (I) The Company has established the Audit Committee and the Remuneration Committee and will plan the establishment of the Nominating Committee in accordance with the Corporate Governance 3.0-Sustainable Development Roadmap.
- (II) The Company shall establish mechanisms for the managerial officers of the Company to analyze the current state of the industry, management environment, and the risks of business cycle on the steel industry for Directors to make professional judgment.
- (III) The Company shall enhance communications between the Audit Committee and internal/external auditors, help members in assessments, and monitor the Company's existing or potential risks.
- (IV) The proposals are passed in the Remuneration Committee and submitted to the Board of Directors for resolution. In the future, the Company will increase the contact with the members of the Remuneration Committee and report on the follow-up conditions.

(II) State of operations of the Audit Committee:

The Audit Committee met 4 times (A) in 2020. The attendance of Independent Directors was as follows:

2020.01.01~2020.12.31

Title	Name	Number of attendances in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director (Convener)	Juh-Shan Chiou	4	0	100	None
Independent Director	Lin-Lin Lee	4	0	100	None
Independent Director	Hsien-Tang Tsai	4	0	100	None

Annual Key Work Items of Audit Committee :

1. Review of financial statements and communication regarding key audit matters.
2. Audit and accounting policies and procedures.
3. Internal control system and relevant policies and procedures.
4. Company risk management.
5. Material asset transactions or derivatives .
6. Material loaning of funds, making of endorsements or provision of guarantees .
7. Appointment, dismissal, compensation, evaluation of the independence and performance of the CPAs.
8. Derivative financial instruments and cash investments .
9. Appointment and removal of the financial, accounting, or internal auditing officers.
10. Legal and regulatory compliance.

Operations of the Audit Committee and Agenda in 2020

1. 7th meeting of 14th Board of Directors on February 26, 2020: The Internal Audit Department provided the Annual Business Report
 - (1) Amendment of the "Audit Committee Charter".
 - (2) The Company's 2019 Business Report and financial statements sealed by the Chairman, managerial officer, and accounting officer.
 - (3) The Company's 2019 earnings distribution proposal.
 - (4) Discussion on the 2019 distribution of remuneration to employees and Directors.
 - (5) Report on the 2019 Internal Control Self-Assessment Report and Internal Control System Statement.
 - (6) Appointment of the Company's CPA.
 - (7) Evaluation of the independence and performance of the CPAs.
2. 8th meeting of 14th Board of Directors on April 30, 2020:
 - (1) 2020 Q1 consolidated financial statements sealed by the Chairman, managerial officer, and accounting officer.
 - (2) Removal of the Chief Auditor Li-Hua Wu.
 - (3) Appointment of Jui-Pin Wu as the Chief Auditor.
3. 9th meeting of 14th Board of Directors on July 29, 2020:
 - (1) 2020 Q2 consolidated financial statements sealed by the Chairman, managerial officer, and accounting officer.
 - (2) Continued lease of the Company's 5 plots of land with lot numbers 284, 285, 292, 294, and 336 on Jiaxing Section, Gangshan District to Taiwan Power Company as land for power transmission tower.
4. 10th meeting of 14th Board of Directors on November 3, 2020:

- (1) 2020 Q3 consolidated financial statements sealed by the Chairman, managerial officer, and accounting officer.
- (2) Amendment of the "Audit Committee Charter".
- (3) Investment of NT\$200 million in Pro-Ascentek Investment Corporation.

Other matters that should be recorded:

- I. Items listed in Article 14-5 of the Securities and Exchange Act and other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.
- II. The Independent Directors' avoidance of interest motion should indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: None.

III. Communication between Independent Directors, Chief Auditor, and CPAs:

The Company convened the 2020 communication meeting with the governance unit on December 24, 2020. Attendees included Independent Directors, Chief Auditor, CPAs, management team, and supervisors of the Finance Department. The contents of the meeting mainly included materiality and key audit items used in the audit of the report, related account verification schedule for 2020, discussions on recent changes in regulations and Corporate Governance 3.0. The independent directors did not express other opinions in the meeting.

The Company convened the 2020 financial report conclusion meeting on February 23, 2021. Attendees included Independent Directors, Chief Auditor, CPAs, management team, and supervisors of the Finance Department. The contents of the meeting mainly included reports on the Company's financial and business status in 2020 and discussions of plans for 2021. The independent directors did not express other opinions in the meeting. Material items discussed in the meeting are as follows:

1. Financial Report audit results.
2. Business performance analysis and changes in important assets and liabilities.
3. Financial ratio and cash flow.
4. Communication matters with the governance unit.
5. Updates of laws and regulations.

The communication between Independent Directors, Chief Auditor, and CPAs in 2020 was good.

Other matters that require explanation:

1. Adjustments with material impact on the financial statements of the audited unit regardless of whether they are accounted by the audited unit: None.
2. Material uncertainties that may cast doubt on whether the audited unit can continue as a going concern: None.
3. Items inconsistent with the opinions of the management that may, from an individual or overall perspective, cause material impact on the audited unit's financial statements or the accountant's audit report. Have such items been resolved in the communication and the severity level: None.
4. The categories and contents of audit reports other than unqualified opinions: None.
5. Other matters that should be noted by the governance unit such as material deficiencies in internal controls, doubts on the ethics of the management, and involvement of the management in fraud: None.

6. The Company's Chief Auditor attends routine Board meetings and reports on implementation status of internal auditing; attending Audit Committee meeting in Q1 each year to report on the implementation status of the annual audit plan; the internal audit reports are delivered to the Independent Directors for review each month.

IV. Resolutions of the Audit Committee for important agenda and the Company's handling of such opinions:

1. 7th meeting of 14th Board of Directors on February 26, 2020: Discussion of the appointment of the Company's CPA.

Opinions of the Audit Committee: The proposal included the appointment as well as the intent to dismiss the CPA, Jui-Hsuan Hsu.

The Company's explanation and measures taken: The matter was be processed in accordance with the instructions of the committee member, and the proposal was changed to "dismissal and appointment".

Results of resolution: Passed by all members of the Committee in attendance.

2. 9th meeting of 14th Board of Directors on July 29, 2020: Report of the 2020 Q2 consolidated financial statements sealed by the Chairman, managerial officer, and accounting officer.

Opinions of the Audit Committee: The term "net non-operating expenses" in the table was changed to "net non-operating income (expenses)", and the description in Point 5 was also revised.

The Company's explanation and measures taken: The items shall be processed in accordance with the instructions of the committee member.

Results of resolution: Passed by all members of the Committee in attendance.

3. 10th meeting of 14th Board of Directors on November 3, 2020: Report of the 2020 Q3 consolidated financial statements sealed by the Chairman, managerial officer, and accounting officer.

Opinions of the Audit Committee: What is the current percentage of export sales? What is the impact of the appreciation of the NTD on the Company's gains or losses from foreign exchange?

The Company's explanation and measures taken: As of the third quarter, the ratio of export sales was 42.3% which was lower than the 54.45% in the same period in the previous year. The Company still had exchange gains in the first half of this year, but there was a difference of 20~30 cents between the closing price of accounts and the exchange rate during trading hours, resulting in foreign exchange losses in the third quarter.

Opinions of the Audit Committee: Did the outcome of the U.S. elections affect the export budget target?

The Company's explanation and measures taken: The Company's current export region is mainly Southeast Asia, and the steel pipes exported to the United States were not expected to improve in the second half of the year. Therefore, the U.S. elections did not affect the completion rate of the budget.

Results of resolution: Passed by all members of the Committee in attendance.

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

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the "Corporate Governance Best-Practice Principles" and disclosed them on the Market Observation Post System and the Company's website.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Company stock equity structure and shareholder equity				
(I) Did the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?	V		(I) The Company has appointed a spokesperson, acting spokesperson, and other dedicated personnel and emails to process shareholder suggestions and other issues.	
(II) Does the company have in possession the list of major shareholders that have actual control over the company as well as the list of major shareholders with final control?	V		(II) The Company has commissioned the stock agency KGI Securities to handle related shareholder services.	
(III) Did the company establish and execute risk control mechanism for affiliates, and firewall methods?	V		(III) The Company and affiliated companies operate independent of each other and related financial and business transaction conditions are processed in accordance with procedures for regular customers. With regard to information management, the companies have established independent firewalls.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Did the company establish internal regulations stipulating that insiders shall not use undisclosed information to engage in the transaction of marketable securities?	V		(IV) The Company has established the "Management Procedures for Handling Internal Major Information and Prevention of Insider Trading", "Code of Ethical Conduct for Supervisors and Senior Managerial Officers", and "Code of Ethical Conduct for Directors" as basis for compliance for insiders to prevent insiders from using undisclosed information for securities transactions.	
III. Board compositions and responsibilities				
(I) Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	V		(I) Article 3.4.1 of the Company's "Corporate Governance Best Practice Principles" requires diversity in board composition and the establishment of diversity policies for the Company's operations, business model, and development requirements. The Board of Directors has 7 members including 3	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>(II) Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee?</p> <p>(III) Does the Company have Board of Directors performance assessment guidelines and assessment methods in place and perform the assessments periodically on a yearly basis? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?</p>	V	V	<p>Independent Directors (1 female) with different professional backgrounds, genders, or work. They have the knowledge, skills, and quality necessary for the performance of their duties and they implement effective supervision and oversight of the Company's compliance, prompt disclosure of material information, and ethical management. They maintain sound communication channels and good interactions with the management team and they provide guidance for the Company's business operations and resolutions for material decisions to ensure the Company's development and safeguard shareholder equity. Refer to VIII (xiii) for the implementation status of the diversity policy.</p> <p>(II) The Company has not voluntarily established other functional committees other than the Remuneration committee and Audit committee that are established in accordance with the law.</p> <p>(III) The Company passed the establishment of the "Regulations Governing the Evaluation of the Performance of the Board of Directors" (hereinafter referred to as the Regulations) in the meeting of the Board of Directors in December 2019 and passed the amendment in November 2020. The Regulations are used for the implementation of the internal evaluations of the Board of Directors, Directors, and functional committees of the Board of Directors. The evaluation is conducted through questionnaires and the Finance Department of the Company collects and analyzes the evaluation results before submitting them to the Board of Directors in February 2021. The results are used as the basis for determining the performance of individual Directors and the establishment of remuneration.</p> <p>The Regulations stipulate that internal evaluations shall be implemented each year and an external evaluation shall be implemented at least once every three years.</p> <p>The criteria for evaluating the performance of the Board of Directors of</p>	<p>No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies but no other functional committees are currently established.</p>

Assessment Item	Status of Implementation		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
			<p>the Company shall cover at least the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Improvement of the quality of the Board of Directors' decision making. 3. Composition and structure of the Board of Directors. 4. Election and continuing education of the Directors; 5. Internal control. <p>The criteria for evaluating the performance of the Directors shall cover at least the following six aspects:</p> <ol style="list-style-type: none"> 1. Familiarity with the goals and missions of the company. 2. Awareness of the duties of a Director. 3. Participation in the operation of the Company. 4. Management of internal relationship and communication. 5. The director's professionalism and continuing education. 6. Internal control. <p>The criteria for evaluating the performance of the functional committees of the Company (Audit Committee and Remuneration Committee) shall cover at least the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Knowledge of the duties of the functional committee. 3. Improvement of the quality of functional committee's decisions. 4. Functional committee composition and election of members. 5. Internal control. <p>The performance evaluation of the Board of Directors (including functional committees) in 2020 include 4 categories with 20 self-evaluation indicators in each category. The maximum score for each self-evaluation indicator is 5 points. The evaluation results are summarized as follows:</p>

Assessment Item	Status of Implementation		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
			<p>1. Results of the performance self-evaluation of the Board of Directors:</p> <p>(1) Total average score of the questionnaire: 96.57 points</p> <p>(2) Total average indicator score: 4.83 points</p> <p>2. Results of the performance self-evaluation of the Directors:</p> <p>(1) Total average score of the questionnaire: 97.29 points</p> <p>(2) Total average indicator score: 4.86 points</p> <p>3. Results of the performance self-evaluation of the Audit Committee:</p> <p>(1) Total average score of the questionnaire: 97.00 points</p> <p>(2) Total average indicator score: 4.85 points</p> <p>4. Results of the performance self-evaluation of the Remuneration Committee:</p> <p>(1) Total average score of the questionnaire: 97.33 points</p> <p>(2) Total average indicator score: 4.87 points</p> <p>Based on the results of the performance evaluation of the Board of Directors, members of the Board of Directors, Audit Committee, and Remuneration Committee, the Company provides the following explanation and improvements for indicators with lower scores including "the Director made effective contributions to the Board such as providing specific recommendations for proposals", "the Director has sufficient knowledge of the Company, its management team, and its industry to render professional and adequate judgments", "the Audit Committee carefully evaluates and oversees the Company's existing or potential risks", and "adequate follow-up measures are implemented for resolutions of the Remuneration Committee":</p> <p>1. The Company has established the Audit Committee and the</p>

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the Company regularly implement assessments on the independence of CPA?	V		<p>Remuneration Committee and will plan the establishment of the Nominating Committee in accordance with the Corporate Governance 3.0 Sustainable Development Roadmap.</p> <p>2. The Company shall establish mechanisms for the managerial officers of the Company to analyze the current state of the industry, management environment, and the risks of business cycle on the steel industry for Directors to make professional judgment.</p> <p>3. The Company shall enhance communications between the Audit Committee and internal/external auditors, help members in assessments, and monitor the Company's existing or potential risks.</p> <p>4. The proposals are passed in the Remuneration Committee and submitted to the Board of Directors for resolution. In the future, the Company will increase the contact with the members of the Remuneration Committee and report on the follow-up conditions.</p> <p>(IV) The Company's Board of Directors reviews the assessment questionnaire for the independence of the CPA each year to ensure the reliability of the Company's financial reports (reported to the Audit Committee and Board of Directors on February 26, 2020). The Company also requires the certifying CPAs to provide Statements of Independence. The certifying CPAs do not serve other roles in the Company or have direct or indirect interest in the Company's other business transactions. They have not violated the independence criteria and they maintain high levels of professionalism in providing taxation, auditing, and consulting services. The Company is satisfied with their performance based on its evaluation. With the exception of expenses for auditing and taxation</p>	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			cases, the certifying CPAs and the Company have no other common financial interests or business relations. The certifying CPAs' spouses and underage children also do not violate requirements for independence.	
IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Corporate Governance Officer to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, assisting Directors and Supervisors with legal compliance matters, processing company matters related to board meetings and shareholders' meetings according to laws, and preparing minutes of the board meetings and shareholders' meetings)?	V		<p>The Company established the position of the "Chief Governance Officer" in the 7th meeting of the 14th Board of Directors on March 19, 2019. The role is filled by an Executive Vice President. The Director of the Finance Department serves concurrently as corporate governance personnel. The Company also established the "Shareholder Service and Assets Section" under the Finance Department to take charge of related corporate governance affairs. The Section has 4 employees including a section chief, and 1 employee had passed the Corporate Governance Basic Competency Test organized by the Securities & Futures Institute. They process related affairs of the Board of Directors (including the production of meeting minutes of board meetings), related affairs for convening shareholders' meetings (including the production of meeting minutes of shareholders' meetings), processing company registration and change of registration, assisting Directors (including Independent Directors) in related affairs and continuing education, and providing Directors (including Independent Directors) with information required for executing businesses and reminders for compliance with related regulations.</p> <p>The corporate governance operations and the status of implementation in 2020 were as follows:</p>	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>(1) The Company convened a total of 8 meetings of the Board of Directors in 2020. The meeting notices, agenda, and meeting minutes were mailed to the attendees and uploaded to the Market Observation Post System within the period required by laws.</p> <p>(2) The Company convened a general shareholders meeting on June 24, 2020 and uploaded related information within the period required by laws.</p> <p>(3) The continuing education courses taken by Directors in 2020 have been disclosed on the Market Observation Post System.</p>	
V. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of your company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	V		<p>(I) The Company has established a stakeholders' section on the corporate website to disclose the contact methods of the stock agency, spokesperson (acting spokesperson), Finance Department, Marketing Department, and Purchasing Department. Shareholders, employees, customers, and suppliers can use the telephone or email to communicate with the Company and provide feedback.</p> <p>(II) The Company convenes the shareholders' meeting in the second quarter each year. Proposals are voted on a case-by-case basis and shareholders can also exercise their voting rights electronically to fully participate in the voting process.</p> <p>(III) The Annual Report and Business Report are distributed each year to investors.</p> <p>(IV) The Company attends investor seminars to communicate with investors. The Company will attend such seminars in the future if necessary.</p> <p>(V) The Company communicates with banks, customers, suppliers, and communities through related business units.</p> <p>(VI) The Company communicates with employees through the quarterly Labor-Management Meetings and the Employee Welfare Committee.</p>	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	V		The Company appointed the KGI Securities Co., Ltd. to take charge of related affairs for shareholders meetings and shareholder services.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the company's financial, business and corporate governance status? (II) Did the Company adopt other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V V V		(I) The Company has established an official website in traditional and simplified Chinese and English. URL: http://www.chsteel.com.tw to provide related financial and business information. The Administration Department was assigned to take charge of updating information. (II) The Company organizes investor seminars in accordance with laws and it uploads related information to the Market Observation Post System and the Company's website. The Company has assigned dedicated personnel to take charge of the collection of related information and disclosure of material information. A spokesperson is assigned to manage all external announcements. (III) The Company's 2020 financial report was uploaded within two months after the end of the fiscal year. The 2021 quarterly reports and monthly operation status will also be published ahead of schedule before the prescribed deadline.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(I) Employee rights and benefits: The Company has established the Employee Work Rules in accordance with laws and submitted the Work Rules to the competent authority for registration. Items such as the salaries, leaves, and insurance for employees have been specified in the Work Rules. (II) Care for employees: 1. The Company implements staff education and training to facilitate smooth channels of communication. In addition to legally required leaves, the Company offers regular sick leave, marital leave, and bereavement leave with special approval that are	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>superior to regulatory requirements to take care of employees.</p> <p>2. The advance employee health management, the Company organizes employee health examinations that are superior to regulatory requirements. It also invites doctors to explain results of health inspections at each plant. For employees with irregularities in health examinations, the Company notifies the employees' supervisors to provide care.</p> <p>3. In addition to periodic large-scale family events for employees organized by the Company, each unit also organizes independent activities to allow all employees to relax and have fun and strengthen the cohesion of all employees. The Company organizes regular employee seminars each year for management units to communicate with employees directly. The Employee Welfare Committee also provides benefits such as group insurance, education subsidies, and scholarships.</p> <p>(III) Investor relations: The Company has appointed the stock transfer agency to process affairs related to communication with shareholders. The Company also established a spokesperson system and provides appropriate responses to comments from shareholders' calls or letters. The Company also established an Investor Relations section on the Company's website to communicate with investors. The Company also discloses related information on the Market Observation Post System in accordance with regulations for general investors.</p>	

Assessment Item	Status of Implementation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>(IV) Supplier relations: The Company maintains good relations with suppliers of raw materials and requires each unit to complete purchasing and acceptance in accordance with the specified schedule. It also follows up on the performance of the units in each quarter to expedite payment procedures. In response, the suppliers are able to offer more reasonable prices to achieve mutual trust and mutual prosperity. The Company also established the “Contractor and Supplier Assessment Regulations” to improve the quality of supplies and obtain raw materials at reasonable prices.</p> <p>(V) Rights of stakeholders: The Company performs all due obligations to banks, customers, suppliers, and communities. The Company repays bank loans and interest in a timely manner and it also pays suppliers in a timely manner in accordance with internal regulations. It delivers products to customers in accordance with contracts and facilitate good interactions with the communities by sponsoring events and giving back to the community. The Company has established a dedicated stakeholders’ section on its website for communication.</p>	

(VI) Status of continuing education of Directors and Independent Directors:

As of December 31, 2020

Title	Name	Date of Appointment	Date of Studies		Organizer	Course Title	Duration of the Course
			Starting Date	Ending Date			
Representative of Corporate Director	Min-Hsiung Liu	2018/03/31	2020/07/10	2020/07/10	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0
			2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
Representative of Corporate Director	Chao-Tung Wong	2016/11/15	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0
Representative of Corporate Director	Kung-Ching Wu	2019/12/31	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/10/27	2020/10/27	Taiwan Investor Relations Institute	Green Swan: The Most Important Thing for Investment: ESG	3.0
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0
			2020/11/13	2020/11/13	Taiwan Stock Exchange Corporation	2020 Corporate Governance and Ethical Corporate Management Seminar for Directors and Supervisors	3.0
Representative of Corporate Director	Kai-Ming Huang	2019/09/30	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0
Independent Director	Juh-Shan Chiou	2015/06/26	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/11/24	2020/11/24	Taiwan Institute of Directors	Search for New Momentum for Growth in the Strategic Turning Point of 2020	3.0
Independent Director	Hsien-Tang Tsai	2015/06/26	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/09/03	2020/09/03	Securities & Futures Institute	2020 Insider Trading Prevention and Insider Equity Trading Education Seminar	3.0
			2020/11/05	2020/11/05	Taiwan Investor Relations Institute	Uncover Company Value in Corporate Social Responsibility (CSR)	3.0
			2020/12/30	2020/12/30	Taiwan Corporate Governance Association	Innovation, Digital Technology, and Competitive Advantages	3.0

Independent Director	Lin-Lin Lee	2015/06/26	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0	
			2020/08/11	2020/08/11	Taipei Exchange	Seminar on Shareholding Rights of Internal Personnel of OTC and Emerging Stock Companies	3.0	
(VII) Status of continuing education of managerial officers:							As of December 31, 2020	
Title	Name	Date of Appointment	Date of Studies		Organizer	Course Title	Duration of the Course	
			Starting Date	Ending Date				
President	Kung-Ching Wu	2019/12/31	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0	
			2020/10/27	2020/10/27	Taiwan Investor Relations Institute	Green Swan: The Most Important Thing for Investment: ESG	3.0	
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0	
			2020/11/13	2020/11/13	Taiwan Stock Exchange Corporation	2020 Corporate Governance and Ethical Corporate Management Seminar for Directors and Supervisors	3.0	
Vice President, Administration Division (Corporate Governance Officer)	Chia-Wen Luo	2018/01/01	2020/02/21	2020/02/21	Accounting Research and Development Foundation	Investigating the Money Flow in Financial Reporting Malpractices and Related Case Studies on Legal Liabilities	3.0	
			2020/02/21	2020/02/21	Accounting Research and Development Foundation	Corporate Governance Best Practice	3.0	
			2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0	
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0	
			2020/11/13	2020/11/13	Taiwan Stock Exchange Corporation	2020 Corporate Governance and Ethical Corporate Management Seminar for Directors and Supervisors	3.0	
Vice President, Commercial Division	Po-Han Chen	2020/06/01	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0	
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0	
Vice President of Production	Chih-Ho Chiu	2020/02/01	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0	
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0	

Assistant Vice President, Administration Division	Shu-Cheng Yen	2017/09/01	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0
Assistant Vice President, Commercial Division	Ming-Ju Yang	2012/04/01	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0
Assistant Vice President, Production Division	Chin-Ming Hsu	2016/01/01	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0
Assistant Vice President, Production Division	Juei-Tsai Huang	2020/06/01	2020/08/03	2020/08/03	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0
			2020/11/06	2020/11/06	Taiwan Corporate Governance Association	Insider Trading Practices, Legal Liabilities, and Case Analyses	3.0

(VIII) Implementation of risk management policy and risk measurement standards: Not applicable (applicable to securities brokerages).

(IX) Status of protection of consumer or customer policies: Not applicable (applicable to securities brokerages).

(X) Recusals of Directors due to conflicts of interests: The Company's Directors maintain high levels of self-discipline and they do not vote on cases that pose conflicting interests between them and the Company.

(XI) Status of purchase of liability insurance by the Company for Directors (including Independent Directors): The Company has purchased liability insurance for Directors (including Independent Directors) and reported to the Board of Directors in the 18th meeting of the 14th Board of Directors on July 29, 2020.

(XII) Related certifications obtained from the relevant competent authorities by personnel associated with the transparency of financial information: The Company's accounting manager meets qualifications and criteria specified by the competent authority and continues to attend professional studies. In addition, 2 auditors have qualified in the Basic Proficiency Test on Enterprise Internal Control organized by the Securities & Futures Institute.

(XIII) Implementation status of the diversity policy:

The 14th Board of Directors of the Company consists of 7 Directors including 3 Independent Directors. The Directors have different professional skills. Those who specialize in management, leadership and decision making, and knowledge of the industry, and have extensive experience include the Director Min-Hsiung Liu, Director Chao-Tung Wong, Director Kuei-Sung Tseng, and Director Kai-Ming Huang. The Directors have always paid attention to environmental protection issues and invested in social care. They have provided the Company with numerous precious and valuable opinions. The three Independent Directors Juh-Shan Chiou, Hsien-Tang Tsai, and Lin-Lin Lee are elite professionals from different sectors and they specialize in finance and accounting, business, and legal affairs, respectively. They have demonstrated synergy with their diverse and complementary skills and fully made use of the functions of the Board of Directors to help the Company attain new milestones in corporate governance.

The composition of the Company's current Board of Directors has included diversity consideration and the Company plans to pursue gender equality and ensure that Directors who serve concurrent roles as company managers shall not account for more than one third of the Directors in the future. The Company's Directors who serve as employees account for 14.29% of all Directors; Independent Directors account for 42.86%; the female Director accounts for 14.29%; the proportion of Directors

who do not serve concurrent role as company managers is 85.71%. The three Independent Directors have provided four to eight years of services. Six Directors are between 60 and 69 years of age and one Director is between 50 and 59 years of age.

Core Diversification Item	Gender	Basic Composition							Business management	Leadership and decision making	Industry knowledge	Financial accounting	Business	Legal Affairs
		Nationality	Concurrent Role as Company Employee	Age Distribution		Term of Independent Director								
				50 to 59	60 to 69	Less than 3 years	4 to 8 years	More than 9 years						
Name of Director														
Chairman of the Board Min-Hsiung Liu	Male	Republic of China			V				V	V	V			
Director Chao-Tung Wong	Male	Republic of China			V				V	V	V			
Director Kuei-Sung Tseng	Male	Republic of China	V		V				V	V	V			
Director Kai-Ming Huang	Male	Republic of China			V				V	V	V			
Independent Director Juh-Shan Chiou	Male	Republic of China			V		V		V			V		
Independent Director Hsien-Tang Tsai	Male	Republic of China			V		V		V				V	
Independent Director Lin-Lin Lee	Female	Republic of China		V			V		V				V	

IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved:

1. Improvements in 2020: The Company shall publish the yearly financial report within two months of the end of the fiscal year.
2. Priorities for improvements in 2021: The Company shall convene at least one investor conference each quarter and disclose links between the directors' and managers' performance evaluation and their remuneration in the Annual Report.

Established on April 10, 2006	Code of Ethical Conduct for Supervisors and Senior Managerial Officers	Code: CHS-AA4-03
Amended on December 22, 2015		Implemented on December 22, 2015
<p>1. Objective: The Code of Ethical Conduct is established to guide supervisors of the Company to meet ethical standards in their conduct and prevent illegal and unlawful activities. The Code also aims to ensure that stakeholders of the Company gain a deeper understanding of the Company's Code of Ethical Conduct.</p> <p>2. Scope of application: The supervisors and senior managerial officers specified in the Code refer to the President, Vice Presidents, Assistant Vice Presidents, Plant Directors, Deputy Plant Directors, senior consultants, professional consultants, and senior professional managers (engineers).</p> <p>3. This Code and its amendments shall be enforced after approval by the Board of Directors and presented to the shareholders' meeting.</p> <p>4. The unit responsible for the maintenance and management of the Code is the Administration Department.</p> <p>5. Code of ethical conduct:</p> <p>5.1 Honest and ethical conduct:</p> <p style="padding-left: 40px;">Supervisors shall perform their duties with honesty and compliance with professional standards</p> <p style="padding-left: 40px;">including processing de facto or obvious conflicts of interest between their personal interests and their duties in a fair manner.</p> <p>5.2 Prevention of conflicts of interest:</p> <p style="padding-left: 40px;">Supervisors shall process business affairs in an objective and efficient manner and they shall avoid using their positions in the Company to obtain illicit benefits for the following individuals or companies:</p> <p style="padding-left: 40px;">(1) Themselves, their spouse, parents, children, or relatives within the second degree of kinship;</p> <p style="padding-left: 40px;">(2) Companies in which the individuals in the subparagraph above directly or indirectly enjoy significant financial benefits;</p> <p style="padding-left: 40px;">(3) Companies in which they serve as the chairman, executive director, or senior managerial officers;</p> <p style="padding-left: 40px;">The Company shall pay particular attention in loans, major asset transactions, purchase (sales) transactions, or provision of guarantee with the aforementioned individuals or companies.</p> <p>5.3 Avoid opportunities for personal gain:</p>		

When the Company has an opportunity for profit, it is the responsibility of the supervisors to maximize the reasonable and legitimate benefits that can be obtained by the Company. The following actions shall be avoided:

- (1) Seeking opportunities to pursue personal gain for themselves or others by using company property or information or taking advantage of their positions;
- (2) Obtaining personal gain for themselves or others by using company property or information or taking advantage of their positions;
- (3) Competing with the Company.

5.4 Confidentiality of trade secrets:

Supervisors shall be bound by the obligation to maintain confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company and customers.

5.5 Fair trade:

The Company shall not use illegal or unethical actions to achieve results. Supervisors shall deal fairly with the Company's customers, suppliers, competitors and employees. They shall not obtain illicit benefits through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practices.

5.6 Protection and proper use of company assets:

Company assets shall be protected and they may only be used for legitimate business objectives of the Company. Supervisors shall be responsible for protecting company assets and ensuring their effective and legal use in business activities. They shall avoid affecting the profitability of the Company due to theft, negligence, or waste.

5.7 Legal compliance:

Supervisors shall abide by and educate employees on the Securities and Exchange Act and other laws and regulations that govern company activities. They may not deliberately violate any law or intentionally mislead, manipulate, or obtain benefits from suppliers or customers through improper means, or make false statements regarding company products or services.

5.8 Compliance with related insider trading prevention regulations:

Supervisors shall abide by related insider trading prevention regulations and other regulations for processing securities transactions and trade secrets. If they obtain material undisclosed information, they may not conduct related securities transactions. Insider trading is illegal and unethical and the Company shall resolutely refuse such transactions.

5.9 Encouraging reporting of illegal or unethical activities:

The Company shall raise ethical awareness and encourage employees to report to auditors upon suspicion or discovery of any activity in violation of laws, regulations, or the Code of Ethical Conduct. The Company shall endeavor to protect the identity and safety of the whistleblower against retaliation and any form of reprisal or threats.

6. Supplementary provisions

6.1 Procedures for exemption:

- 6.1.1 If a supervisor wishes to be exempted from the application of Article 5.2, he/she shall fully disclose the conflict of interest between the individuals or companies listed in Article 5.2 and the legal activity as well as the reason that such transaction shall not harm the interests of the Company and meets regular business practices. The exemption shall require approval of a resolution of the Board of Directors.
- 6.1.2 If a supervisor wishes to be exempted from the application of Article 5.3, he/she shall fully explain to the Board of Directors the specific contents of the opportunity, information, or competition with the Company as well as the reason that such transaction shall not harm the interests of the Company. The exemption shall require approval of a resolution of the Board of Directors.
- 6.1.3 After the Board of Directors passes the exemption specified in Article 6.1.1 and Article 6.1.2 in a resolution, the Company shall immediately disclose information on the exempted individual, the date on which the Board of Directors adopted the resolution for exemption, objections or qualified opinions of Independent Directors, and the period of, reasons for, and principles behind the application of the exemption.

6.2 Disciplinary measures:

Where a supervisor violates the regulations on ethical conduct specified in the Code, gross violations shall be reported to the Board of Directors and violators shall be disciplined in accordance with the Company's "Regulations on Reward and Punishment".

Where the disciplined employee believes that the Company failed to process the matter correctly and causes damage to his/her legal rights, the employee may file a complaint in accordance with the "Employee Grievance Processing Regulations" for remedial measures.

- 6.3 The code of ethical conduct applicable to supervisors shall be based on the provisions herein as well as other relevant regulations of the Company.
- 6.4 The Code shall be disclosed in the Company's website, annual report, prospectus, and Market Observation Post System. The same shall apply to all amendments.

Established on April 10, 2006	Code of Ethical Conduct for Directors	Code: CHS-AA4-04
Amended on December 22, 2015		Implemented on December 22, 2015
<p>1. Objective: The Code of Ethical Conduct for Directors is established to promote honest and ethical conduct of directors and improve corporate governance.</p> <p>2. Scope of application: This Code is applicable to the Company's Directors.</p> <p>3. This Code and its amendments shall be enforced after approval by the Board of Directors and presented to the shareholders' meeting.</p> <p>4. The unit responsible for the maintenance and management of the Code is the Administration Department.</p> <p>5. Code of ethical conduct:</p> <p>5.1 Directors shall abide by the following basic principles when performing their duties:</p> <ol style="list-style-type: none"> (1) Protect shareholder equity; (2) Reinforce the role of the Board of Directors; (3) Respect the interests of stakeholders; (4) Increase information disclosure transparency. <p>5.2 When Directors execute their duties, they shall aim to pursue overall interests of the Company and they may not damage the Company's interest for the interests of specific individuals or groups. They shall also treat all shareholders fairly in the performance of their duties.</p> <p>5.3 Directors shall exercise due care as a good administrator when performing their duties. They must pay attention to integrity, the principles of fairness, and high levels of discipline and abide by regulations, the Company's Articles of Incorporation, and resolutions of the shareholders' meeting.</p> <p>5.4 Directors shall faithfully carry out their duties for the interest of all shareholders. When there is a conflict between personal interests and the interests of the Company, Directors shall place the interests of the Company first and avoid using their positions in the Company to obtain illicit benefits for the following individuals or companies:</p> <ol style="list-style-type: none"> (1) Themselves, their spouse, parents, children, or relatives within the second degree of kinship; (2) Companies in which the individuals in the subparagraph above directly or indirectly enjoy significant financial benefits; (3) Companies in which they serve as the chairman, executive director, or senior managerial officers; 		

The Company shall pay particular attention in loans, major asset transactions, purchase (sales) transactions, or provision of guarantee with the aforementioned individuals or companies.

- 5.5 Information on procurement, supplies, cooperation, strategic alliances, mergers and acquisitions, or other business opportunities or opportunities for generating profits related to the Company's business obtained by Directors in the performance of their duties shall be provided to the Company first to protect company interests. They may not be used for personal gain for Directors or third parties.
- 5.6 Where a Director conducts actions that compete against the Company, he/she shall report to the shareholders' meeting first in accordance with Article 209, Paragraph 1 of the Company Act.
- 5.7 Directors shall be bound by the obligation for maintaining confidentiality of the Company's confidential information except when authorized or required by law to disclose such information. They may not use such confidential information for personal gain for themselves or third parties.
- 5.8 Directors shall safeguard shareholder equity and respect the rights of partner banks, creditors, employees, consumers, suppliers, affiliate companies, communities, and other stakeholders.
- 5.9 Directors shall abide by related insider trading prevention regulations and other regulations for processing securities transactions and trade secrets. If they obtain material undisclosed information, they may not conduct related securities transactions.
- 5.10 Where agendas in board meetings involve the Director or where conflicts of interest specified in Article 5.4 and Article 5.5 may be detrimental to the Company's interests, the Director shall recuse himself/herself and may not vote or cast votes on behalf of other Directors.

6. Supplementary provisions

- 6.1 Natural persons appointed by corporate shareholders to exercise their right shall adhere to the Code.

The provisions herein shall apply mutatis mutandis to corporate shareholders represented by Directors appointed by corporate shareholders.

- 6.2 Procedures for exemption:

- 6.2.1 If a Director wishes to be exempted from the application of Article 5.4, he/she shall fully disclose the conflict of interest between the individuals or companies listed in Article 5.4 and the legal activity as well as the reason that such transaction shall not harm the interests of the Company and meet regular business practices. The exemption shall require approval of a resolution of the Board of Directors. However, legal actions between Directors and the Company specified in Article 223 of the Company Act shall be processed by Independent Directors on behalf of the Company.

6.2.2 If a Director wishes to be exempted from the application of Article 5.5, he/she shall fully explain to the Board of Directors the specific contents of the opportunity to the Company as well as the reason that such transaction shall not harm the interests of the Company. The exemption shall require approval of a resolution of the Board of Directors.

6.2.3 After the Board of Directors passes the exemption specified in Article 6.2.1 and Article 6.2.2 in a resolution, the Company shall immediately disclose information on the exempted individual, the date on which the Board of Directors adopted the resolution for exemption, objections or qualified opinions of Independent Directors, and the period of, reasons for, and principles behind the application of the exemption.

6.3 The Code shall be disclosed in the Company's website, annual report, prospectus, and Market Observation Post System. The same shall apply to all amendments.

(IV) Composition, duties, and operation of the Remuneration Committee:

(1) Remuneration Committee member profiles:

Remuneration Committee member profiles

Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Compliance of independence (Note)										Number of other public companies in which the member also serves as a member of their remuneration committee	Remarks	
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director Lin-Lin Lee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director Juh-Shan Chiou	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	N/A
Independent Director Hsien-Tang Tsai	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A

Note: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" in the corresponding boxes.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in

- accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

(2) Operations of the Remuneration Committee:

1. The Company's Remuneration Committee consists of 3 members.
2. Current term for the members: June 22, 2018 to June 21, 2021. 4 (A) meetings of the Remuneration Committee were held in 2020. The qualifications of the members and attendance were as follows:

Term	Title	Name	Attendance in person B	Attendance by proxy	Attendance in person rate (%) [B/A]	Remarks
14th Term	Convener	Lin-Lin Lee	4	0	100%	
	Committee Member	Juh-Shan Chiou	4	0	100%	
		Hsien-Tang Tsai	4	0	100%	

Other matters that should be recorded:

- I. If the Board of Directors does not adopt or amend the recommendations made by the Remuneration Committee, the date, session, the content of proposals, resolutions of the Board Meeting and the Company's action in response to opinions from the Remuneration Committee shall be specified (if the remuneration approved by the Board of Directors is better than that recommended by the Remuneration Committee, the discrepancies and related reasons shall be specified): None.
- II. If any member of the Remuneration Committee has dissenting opinion or qualified opinion on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date, session, the content of proposals, all the members' opinions of the meeting of the Remuneration Committee, and the action in response to these opinions shall be specified: None.
- III. Discussions and results of resolutions of the Remuneration Committee:
 - (I) 7th meeting of 14th Remuneration Committee on January 21, 2020:
 1. Request for recommendation on the proposal for the salary for the newly-appointed President Mr. Kung-Ching Wu.
Resolution: Passed by all members of the Committee in attendance.
 2. Request for recommendation on the proposal for the salary for the newly-appointed Vice President of Production Mr. Chih-Ho Chiu.
Resolution: Passed by all members of the Committee in attendance.
 - (II) 8th meeting of 14th Remuneration Committee on February 20, 2020:
 1. Request for recommendation on the results of the performance evaluation of the Vice Presidents of the departments in 2019.
Resolution: Passed by all members of the Committee in attendance.
 - (III) 9th meeting of 14th Remuneration Committee on May 26, 2020:
 1. Request for recommendation on the amendment of the regulations on the remuneration for the Company's Chairman.
Resolution: Passed after amendment.

The recommended amendments of the Committee Members were as follows:
 - (1) The proposal case was changed from "Request for recommendation on the amendment of the regulations on the remuneration for the Company's Chairman" to "Request for recommendation on the salary distribution method for the Company's Chairman who also serves as the Chairman or other employees of China Steel Corporation".

(2) Description 2 of the original proposal "To reasonably reflect the cost of employment of the Chairman, the Company proposes adjustments to the Company's remuneration regulations for the Chairman as follows, and they shall be effective retroactively from January 1, 2020:" is changed to "However, to reasonably reflect the cost of employment of the Chairman, the Company proposes adjustments to the Company's remuneration regulations for the Chairman who also serves as the Chairman or other employees of China Steel Corporation as follows, and they shall be effective retroactively from January 1, 2020:".

2. Request for recommendation on the proposal for the salary for the newly-appointed Vice President of the Commercial Division Mr. Po-Han Chen.

Resolution: Passed by all members of the Committee in attendance.

(IV) 10th meeting of 14th Remuneration Committee on December 24, 2020:

1. Request for recommendation on the proposal for the adjustment of the basic salary for the Company's President and Vice Presidents which shall become effective retroactively starting from April 1, 2020.

Resolution: Passed by all members of the Committee in attendance.

(V) Performance of Corporate Social Responsibility and Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation:

Assessment Item	Status of Implementation (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary (Note 2)	
I. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies? (Note 3)	V		<p>The Company has established materiality assessment procedures for the identification of material topics for corporate social responsibility through procedures that include collection, review, sequencing, identification, and confirmation.</p> <p>The CSR Report was compiled with the participation of the CSR Core Team and was compiled and edited by the Administration Department. The Report discloses the analysis of risk assessments of material issues and related risk management policies or strategies. They are summarized as follows:</p> <p>1. Material environmental issues: The Company has identified air pollutant control, greenhouse gas emissions, and waste management risks. We use ISO 14064-1 greenhouse gas emissions inventory and verification, air pollution reporting system, and ISO 14001 environmental management system to control emissions. We control the usage volume of paint solvents for non-process applications to reduce pollutant emissions, or use the air pollution reduction achieved by the Cold Rolling Department to offset emissions. We implement process improvement and add exhaust hoods and chimneys to reduce water leakage from the pipelines of Pickling & Galvanizing Department and reduce waste due to water leakage. The Company continues to recycle waste, reduce waste landfill volume, and promote water conservation and water-saving measures. We also increase the reclaimed water volume and reduce effluent.</p> <p>2. Material social issues: In terms of social issues, we shall focus on improving occupational safety and health management. We shall use the three-cycle occupational safety regional allied defense (15 rounds) and inspections of the Vice President of the Production Division (12 rounds) to implement constant safety observations by supervisors (100% achievement rate). We conducted</p>	No deviation.

		<p>occupational safety audits (36 times) and reported 83 near miss incidents and improvements.</p> <p>3. Material economic issues: The Company identified operational and financial performance risks. The Company sets the annual budget and regularly reviews the implementation status and the work targets in the Company's monthly operation performance meeting. In addition to the monthly review of the implementation status by each plant, the Company regularly reviews the annual budget in the quarterly operation performance meeting.</p>	
<p>II. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p>	V	<p>The Company's Administration Department is assigned to carry out such tasks on a part-time basis. The Administration Department assembles representatives from relevant business units based on the nature of their business operations to form a Corporate Social Responsibility Report Core Team (CSR Core Team). The Team has a convener and the role is filled by the Vice President of the Administration Division. It also has a deputy convener and the roles if filled by the Assistant Vice President of the Administration Division. It summarized the results of execution for economic, environmental, and social issues in the contents of the 2019 CSR Report. According to Article 2.3 of the Company's "Corporate Social Responsibility Best Practice Principles", the Company shall implement and promote CSR implementation principles and focus on the continuity of plans. The Department formulated specific CSR implementation plans for 2020 which was reported by the Vice President of the Administration Division to the Board of Directors.</p>	No deviation.
<p>III. Environmental issues</p> <p>(I) Does the company establish proper environmental management systems based on the characteristics of their industries?</p>	V	<p>(I) The Company has established the ISO 14001 and ISO 50001 systems. In addition, the Company integrated ISO 14001 and ISO 50001 systems into the "Environment and Energy Management System" to fully implement overall plans. The Company also established the "Environment and Energy Management Committee" to oversee and ensure effective environmental protection and energy management as well as to report the performance of environmental protection and energy management regularly to the President. The Environment and Energy Management Committee is chaired by the Vice President of Production and it operates in functional teams. The Committee is organized as follows:</p>	No deviation.

<p>(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p>	<p>V</p>	<div style="text-align: center;"> <pre> graph TD A[Committee Chairman Vice President of Production] --> B[Deputy Committee Chairman (Assistant Vice President, Production Division)] B --> C[Committee Member] B --> D[Consultant] B --> E[Executive Secretary for Energy] B --> F[Executive Secretary for Environment] E --> G[Heat Technology Group] E --> H[Electricity Technology Group] E --> I[Environmental Energy System and Waste Reduction Group] F --> J[Education Group] </pre> </div> <p>(II) The Company maintains control over usage of energy, water resources, and waste and the controls are described as follows:</p> <ol style="list-style-type: none"> 1. Energy: <ol style="list-style-type: none"> (1) Continue to operate the ISO 50001 Energy Management System and improve energy management performance. (2) Attain the mandatory electricity savings target $\geq 1\%$. The electricity savings achieved by the plants in 2020 are as follows: <ol style="list-style-type: none"> a. Hot Rolling Department: 3.05% b. Cold Rolling Department: 4.57% c. Pickling and Galvanizing Department: 8.85% d. Dafa Steel Pipe Plant: 4.49% e. Lukang Steel Pipe Plant: 3.77% (3) Fully adopt the low-polluting "natural gas" as the main fuel to effectively reduce emissions of pollutants. 2. Water resources: To strengthen water resource conservation, the Company adopts water resource management measures including rainwater recovery, wastewater recycling in the Hot Rolling Department process, recovery of effluent from the Cold Rolling Department for reuse in the pickling scrub columns, reusing wastewater from pure water regeneration, reusing process water from steel pipe plants, replacement of shaft seals with wear rings in public water pumps to reduce leaks, and using water conservation taps. The performance of each plant in 2020 are as follows: <ol style="list-style-type: none"> (1) Hot Rolling Department: 0.446 (kiloliter/ton) (2) Cold Rolling Department: 0.639 (kiloliter/ton) (3) Pickling and Galvanizing Department: 0.918 (kiloliter/ton) 	
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<p>(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</p>	V	<p>(4) Dafa Steel Pipe Plant: 0.241 (kiloliter/ton) (5) Lukang Steel Pipe Plant: 0.227 (kiloliter/ton) (6) The Company's actual performance in 2020: 0.508 (kiloliter/ton)</p> <p>3. Waste: The Company uses comprehensive planning and management to recycle and reuse large amounts of general industrial waste (e.g., scrap iron, mill scale, waste acid, hot-rolling clay, inorganic sludge, waste active carbon, waste lubricant oil, waste fireproof materials, etc.). The waste recycling rate in 2020 was 98.94%.</p> <p>(1) Hot-rolling clay/inorganic sludge: Materials for cement factories or use in road gradation or production of interlocking bricks. (2) Waste wood: Use as boiler fuel. (3) Waste acid: Recycle waste acid for processing and production of recycled acid. (4) Waste iron and break-off rust: Recycled to the furnace for reuse.</p> <p>(III) To ensure sustainability, the Company responds to climate change issues and identifies climate change risks and opportunities. The response management measures are specified in Table 1 below.</p>	
<p>(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?</p>	V	<p>(IV) The results, management policies, and action plans for the Company's greenhouse gas emissions, tap water consumption, and total weight of waste in the past three years are explained below:</p> <p>1. Greenhouse gas emissions: The Company has conducted greenhouse gas inventory since 2005. A third-party verification institution is appointed to obtain the emissions verification statement. The greenhouse gas emissions from 2018 to 2020 were as follows:</p> <p>2018: 379,253.992 tons CO₂e/year; unit product emissions intensity was 0.1317 ton-CO₂e/unit production tons (verified; third-party verification completed in May 2019) 2019: 342,362.270 tons CO₂e/year; unit product emissions intensity was 0.1342 ton-CO₂e/unit production tons (verified; third-party verification completed in May 2020) 2020: 344,428.264 tons CO₂e/year; estimated unit product emissions intensity was 0.1356 ton-CO₂e/unit production tons (not yet verified; verification scheduled for completion in May 2021)</p>	

		<p>2. Tap water consumption (excluding water consumption of Ciaotou Administration Building)</p> <p>2018: 1,514,132 cubic meters 2019: 1,454,645 cubic meters 2020: 1,423,967 cubic meters</p> <p>3. Total weight of waste</p> <p>2018: 144,727 tons 2019: 133,543 tons 2020: 121,284 tons</p> <p>4. Environment, safety, health, and energy policy</p> <p>Chung Hung's environment, safety, health, and energy policy was implemented following the approval of the Chairman and it is the highest guiding principle for promoting activities for the environment, safety, health, and energy. The Company upholds the core values for environmental health and safety including the "respect for life", "care for the environment", "energy conservation and carbon emissions reduction", and remains committed the following six targets:</p> <p>(1) Improving employees' health. The Company organizes health care and health promotion activities to increase employees' awareness of their health management, prevent diseases, and maintain physical and mental health.</p> <p>(2) Mitigating potential hazards and risks. The Company complies with environment, safety, health, and energy regulations, implements self-management, actively identifies potential hazards, implements hazard identification, and assesses risks and opportunities to manage and eliminate risks.</p> <p>(3) Upholding environmental protection. The Company cares about the environment and climate change, and implements environmental life cycle assessments. We also grasp the risks and opportunities, identify all possible sources of pollution, and prevent pollution to reduce the impact on the environment.</p> <p>(4) Continuing energy conservation and waste reduction. The Company considers the energy performance for plans and designs, adopts energy-saving products and services, cherishes and makes the most of energy resources, and continues to promote energy conservation and waste reduction tasks to fulfill corporate responsibilities.</p> <p>(5) Strengthening participation in consultation services.</p>	
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		<p>The Company enhances environment, safety, health, and energy training and increases communication, consultation, and participation with employees, contractors, and stakeholder groups to create harmonious relationships.</p> <p>(6) Continuing to improve management performance. The Company provides resources, adopts target management solutions, and makes continuous improvements to improve environmental, safety, health, and energy performance and pursue sustainable development.</p> <p>5. Environmental energy management action plans Expansion of core values of the policies of "care for environment" and "energy conservation and waste reduction" in the environment, safety, health, and energy policy:</p> <p>(1) Energy conservation, carbon reduction, and greenhouse gas cutback</p> <p>A. Consumption: Use low-polluting fuel (natural gas), continue to explore optimal operating conditions, increase incineration efficiency, reduce fuel consumption, and reduce greenhouse gas emissions.</p> <p>B. Electricity consumption: The Company's plants follow the target energy-saving rate of $\geq 1\%$ set by the Bureau of Energy and implement the energy management system (ISO 50001) (the Pickling & Galvanizing Department is expected to be certified for the first time in May 2021). The Company also implements energy management for major energy-consuming equipment in the plant.</p> <p>C. Reduction of greenhouse gas emissions: The Company has established greenhouse gas reduction objectives in accordance with national greenhouse gas reduction objectives, and continues to implement greenhouse gas reduction action plans.</p> <p>a. National Greenhouse gas reduction objectives for each phase are set forth below: First phase (2016 to 2020) objectives: Reduce emissions in 2020 by 2% from the baseline year of 2005. Second phase (2021 to 2025) objectives: Reduce emissions in 2025 by 10% from the baseline year of 2005. Third phase (2026 to 2030) objectives: Reduce emissions in 2030 by 20% from the baseline year of 2005.</p>	
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		<p>b. Chung Hung uses 2005 emissions (468,476.798 tons CO₂e) as the baseline year for measuring reduction. The 2020 greenhouse gas emissions (344,428.264 tons CO₂e) have been reduced to the emission level in 2005 and were reduced by another 26%. The results met National control targets from the first phase to the third phase.</p> <p>(2) Unit product tap water consumption management 2020 target: ≤0.494 (kiloliter/ton); the actual performance in 2020 was 0.508 (kiloliter/ton) Reason for failure to meet objective: The unit product water consumption increased because the production capacity in 2020 was lower than that of 2019, and the production conditions were unstable. Corrective measures: The Company will continue to rectify the water leaks in plants and reduce the waste of water. We will continue promote water conservation and water-saving measures. We will also increase the reclaimed water volume and reduce effluent.</p> <p>(3) Waste recycling management: 2020 recycling target: ≥98.93% ; The actual performance in 2020 was 98.94% and the objective was reached.</p>	
<p>IV. Social issues</p> <p>(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V	<p>(I) The Company implements humanistic management and provides a fair and reasonable working environment. We support the "United Nations Universal Declaration of Human Rights", "United Nations Global Compact", and other international human rights standards. Our labor conditions are in compliance with relevant government labor laws and regulations, and all employees are protected by the Labor Standards Act. We have not yet established a labor union and therefore have not established a collective bargaining agreement. However, we have established the "Employee Work Rules" in accordance with laws to regulate the employment, salary, attendance, leave, rewards and punishments, performance evaluation, transfer, compensation for occupational hazards and family support for victims, termination of employment, retirement, sexual harassment prevention, welfare, and insurance of the employees. The Employee Work Rules have been approved by the competent authority and they provide protection for all employees. To promote human rights, we accumulated 951 hours of training on human rights in 2020 for 386 participants, who accounted for 32.11% of all employees at the time of training. The training courses</p>	No deviation.

<p>(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p>	<p>V</p>	<p>include labor laws, occupational hazard prevention, supervisors' occupational safety responsibilities, and health promotion activities.</p> <p>In addition to providing employees with legally required leaves, the Company offers leaves superior to regulatory requirements such as regular sick leave with special approval, bereavement leave, paternity leave, and wedding hosting leave when employees' children get married. When employees need long-term leave due to military service, serious illness or injury, major changes in the family, or parenting, employees may apply for unpaid leave to take care of their own needs and their families.</p> <p>(II) The Company established the "Salary Management Regulations" for the governance of employees' salaries. The Company also established the "Production and Sales Earnings Bonus Regulations" and distribute monthly (or annual) bonuses or additional year-end production and sales earnings bonuses based on the Company's profitability in the current month (or current year). The Company also established the "Employee Remuneration Distribution Regulations" to distribute annual profits. The business performance or results are adequately reflected in remuneration for employees.</p> <p>The Company established the Employee Welfare Committee in accordance with the law to implement various employee welfare measures. Welfare items include subsidies for birthdays, national holidays, unit tourism activities, club activities, occupational injuries, hospitalization, funerary subsidies, emergency conciliatory funds for deaths, marriage, childbirth, children education, and children (employee) scholarships. The Company also organizes large-scale company-wide outdoor activities to improve employees' morale and advance community engagement activities.</p>	
<p>(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p>	<p>V</p>	<p>(III)The Company pays attention to the employees' work environment and continues to make improvements; The Company also implements annual safety and health education training programs.</p>	
<p>(IV) Does the company provide its employees with career development and training sessions?</p>	<p>V</p>	<p>(IV)The Company arranges management and common courses for employees of different levels to improve supervisors' management capacity and professional skills of non-management personnel. It also maintains control over professional skills and arranges appropriate education and</p>	

<p>(V) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</p>	<p>V</p>	<p>training courses to fill in gaps in professional skills so that employees can obtain skills required for career development.</p> <p>The Company has established a knowledge management system to encourage employees to share and absorb knowledge from different sectors to develop their skills for analyzing and solving issues from a macro perspective.</p> <p>(V) 1. The Company's products have been evaluated for their impact on health and hazards. To ensure that imported steel materials are not contaminated by radiation, Chung Hung invests in the procurement of equipment and training of qualified inspection technical personnel to establish rigorous and effective operating procedures for radiation detection. The procedures were certified and approved by the competent authority — Atomic Energy Council, Executive Yuan and the Company obtained the “Steel and Iron Industry Radiation Detection Operations Certification”. No radioactive substances are found in slabs used by Chung Hung as materials or any of the Company's products.</p> <p>2. The Company regularly appoints SGS to analyze the items specified in RoHS 2.0 (cadmium, lead, mercury, hexavalent chromium, polybrominated biphenyls (PBBs), polybrominated diphenyl ethers (PBDEs), diisobutyl phthalate (DIBP), dibutyl phthalate (DBP), benzyl butyl phthalate (BBP), Di-2-ethylhexyl phthalate (DEHP), etc.), and SVHC items in REACH. All analysis results met requirements in the regulations.</p> <p>3. The Company’s products are labeled in accordance with existing Taiwanese and international standards and regulations and the Company issues quality assurance certificates.</p> <p>4. The Company regards customer information as confidential information of the Company. To protect customer interests and privacy, the Company has established rigorous protection measures and adopted the following rigorous mechanisms for management and control:</p> <p>(1) The Company established a dedicated IT unit to take charge of the Company's overall information system and software planning, development, establishment, and maintenance. It ensures the overall quality and safety of the operations of the software and hardware in the Company's information system.</p>	
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<p>(VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.</p>	<p>V</p>	<p>(2) The Company rigorously requires operating personnel to abide by the Company's confidentiality regulations for trade secrets and established the "Employee Code of Ethics" and other regulations for compliance. Employees are required to uphold their confidentiality obligations for business secrets, trade secrets, and other personal privacy information during their employment. The same rules shall apply after they leave the Company.</p> <p>(3) The Company uses Internet technologies to prevent the intrusion of hackers and prevent the theft of customer data. Anti-virus software is installed in all computer equipment to prevent the intrusion of computer viruses or trojans.</p> <p>(4) Operators are provided with their own unique accounts and passwords in the personal computer system based on their duties. The system regularly requires changes of passwords and management of excessive standby time to prevent theft of personal accounts and passwords. The system also automatically manages the system access for inquiries and operations. Personnel not related to operations are unable to conduct operations or obtain data.</p> <p>(5) The electronic business systems used by the customers and suppliers require individual network connection accounts and passwords.</p> <p>5. Complaint procedures: Please visit the Procedure of Customer Complaints on Chung Hung's website. (http://www.chsteel.com.tw/cs/cs.html#cs_e)</p> <p>(VI)The Company has established a comprehensive Supplier Management Policy and disclosed in the Corporate Social Responsibility Report and the Company's website (http://www.chsteel.com.tw/csr/sc/sc_sel.html). The Company also provides related regulations for suppliers to download (http://www.chsteel.com.tw/pr/e-com.html#dow). The addendum in Chung Hung's procurement contracts stipulates that if a supplier violates the Company's corporate social responsibility policy and causes significant impact upon the environment and society, or if a supplier engages in unethical conduct, or in violation of the "Labor Standards Act" and damages labor rights, such conduct shall be deemed as a material breach of contract. The Company may, at its sole discretion, terminate or rescind the contract and deduct payment or request compensation in accordance with the contract.</p>	
<p>V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that</p>	<p>V</p>	<p>The Company's CSR Report is compiled in accordance with GRI standards: Core options and AA 1000 Accountability Principles. The Company also</p>	<p>No deviation.</p>

disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		<p>references the ISO 26000 Guidance on Social Responsibility, United Nations Global Compact (UNGC), and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies of Taiwan as the basis for disclosure in the Report.</p> <p>The Company's CSR Report passed third-party certification by the British Standards Institution (BSI) for compliance with GRI Standards and AA 1000 Assurance Standard: 2008, and the first application type in its 2018 Annex.</p>	
<p>VI. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:</p> <p>The Company has established Corporate Social Responsibility Best Practice Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and disclosed on the Market Observation Post System. Our actual operations meet all requirements in the "Corporate Social Responsibility Best Practice Principles". (Link to the Company's Corporate Social Responsibility Best Practice Principles: http://www.chsteel.com.tw/cg/pdf/CHS-AA3-43.pdf)</p>			
<p>VII. Other useful information for explaining the status of corporate social responsibility practices:</p> <ol style="list-style-type: none"> 1. Environmental protection: The Company implements ISO 14001, ISO 50001, and ISO 14064 to strengthen environment and energy management, actively conserve energy and reduce waste, and fulfill its corporate social responsibilities. It received recognition for its outstanding performance as company responsible for air quality improvements in Kaohsiung Clean Air Quality Region in 2020 from the Environmental Protection Bureau of Kaohsiung City Government. 2. Workplace safety and health: The Company implements ISO 45001 and CNS 45001 occupational safety systems. We provide a safe work environment and continue to make effective improvements to take care of employees. All four plant areas of the three plants have obtained Taiwan Occupational Safety and Health Management System (TOSHMS) certification. The implementation status and related honors in 2020 are as follows: <ol style="list-style-type: none"> (1) The Dafa Steel Pipe Plant was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health in Kaohsiung City in 2020" and received the "2020 Outstanding Occupational Safety and Health Unit" award from the Ministry of Labor, Executive Yuan. (2) Both the Hot Rolling Department and Cold Rolling Department received the "Special Award" for safety and health performance in 2019 from Taiwan Steel & Iron Industries Association. (3) The engineer Wen-Liang Chen of the Hot Rolling Department was recognized as an "Excellent Employee for Promoting Occupational Safety and Health in Kaohsiung City in 2020" and received the "2020 Excellent Employee for Promoting Occupational Safety and Health Award" from the Ministry of Labor, Executive Yuan. 3. Social welfare: <ol style="list-style-type: none"> (1) By upholding the two main goals of "life" and "education", Chung Hung makes use of limited resources to sponsor social welfare programs. We continued to sponsor the "Independent Poverty Eradication Program" of Kaohsiung City (since 2004), funding for the Greater Kaohsiung Lifeline Association Suicide Prevention Program (since 2004), sponsorship for outstanding students selected by Ziguan District Office (since 2004), sponsorship of the publication of diary education drawing books for Xing Tang Elementary School in Ciaotou District (since 2008), lunch subsidies for Kangshan Senior High School students from economically challenged families (since 2010), and Syin-Lu Social Welfare Foundation's Syin-Lu Love Healthy Walk Plan (since 2012) in 2020. (2) Helping others when we can is a truly happy thing. Chung Hung continues to advance volunteer services to achieve happiness and the activities are as follows: <ol style="list-style-type: none"> a. The Company has cleaned the environment at the Home of Love of the Bureau of Social Affairs, Kaohsiung City Government regularly each month since July 2013 and we invite colleagues and their relatives to provide services. A total of 215 participants were recorded in 2020 (average 23.9 participants/month; activities were suspended from March to May due to the epidemic). b. The Company cleaned and organized the outdoor environment with Ciaotou District Office at Jing Zhong Village in Baishu Community since 2015 and 32 employees and relatives participated in the activity in 2020. c. The Company has organized "volunteer training" each year since 2008 and a total of 31 participants completed training in 2020. A total of 296 employees have obtained the "volunteer service record book" as of 2020. 			

- d. The Company supported the one-day enterprise volunteer activity organized by the Labor Affairs Bureau of Kaohsiung City Government in September 2020 and 11 employees and relatives attended the activity. (only 12 attendees were permitted)
- (3) With regard to community care, Chung Hung participates in local activities as a member of the community by providing assistance in local development, cooperating with local events, and assistance for community schools to continue to contribute to the development of communities near the plants. The activities in 2020 were as follows:
- a. We have focused on green living, traffic safety, and health promotion since 2016. We organize rotating promotional and exchange activities in neighboring communities each year. We organized 3 sessions (2 in Ciaotou and 1 in Gangshan) on theme of "traffic safety communication" in 2020. All events were completed successfully and we interacted well with the communities.
- b. Sponsorship of the 2020 Gangshan Bamboo Basket Festival events organized by Gangshan District Office.
- c. Sponsorship of education plan subsidies for disadvantaged students in Wulin Elementary School, Ciaotou District.
- d. Sponsorship of funding for A-Kong-Tiam River Literary Award organized by Gangshan University Youth Association.
- (4) Other activities: The Company has held second-hand item donation activities each year since 2012 for employees to show their care. The donated items were given to the Syin-Lu Social Welfare Foundation's Nanzi Syin-Lu workshop. The supplies donated in 2020 were delivered in November. Since 2017, the Company has cooperated with the Animal Protection Association and organized volunteer events at Shilong Activity Center in Ciaotou for neutering, chip implant, rabies vaccination, and pet adoption. In 2020, 20 employees and relatives participated in the event.

Appendix 1

Dimension	Item	Risks			Opportunities			Response Management Measures in 2020
		Climate Risks	Potential Financial Impact	Level of Impact	Climate Opportunities	Potential Financial Impact	Level of Impact	
Regulations	Total greenhouse gas emissions management	1. The increase in greenhouse gas may be regulated by competent authorities and the order intake and output may be limited 2. The government plans to collect the "greenhouse gas emission management fee"	Increase operating costs	High	Participation in the carbon trading market Adoption of new technologies	1. The carbon rights gained from the fuel offsetting program can increase production and can be traded 2. Reduce greenhouse gas emission risks 1. Continue to identify opportunities for improvement and increase energy usage efficiency 2. Return on investments in low-carbon technologies	Medium Medium	1. Annual greenhouse gas inventory 2. Search for technologies for reducing greenhouse gas emissions 3. Obtain carbon rights offsetting credits from the fuel offsetting program 4. Continuous ISO 50001 operations 5. Participate in cross-sector greenhouse gas emission reduction
	Reduce electricity consumption by 1%	Failure to meet electricity conservation requirements may result in fines from the competent authority	1. Investment in equipment will increase operating costs 2. A penalty may increase costs or reduce demand for products	Medium	Replacement of old equipment	Increase energy usage efficiency of equipment	Low	1. Energy analysis and KPI management 2. Continuous ISO 50001 operations 3. Establish/execute electricity saving plan
	Renewable energy (green electricity)	Major electricity users are required to set up renewable energy generation facilities, energy storage facilities, or purchase green electricity. Failure to meet requirements may result in fines from the competent authority.	1. Investment in equipment will increase operating costs 2. A penalty may increase costs or reduce demand for products	Medium	Use of low-carbon energy sources	Enhance the Company's reputation and increase product sales	Low	1. Evaluate the installation of renewable energy electricity system or energy storage system 2. Evaluate the purchase of green electricity

Policy	Industry transformation (green products and green production processes)	Investments in green product development and green production process improvement increase operating costs	Increase operating costs	Low	Develop low-carbon products	Meet the energy-saving requirements of customers and increase the sales of steel products and operating revenue	Low	Continue to follow government policies and develop green production processes
	Circular economy	Product development and production process improvement increase operating costs	Increase operating costs	Low	Development of new products	Continuous industry transformation increases the sales opportunities of the Company	Low	
Practice	Shortage of water resources	Water shortage affects production, reduces the production volume of various steel products, and increases operating costs	Decrease/interruption of production	Medium	Implement water resources circular usage	Enhance resilience against severe weather conditions and reduce the possibilities of impact and amount of losses	Low	1. Execute process water usage and rainwater recovery to stabilize water supply sources 2. Establish waste water purification and reuse equipment and make full use of water resources 3. All plants prepare in advance to respond to extreme torrential rain
	Typhoons and torrential rain	Disruptions in the purchase of slabs and shipment of finished steel coils (pipes) cause production interruptions and lower operating revenue	Decrease/interruption of production	Medium	Increase product sales	Torrential rain damages houses, infrastructure, and objects while repairs increase the use of steel products	Low	
					Increase protection against natural disasters	Increase protection against natural disasters for all plants and reduce the possibilities of impact and amount of losses	Low	
	Unstable electricity supply	Unstable electricity supply affects production, reduces the production volume of various steel products, and increases operating costs	1. Decrease/interruption of production 2. Increase operating costs	Medium	Use of low-carbon energy sources	Enhance the Company's reputation and increase product sales	Low	Evaluate the installation of renewable energy electricity system and stabilize the source of electricity supply
	Industry stigmatization/not welcomed by neighboring communities	Conflicts with neighboring communities due to environmental protection issues decreases investors' willingness to invest	Decrease/interruption of production	Low	Implement environmental protection policies	Strictly control all environmental data to reduce conflicts with neighboring communities and increase investors' willingness to invest	Low	1. Establish positive communication channels and maintain friendly relations with neighboring communities 2. Conduct environmental protection inspections, pollution source inspections, and maintenance to ensure normal operations 3. Inspect sources of air pollutants and odors

Note 1: If "Yes" is selected in the Status of Implementation, please explain the important policies, strategies, and measures adopted, and the implementation status; if "No" is selected in the Status of Implementation, please specify the reason and explain related future policies and plans for strategies and measures.

Note 2: If the Company has produced a corporate social responsibility report, the Company may cross reference the CSR report and indicate the page number in the Status of Implementation.

Note 3: The materiality principle refers to related environmental, social, and corporate governance issues that may cause material impact on the Company's investors and other stakeholders.

(VI) Implementation of ethical corporate management, deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", and reasons for deviation:

Item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>I. Establishment of ethical management policies and programs</p> <p>(I) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(II) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on</p>	V		<p>(I) The Company's Board of Directors passed the "Ethical Corporate Management Best Practice Principles" and the "Ethical Corporate Operating Procedures and Code of Conduct" based on the Principles to govern the matters to be noted by all employees of the Company in business execution.</p> <p>The Company regularly uses the ERP system or assigns supervisors to use internal meetings to promote the Company's ethical management business philosophy and emphasize the importance of ethical conduct. The Company requires employees to maintain discipline and abide by related regulations of the Company. Fraudulent activities are not tolerated and employees are encouraged to conduct careful business operations and establish a culture of ethical business practices.</p> <p>The Company publishes the Ethical Corporate Management Policy on the company's website and activities involving external parties so that the Company's managers, employees, suppliers, customers, or other related institutions and personnel are fully aware of the Company's principles and rules with respect to ethical corporate management.</p> <p>(II) The Company plans the internal organization, structure, and allocation of responsibilities and sets up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>The Company has established the "Operating Standards for Processing Gifts, Banquets, and Requests" to achieve a high-quality corporate culture,</p>	No deviation.

Item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>			<p>protect the Company's image, and provide a basis for employees to process gifts, banquets, and requests. Unless otherwise specified, gifts from interested parties with conflicts of interests in the employee's position shall be refused or returned. Where the gifts cannot be returned, the recipient shall fill out the gift report form, submit the form to a supervisor of the plant or department or above, and deliver the gifts to the Administration Department to process.</p> <p>The Company has established the "Entertainment Fee Regulations". All company personnel who need to entertain guests for business execution and development of relationships with external parties shall be governed by these Regulations.</p> <p>The Company has adopted the following measures to prevent unethical conduct: The Company organized training related to ethical corporate management (including corporate culture, quality system, and internal auditor training) for 351 participants with training hours totaling 1,511.5 man-hours.</p> <p>(III) The Company has established regulations for preventing unethical conduct in the "Code of Ethical Conduct for Directors", "Code of Ethical Conduct for Supervisors and Senior Managerial Officers", "Employee Code of Ethics", "Internal Control System Regulations", and "Rewards and Penalties Regulations". We also amend the regulations and review related plans in accordance with regulatory requirements. We also expressly stipulate anti-bribery or anti-kickback clauses in all engineering, procurement, and cooperation agreements. The Company has set up the Complaint Response Committee to implement the complaint system and penalties for violations.</p>	

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
			<p>The Internal Audit Department proposes improvement recommendations and enter them into the Company's audit management system for computerized management and continuous follow-up on improvement progress. Improvement measures shall be completed for each audit item in a timely manner and submitted to Independent Directors for review in accordance with regulations. This is an important mechanism for the supervision of ethical corporate management policies by the Board of Directors. The Company upheld the ideals of ethical business operations and provided training on ethical management issues (including training on regulations, audit management, quality, technology, information security maintenance, and finance accounting management) for 1,040 participants with training hours totaling 3,589 man-hours.</p> <p>The Company implements these regulations and regularly reviews and amends them.</p>	
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	V		<p>(I) The Company's "Contractor and Supplier Assessment Regulations" and "Customer Credit Extension Management Regulations" have specified that the Company should avoid dealings with any persons having any record of unethical conduct when engaging in commercial activities.</p> <p>(II) The Administration Department is responsible for advancing the establishment of related regulations and each unit complies with related regulations to ensure the full implementation of ethical corporate management. The Department also reports the operation and implementation status to the Board of Directors once every year.</p> <p>(III) Regulations for the prevention of conflicts of interest and personal gains have been established in the Company's "Code of Ethical Conduct for Supervisors and Senior Managerial Officers" and "Employee Code of</p>	No deviation.

Item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
(IV) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?			<p>Ethics". The Company also encourages reporting of any illegal or unethical activities.</p> <p>(IV) The Company has established effective accounting systems to implement ethical management. The procedures for processing accounting matters have been implemented in accordance with regulations of the system and filed to the responsible supervisors for approval. In addition, the Company has established the "Internal Control System Regulations" to establish an effective internal control system. The Regulations were passed by the Board of Directors and adopted as the basis for the implementation of internal controls by related units and personnel of the Company. The Company established the "Instruction for Self-Evaluation of Internal Control Systems" which is used to implement self-evaluation of internal controls before the end of December each year. Each level 1 unit conducts a self-assessment on the management status of the current year and files a plant management evaluation report to the Administration Department for compilation of the overall company evaluation report. The report is filed to the authorized supervisor for approval and delivered to the Finance Department which produces the Internal Control System Statement. The Company's audit plan was passed by the Board of Directors in 2020 to facilitate the rigorous implementation of internal control audits. The Company audited various operation items in transaction cycles and completed the audit report in 2020. A total of 51 audits (including 1 special audit) was conducted and 50 recommendations were filed for discrepancies and anomalies. The audit supervisor regularly attends meetings of the Board of Directors to report on the implementation status of the audit plan. After the audit report is filed, the audit supervisor sends the report to all Independent Directors for review in accordance with regulations. The audit supervisor also logs into the Company's audit management system for computerized management to continue follow-up on improvement progress. The follow-up and improvement status are reported to the Independent Directors for review each quarter.</p>	
(V) Does the company regularly hold internal and external educational trainings on operational integrity?			<p>(V) The Company has established the "Employee Code of Ethics" and requires all new employees to attend anti-corruption training after reporting for duties. Supervisors use internal meetings to promote the Company's ethical</p>	

Item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			management business philosophy and emphasize the importance of ethical conduct as well as zero tolerance for fraudulent activities.	
<p>III. Operation of whistle-blowing system in the Company</p> <p>(I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(II) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p>	V		<p>(I) According to the Company's Ethical Corporate Management Best Practice Principles, the Company established the Regulations on Violation of Ethical Conduct Reports and established hotlines, emails, and reporting system on the Company's website as reporting channels to protect the Company's core value for ethical corporate management, implement corporate governance, and provide channels for internal and external entities to report violations of ethical conduct by employees and representatives of the Company. The unit responsible for processing reports is the Internal Audit Department. The Regulations on Violation of Ethical Conduct Reports stipulate that once reported incidents are proven true in investigations, whistleblowers may be given appropriate rewards based on the severity of the case. If the whistleblower is an employee of the Company, the reward shall be processed in accordance with the Company's "Rewards and Penalties Regulations".</p> <p>(II) The Company has established the Regulations on Violation of Ethical Conduct Reports which expressly provided the reporting channels, reporting items, unit responsible for processing reports, incident investigation and processing procedures, protection of personal information and whistleblowers, regulations on rewards and penalties, confidentiality of reported information, and record retention periods. Unless otherwise specified in laws, personal information provided by whistleblowers shall be kept confidential by the Company and the Company shall adopt appropriate protection measures in accordance with laws to protect the personal information and privacy of whistleblowers. There were no occurrences of penalties or complaints regarding violations of ethical corporate management at the Company in 2020.</p>	No deviation.

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
(III) Does the company provide proper whistleblower protection?			(III)The Regulations on Violation of Ethical Conduct Reports stipulate that the Company shall take measures to protect whistleblowers from inappropriate disciplinary actions due to their whistleblowing.	
IV. Strengthen information disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		(I) The Company has disclosed information related to ethical management including the "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles", and Ethical Corporate Operating Procedures and Code of Conduct" in the "Corporate Governance Regulations" on the company website (www.chsteel.com.tw) under "Investor Relations" and "Corporate Governance" and the Market Observation Post System. The Company's Vice President of the Administration Department reports the operation and implementation status of ethical corporate management to the Board of Directors on a regular basis. Information on the operating status is disclosed under "Ethical Management" in "Corporate Governance" in "Corporate Social Responsibility" on the website. The Internal Audit Department is responsible for supervision and implementation as well as reporting the results regularly to the Board of Directors. Related conditions are disclosed in "Internal Auditing" on the website.	No deviation.
V. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any discrepancy between the principles and their implementation: No deviation.				

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
<p>VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., the company shall declare the company's business integrity execution and policy to its business counterparts, invite them to participate in the education training, and review the revisions of the company's code of integrity management):</p> <p>1. Establishment of general penal provisions for suppliers:</p> <p>(1) Establishment of the Company's general safety and environmental regulations for construction, operations, and machinery: Where Chung Hung personnel or their spouses, or immediate family members serve as the operator of suppliers or related personnel in contracted operations, the suppliers shall actively notify the contract signing unit and contract execution unit in writing.</p> <p>In the event of violation, the contractor shall be imposed with a fine of between NT\$3,000 and NT\$60,000 in accordance with penal provisions for safety and health issues of contractors in provision No. 6.2 of the Company's "Contractor Safety and Health Management Regulations".</p> <p>(2) Establishment of the Company's general safety and environmental regulations for construction, operations, machinery, safety and environmental/materials repairs, supplies, and transportation suppliers: Penalties shall be imposed on suppliers that provide bribes, gifts, commissions, compensation, interest in exchange for benefits, or other illegitimate benefits to Chung Hung's managerial officers, employees, or part-time employees, their spouses, direct blood relatives, consultants, or design and planning companies. Once such violations are verified, Party A's contract execution unit shall, based on the severity of the violation, file a report and consult the opinions of the Purchasing Department. It shall submit the report to the President for approval and the Purchasing Department shall modify the contract to suspend the execution of all or parts of the contract of the supplier before its expiry, temporarily suspend operations, or blacklist the supplier permanently.</p> <p>2. Establishment of the Company's procurement contracts: Where the contractor bribes, provides gifts, or threatens personnel of the owner's company, in addition to legal procedures, the bribe or gift shall be regarded as discounts for the owner based on the price established in the contract. The owner shall request compensation or deduct the bribe or gift from payments to the contractor. The owner may rescind or terminate the contract, request default penalties, and blacklist the contractor permanently. In addition, the owner may unconditionally rescind or terminate other procurement contracts signed with the contractor without notice.</p>				

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

1. Corporate governance principles and related guidelines:

- (1) The Company, pursuant to related regulations of the Financial Supervisory Commission, Executive Yuan, established the following procedures: Procedures for Asset Acquisition and Disposal, Procedures for Making Endorsements and Guarantees, Operating Procedures for Fund Lending, Board of Directors' Meeting Procedure, and Remuneration Committee Charter.
- (2) The Company, pursuant to related regulations of Taiwan Stock Exchange Corporation, established the following procedures: Procedure for the Shareholders' Meeting, Code of Ethical Conduct for Directors, Code of Ethical Conduct for Supervisors and Senior Managerial Officers, Employee Code of Ethics, Rules Governing the Election of Directors, Related Party Transaction Management Regulations, Ethical Corporate Management Best Practice Principles, Audit Committee Charter, Management Procedures for Handling Internal Major Information and

Prevention of Inside Trading, Corporate Governance Best-Practice Principles, Corporate Social Responsibility Best Practice Principles, Standard Operating Procedures for Requests Filed by Directors, and Regulations for Evaluating the Performance of the Board of Directors.

2. Query Method:

- (1) Public companies: Download from the Market Observation Post System (<http://mops.twse.com.tw/mops/web/index>) in "Establishment of related corporate governance regulations and rules" under "Corporate Governance".
- (2) Download from the Company's corporate website (<http://www.chsteel.com.tw>) in "Investor Relations" → "Corporate Governance" → "Corporate Governance Regulations".

(VIII) Other important information to facilitate better understanding of the company's corporate governance activities: None.

(IX) Implementation of Internal Control System

1. Statement of Internal Control

Chung Hung Steel Corporation

Internal Control System Statement

Date: February 24, 2021

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2020.

- I. The Company takes cognizance of the fact that the establishment, execution, and maintenance of its internal control policies are the responsibilities of the Company's Board of Directors and managers; such policies have been implemented throughout the Company. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the effectiveness of the internal control system may vary due to changes in the environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, 5. Monitoring operations. Each component also comprised several items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.
- V. Based on the aforementioned evaluation results, the company believes that the design and execution of its December 31, 2020 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of understanding of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, timeliness, transparency, and regulatory compliance-related internal control system items; and that the company can reasonably achieve the aforementioned goals.
- VI. This statement of declaration shall be the primary content of annual report and prospectus, and shall be made available to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- VII. This Statement was approved by the Board on February 24, 2021 where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Chung Hung Steel Corporation

Chairman: Min-Hsiung Liu

Signature and Seal

President: Kuei-Sung Tseng

Signature and Seal

2. If the internal control system review is conducted by commissioned accountants, the said accountant's review report shall be disclosed: None.
- (X) Specify the content, major deficiencies and status of improvements made on penalties imposed on the Company and its internal staff or penalties imposed on its internal staff by the Company for violation of internal control regulations in recent years and up to the publication date of this annual report: None.
- (XI) Critical resolutions made during shareholders and Board of Directors' meetings in 2020 and up to the publication date of this annual report:
- **Shareholder's meeting**
 1. **Critical resolutions adopted at the 2020 general shareholders' meeting:**
 - (1) Approval of the Company's 2019 Business Report and Financial Report.
 - (2) Approval of the Company's 2019 earnings distribution proposal.
 - (3) Passed the amended "Articles of Incorporation".
 - (4) Passed the proposal for the removal of non-compete clause for the Directors Chao-Tung Wong, Min-Hsiung Liu, and Kai-Ming Huang.
 2. **Report on execution of resolutions adopted at the 2020 general shareholders' meeting:**
 - (1) Approval of the Company's 2019 Business Report and Financial Report: Passed as proposed.
 - (2) Approval of the Company's 2019 earnings distribution proposal: Passed as proposed.
 - (3) Passed the amended "Articles of Incorporation": Passed as proposed. Received approval for registration from the Ministry of Economic Affairs on July 20, 2020, and announced on the company website.
 - (4) Passed the proposal for the removal of non-compete clause for the Directors Chao-Tung Wong, Min-Hsiung Liu, and Kai-Ming Huang: Passed as proposed.
 - **Important resolutions of the Board of Directors in 2020 and 2021:**
 1. **Important resolutions of the Board of Directors passed in the 14th meeting of the 14th Board of Directors on January 21, 2020:**
 - (1) Report on the results of the 2019 board performance evaluation.
 - (2) Dismissal of the Vice President of Production Mr. Chien-Chou Chen.
 - (3) Appointment of Mr. Chih-Ho Chiu as the Vice President of Production.
 - (4) Approval of the medium-term loan credit limit contract signed with Hua Nan Commercial Bank Kaohsiung Branch.
 - (5) Approval of the salary for the newly-appointed President Mr. Kung-Ching Wu.
 - (6) Approval of the salary for the newly-appointed Vice President of Production Mr. Chih-Ho Chiu.
 2. **Important resolutions of the Board of Directors passed in the 15th meeting of the 14th Board of Directors on February 26, 2020:**
 - (1) Approval of the Company's 2019 Business Report and financial statements sealed by the Chairman, managerial officer, and accounting officer.
 - (2) Approval of the Company's 2019 earnings distribution proposal.
 - (3) Approval of the report on the 2019 distribution of remuneration to employees and Directors.
 - (4) Approval of the amendments to the "Audit Committee Charter".

- (5) Approval of the Company's 2019 Internal Control Self-Assessment Report and Internal Control System Statement.
 - (6) Approval of the proposal for convening the Company's 2020 general shareholders' meeting.
 - (7) Approval of the dismissal and appointment of the Company's CPA.
 - (8) Approval of the results of the performance evaluation on the Vice Presidents of the departments in 2019.
- 3. Important resolutions of the Board of Directors passed in the 16th meeting of the 14th Board of Directors on April 30, 2020:**
- (1) Approval of the amendments to the "Articles of Incorporation".
 - (2) Approval of the amendments to the "Corporate Governance Best-Practice Principles".
 - (3) Approval of the NT\$150,000 donation to the CSC Group Education Foundation's 2020 operating funds.
 - (4) Approval of the medium-term loan credit limit contract signed with MUFG Bank (Japan).
 - (5) Approval of the proposal for the removal of non-compete clause for the Directors Chao-Tung Wong, Min-Hsiung Liu, and Kai-Ming Huang.
 - (6) Approval of the removal of the Chief Auditor Li-Hua Wu.
 - (7) Approval of the appointment of Jui-Pin Wu as the Chief Auditor.
 - (8) Approval of the revisions of the agenda for the Company's 2020 general shareholders' meeting.
- 4. Important resolutions of the Board of Directors passed in the 17th meeting of the 14th Board of Directors on May 26, 2020:**
- (1) Approval of the dismissal of the Vice President of the Commercial Division Mr. Wen-Chou Li.
 - (2) Approval of the appointment of Mr. Po-Han Chen as the Vice President of the Commercial Division.
 - (3) Approval of the salary for the newly-appointed Vice President of the Commercial Division Mr. Po-Han Chen.
- 5. Important resolutions of the Board of Directors passed in the 18th meeting of the 14th Board of Directors on July 29, 2020:**
- (1) Approval of the medium-term loan credit limit contract signed with Bank SinoPac North Kaohsiung Branch.
 - (2) Approval of the medium-term loan credit limit contract signed with Mega International Commercial Bank Kaohsiung Metropolitan Branch.
 - (3) Approval of the continued lease of the Company's 5 plots of land with lot numbers 284, 285, 292, 294, and 336 on Jiaxing Section, Gangshan District to Taiwan Power Company as land for power transmission tower.
 - (4) Approval of the amendments to the "Organization Charter".
- 6. Important resolutions of the Board of Directors passed in the 19th meeting of the 14th Board of Directors on October 5, 2020:**
- (1) Approval of the Company's 2020 budget correction.
- 7. Important resolutions of the Board of Directors passed in the 20th meeting of the 14th Board of Directors on November 3, 2020:**
- (1) Approval of the Company's 2021 audit plan.

- (2) Approval of the amendments to the "Audit Committee Charter".
- (3) Approval of the amendments to the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors".
- (4) Approval of the amendments to the Company's "Board of Directors' Meeting Procedure".
- (5) Approval of an investment of NT\$200 million in Pro-Ascentek Investment Corporation.
- (6) Approval of the medium-term loan credit limit contract signed with the Land Bank of Taiwan Tainan Branch.
- (7) Approval of the Company's 2020 employee salary adjustment proposal.

8. Important resolutions of the Board of Directors passed in the 21st meeting of the 14th Board of Directors on December 24, 2020:

- (1) Approval of the Company's 2021 budget.
- (2) Approval of the amendments to the "Rules of Procedure for Shareholders' Meetings".
- (3) Approval of the amended "Remuneration Committee Charter".
- (4) Approval of the proposal for the adjustment of the basic salary for the Company's President and Vice Presidents which shall become effective retroactively starting from April 1, 2020.

9. Important resolutions of the Board of Directors passed in the 22nd meeting of the 14th Board of Directors on January 25, 2021:

- (1) Approval of the appointment of the Company's President.
- (2) Approval of the appointment of Mr. Kung-Ching Wu to serve as the Company's senior consultant without pay.

10. Important resolutions of the Board of Directors passed in the 23rd meeting of the 14th Board of Directors on February 24, 2021:

- (1) Report on the results of the 2020 board performance evaluation.
- (2) Approval of the Company's 2020 Business Report and financial statements sealed by the Chairman, managerial officer, and accounting officer.
- (3) Approval of the Company's 2020 earnings distribution proposal.
- (4) Approval of the report on the 2020 distribution of remuneration to employees and Directors.
- (5) Approval of the Company's 2020 Internal Control Self-Assessment Report and Internal Control System Statement.
- (6) Approval of the two-year unsecured underwriting for commercial paper issuance signed with China Bills Finance Corporation Kaohsiung Branch.
- (7) Approval of the election of seven 15th-term Directors (including 3 Independent Directors).
- (8) Approval of the proposal for convening the Company's 2021 general shareholders' meeting.
- (9) Approval of the change of the Company's chief accounting officer.
- (10) Approval of the salary for the newly-appointed President Mr. Kuei-Sung Tseng.
- (11) Approval of the results of the performance evaluation on the Vice Presidents of the departments in 2020.

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

(XIII) Summary of resignation or dismissal of related individuals of the Company in recent years up to the annual report publication date:

January 1, 2020 - March 31, 2021

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
President	Kung-Ching Wu	2019.12.31	2021.01.31	Retired upon reaching retirement age
Chief Accounting Officer	Pei-Yu Lee	2017.09.01	2021.03.01	Reassigned to China Steel Corporation
Chief Auditor	Li-Hua Wu	2012.02.15	2020.05.02	Retired

Note: Related individuals of the Company refer to the Chairman, President, Chief accounting officer, Chief finance officer, Chief internal auditor, Corporate governance officer, and Chief R&D officer.

IV. Information on Fees to CPA

Table on the range of professional charge of the CPA

Name of the accounting firm	CPA name	Audit period	Remarks
Deloitte, Taiwan	Yu-Hsiang Liu	2020.01.01~2020.12.31	None
	Chia-Ling Chiang	2020.01.01~2020.12.31	

Unit: NT\$1000

Amount bracket		Fee item	Audit Fees	Non-Audit Fees	Total
1	Less than 2,000		-	300	300
2	2,000 (inclusive) to 4,000		-	-	-
3	4,000 (inclusive) to 6,000		5,459	-	5,459
4	6,000 (inclusive) to 8,000		-	-	-
5	8,000 (inclusive) to 10,000		-	-	-
6	More than 10,000 (inclusive)		-	-	-

(I) When the non-audit fees paid to the Certified Public Accountants, their firm, and its affiliated companies account for 25% or more to the audit fees, the amount of audit fees and non-audit fees and the content of non-audit service must be disclosed:

Unit: NT\$1000

Name of the accounting firm	CPA name	Audit Fees	Non-Audit Fees					Audit period	Remarks
			System design	Business registration	Human Resources	Others (Note 1)	Subtotal		
Deloitte, Taiwan	Yu-Hsiang Liu	5,459	0	0	0	300	300	2020.01.01~2020.12.31	Other fees mainly consisted of transfer pricing services.
	Chia-Ling Chiang							2020.01.01~2020.12.31	

Note 1: If this company has not changed the company accountant or accounting firm during this year, please list the audit and non-audit fees in sequence.

Note 2: Non-audit fees shall be listed by service item. If the Others column under Non-Audit Fees reaches 25% of the total non-audit fees, the service items associated with this column shall be listed in the Remark column.

(II) If the accounting firm has been changed and the annual audit fees were lower for the year of the firm change compared to that of the previous year, then decrease in audit fees, percentage, and the reason for such changes should be disclosed: None.

(III) Where audit fees paid for the year was 10% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

The audit fees specified in Item 1 refer to the fees paid to the accountant with regards to the services of financial report auditing, verification, review, and tax certification.

V. Information on Change of CPA: The following information on change of accountants in the past two years and post-period shall be disclosed:

(I) Information on the previous CPA:

Date of Change	Passed in the 15th meeting of the 14th Board of Directors on February 26, 2020		
Reason for Replacement and Explanation	Due to the internal rotation mechanisms at Deloitte, Taiwan, the Company's financial statements, previously certified by the CPAs Jui-Hsuan Hsu and Yu-Hsiang Liu, have been certified by the CPAs Yu-Hsiang Liu and Chia-Ling Chiang starting from the first quarter of 2020.		
Describe whether the Company terminated or the CPA did not accept the appointment	Contracting Party	Accountants	Appointer
	Scenario		
	Termination initiated by client CPA declined to accept (continue) the appointment	N/A	
Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two fiscal years	N/A		
Different opinions from the issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Audit scope or procedures
			Others
None			
Description	N/A		
Other items for disclosure (items in Article 10, Subparagraph 6, Item 1-4 to Item 1-7 of the Regulations shall be disclosed)	None		

(II) Regarding succeeding CPA:

Name of CPA Firm	Deloitte, Taiwan
CPA name	Chia-Ling Chiang
Date of Appointment	Passed in the 15th meeting of the 14th Board of Directors on February 26, 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	N/A
The succeeding CPA's written opinion of disagreement toward the former CPA	N/A

Previous CPAs' reply to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Regulations: N/A

(III) Previous accountant's dissenting opinions on disclosures of items specified in the two preceding paragraphs: None.

VI. Company's Chairman, President, financial or accounting affairs manager who has served in the CPA firm or its affiliates in the most recent year: None.

VII. Change status of share transfer and share pledged by Directors, Independent Directors, Managerial Officers and shareholders holding more than 10% equity in the recent year up to the publication date of this annual report.

Share equity change status for Directors, Independent Director, managerial officers, and major shareholders

Title	Name	2020		2021 up to March 31		Remarks
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	
Director	China Steel Corporation	0	0	0	0	
	Representative: Chao-Tung Wong	0	0	0	0	
	Representative: Min-Hsiung Liu	0	0	0	0	
	Representative: Kung-Ching Wu	0	0	0	0	Dismissed on January 31, 2021
	Representative: Kuei-Sung Tseng	N/A	N/A	0	0	Appointed on January 31, 2021
	Representative: Kai-Ming Huang	0	0	(36,000)	0	
Independent Director	Juh-Shan Chiou	0	0	0	0	
	Hsien-Tang Tsai	0	0	0	0	
	Lin-Lin Lee	0	0	0	0	
Chairman of the Board	Min-Hsiung Liu	0	0	0	0	
President	Kung-Ching Wu	0	0	0	0	Dismissed on January 31, 2021
	Kuei-Sung Tseng	N/A	N/A	0	0	Appointed on January 31, 2021
Vice President, Administration Division	Chia-Wen Luo	0	0	0	0	
Vice President, Commercial Division	Wen-Chou Li	0	0	N/A	N/A	Dismissed on June 1, 2020
	Po-Han Chen	0	0	0	0	Appointed on June 1, 2020
Vice President of Production	Chien-Chou Chen	0	0	N/A	N/A	Dismissed on February 1, 2020
	Chih-Ho Chiu	0	0	0	0	Appointed on February 1, 2020
Assistant Vice President, Administration Division	Shu-Cheng Yen	0	0	0	0	
Assistant Vice President, Commercial Division	Ming-Ju Yang	0	0	0	0	
	Chin-Ming Hsu	0	0	0	0	

Assistant Vice President, Production Division	Chien-Hsiung Tung	0	0	N/A	N/A	Dismissed on June 1, 2020
	Juei-Tsai Huang	0	0	0	0	Appointed on June 1, 2020
Chief Accounting Officer	Pei-Yu Lee	0	0	0	0	Dismissed on March 1, 2021
	Wen-Ping Huang	N/A	N/A	2,000	0	Appointed on March 1, 2021

Note 1: There were no cases where the counterparty of share transfer and share pledged is a related party of the Company's Director, Independent Director, managerial officer, or major shareholder.

Note 2: The number of shares held by the outgoing Directors at the end of the period refers to the number of shares held in the current month of the dismissal; the number of shares held by the newly-appointed Directors at the beginning of the period refers to the number of shares held in the current month of the appointment.

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

Mutual relationship information among shareholders with the top 10 shareholding ratios (information from the period after the book closure date in April 2020)

Unit: shares; %; April 30, 2020

Name	Personal Shareholding		Shares Held by Spouse and Underage Children		Total Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within the Second Degree of Relationship		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
1. China Steel Corporation	582,673,153	40.59	0	0	0	0	None	None	
Legal representative: Chao-Tung Wong	0	0	0	0	0	0	None	None	
2. Cathay Life Insurance Co., Ltd.	25,809,000	1.80	0	0	0	0	None	None	
Legal representative: Tiao-Kuei Huang	0	0	0	0	0	0	None	None	
3. Employee's Stock Trust of Chung Hung Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd.	14,311,165	1.00	0	0	0	0	None	None	
4. ishares Emerging Markets ETF under the custody of Standard Chartered Bank	9,284,000	0.65	0	0	0	0	None	None	
5. Taiwan Life Insurance Co., Ltd.	9,000,000	0.63	0	0	0	0	None	None	
Legal representative: Ssu-Kuo Huang	0	0	0	0	0	0	None	None	
6. DFA Emerging Markets Value Portfolio under the custody of Citibank (Taiwan) Limited	8,066,000	0.56	0	0	0	0	None	None	

7. DFA Emerging Markets Core Equity Portfolio under the custody of Citibank (Taiwan) Limited	6,609,926	0.46	0	0	0	0	None	None
8. Hong Bang Investment Co., Ltd.	5,000,000	0.35	0	0	0	0	None	None
Legal representative: Chao-Chia Lo	0	0	0	0	0	0	None	None
9. DAF Investment Trust Company under the custody of Citibank (Taiwan) Limited	4,986,979	0.35	0	0	0	0	None	None
10. JP Morgan Securities Investment Account under the custody of JP Morgan Chase Bank	3,819,834	0.27	0	0	0	0	None	None

IX. Total shareholding percentage of investee business

The number of shares held by the Company, directors, independent directors, managerial officers, and enterprises that are directly or indirectly controlled by the Company in the investee company shall be calculated together.

Unit: shares; March 31, 2021

Investee business	Investment by the Company		Investments by directors, independent directors, managerial officer and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Hung Kao Investment Corporation	2,600,000	100%	0	0	2,600,000	100%
Transglory Investment Corporation	306,824,279	40.91%	0	0	306,824,279	40.91%
Pro-Ascentek Investment Corporation	20,000,000	16.67%	0	0	20,000,000	16.67%

Note: The equity method was employed for the Company's investments.

D. Fundraising Conditions

I. Capital and shareholding

(I) Source of Capital:

March 31, 2021

Type of Shares	Authorized Capital			Remarks
	Shares issued and outstanding	Unissued shares	Total	
Ordinary shares	1,435,544,446	607,615,554	2,043,160,000	Listed stocks

*All shares issued by the Company are listed stocks.

Year Month	Issuing price	Authorized Capital		Paid-Up Capital		Remarks		
		Number of Shares (thousand shares)	Amount (NT\$1000)	Number of Shares (thousand shares)	Amount (NT\$1000)	Source of Capital	Subscriptions paid with property other than cash	Others
1996.06	14	1,143,160	11,431,600	600,000	6,000,000	Cash capital increase of NT\$1,345,025,600	None	Note 1
						Earned surplus turned capital increase of NT\$232,589,280		
						Capital increase shares by capital surplus of 99,681,120		
1997.06	16	1,143,160	11,431,600	750,000	7,500,000	Cash capital increase of NT\$1,500,000,000	None	Note 2
1997.12	10	1,143,160	11,431,600	757,507	7,575,074	Corporate bonds converted to shares of NT\$75,073,950	None	Note 3
1998.02	10	1,143,160	11,431,600	772,380	7,723,805	Corporate bonds converted to shares of NT\$148,731,490	None	Note 4
1998.06	10	1,143,160	11,431,600	794,336	7,943,361	Corporate bonds converted to shares of NT\$219,556,020	None	Note 5
2000.06	10	2,043,160	20,431,600	1,144,336	11,443,361	Cash capital increase of NT\$3,500,000,000	None	Note 6
2004.09	10	2,043,160	20,431,600	1,206,983	12,069,834	Earned surplus turned capital increase of NT\$626,472,690	None	Note 7
2005.10	10	2,043,160	20,431,600	1,284,571	12,845,706	Earned surplus turned capital increase of NT\$775,872,050	None	Note 8
2009.04	9.5	2,043,160	20,431,600	1,684,571	16,845,706	Cash capital increase of NT\$4,000,000,000	None	Note 9
2010.09	10	2,043,160	20,431,600	1,380,331	13,803,311	Reduced capital by NT\$3,042,394,220 to make up for losses	None	Note 10
2011.07	10	2,043,160	20,431,600	1,435,544	14,355,444	Earned surplus turned capital increase of NT\$552,132,480	None	Note 11

Note 1: Tai-Cai-Zheng (I) No. 21847 dated April 12, 1996

Note 2: Tai-Cai-Zheng (I) No. 29725 dated May 1, 1997

Note 3: Tai-Cai-Zheng (I) No. 80508 dated November 3, 1997

Note 4: Tai-Cai-Zheng (I) No. 14139 dated January 26, 1998

Note 5: MOEA Jing (1998)-Shang No. 113778 dated June 9, 1998

Note 6: Tai-Cai-Zheng (I) No. 27800 dated April 29, 2000

Note 7: Jin-Guan-Zheng-I No. 0930132019 dated July 19, 2004

Note 8: Jin-Guan-Zheng-I No. 0940131295 dated August 2, 2005

Note 9: Jin-Guan-Zheng-I No. 0980002363 dated February 10, 2009

Note 10: Jin-Guan-Zheng-Fa No. 0990042786 dated August 20, 2010

Note 11: Jin-Guan-Zheng-Fa No. 1000030352 dated July 1, 2011

(II) Shareholder Structure:

(information from the period after the book closure date in April 2020)

Date: April 30, 2020

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individual Investors	Foreign Institutions and Foreigners	Total
Number of People	0	3	164	92,613	147	92,927
Number of Shares Held	—	36,232,000	607,323,072	724,758,741	67,230,633	1,435,544,446
Shareholding Percentage	—	2.52%	42.31%	50.49%	4.68%	100%

(III) Dispersion of equity ownership:

(information from the period after the book closure date in April 2020)

Date: April 30, 2020; the nominal value is NT\$10 per share

Shareholding Classification	Number of Shareholders	Number of Shares Held	Shareholding percentage %
1 ~ 999	38,131	9,614,521	0.67
1,000 ~ 5,000	32,703	78,856,468	5.49
5,001 ~ 10,000	9,840	77,162,342	5.38
10,001 ~ 15,000	3,433	42,215,302	2.94
15,001 ~ 20,000	2,637	48,467,083	3.38
20,001 ~ 30,000	2,102	53,603,439	3.73
30,001 ~ 40,000	1,052	37,540,763	2.62
40,001 ~ 50,000	741	34,427,160	2.40
50,001 ~ 100,000	1,287	93,646,311	6.52
100,001 ~ 200,000	611	86,995,117	6.06
200,001 ~ 400,000	224	62,063,918	4.32
400,001 ~ 600,000	70	34,823,108	2.43
600,001 ~ 800,000	31	21,929,365	1.53
800,001 ~ 1,000,000	17	15,695,673	1.09
Over 1,000,001	48	738,503,876	51.44
Total:	92,927	1,435,544,446	100

(IV) Main shareholders list (contains shareholders with 5% or more shareholding ratio or the shareholders with top ten shareholding ratio):

(information from the period after the book closure date in April 2020)

Date: April 30, 2020

Name of the Main Shareholder	Shares	Number of Shares Held	Shareholding Percentage
China Steel Corporation		582,673,153	40.59%
Cathay Life Insurance Co., Ltd.		25,809,000	1.80%
Employee's Stock Trust of Chung Hung Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd.		14,311,165	1.00%
ishares Emerging Markets ETF under the custody of Standard Chartered Bank		9,284,000	0.65%
Taiwan Life Insurance Co., Ltd.		9,000,000	0.63%
DFA Emerging Markets Value Portfolio under the custody of Citibank (Taiwan) Limited		8,066,000	0.56%
DFA Emerging Markets Core Equity Portfolio under the custody of Citibank (Taiwan) Limited		6,609,926	0.46%
Hong Bang Investment Co., Ltd.		5,000,000	0.35%
DAF Investment Trust Company under the custody of Citibank (Taiwan) Limited		4,986,979	0.35%
JP Morgan Securities Investment Account under the custody of JP Morgan Chase Bank		3,819,834	0.27%

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

Item		Year	2020	2019	Current year up to March 31, 2021 (Note 8)
Market value per share (Note 1)	Highest		17.25	12.80	19.50
	Lowest		5.40	8.94	13.10
	Average		9.22	10.60	17.19
Net value per share (Note 2)	Pre-distribution		10.61	10.15	11.92
	Post-distribution		Not applicable	—	Not applicable
Earnings per share (Note 3)	Weighted average shares	Before adjustment	1,435,544 thousand shares	1,435,544 thousand shares	1,435,544 thousand shares
		After adjustment	1,435,544 thousand shares	1,435,544 thousand shares	1,435,544 thousand shares
	Earnings per share	Before adjustment	0.37	0.01	1.18
		After adjustment	—	—	—
Dividends per share	Cash dividends		0.3	—	Not applicable
	Stock dividends	—	—	—	—
		—	—	—	—
Cumulative undistributed dividends (Note 4)			—	—	—
Return on investment analysis	PE ratio (Note 5)		24.92	1060	14.57
	Price-dividend ratio (Note 6)		30.73	—	—
	Cash dividend yield (Note 7)		0.0325	—	—

* If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: List the highest and lowest market price of common shares for each fiscal year and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares that have been issued at the end of the fiscal year and the distribution plan approved at the Shareholders' Meeting in the subsequent fiscal year.

Note 3: If there are any retroactive adjustments needed due to stock grants, the earnings per share before and after the adjustment should be listed.

Note 4: If there are any conditions in issuing equity securities that allow for unpaid out dividend for the year to be accumulated to subsequent years in which there is profit, the Company should separately disclose the accumulated unpaid out dividend up to that year.

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

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

Note 7: Cash dividend yield = cash dividends / average closing price per share for the year.

Note 8: Data on net asset value per share and earnings per share from the latest quarter that has been verified by CPAs up to the date of publication of this annual report shall be filled. For all other columns, the Company shall fill information for the current fiscal year until the publication date of this annual report.

(VI) Company Dividend Policy and Implementation:

1. Dividend policy:

The dividend policy specified in Article 28-1 of the Company's Articles of Incorporation is as follows: In the event of surplus earnings after closing of annual accounts, after taxes are paid in accordance with the law, and losses incurred in previous years shall be compensated. Upon completion of the preceding actions, the remainder surplus shall be allocated as statutory reserve. However, in the event that the accumulated statutory reserve is equivalent to or exceeds the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. The remaining profit, if any, shall be included in the accumulated undistributed earnings for the previous year, and the shareholder's meeting shall determine whether to distribute dividends or retain the earnings.

The Company shall allocate no less than 30% for the distribution of shareholder dividends and bonuses each year. However, dividends may be canceled if the earnings available for distribution are less than 3% of the paid-up capital.

The development of the Company's industry has matured. Therefore, the distribution of the shareholder dividends specified above shall be distributed with appropriate ratios of cash dividends and stock dividends. Cash dividends shall be no lower than 50%.

2. Current year earnings distribution proposal to the shareholders' meeting

(1) The earnings distribution is processed in accordance with Article 228 of the Company Act and Article 28-1 of the Company's Articles of Incorporation.

(2) The Company plans to distribute shareholder dividends in common stocks at NT\$0.3 per share.

(3) The Company plans to authorize the Chairman to determine the ex-dividend date for the cash dividends after the shareholder's meeting passes the earnings distribution proposal. Cash dividends shall be issued to the "NTD" to each shareholder. The decimals shall be rounded up to the nearest NTD and the difference shall be listed as company expenses.

Earnings Distribution Statement

2020

Item	Amount	Unit: NT\$
Balance of undistributed earnings at the beginning of the year	121,982,280	
Remeasurement of defined benefit plan converted into retained earnings	12,378,376	
Balance of undistributed earnings after adjustment	134,360,656	

After-tax net profit of 2020	528,259,840
Minus: Statutory surplus reserves	(54,063,822)
Plus: Reversal of special surplus reserve	123,738,790
Distributable earnings	<u>732,295,464</u>
Common stock bonus available for distribution - 1,435,544,446 common stocks at NT\$0.3 per share (cash NT\$0.3)	<u>(430,663,334)</u>
Undistributed earnings at the end of the period	<u><u>301,632,130</u></u>

Chairman: Min-Hsiung Liu Managerial Officer: Kuei-Sung Tseng Chief Accounting Officer: Pei-Yu Lee

(VII) Effects of the stock dividends proposed by the shareholders' meeting on the company's business performance and earnings per share: Not applicable.

(VIII) Employee and Director remuneration:

1. Percentage or range of remuneration distributed to employees and Directors as stipulated in the Company's Articles of Incorporation:

Provisions related to the distribution of remuneration for employees and Directors in the Company's Articles of Incorporation are as follows: If the Company has profit for the year, it shall allocate no less than 0.1% for employee remuneration and no more than 1% for Director remuneration. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before employee and director remuneration can be allocated according to the above percentage. Employee and director remuneration proposals shall be submitted to the Board of Directors for resolution and presented to the shareholders' meeting.

2. Accounting treatment if the actual allocated amount is different from the estimated amount for the current accrued remuneration for employees and Directors and the share calculation for bonus shares allocations:

The Company's remuneration for employees and Directors shall be no lower than 0.1% and under 1% of the earnings before tax of the year and before deducting remuneration for employees and Directors. The board of directors shall decide to distribute the remuneration as shares or cash. The remuneration for employees and directors estimated for the 2020 fiscal year were estimated based on this principle. If there are changes made to the amount before the issuance of the individual annual financial report, the changes shall be adjusted and accounted for as annual expenses. If there are changes made to the amount after the issuance of the individual annual financial report, the changes shall be accounted for as changes in accounting estimates and recognized in the financial report of the following year.

3. Employees' remuneration resolved by the Board of Directors:

- (1) Employee remuneration: NT\$29,896,740.
- (2) Directors' remuneration: NT\$5,637,945.

- (3) The aforementioned amounts shall be distributed in cash and there is no difference from the estimates in 2020.
4. If there is any discrepancy between the actual amount of remuneration distributed to employees and directors (including number and dollar amount of shares distributed, as well as share price), and the recognized amount of remuneration for employees and directors in 2019 fiscal year, the amount, causes and treatment of such discrepancies shall be stated: The Company's actual distributed employee and Directors' remuneration in 2019 were consistent with the amount recognized in the Consolidated Financial Report of 2019.

(IX) Status of company share buyback

March 31, 2021

Times of buyback	1st Buyback in 2000	Remarks
Objective of share buyback	Transfer to employees	None
Buyback Period	From October 12, 2000 to November 10, 2000	
Price range of shares to be bought back	NT\$2.55-5.15 per share	
Stock type and quantities repurchased	Ordinary shares: 19,791,000 shares	
Amount of shares repurchased	56,439,252	
Ratio of the number of shares bought back to expected number of shares to be bought back (%)	98.96	
Number of retired and transferred shares	19,791,000 shares	
Cumulative number of shares of the Company	0	
Percentage of cumulative number of shares of the Company of the total issued shares (%)	0	

II. Issuance of corporate bonds

Type of corporate bonds	First tranche of unsecured ordinary corporate bonds in 2020	Second tranche of unsecured ordinary corporate bonds in 2020	
Issuance date	March 27, 2020	September 25, 2020	
Nominal value	One type of NT\$1 million	One type of NT\$1 million	
Issuing price	Issued at 100% of face value	Issued at 100% of face value	
Total amount	NT\$2 billion	NT\$1 billion	
Interest rate	Fixed annual interest rate at 0.78%	Fixed annual interest rate at 0.65%	
Deadline and maturity date	5 years Maturity date: March 27, 2025	5 years Maturity date: September 25, 2025	
Guarantee agencies	None	None	
Trustee	Trust Department, Taipei Fubon Commercial Bank	Trust Department, Taipei Fubon Commercial Bank	
Underwriter	2 underwriters including Fubon Securities Co., Ltd.	Fubon Securities Co., Ltd.	
Certifying attorney	I-Cheng Joint Law Office	I-Cheng Joint Law Office	
Certifying CPA	Deloitte, Taiwan	Deloitte, Taiwan	
Redemption method	Principal repayment in full at the expiry of the issuance period	Principal repayment in full at the expiry of the issuance period	
Outstanding principal balance	NT\$2 billion	NT\$1 billion	
Articles for redemption or early liquidation	None	None	
Restrictive provisions	None	None	
Name of credit rating agency (CRA), rating date, and results of corporate bond ratings	Taiwan Ratings Corp. November 08, 2019; Rating twA	Taiwan Ratings Corp. September 03, 2020; Rating twA	
Other rights attached	Dollar amount of common shares already converted (swapped or subscribed) and global depository receipts or other negotiable securities as of the publication date of this annual report	None	None
	Issuance and conversion (swap or subscription) methods	None	None
Possible dilution of equity or impact to the shareholders' equity caused by regulations on the issuance and conversion, exchange, or subscription to stocks	None	None	
Name of commissioned custodian of exchangeable underlyings	None	None	

III. Issuance of preferred stocks: None.

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

V. Issuance of employees' stock option certificate and new restricted employee shares: None.

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

VII. Implementation status of the capital utilization plan: The Company does not have any security issuance that was incomplete or completed over the past three years but not fully yielded the planned benefits.

E. Business overview

I. Business activities

(I) Business scope: The Company's principal business activities, revenue distribution, current products (services) and new products (services) under development shall be listed.

1. Operations of animal husbandry business.
2. Manufacturing, processing, and import/export of timber, agricultural products (excluding mushrooms and asparagus) and iron wire (under 12mm).
3. Manufacturing, processing, wholesale, retail, and domestic sales/export of slotted angle iron, iron pipes, fish net, Tetoron fiber, plastic fiber, and iron plate.
4. Processing, manufacturing, domestic sales/export of steel coils, steel, steel mold, steel wire, stainless steel plate, stainless steel pipe, iron wire, galvanized iron plate and painted iron plate.
5. Appointment of construction contractors to build public housing and commercial buildings for lease and sale and appointment of construction contractors to build general plants on industrial land for lease and sale.
6. Processing, manufacturing, and domestic sale/export of aluminum products and materials.
7. Processing, manufacturing, and domestic sale/export of steel and non-iron metal furniture.
8. Processing, manufacturing, and domestic sale/export of wood and plastic furniture.
9. Processing, manufacturing, and domestic sale/export of silicon steel sheets.
10. Processing, manufacturing, and domestic sale/export of sports equipment (exercise bikes, rowing machines, golf clubs, strollers, trolleys, jogging strollers, jumpers, kick scooters, surfboards, tennis rackets, and ball equipment).
11. Processing, manufacturing, and domestic sale/export of transportation equipment (automobile, motorcycle, and bicycle parts) and jacks.
12. Design, manufacturing, processing, and domestic sale/export of mechanical bodies and machinery parts.
13. Processing, manufacturing, and domestic sale/export of oxidized soft and hard iron powder, magnets, magnetic materials, metallurgy powder, and ceramic materials.
14. (1) F107100 Wholesale of basic chemical raw materials.
(2) F207100 Retail sale of basic chemical materials.
(3) C801010 Basic chemical manufacturing industry.
15. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

The Company's businesses consist mainly of the production and sale of carbon steel products. Its main products include hot-rolled steel coils, cold-rolled steel coils, galvanized steel coils, and carbon steel pipes. The Company plans to develop products with higher added value in the future such as high-strength and thin cold and hot-rolled steel coils and ultra-thick and ultra-high-strength large-scale structural steel pipes.

The planned sales volume percentages of main products in 2021 are as follows:

<u>Primary Product</u>	<u>Percentage</u>
Hot-rolled steel coils	80.64
Cold-rolled steel coils	11.45
Galvanized steel coils	4.64
<u>Steel pipes</u>	<u>3.27</u>
<u>Total</u>	<u>100</u>

(II) Industry Overview

1. Current status and development

(1) Global steel supply and demand and development trends

The short-term forecast published by the World Steel Association (WSA) in October 2020 showed that although global steel demand fell by 2.4% to 1.7251 billion tons in 2020, global steel demand will rebound to 1.795 billion tons in 2021 with an annual increase of 4.1%. Therefore, the 2021 global steel demand is expected to grow.

(2) Domestic steel supply and demand and development trends

According to the statistics on the apparent consumption of steel products provided by the Taiwan Steel & Iron Industries Association, the domestic consumption of regular steel materials in 2019 amounted to 16.45 million tons which was a slight increase of 1%. Hot-rolled products decreased by 8.6% while cold-rolled products increased by 2.9%. The 4.5% decrease in the production of steel materials equaled 23.73 million tons and the 2.2 million tons in imports equaled an increase of 20.6%. Export decrease by 5.3% with 9.49 million tons. It demonstrated continuous growth in domestic steel demand.

The market in Taiwan benefited from public construction projects, the return of Taiwanese businesses for investment, a vibrant capital market, and an expanding export market. The sales volumes of major domestic steel-consuming industries such as construction, bicycles, automobiles, and motorcycles have recovered and the forecast export purchase orders have also increased as downstream industries replenished their inventories. The short-term gap in the supply of materials in the steel market is expected to support domestic steel prices.

(3) Recent development trends in the global steel market

In response to the epidemic, international steel plants have begun overhauls and cut production since March 2020. Difficulties in logistics, restrictions on production in winter due to environmental protection requirements, and frequent accidents at steel plants also created psychological and substantial impact as supply side tightened. However, the demand of downstream industries recovered much more quickly than expected in the second half of 2020 as inventories fell rapidly. Companies began replenishing their inventories and increasing their demand for earlier deliveries.

The launch of the COVID-19 vaccine, continuous implementation of economic stimulus policies by world governments, ample capital in the market, and rise in iron ore prices have increased the cost of production of steel products. As the Purchasing Managers' Index (PMI) in multiple countries continued to reach record highs and even returned to high points before the epidemic in certain industries, the global steel demand rebounded with a V-shaped recovery in the fourth quarter of 2020. Supply could no longer meet demand as customers outbid each other for materials, causing domestic and foreign steel prices to soar.

Global manufacturing industries have continued to expand and overall steel prices in Mainland China have remained stable despite the impact of reduced demand in winter and the approaching Chinese New Year. The benchmark steel plants have also shown clear signs of increased growth. The strong downstream demand in Europe and Americas and the continuous rise in steel prices have also signaled the continuation of growth in the steel market.

2. Relationship with upstream, midstream, and downstream industries

Chung Hung is a single-roll plant that produces hot-rolled steel coils, cold-rolled steel coils, carbon steel pipes, and hot-dipped galvanized steel coils. It is a midstream producer in the steel industry. Its main materials consist of slabs and hot-rolled steel coils and upstream materials are sourced from integrated steel mills. Suppliers include steel mills in Japan and CSC Group. The steel products produced by the Company are supplied to downstream single cold-rolling plants, galvanization plants, and pipe production plants. Other industries that require the Company's products include construction, transportation vehicles (automobiles, motorcycles, and bicycles), industrial machinery, and electrical/electronic machinery (home appliances and personal computers). Based on the characteristics of the steel industry, the uniqueness of the material contributed to high levels of dependency between upstream, midstream, and downstream producers due to products in the same industry that are not interchangeable fully. Companies maintain close relations with suppliers and customers and they extend partnerships and strategic alliances upward and downward to obtain greater synergy in production and sale.

3. Product trends and competition

(1) Hot-rolled products:

A. Amid the rapid growth of the automobile and electronics industries in China, automobile and electronics components with pricing advantages have become the key in steel technology transformation. The main applications of fineblanking steel products include gearbox, gear clutch, seat angle adjustor, seat slides, seatbelt buckles, brake linings, and voice coil motors. Suitable materials include stamping and forming steel (SPHD), low-carbon steel (S15C and S20C), medium to high-carbon steel (S35C-S55C), chromium-manganese steel (16MnCr5), chromium-molybdenum steel (SCM415 and SAE 4130), and fine-grain strengthening and precipitation hardening (QStE380 TM and QStE460 TM). The applicable thickness is 2.0-8.0mm.

- B. The production of ultra-thin plates is relatively difficult for hot rolling mills due to equipment and technology constraints. To replace parts of the products and improve market competition, we actively seek to develop ultra-thin plates.
 - C. High-grade pickling and oiling products may replace certain cold-rolled products to reduce the cost of customers' materials and improve competitiveness.
- (2) Cold-rolled products:
- A. The production of ultra-thin plates is extremely challenging for cold rolling mills due to equipment and technology constraints as well as the thickness of the final products. The Company must use small rollers to produce 0.08-0.30mm products by customers with high overall costs and low benefits. The development of ultra-thin plates is mainly targeted at products with 0.13-0.149mm in 1B thickness and medium to high-carbon steel products SB50C, SB65C, SK85M, and SK95M with a thickness of 0.25-0.30mm.
 - B. Cold-rolled fineblanking and formed products retain higher spherical rates, precision in thickness, and surface quality suitable for automobile components with requirements for high-surface quality and complicated punching forms, particularly seatbelt components, gearboxes, and clutches.
 - C. The high-strength thin cold-rolled plates 2B and 4B with a thickness of 0.25-0.50mm pose challenges to the cold rolling process and products are suitable for stationery, LED lead frames, and IC components.
- (3) Steel pipes:
- A. Expand to markets outside the United States, and develop products such as FPC-certified construction pipelines, structural pipelines, pile-driving pipes, distribution pipes, and fire safety pipelines.
 - B. Integrate group resources (China Steel, China Steel Structure, etc.) and use Chung Hung's structural pipes in public infrastructure and construction projects to expand the scope of use.
- (4) Galvanized products:
- A. Use CH SGC590 high-strength galvanized steel plates (thickness of 1.80mm) to replace plywood (thickness of 30.0mm or above) as the bottom of containers, reduce customer cost, and conserve energy.
 - B. High-strength galvanized products are highly versatile and it is relatively difficult for thin plates in the hot rolling process. The SGH540 is suitable for making racks in stores. Thick boards are extremely challenging for the galvanizing process. HATM300-400 are suitable for railings used for railway intersections.

(III) Overview of Technology and R&D

The material R&D and improvement in 2020 are as follows:

1. Product development
 - (1) Hot rolling - EN 10149-2 S355MC product development.
 - (2) Hot rolling - EN 10025-2 S355JR product development.

- (3) Steel pipes - CH300YU3 product development.
- 2. Product quality improvements
 - (1) Hot rolling - reduction of break-off rust on hot-rolled API steel pipe and board materials.
 - (2) Hot rolling - improved the coiling form quality of hot-rolled steel coils.
 - (3) Hot rolling - reduced the occurrence of Tail Pinch in hot-rolling.
 - (4) Hot-rolling - improved the pass rate of mechanical properties for SAPH440 with intelligent applications.
 - (5) Hot-rolling - improved the manufacturing technology and production capacity of ultra-thin hot-rolled plates ($\leq 1.15\text{mm}$).
 - (6) Pickling and galvanizing - improved tensile strength $\geq 590\text{MPa}$ for the flatness and quality of pickled steel products.
- 3. Process research
 - Hot rolling - development of the low-temperature rolled S55C fineblanking technology.
- 4. Equipment technology establishment
 - (1) Hot rolling - improved FSB rust removal impact (strengthened FSB rust removal and improved quality).
 - (2) Hot rolling - establishment of the fineblanking main motor temperature monitoring and early-warning system for the hot rolling production line (increase equipment stability and reduce the risks of suspension of operations).
 - (3) Hot rolling - improved the heating boiler slab reheating temperature (SRT) control of the Hot Rolling Department (improved the slab reheating temperature control to reduce fuel consumption).
 - (4) Hot rolling - improved control technologies for the hot rolling panels and the development of dedicated high-end composite CVC roll (improved fineblanking panel shape)
 - (5) Pickling and galvanizing - replacement of the electrical control system for the No. 19 crane (reduce malfunction rate of the crane in the storage area).
 - (6) Steel pipes - establishment of the steel band milling equipment at the #4 steel pipe process (improved quality of steel band edges).
 - (7) Steel pipes - installation of pipe shape monitoring cameras and steel forging simulation and analysis software for comparing simulation results at the #4 steel pipe process (steel pipe forming simulation and wear and tear prediction).
 - (8) Steel pipes - establishment of semi-automatic measurement equipment at the #4 steel pipe process (improved the steel pipe measurement speed and accuracy).

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

1. Short-term plans

Faced with drastic changes in the global steel industry, Chung Hung will continue to "maintain stability in operating performance", "ensure supply of materials for slabs", and "optimize customer services and relations" to effectively consolidate Chung Hung's competitiveness and fully commit to enhancing customer services and relations, create positive cycles of mutual trust, and increase the demand of domestic users for purchasing materials from Chung Hung. In addition, as Chung Hung and China Steel Corporation are responsible for different products, we shall continue to cooperate with the Group's

production and sales strategy and work closely with users to achieve better balance, make full use of complementary advantages of the Group, and create win-win for all.

2. Long-term plans

In response to the current steel market, the Company formulated positive response measures and the management team is required to leverage advantages in flexibility and mobility to operate production and sale strategies with more flexibility and form strategic alliances with friendly manufacturers. The Company must also integrate resources of the group top achieve synergy. It must also dedicate itself to the analysis of product and production line costs and marginal contributions to quickly adjust the product portfolio. All employees of the Company shall dedicate all efforts on opening up channels and uphold the highest guiding principles for “mutual prosperity and coexistence with domestic and foreign customers to become the optimal partner”. The Company shall continue to diversify products and work hard to develop niche products to separate the market. The Company shall provide customized manufacturing services and work hard on technology quality to satisfy customer requirements. It shall focus on the fundamentals and embrace changes with flexibility to stabilize development and generate profits.

II. Market, production and sales

(I) Market analysis

1. Sales region for the main products:

The Company's product sales in 2020 included domestic sales which accounted for 61.28% of the total sales volume of 2.4314 million tons (47.15% in 2019). Exports accounted for 38.72% and export regions include China, Japan, Korea, Southeast Asia, South Asia, Middle East, Australia, Europe and the Americas. Regions such as Southeast Asia (19.22%), South Asia (2.35%), United States and Canada (1.73%), Europe (0.84%), Japan and Korea (5.82%), Hong Kong and China (7.25%), New Zealand and Australia (1.15%), and the Middle East (0.16%) accounted for a larger proportion of export sales.

2. Market share: The market share of the Company's products on the domestic market (based on sales in the domestic market).

- (1) Hot-rolled products (including imports): 23.7%.
- (2) Cold-rolled products (including imports): 17.1%.
- (3) Galvanized products (including imports): 7.7%.
- (4) Steel pipe products (including imports): 4.0%.

3. Future market supply/demand and growth:

The Company formulated positive response measures in response to the current steel market. The Company shall implement internal management to reduce costs and improve quality and standards to create product diversification. The company shall maintain flexible external sales strategies to strengthen cooperation with customers, stabilize sales channels, and continue to improve the Company's competitiveness.

The Company plans to produce approximately 2.167 million tons of hot-rolled steel products in 2021. The products, after deducting the self-usage volume, equaled approximately 1.774 million tons of hot-rolled products for external sales.

4. Factors affecting competitive niches and long-term Market development, as well as response strategies:

(1) Favorable factors for long-term market development:

● Stable supply of materials

The stability of material supplies has profound implications for single-roll plants. The Company and China Steel purchase slab from Nippon Steel at a quantity 600,000 tons + 200,000 tons (optional) per year and other shortfalls will be filled by CSC Group. With a stable supply of materials, fair pricing, and short lead time, the Company is less affected by market price fluctuations in the international slab spot market.

● Product strategy that focuses on continuous improvement of product quality

The Company remains committed to improvements in product quality and process technology and it continues to work on product diversification and improvement of niche products to separate the market and strengthen the competitiveness of the Company's products on the market.

● Versatile and flexible sales policy

The Company uses monthly reviews of sales volume and prices to quickly respond to market changes and ensure product supplies are more flexible in terms of lead time and more competitive in terms of prices. In addition, the Company facilitates flexible adjustments to the production plan to reduce lead time and it helps the Company obtain rush orders and respond to changes in market demand.

(2) Future market development and response strategies

● Continue to enhance internal cost control and implement flexible sales strategies

Response strategies

A. Improve the management and control capacity for processing costs.

Improve production process capacity such as: Simplify process, improve equipment maintenance, improve work efficiency and performance of production personnel, and implement effective management.

B. Retain flexible sales policy.

The Company's sales Strategy is one with "main focus on domestic sales and supplemented by exports". The Company reviews the sales volume and prices each month to increase flexibility in overall sales. The Company adjusts the product portfolio based on market demand to stabilize the domestic sales market and reduce the impact of foreign steel products. The Company improves niche products for exports to strengthen market segregation.

● Responses to strong competition in domestic sales and exports.

Response strategies

A. Continue to improve and upgrade product and technology.

The Company continues to improve product quality and upgrade process capacity to maintain the competitiveness of the Company's products on the market and improve market competitiveness.

B. Strengthen cooperation with customers to stabilize sales channels.

The Company focuses on improving product quality and process technology to improve the Company's competitiveness. It also actively develops and improve steel quality to achieve market segmentation and create a brand image for the Company. The Company shall continue to improve the added value of the product and develop niche products to maintain the advantages of the Company's products on the market.

- Access to resources has led to intensified competition.

Response strategies

A. Make full use of the Group's vertical integration and synergy

The Company is an investee of China Steel Corporation which holds 40.59% of shares. It purchases high-quality slabs from Nippon Steel and uses high-quality materials and R&D technologies of the CSC group to strengthen the Company. It retains access to market demands and adjusts the production capacity of various products and its product portfolio to maintain flexible implementation of the sales strategy and improve the Company's overall competitiveness on the market.

B. Maintain advantages in product quality.

The Company's main materials consist of high-quality slabs which greatly assist in improving yield rates and reducing usage of materials and aging of equipment. In addition, the Company continues to cultivate demand for high quality products and expand its capacity for producing high-grade products. It also advances upstream and downstream strategic alliances to form flexible and versatile strategies to compete against imports.

(II) Major product manufacturing processes

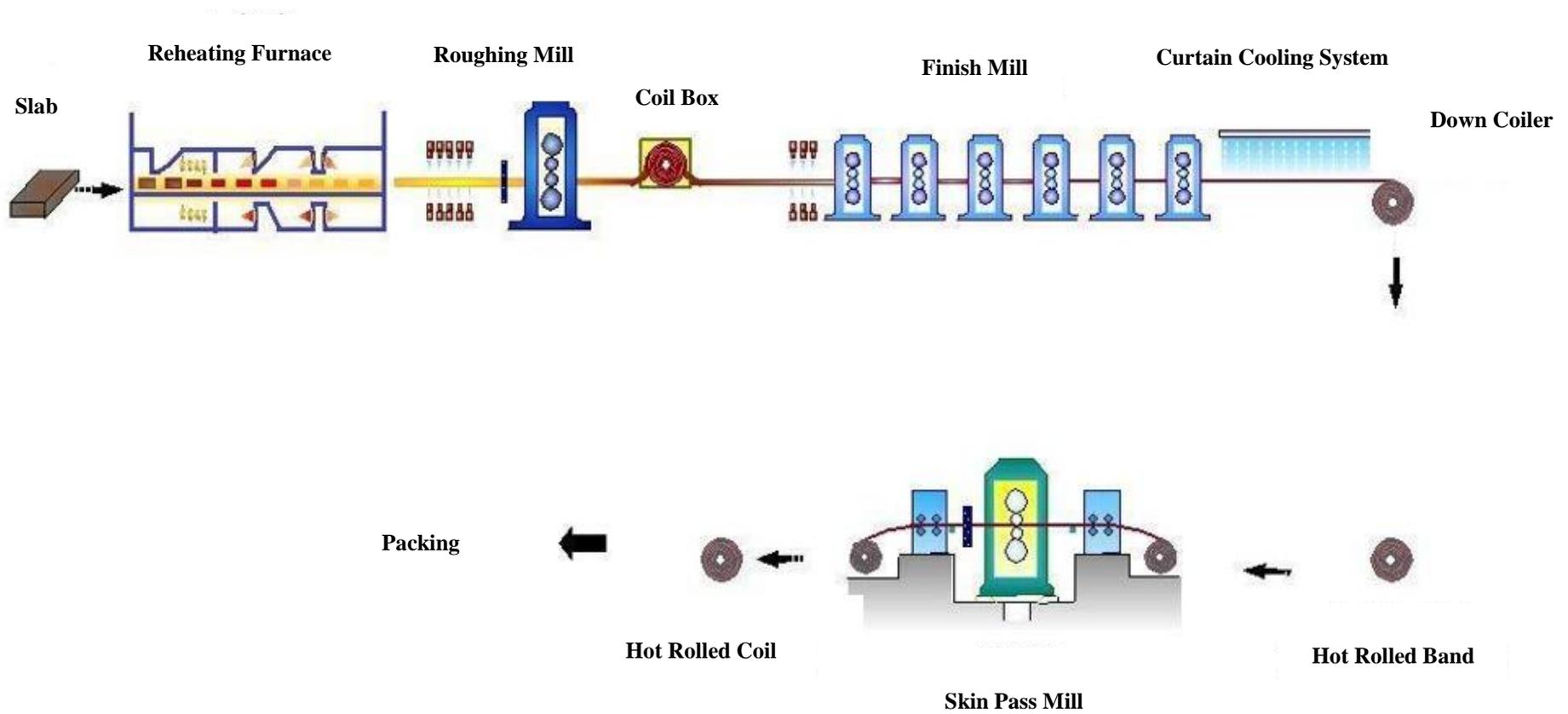
1. Applications main products

Product	Applications
Hot-rolled steel coils	<ul style="list-style-type: none">● Re-rolling steel coils such as processing into cold-rolled steel plates and galvanized (coated) steel plates.● Soft steel for processing into products such as containers, tools, and agricultural machinery.● Structural steel plates for processing into products such as structural steel for buildings, bridges, and vessels, automobile components, containers, oil tanks, and crane beams.● Production steel materials such as production of steel pipes for various purposes.
Cold-rolled steel coils	Steel products such as chains, umbrella runners, stationery, wheel rims, galvanized products, pipes, furniture, paint, container panels, panel tube

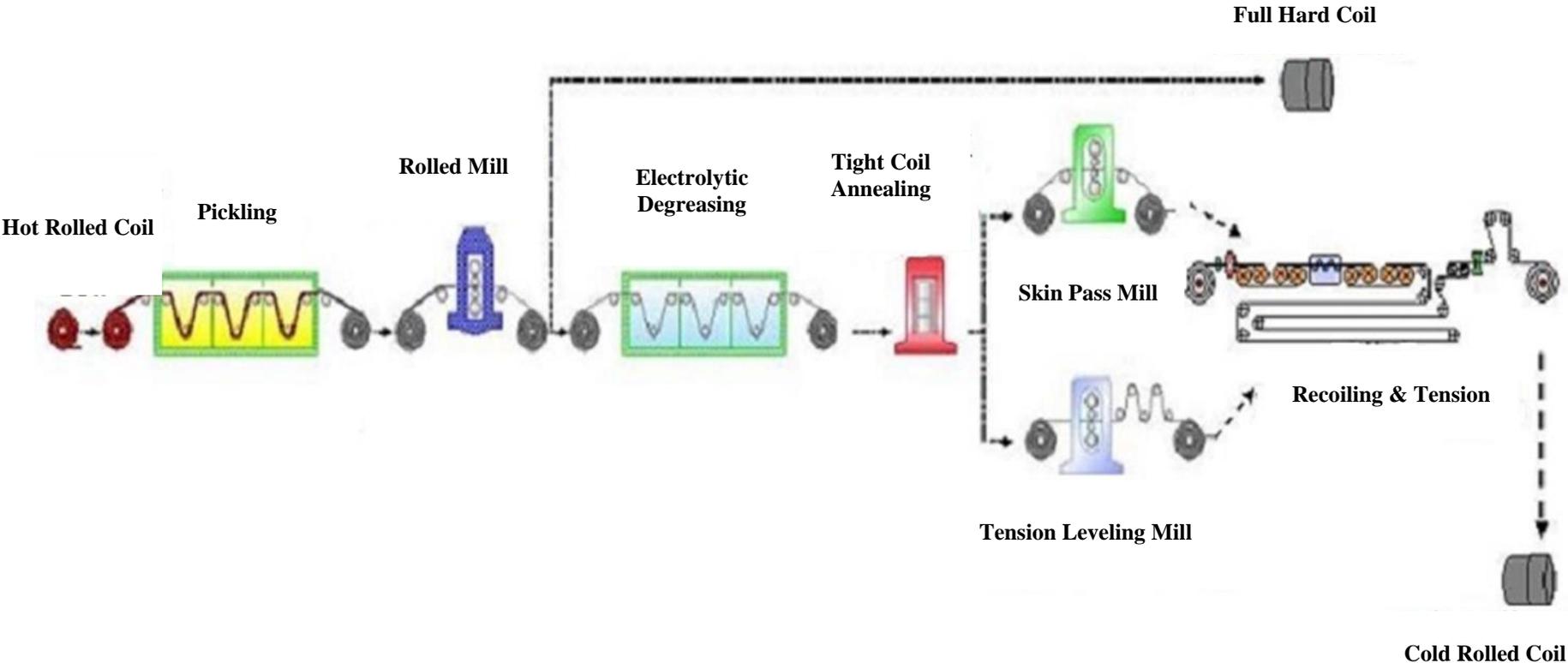
	bending, electroplating, stamping, electrical appliances, household products, and parts for the automotive industry.
Galvanized steel coils	Widely adopted in household appliances, construction materials, transportation, pre-galvanized steel pipes, and office furniture.
Steel pipes	Civil engineering construction materials such as API steel pipes, structural steel pipes, high and low-pressure ducts, galvanized steel pipes, drainage, gas transportation, and railings.

2. Production process

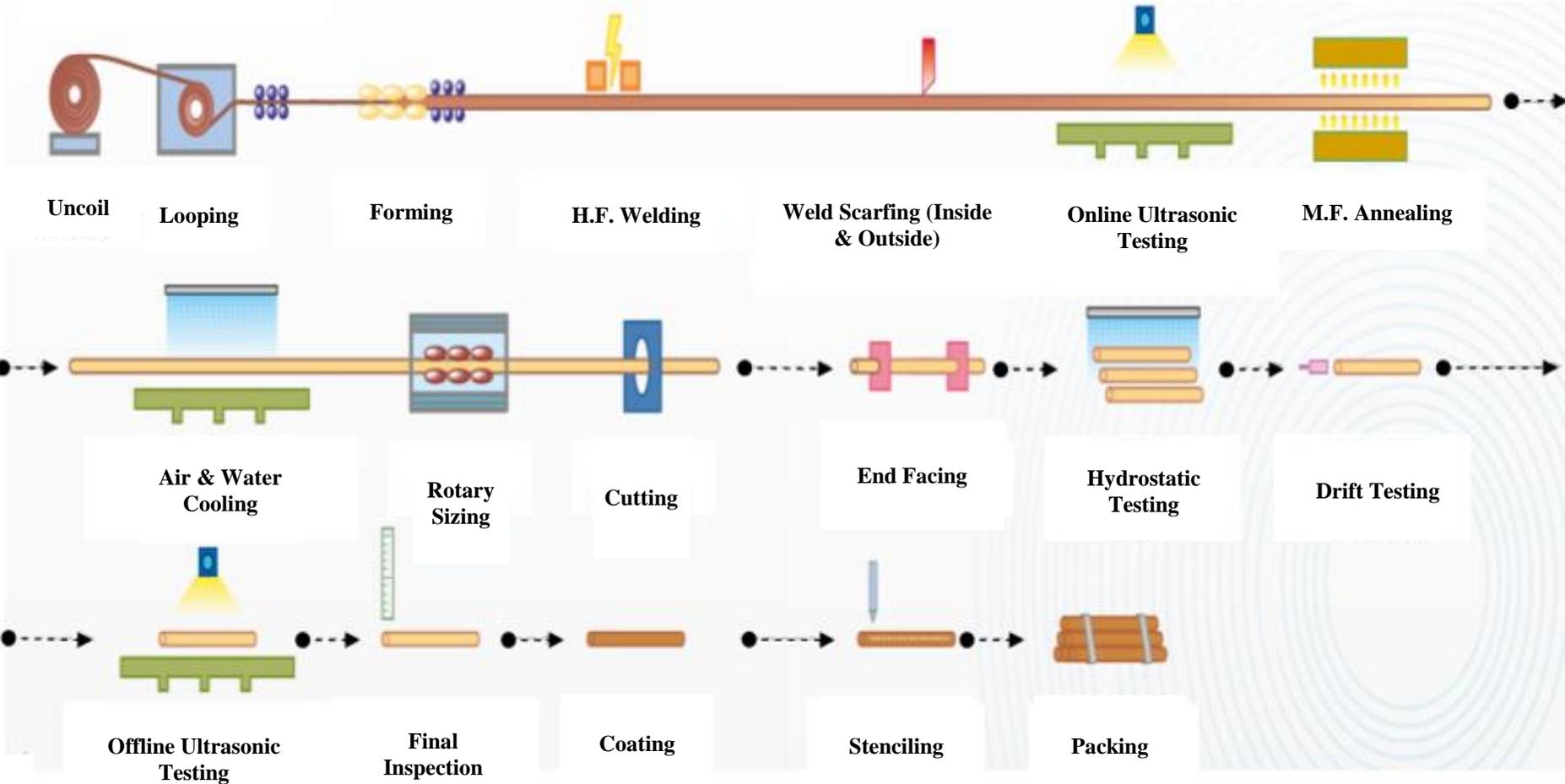
(1) Hot-rolled steel coils



(2) Cold-rolled steel coils

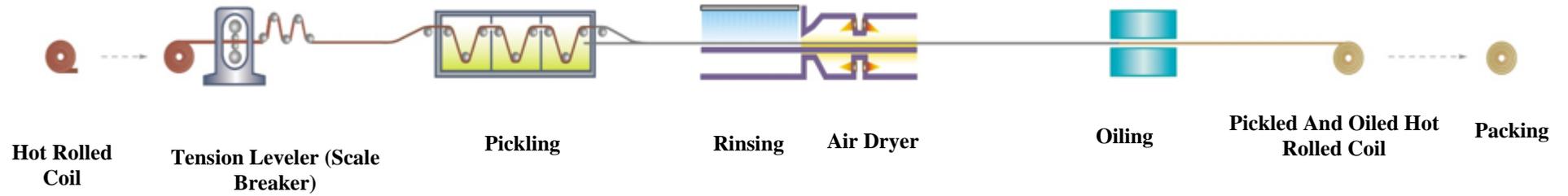


(3) Steel pipe products

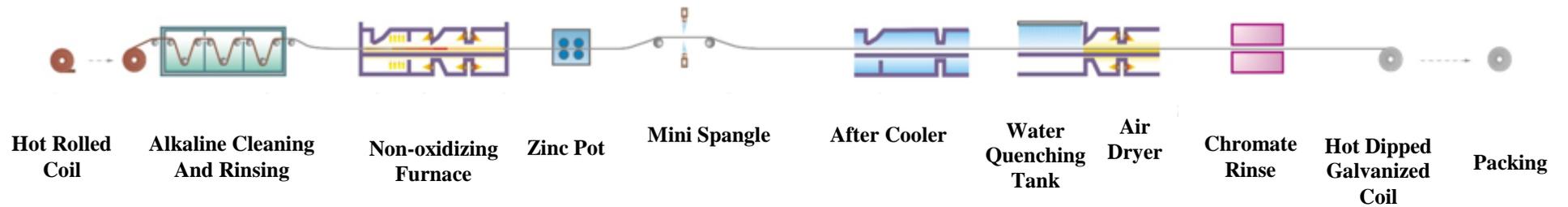


(4) Pickling of galvanized products

Pickling



Galvanizing



(III) State of supply of chief raw materials

The hot-rolled steel coils produced by the Company are mainly provided for its own consumption and external sales. The Company relies on importing of slabs partially, mainly from areas such as Japan, Russia, and Vietnam currently. Certain supplies are sourced from China Steel and Dragon Steel. The supply and quality of slab materials are stable. The materials used for cold-rolling and steel pipes are hot-rolled steel coils and the main source is hot-rolled steel coils produced by the Company. Certain supplies are sourced from China Steel and Dragon Steel and the material supplies are stable.

(IV) Names of customers who accounted for more than 10% of the purchases(sales) in any of the last two years, and the total amount and proportion of purchases(sales)

1. Purchase (excluding returns and discounts):

Unit: NT\$1000

	2020				2019				2021 up to the end of the first quarter
Item	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Information at the end of the quarter before the publication date of the 2021 Annual Report is information from 2020. Therefore, the information is the same as the information on the left.
1	China Steel	17,341,242	62	Related party	China Steel	20,764,285	63	Related party	
2	Dragon Steel	9,479,326	34	Related party	Dragon Steel	8,712,164	27	Related party	
3	Others	982,900	4	N/A	Others	3,232,156	10	N/A	
	Net amount for purchases	27,803,468	100		Net amount for purchases	32,708,605	100		

Description of changes: Due to changes in down-stream demand for steel, the source of supply has been adjusted.

2. Sales (excluding returns and discounts):

Unit: NT\$1000

	2020				2019				2021 up to the end of the first quarter
Item	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Information at the end of the quarter before the publication date of the 2021 Annual Report is information from 2020. Therefore, the information is the same as the information on the left.
1	Hong-Ye Steel	4,765,887	13	Non-related party	Hong-Ye Steel	4,462,556	11	Non-related party	
2	Synn Industrial	4,005,402	11	Non-related party	CARGILL	4,403,377	11	Non-related party	
3	Yieh Hong	3,474,689	10	Non-related party	Synn Industrial	3,927,418	10	Non-related party	
4	Others	24,160,064	66	N/A	Others	27,137,176	68	N/A	
	Net sales	36,406,042	100		Net sales	39,930,527	100		

Description of changes: Due to changes in the market, the needs of domestic customers were prioritized.

(V) Table of consolidated production volume and value in the most recent two years

Unit: NT\$1000; tons

Year Production volume and value Primary Product	2020			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Hot-rolled products	2,400,000	2,179,523	28,498,111	2,400,000	2,091,091	31,874,581
Cold-rolled products	450,000	271,435	4,663,506	450,000	262,834	5,272,745
Steel pipes	248,000	58,243	1,188,934	248,000	136,756	3,016,435
Galvanized products	300,000	26,434	487,205	300,000	14,009	285,985
Total	3,398,000	2,535,635	34,837,756	3,398,000	2,504,690	40,449,746

Note 1: Production capacity refers to the volume of product that can be produced by a company using existing production equipment and under normal operation, after taking into consideration factors such as necessary downtime, holiday, etc.

Note 2: Substitutable production capacity may be included in the production capacity and be stated in the note.

Note 3: The production volume value of galvanized products from outsourced production is not included.

Note 4: The production capacity is the annual production capacity (Lukang Plant began official operations in October 2015).

(VI) Table of consolidated sales volume and value in the most recent two years

Unit: NT\$1000; tons

Year Sales volume and value Primary Product	2020				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Hot-rolled steel coils	1,137,823	16,473,061	822,885	11,399,705	748,795	12,152,605	1,013,280	16,272,199
Cold-rolled steel coils	234,935	4,207,002	43,481	766,325	222,391	4,178,197	64,332	1,277,102
Steel pipes	11,131	240,397	52,860	1,013,013	10,126	271,653	128,859	3,464,883
Galvanized steel coils	105,998	1,873,640	22,320	432,899	105,273	2,061,136	11,300	252,752
Total	1,489,887	22,794,100	941,546	13,611,942	1,086,585	18,663,591	1,217,771	21,266,936

Note: Certain galvanized steel coils were from outsourced production.

(VII) Special key performance indicators in the steel industry

The steel industry is characterized by high capital investments, high energy consumption, high technology intensity, and high entry barriers. The upstream, midstream, downstream sections of the industry have very close relationships. Steel companies mostly adopt measures such as reducing inventory, reducing leverage, and reducing cost to increase profitability. Therefore, the financial ratios and profitability are more representative of the operational and

management performance in the steel industry. They are used as key performance indicators due to the uniqueness of the industry.

The Company's financial ratios and profitability analysis in 2020 and 2019 can be referenced in the Financial analysis of the most recent 5 years in Chapter 6 Financial Conditions of this Annual Report. The global steel market has affected by the epidemic since early 2020 and overseas steel plants have reduced production as demand dropped. As the epidemic subsided at the end of the year and world governments continued to implement measures to stimulate the economy, the global market has gradually recovered. In 2020, the Company's liability to asset ratio amounted to 43.79% and long-term funds to fixed assets ratio amounted to 196.48%; current ratio was 136.17% and interest protection multiples was 7.13; return on assets was 2.08% and return on shareholder's equity was 3.55%; earnings per share was NT\$0.37.

Faced with severe challenges in the environment, the Company maintains funds liquidity and works hard to enhance performance, improve processes, improve quality, and reduce cost. It aims to adopt a stable financial structure to achieve sustainable operations and development.

III. Human resources

Number of employees, average years of services, average age, and distribution of academic qualifications for the last two years until the public date of this report

March 31, 2021

		Year		
		End of 2020	End of 2019	2021 up to March 31
The Company and subsidiaries				
Number of employees		1,198	1,229	1,185
Average Age		48.7	47.6	49.0
Average years of services		19.2	18.1	19.7
Distribution of Academic qualifications (%)	Doctorate	0.08	0.16	0.17
	Master's	11.02	10.58	11.05
	College	53.76	53.95	53.76
	High school (vocational high school)	32.55	32.79	32.49
	Below High School	2.59	2.52	2.53

Note: Number of employees doesn't include 6 Directors who do not serve concurrently as employees in the past two years.

IV. Environmental management measures and environmental protection expenditures

The Company upholds the core values for environmental health and safety including the "respect for life", "care for the environment", "energy conservation and waste reduction", and remains committed to improving employees' health, mitigating potential hazards and risks, upholding environmental protection, continuing energy conservation and waste reduction, strengthening participation in consultation services, and continuing to improve environmental safety and health management performance. The Company also passed various certifications and accreditation (ISO 14001, ISO 45001, CNS 45001, ISO 50001, ISO 14064-1, and ISO 14064-2) and received numerous awards:

1. The Hot Rolling Department received the "Enterprise Award of Excellence for Energy Conservation" from the Ministry of Economic Affairs in November 2003.
2. The Cold Rolling Department received the 13th "ROC Enterprise Environmental Protection Excellence Award" in September 2004.
3. The Hot Rolling Department received the 14th "ROC Enterprise Environmental Protection Excellence Award" in September 2005.
4. The Cold Rolling Department received the "Enterprise Award of Excellence for Energy Conservation for 2005" from the Ministry of Economic Affairs in November 2005.
5. The Hot Rolling Department received the "2005 Greenhouse Gas Inventory Statement" issued by the DNV in December 2007.
6. The Hot Rolling Department received the "2007 Outstanding Enterprise in Industry Voluntary Greenhouse Gas Emissions Reduction" from the Industrial Development Bureau, Ministry of Economic Affairs in December 2008.
7. The Hot Rolling Department, Cold Rolling Department, and steel pipe plant passed the DNV's Taiwan Occupational Safety and Health Management System (TOSHMS) certification in November 2009.
8. The Hot Rolling Department received the "2009 Outstanding Enterprise in Industry Voluntary Greenhouse Gas Emissions Reduction" from the Industrial Development Bureau, Ministry of Economic Affairs in November 2009.
9. The Hot Rolling Department advanced the compressed air performance monitoring system update and received the "Energy Conservation Role Model" in the "2010 Manufacturing Industry Energy Conservation & Carbon Reduction Outcome Announcement Conference" from the Industrial Development Bureau, Ministry of Economic Affairs in November 2010.
10. The Hot Rolling Department and Cold Rolling Department received the "Outstanding Energy Conservation Performance Award" presented by the Environmental Protection Bureau of Kaohsiung City Government in April 2011.
11. The Cold Rolling Department and steel pipe plant received awards in the "New Environmental Protection Good Life Energy Conservation and Carbon Emissions Reduction Assessment" in the enterprises division from the Environmental Protection Bureau of Kaohsiung City Government in January 2012. The Cold Rolling Department won third place and the steel pipe plant won fourth place.
12. The Hot Rolling Department, Cold Rolling Department, and steel pipe plant passed the DNV' ISO 50001 Management System Verification in December 2012.
13. The Hot Rolling Department, Cold Rolling Department, and steel pipe plant passed the DNV's product carbon footprint inventory in December 2012.

14. The Company's purchase of green mark products exceeded NT\$5 million in 2012 and it received an honorary certificate for "Passionate Advancement of Green Consumption Through Green Procurement" from the Environmental Protection Bureau of Kaohsiung City Government.
15. The Company's purchase of green mark products exceeded NT\$20 million in 2012 and it received an honorary certificate for "Outstanding Performance for Passionate Advancement of Environmental Protection Through Green Procurement in 2012" from the Environmental Protection Administration, Executive Yuan.
16. The Cold Rolling Department received the "Enterprise Award of Excellence for Energy Conservation for 2013" from the Ministry of Economic Affairs in November 2013.
17. The Hot Rolling Department received the "2013 Outstanding Enterprise in Industry Voluntary Greenhouse Gas Emissions Reduction" from the Industrial Development Bureau, Ministry of Economic Affairs in November 2013.
18. In November 2013, the Hot Rolling Department, Cold Rolling Department, and steel pipe plant received the ISO14064-1 Greenhouse Gas Inventory Statement for the greenhouse gas emissions inventory from 2005 to 2012.
19. The Company advanced the Workplace Safety Week program and received the "Excellence Award" from the Council of Labor Affairs, Executive Yuan in 2012.
20. The Cold Rolling Department was recognized as an "Outstanding Unit in the Advancement of Labor Safety and Health in Kaohsiung City in 2012" and received the "Excellence Award" as a "2012 Outstanding Labor Safety and Health Unit" from the Council of Labor Affairs, Executive Yuan in July 2013.
21. The Company organized the 2013 Kaohsiung City Workplace Safety Week program and received the trophy for "Excellence in Labor Safety" from the Labor Affairs Bureau of Kaohsiung City Government in September 2013.
22. The Company served as the core company in the 2013 Kaohsiung City "Chung Hung Safety and Health Registration Family" and received a trophy for efforts in support of occupation health public welfare events from the Council of Labor Affairs of the Executive Yuan in November 2013.
23. The steel pipe plant received the "Special Award" for safety and health performance in 2012 from Taiwan Steel & Iron Industries Association in November 2013.
24. The Hot Rolling Department received the "Excellence Award" for safety and health performance in 2012 from Taiwan Steel & Iron Industries Association in November 2013.
25. The Company served as the core company in Kaohsiung City's Chung Hung Safety and Health Family from 2011 to 2013 and was awarded a trophy for "Outstanding Performance for Reducing Occupational Disasters" from the Labor Affairs Bureau of Kaohsiung City Government in December 2013.
26. The Cold Rolling Department was recognized as an "Outstanding Unit in the Advancement of Labor Safety and Health in Kaohsiung City in 2013" and received the "Excellence Award" as a "2013 Outstanding Labor Safety and Health Unit" from the Ministry of Labor, Executive Yuan in November 2014.
27. The Hot Rolling Department received the "Special Award in the Steel Rolling Category" for results in the 2013 comprehensive safety performance survey by Taiwan Steel & Iron Industries Association in November 2014.
28. The Hot Rolling Department organized the "2014 Occupational Health and Safety Promotion Observation Conference" with the Labor Affairs Bureau of Kaohsiung City Government and received the trophy for "Promotion of Occupational Safety".
29. The Company's purchase of green mark products exceeded NT\$5 million in 2013 and it received an honorary certificate for "Passionate Advancement of Environmental Protection" from the Environmental Protection Bureau of Kaohsiung City Government.
30. The Company's purchase of green mark products exceeded NT\$20 million in 2013 and it received an honorary certificate for "Outstanding Performance for Passionate

- Advancement of Environmental Protection Through Green Procurement in 2013” from the Environmental Protection Administration, Executive Yuan.
31. The improvement in the efficiency of the air compressor systems in the Hot Rolling Department and Cold Rolling Department passed the DNV’s certification in January 2014.
 32. The conversion of fuel from heavy oil to natural gas in the heating furnace project of the Hot Rolling Department passed DNV certification in August 2014.
 33. The Hot Rolling Department, Cold Rolling Department, and steel pipe plant (Dafa Plant) received the 2013 ISO14064-1 Greenhouse Gas Inventory Statement for the greenhouse gas emissions inventory in September 2014.
 34. The Administration Building won the “First Prize” in the electricity savings contest for small and medium enterprises organized by Taiwan Power Company in November 2014.
 35. The Hot Rolling Department received the “2014 Water Conservation Excellence Award” from the Water Resources Agency, Ministry of Economic Affairs in December 2014.
 36. The Company’s purchase of green mark products exceeded NT\$5 million in 2014 and it received an honorary certificate for Green Procurement from the Environmental Protection Bureau of Kaohsiung City Government.
 37. Lukang Steel Pipe Plant advanced the “Healthy Workplace Accreditation and Health Promotion Mark” in January 2015 and received a certificate from the Bureau of Health Promotion.
 38. Lukang Steel Pipe Plant passed the DNV’s ISO 14001 and OHSAS 18001 Management System Verification in October 2015.
 39. The Cold Rolling Department received the “Special Award” for safety and health performance in 2014 from Taiwan Steel & Iron Industries Association.
 40. The Hot Rolling Department, Cold Rolling Department, and steel pipe plant (Dafa Plant) obtained the 2014 ISO14064-1 Greenhouse Gas Inventory Statement for the greenhouse gas emissions inventory in June 2015.
 41. The Cold Rolling Department was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2014" and received the "Five-Star Award" as a "2014 Outstanding Occupational Safety and Health Unit" from the Ministry of Labor in November 2015.
 42. The Hot Rolling Department organized a workplace quit smoking service contest in 2015 and won a certificate of gratitude from the Department of Health of Kaohsiung City Government.
 43. The Hot Rolling Department received the highest honors with the “Excellence Award” in Group A in the 2015 Energy Conservation Contest organized by the Ministry of Economic Affairs in October 2015.
 44. The Hot Rolling Department received the “Special Prize” for manufacturing plants in the 2015 Carbon Reduction Actions Award from the Environmental Protection Administration in January 2016.
 45. The Administration Building received “Outstanding Award” for carbon emissions reduction in the office space in the 2015 Carbon Reduction Actions Award from the Environmental Protection Administration in January 2016.
 46. The Company’s purchase of green mark products exceeded NT\$10 million in 2015 and it received an honorary certificate from the Environmental Protection Bureau of Kaohsiung City Government in April 2016.
 47. The Hot Rolling Department, Cold Rolling Department, and steel pipe plants (Dafa Plant and Lukang Plant) obtained the 2015 ISO14064-1 Greenhouse Gas Inventory Statement for the greenhouse gas emissions inventory in June 2016.
 48. The Company was selected as an outstanding group enterprise in electricity savings in 2015 by the Ministry of Economic Affairs and received a “Electricity Savings Role Model” trophy in August 2016.

49. The application for carbon rights offsetting (improvement of the performance of the air compressors and replacement of heavy oil with natural gas as fuel in the furnace) was registered by the Environmental Protection Administration in October 2016.
50. The Hot Rolling Department and Cold Rolling Department both received the “Special Award” for occupational safety performance in 2015 from Taiwan Steel & Iron Industries Association.
51. The Hot Rolling Department was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2015" and received the "Excellence Award" as a "2015 Outstanding Occupational Safety and Health Unit" from the Ministry of Labor in November 2016.
52. The Cold Rolling Department received the “Health Vibrancy Award” for outstanding workplace health promotion in 2016 from the Health Promotion Administration of the Ministry of Health and Welfare.
53. The Hot Rolling Department was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2016" and received the "Excellence Award" as a "2016 Outstanding Occupational Safety and Health Unit" from the Ministry of Labor in November 2017.
54. The Company received recognition for inter-department greenhouse gas reduction and cooperation program in 2017 from the Environmental Protection Bureau of Kaohsiung City Government in October 2017.
55. In October 2017, the Hot Rolling Department and Cold Rolling Department both received the “Special Award” for occupational safety performance in 2016 from Taiwan Steel & Iron Industries Association.
56. In November 2017, the Company responded to the charity event “Computer Recycling for Hope Project” advanced by Asustek Computer and participated in the “Computer Recycling Tea Party for Sustainable Development”. The Company received a certificate of gratitude.
57. Lukang steel pipe plant received the “Health Management Award” for outstanding workplace health in 2017 from the Health Promotion Administration of the Ministry of Health and Welfare in December 2017.
58. The Cold Rolling Department received a certificate of gratitude from the “Toxic Chemicals Allied Defense Team” of the Environmental Protection Bureau of Kaohsiung City Government in December 2017.
59. The Hot Rolling Department, Cold Rolling Department, and steel pipe plants (Dafa Plant and Lukang Plant) obtained the 2016 ISO14064-1 Greenhouse Gas Inventory Statement for the greenhouse gas emissions inventory in June 2017.
60. The inventory certificate for the “conversion of fuel from heavy oil to natural gas in the heating furnace project” of the Hot Rolling Department passed ISO 14064-2 certification in December 2017.
61. The Hot Rolling Department, Cold Rolling Department, Dafa Steel Pipe Plant, and Lukang Steel Pipe Plant passed ISO 14001:2015 certification review in May 2018.
62. The Hot Rolling Department, Cold Rolling Department, and steel pipe plants (Dafa Plant and Lukang Plant) obtained the 2017 ISO 14064-1 Greenhouse Gas Inventory Statement for the greenhouse gas emissions inventory in July 2018.
63. Lukang steel pipe plant passed ISO 50001 certification in July 2018.
64. The Hot Rolling Department organized the first energy conservation demonstration seminar for China Steel Corporation Group on behalf of the Company in July 2018.
65. The Company received a certificate for "voluntary participation in the 2018 summer electricity saving and lights off event promoted by the Environmental Protection Bureau" from the Environmental Protection Bureau of Kaohsiung City Government in August 2018.

66. The Hot Rolling Department was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2017" and received the "Five-Star Award" as a "2017 Outstanding Occupational Safety and Health Unit" from the Ministry of Labor in September 2018.
67. The Company received a certificate for "cooperation with the 2018 inter-department collaboration on emissions reduction promoted by the Environmental Protection Bureau of Kaohsiung City Government" from the Environmental Protection Bureau of Kaohsiung City Government.
68. Lukang Steel Pipe Plant received the "Excellence Award" for safety and health performance in 2017 from Taiwan Steel & Iron Industries Association in October 2018.
69. The Labor Inspection Office of the Department of Labor, Taipei City Government visited the Hot Rolling Department to observe the occupational safety technology in November 2018.
70. The Company received the "Joint Water Environment Patrol Team Service Award" from the Environmental Protection Bureau of Kaohsiung City Government in December 2018.
71. Received recognition for outstanding performance as company responsible for air quality improvements in Kaohsiung Clean Air Quality Region in 2018 from the Environmental Protection Bureau of Kaohsiung City in March 2019.
72. The heating furnace fuel conversion project of the Hot Rolling Department for replacing GHG emissions received certification for 52,506 tons of CO₂e in the first year in May 2019.
73. Received recognition for 2018 Outstanding Green Procurement Enterprise Award in Kaohsiung city from the Environmental Protection Bureau of Kaohsiung City for more than NT\$5 million of green procurement in 2018.
74. The Company passed certification for ISO 45001:2018 and ISO 50001:2018 Management System revision certification in July 2019.
75. Dafa Steel Pipe Plant was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2018" and received the "Excellence Award" as a "2018 Outstanding Occupational Safety and Health Unit" from the Ministry of Labor in September 2019.
76. The Labor Inspection Office of the Department of Labor, Taipei City Government visited the Cold Rolling Department to observe the occupational safety technology in September 2019.
77. The Hot Rolling Department, Cold Rolling Department, and Dafa Steel Pipe Plant received the "Special Award" for occupational safety performance in 2018 from Taiwan Steel & Iron Industries Association in November 2019.
78. The Cold Rolling Department received the "Health Management Award" for outstanding workplace health in 2019 from the Health Promotion Administration of the Ministry of Health and Welfare in December 2019.
79. Received a certificate of appreciation for inter-department greenhouse gas reduction and cooperation program in 2020 from the Environmental Protection Bureau of Kaohsiung City Government in April 2020.
80. The heating furnace fuel conversion project of the Hot Rolling Department for replacing GHG emissions received the second certification (2 to 3 years) for 102,606 tons of CO₂e in September 2020.
81. Received recognition for 2019 Outstanding Green Procurement Enterprise Award in Kaohsiung city from the Environmental Protection Bureau of Kaohsiung City for more than NT\$5 million of green procurement in 2019.
82. Dafa Steel Pipe Plant was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health in Kaohsiung City in 2020" and received the "Excellence

Award" as a "2020 Outstanding Occupational Safety and Health Unit" from the Ministry of Labor in September 2020.

83. In November 2020, the Hot Rolling Department and Cold Rolling Department both received the "Special Award" for occupational safety performance in 2019 from Taiwan Steel & Iron Industries Association.

(I) Total amount of losses and penalties incurred due to environmental pollution in the most recent fiscal year up to the publication date of this annual report:

There were no records of losses or penalties due to environmental pollution from January 2020 to March 2021.

(II) Future response strategies and potential expenditures

1. Expenses for pollution prevention (governance), changes in permits, detection of pollutant emissions, appointment of qualified removal and processing plants for adequate removal and processing of waste, land restoration, greenhouse gas emissions reduction (energy conservation investments), personnel training, third-party audit (verification) of the management system, special assistance projects, and environmental protection fees (air pollution fees, soil pollution fees, etc.).

2. Environmental protection expenditure in 2020 amounted to NT\$109,228 thousand.

Item	Amount (NT\$1000)
1. Air pollution prevention costs	8,454
2. Water pollution prevention costs	38,392
3. Industrial waste disposal expenses	32,907
4. Soil pollutant expenses, land restoration, and soil and groundwater inspections	197
5. Toxic chemical (statuary expenses, review, and certification expenses)	4
6. Drinking water inspection expenses (including the cost of repairs)	287
7. Energy conservation investment, employee training, consultation, and verification expenses	28,987
Total	109,228

3. Total estimated environmental protection expenditures in 2021 is approximately NT\$109,678 thousand.

Item	Amount (NT\$1000)
1. Air pollution prevention costs	3,210
2. Water pollution prevention costs	42,830
3. Industrial waste disposal expenses	39,158
4. Soil pollutant expenses, land restoration, and soil and groundwater inspections	439
5. Toxic chemical (statuary expenses, review, and certification expenses)	3
6. Drinking water inspection expenses (including the cost of repairs)	345
7. Energy conservation investment, employee training, consultation, and verification expenses	23,693
Total	109,678

(III) Protection measures for work environment and employees' personal safety

1. Continue to promote regional allied defense for occupational safety and inspections by senior managers: For high-risk operations in the plants (collisions, clamping hazards, falling from heights, tripping, collapse (breakdown), electricity shock, cutting (slicing) (abrasion) injuries, burns, contact with harmful substances, separation of access of personnel and vehicles, automatic inspections, operations that involve open flames, crane operations, restricted space, and broken energy padlocked), employees of the plant conduct self-audits and joint defenses and they continue to uncover potential hazards, reduce operating risks, and enhance personal occupational safety awareness and accountability. 10,598 issues were discovered in the occupational safety regional allied defense measures from 2011 to 2020. The improvement rate is 100%.
2. Constant safety observations by supervisors: To control and alleviate potential hazards in high-risk operations, the team leaders, section chiefs, and Plant Directors implement dynamic safety observations for "high-risk operations" and requires units to list topics for annual observation. The observations are carried out in accordance with the plan to review the compliance of high-risk operations and the corresponding SJP (a total of 1,117 cases were executed in 2020, and 98% of the operations complied with SJP, while improvements were completed for the 2% unsafe acts/environments) to reduce the risks in hazard management and control.
3. Occupational safety audits and communication meetings with occupational safety personnel of contractors: The Company uses occupational safety audits to inspect managers' regular observation and dynamic observation of high-risk operations and compliance in SJP revision discussions to verify actual onsite implementation and improve the autonomous inspections and hazard identification capacity for occupational safety of plant managers and safety and health personnel (including safety and health personnel of contractors). The Company also organizes periodic communication meetings with occupational safety personnel of contractors to improve the safety and health management skills of contractors.
4. 12 basic occupational safety regulations: The Company converts the requirements for the prevention of occupational hazards that had occurred in various plants into 12 basic regulations and tests employees and contractors during occupational safety audits to increase employees' occupational safety awareness.
5. Health management and health promotion: The Company screens employees with high-risk health examination results (low-density lipoprotein $\geq 190\text{mg/dL}$, atrial fibrillation in EKG results, myocardial ischemia, and hemoglobin A1C $\geq 8\%$) and conducts supervisor health care, plant physician visits, follow-up management by plant nurses, and health promotion activities. We identified 263 employees with high-risk health examination results in 2020 which was a reduction of 23 employees compared to 2019. The decline of high-risk personnel was 8% and we aim to gradually reduce the proportion of high-risk employees by 5% each year.
6. Respirator selection and physiological fitness and airtightness evaluation: A total of 260 occupational safety personnel and supervisors and operators of units that require the use of respirators have completed the "Respirator Selection, Fitting, and Execution Training". We provide respirators to personnel responsible for operations, maintenance, painting, quality inspection, and emergency repairs that involve exposure to hydrochloric acid, calcium hydroxide, sulfuric acid, xylene, dust, and oxygen-deprived gases. All 68 personnel have passed physiological assessments and airtightness tests conducted by plant safety personnel, occupational nurses, and plant physicians. These measures confirm that the respirators provided by the Company are suitable for use. We use the aforementioned management measures and appropriate respirators to help employees develop correct wearing and usage habits to ensure protection.

7. Four major plans for preventing human-factor hazards, irregular work load, acts of infringements, and maternal health. In 2020, we activated maternity health protection programs for 4 female workers who were all included in level 1 management and did not need to change their work. No cases of irregular work load, human-factor hazards, or acts of infringements were reported.
8. Three-tiered construction safety review meetings: In terms of the occupational safety management performance of overhauls or large-scale projects with a cost of more than NT\$5 million, the first tier involves a construction safety review meeting organized by the contract execution unit and contractor; the second tier involves an occupational safety review meeting organized by the contract execution unit, contractor, level 1 unit of the plant, and the occupational safety unit; the third tier involves an occupational safety review meeting organized by related personnel in the second tier with the occupational safety unit of the head office and the supervisor of the management department. The Company uses rigorous pre-construction review meetings to discuss and identify all hazardous risks, perform preventive tasks, and minimize hazards in construction. The Company performed annual overhaul (regular) inspections with a cost of more than NT\$5 million for the Hot Rolling Department and the Pickling & Galvanizing Department in 2020. Employees and machinery in both plants were safe during the construction period.
9. The Company set up red control doors for high-hazard areas and safety interlock mechanisms and safety indicator lights for production lines to help all employees understand the energy, gas, and electrical conditions of the production line at a glance and help operators ensure safety before entering the production line.
10. Defensive motorcycle use and general traffic safety training: In addition to regular education and case analysis of traffic safety, the Company also used the "intoxication glasses" to simulate the visual effects of walking or riding a motorcycle after consuming alcohol to teach employees the importance of not riding motorcycles or driving after consuming alcohol. We also taught employees the skills for riding motorcycles during the night and responding to emergencies. Employees should maintain a distance of "speed divided by 2" with the vehicle in front. In the event of an emergency, they should use the rear brakes first and support the braking with front brakes. We provided actual riding experience and interactive education to help employees learn more about traffic safety.
11. We organized 4 occupational safety and health observation seminars with government authorities and used the regulation education provided by labor inspection authorities, case studies of accidents, and actual onsite operations to enhance hazard prevention and occupational safety awareness, and reduce the occurrence of occupational accidents.
12. The Company implements the "Key Environmental Protection Records and Inspection Audit" and compiles a Key Record Inspection Form based on the requirements in environmental protection permits (stationary sources of pollution, wastewater, waste, and toxic chemicals) and common discrepancies. The onsite operating units of the plants reports the inspection results of independent monthly and annual inspections to the Company's environmental protection unit for verification. These measures ensure that onsite personnel develop active self-inspection operations and provide them with training that increases the awareness of regulatory requirements.
13. The Company carries out the "environmental protection and energy operations audit" to verify the compliance and execution through environmental protection and energy audits in order to improve environmental protection and energy efficiency performance.
14. The Company carries out the "environmental protection regulations discussion meeting" each quarter for related personnel responsible for execution and environmental protection operations in all plants to learn about trends and key points in environmental protection regulations and to ensure that all environmental protection operations in plants comply with regulatory requirements.

15. Meetings of the “Environment and Energy Management Committee” are convened once every two months to discuss the implementation status of electric power technologies, thermal energy technologies, environment and energy systems, and energy conservation and waste reduction. The Company is committed to the advancement of a circular economy and energy conservation and carbon emissions reduction in response to the government’s environmental and energy policies.
16. Continue to conserve electricity by 1% each year. Follow up on the progress of energy conservation improvement projects each month. The Company has achieved more than 1% electricity savings from 2015 to 2020 which meets regulatory requirements.
17. Conduct the inventory of greenhouse gas emissions and third-party certification each year to monitor greenhouse gas emissions and meet national targets.

(IV) Responding to the European Union's Restriction of Hazardous Substances Directive (RoHS)

1. The Company’s products are RoHS compliant.
2. Impact of compliance with RoHS on the Company's financial operations: None.

V. Employer/employee relations

(I) The company's employee welfare policies, continuing education, training, retirement systems and implementation status, the agreement between employees and employer and employees’ rights and interests:

1. Employee welfare

- (1) The Company established the Employee Welfare Committee to take charge of welfare affairs of all employees. All budgets and expenditures of the welfare fund are discussed and supervised through regular meetings of the Employee Welfare Committee (once every 3 months).
- (2) Welfare items include subsidies for birthdays, national holidays, club activities, occupational injuries, hospitalization, funerary subsidies, emergency conciliatory funds for deaths, marriage, childbirth, children education, and children (employee) scholarships. The Company also organizes large-scale company-wide outdoor activities to improve employees’ morale and advance community engagement activities.
- (3) Emergency loans for employees: Full-time employees of the Company may request emergency loans from the Welfare Committee in the event of emergencies.
- (4) The Employee Welfare Committee organizes group insurance for employees. Beneficiaries include the employee, parents, spouses, and children. Insurance benefits include periodic life insurance, accident insurance, hospitalization and medical insurance, and cancer insurance.
- (5) The Committee provides employees with information on contracted stores and updates the information periodically.

2. Employee education and training status

Employee training is one of the key work items of the Company. The Company schedules annual training programs for personnel on all levels based on the Company's operational

policies, business objectives, and requirements of the departments. In addition, employees of various departments require professional training based on the nature of their work to improve the quality of human resources and advantages for development.

The Company provides employees with an open and diverse learning environment and employees can continue to challenge themselves through internal/external training, OJT, and guidance from supervisors/peers. In addition, the Company also provides employees with maximum satisfaction through training for new employees/professional skills/management skills/general knowledge courses. These measures allow them to experience the joy of growth in knowledge for a brighter future.

The Company has established the “Education and Training Regulations” to provide related training courses based on requirements for jobs and professional skills. The courses aim to improve the overall quality of employees and improve business performance. Employees receive an average of 11.9 hours of internal/external training. Total expenditures amounted to NT\$1,577 thousand.

3. Employee retirement system

The Company’s employee retirement system is based on the Labor Standards Act and the Company’s retirement regulations. In addition, the Company has set regulations to allow employees whose combined years of service and age is greater than 60 to apply for retirement. The Company also pays the pension in accordance with the pension payment standards set forth in the Labor Standards Act.

The Company has established a Labor Pension Preparatory Fund Supervision Commission in accordance with laws and sets aside labor pension preparatory funds each month. The Company also contributes 6% of employees’ salaries as pension to the Bureau of Labor Insurance for personnel applicable to the new labor pension system in accordance with the Labor Pension Statutes which entered into force on July 1, 2005.

4. Employees’ code of conduct and ethics policy

The Company has established the “Employee Work Rules” to stipulate rules on services and established the “Rewards and Penalties Regulations” to govern employees’ conduct. The Company has established the “Code of Ethical Conduct for Directors” and “Code of Ethical Conduct for Supervisors and Senior Managerial Officers” to improve corporate governance performance. The Company established the “Chung Hung Steel Employee Code of Ethics” to ensure that all employees’ conduct meet ethical standards and to prevent illegal and unlawful actions. Please refer to the Company’s website (<http://www.chsteel.com.tw>).

5. Employer-employee relations and employee rights maintenance measures

The Company organizes periodic employees-employer meetings and employees can express their opinions through labor representatives and during the meetings. The opinions are processed in accordance with procedures after employees-employer negotiations. The Company enjoys harmonious employees-employer relations. To improve the Company’s

employees' cohesiveness with the Company, the Company has established an awareness for "employees equal shareholders" to provide employees with additional protection for their life after retirement. The Company began implementing employee shareholding trusts in July 2004 and employees may freely apply for membership to set aside funds from their salaries to the trust. The Company provides a 20% incentive fund based on the amount set aside by each member every month and all appropriated funds are sent to the trust account of the appointed financial institution to acquire and manage the Company's shares.

(II) Losses arising as a result of labor disputes in the recent year up until the publication date of this annual report: None.

(III) Estimations for possible losses in the future and response measures:

Employee-employer relations have remained harmonious. Officers of all levels work hard to take care of employees and resolve issues as quickly as possible. Internal management regulations are also processed in accordance with the Labor Standards Act. The Company organizes employee seminars and employee-employer meetings regularly to maintain smooth communication channels between employees and management. There have been no disputes between employees and management.

VI. Important contracts

Contracting parties, main content, restrictive clauses, and contract commencement date/expiration date of important supply/sales contracts, technology cooperation contracts, engineering contracts, long-term loan contracts, and other important contracts with material impact on shareholder equity that continue to be valid as of the publication date of the Annual Report or expiry in the most recent fiscal year.

Nature of the Contract	Contracting Party	Commencement Date/Expiration Date	Main Content	Restrictive provisions
Material supply contract	Nippon Steel Corporation	2020.04.01~ 2024.06.30	Supply of slabs	None.
Long-term natural gas supply contract	Shinhsiung Natural Gas Inc.	2015.01.01~ 2024.12.31	Shinhsiung Natural Gas provides fuel required for the heating furnace of the Hot Rolling Department	None.
Long-term natural gas supply contract	Nan Jehn Natural Gas Co., Ltd.	2018.11.01~ 2021.10.31	Nan Jehn provides fuel required for the annealing furnace of the Cold Rolling Department	None.
Long-term natural gas supply contract	CPC Corporation	2017.09.01~ 2021.08.31	CPC provides fuel required for ARP production in the Pickling & Galvanizing Department	None.
Equipment contract	InfoChamp Systems Corporation	2018.11.20~ 2020.12.31	Continuous pickling line (CPL) of the Pickling and Galvanizing Department Update of electrical control equipment	None.

Long-term steam supply contract	China Steel Corporation	2019.01.01~2023.12.31	Steam is used for heating on the production line of the Pickling and Galvanizing Department	None.
Long-term hydrogen and nitrogen supply contract	Linde Lienhwa Industrial Gases Co., Ltd.	2019.02.01~2024.01.31	Linde Lienhwa Industrial Gases provides fuel required in the Cold Rolling Department and Pickling & Galvanizing Department	None.
Land lease contract	Costco President Taiwan Inc.	2011.08.24~2031.08.23	Land lease	<ol style="list-style-type: none"> 1. The lessee retains the right to issue a written notice to the lessor regarding the intended contract renewal period 18 to 24 months prior to the expiry of the operation period. The maximum contract renewal period shall be ten years but it may not be lower than five years. 2. The lessee may terminate the Contract at any time after a period of ten years from the first day of the lease for any reason, provided that it shall be required to issue a written notice to the lessor no less than six months in advance to explain the reason for its failure to continue the lease (hereinafter referred to as the "termination notice period") and it shall be required to obtain the lessor's written approval. The lessor may not refuse the request without a legitimate reason. However, where the lessee suffers more than two years (inclusive) of consecutive losses in the operations on the base/building and cannot continue the lease, it shall not be required to obtain the lessor's written approval (however, it shall be required to provide certification documents from an accountant).

F. Financial Conditions

I. Condensed balance sheets, statements of comprehensive income, names of accountants, and audit opinions in the most recent five years

(I) Condensed balance sheet

1. Consolidated condensed balance sheet — International Financial Reporting Standards

Unit: NT\$1000

Item		Year	Financial data for the last 5 years (Note 1)				
			2020 (Note 2)	2019	2018	2017	2016
Current assets			7,036,111	9,209,104	11,663,757	8,853,782	7,604,143
Property, plant and equipment			11,162,643	12,552,287	13,249,030	14,031,648	15,056,749
Intangible assets			0	0	0	0	0
Other assets			8,901,303	8,702,215	8,508,126	8,491,421	8,361,386
Total assets			27,100,057	30,463,606	33,420,913	31,376,851	31,022,278
Current liabilities	Pre-distribution		5,167,233	8,502,445	12,430,048	10,619,202	13,890,741
	Post-distribution	Note 3		8,502,445	12,573,603	10,619,202	13,890,741
Non-current liabilities			6,699,550	7,392,264	6,227,619	8,831,990	7,721,723
Total liabilities	Pre-distribution		11,866,783	15,894,709	18,657,667	19,451,192	21,612,464
	Post-distribution	Note 3		15,894,709	18,801,222	19,451,192	21,612,464
Equity attributed to the owners of the parent company			15,233,274	14,568,897	14,763,246	11,925,659	9,409,814
Capital stock			14,355,444	14,355,444	14,355,444	14,355,444	14,355,444
Capital surplus			903	903	903	903	903
Retained earnings (accumulated losses)	Pre-distribution		1,302,766	762,128	904,506	(2,083,776)	(4,581,010)
	Post-distribution	Note 3		762,128	760,951	(2,083,776)	(4,581,010)
Other equity			(425,839)	(549,578)	(497,607)	(346,912)	(365,523)
Treasury stock			0	0	0	0	0
Non-controlling equity			0	0	0	0	0

Total equity	Pre-distribution	15,233,274	14,568,897	14,763,246	11,925,659	9,409,814
	Post-distribution	Note 3	14,568,897	14,619,691	11,925,659	9,409,814

Note 1: The financial data from 2016 to 2020 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2021. Therefore, the information at the end of the quarter before the publication date is the information from 2020.

Note 3: The proposal of the Company's 2020 earnings distribution remains to be approved by the resolution of the shareholders' meeting.

2. Standalone condensed balance sheet – International Financial Reporting Standards

Unit: NT\$1000

Item	Year	Financial data for the last 5 years (Note 1)				
		2020 (Note 2)	2019	2018	2017 (Note 3)	2016
Current assets		7,032,476	9,204,726	11,654,994	8,847,559	7,211,872
Property, plant and equipment		11,162,643	12,552,287	13,249,030	14,031,648	12,074,761
Intangible assets		0	0	0	0	0
Other assets		8,904,784	8,705,393	8,515,140	8,496,333	10,585,269
Total assets		27,099,903	30,462,406	33,419,164	31,375,540	29,871,902
Current liabilities	Pre-distribution	5,167,079	8,501,245	12,428,299	10,617,891	13,578,273
	Post-distribution	Note 4	8,501,245	12,571,854	10,617,891	13,578,273
Non-current liabilities		6,699,550	7,392,264	6,227,619	8,831,990	6,883,815
Total liabilities	Pre-distribution	11,866,629	15,893,509	18,655,918	19,449,881	20,462,088
	Post-distribution	Note 4	15,893,509	18,799,473	19,449,881	20,462,088
Capital stock		14,355,444	14,355,444	14,355,444	14,355,444	14,355,444
Capital surplus		903	903	903	903	903
Retained earnings (accumulated losses)	Pre-distribution	1,302,766	762,128	904,506	(2,083,776)	(4,581,010)
	Post-distribution	Note 4	762,128	760,951	(2,083,776)	(4,581,010)
Other equity		(425,839)	(549,578)	(497,607)	(346,912)	(365,523)
Treasury stock		0	0	0	0	0
Total equity	Pre-distribution	15,233,274	14,568,897	14,763,246	11,925,659	9,409,814

	Post-distribution	Note 4	14,568,897	14,619,691	11,925,659	9,409,814
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Note 1: The financial data from 2016 to 2020 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2021. Therefore, the information at the end of the quarter before the publication date is the information from 2020.

Note 3: Based on the recompiled Financial Report. (The Company merged the subsidiary Hung Li Steel Corporation in June 2018 and recompiled the 2017 Standalone Financial Report)

Note 4: The proposal of the Company's 2020 earnings distribution remains to be approved by the resolution of the shareholders' meeting.

(II) Condensed income statement

1. Consolidated condensed comprehensive income statement — International Financial Reporting Standards

Unit: NT\$1000

Item \ Year	Financial data for the last 5 years (Note 1)				
	2020 (Note 2)	2019	2018	2017	2016
Operating revenue	36,790,154	40,470,129	48,238,885	40,792,444	33,440,122
Gross profit	1,454,500	1,244,928	4,384,886	3,889,103	3,285,724
Operating profit (loss)	338,212	(217,589)	2,875,777	2,573,740	2,044,877
Non-operating income and expenses	190,053	228,474	158,071	32,563	(131,399)
Profit before income tax	528,265	10,885	3,033,848	2,606,303	1,913,478
Current period net income from continuing operations	528,260	10,791	3,033,223	2,606,273	1,913,119
Loss from discontinued operations	0	0	0	0	0
Net profit for the period	528,260	10,791	3,033,223	2,606,273	1,913,119
Income (loss) from discontinued operations	0	0	0	0	0
Other comprehensive income (loss) for the period (net amount after-tax)	136,117	(61,585)	(195,636)	(90,428)	858,440
Total comprehensive income (loss) for the period	664,377	(50,794)	2,837,587	2,515,845	2,771,559
Net profit attributable to owners of the parent company	528,260	10,791	3,033,223	2,606,273	1,913,119
Net profit attributable to non-controlling equity	0	0	0	0	0
Total comprehensive income (loss) attributed to the owners of the parent company	664,377	(50,794)	2,837,587	2,515,845	2,771,559
Total comprehensive income (loss) attributed to non-controlling equity	0	0	0	0	0
Basic earnings per share (NT\$) (Note 3)	0.37	0.01	2.11	1.82	1.33

Note 1: The financial data from 2016 to 2020 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2021. Therefore, the information at the end of the quarter before the publication date is the information from 2020.

Note 3: Calculated by weighted average number of shares issued and outstanding.

2. Standalone condensed comprehensive income statement – International Financial Reporting Standards

Unit: NT\$1000

Item \ Year	Financial data for the last 5 years (Note 1)				
	2020 (Note 2)	2019	2018	2017 (Note 3)	2016
Operating revenue	36,789,518	40,467,516	48,233,721	40,788,590	32,618,511
Gross profit	1,453,864	1,242,315	4,379,722	3,885,249	2,880,470
Operating profit (loss)	337,801	(217,532)	2,871,898	2,571,306	1,779,313
Non-operating income and expenses	190,459	228,417	161,325	34,822	133,961
Profit before income tax	528,260	10,885	3,033,223	2,606,128	1,913,274
Current period net income from continuing operations	528,260	10,885	3,033,223	2,606,273	1,913,119
Loss from discontinued operations	0	0	0	0	0
Net profit for the period	528,260	10,791	3,033,223	2,606,273	1,913,119
Income (loss) from discontinued operations	0	0	0	0	0
Other comprehensive income (loss) for the period (net amount after-tax)	136,117	(61,585)	(195,636)	(90,428)	858,440
Total comprehensive income (loss) for the period	664,377	(50,794)	2,837,587	2,515,845	2,771,559
Basic earnings per share (NT\$) (Note 4)	0.37	0.01	2.11	1.82	1.33

Note 1: The financial data from 2016 to 2020 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2021. Therefore, the information at the end of the quarter before the publication date is the information from 2020.

Note 3: Based on the recompiled Financial Report. (The Company merged the subsidiary Hung Li Steel Corporation in June 2018 and recompiled the 2017 Standalone Financial Report)

Note 4: Calculated by weighted average number of shares issued and outstanding.

(III) Names of CPAs and audit opinions:

Year	Name of the accounting firm	CPAs	Audit opinion
2020	Deloitte, Taiwan	Yu-Hsiang Liu and Chia-Ling Chiang	Unqualified opinion
2019	Deloitte, Taiwan	Jui-Hsuan Hsu and Yu-Hsiang Liu	Unqualified opinion
2018	Deloitte, Taiwan	Jui-Hsuan Hsu and Yu-Hsiang Liu	Unqualified opinion plus emphasis paragraphs (Note)
2017	Deloitte, Taiwan	Jui-Hsuan Hsu and Yu-Hsiang Liu	Unqualified opinion
2016	Deloitte, Taiwan	Jui-Hsuan Hsu and Yu-Hsiang Liu	Unqualified opinion

Note: The Company has, since 2018, adopted the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) endorsed by the FSC and applicable starting from 2018.

II. Financial analysis for the last 5 years

(I) Financial analysis

1. Consolidated financial analysis – International Financial Reporting Standards

Analysis Item (Note 5)		Financial analysis for the last 5 years (Note 1)					
		Year	2020 (Note 3)	2019	2018	2017	2016
Financial structure	Debt-to-asset ratio (%)		43.79	52.17	55.82	61.99	69.67
	Long-term fund to property, plant and equipment ratio (%)		196.48	174.95	158.43	147.93	113.78
Solvency	Current ratio (%)		136.17	108.31	93.83	83.38	54.74
	Quick ratio (%)		45.34	24.69	21.86	29.43	15.68
	Interest coverage ratio		7.13	1.08	22.68	12.95	9.77
Operating performance	Accounts receivable turnover (times)		50.43	49.23	37.21	33.69	37.45
	Average collection days		7.23	7.41	9.80	10.83	9.75
	Inventory turnover (times)		6.36	5.23	6.54	7.56	7.55
	Accounts payable turnover (times)		162.09	106.54	45.76	27.80	38.19
	Average inventory turnover days		57.38	69.78	55.81	48.28	48.34
	Property, plant, and equipment turnover (times)		3.10	3.13	3.53	2.80	2.12
	Total assets turnover (times)		1.28	1.26	1.48	1.31	1.09
Profitability	Return on assets (%)		2.08	0.34	9.70	8.93	6.80
	Return on equity (%)		3.55	0.07	22.73	24.43	23.84
	Pre-tax profit to paid-in capital ratio (%)		3.68	0.07	21.13	18.16	13.33
	Profit margin (%)		1.44	0.02	6.28	6.39	5.72
	Earnings per share (NT\$) (Note 2)		0.37	0.01	2.11	1.82	1.33
Cash flow	Cash flow ratio (%)		91.76	29.55	5.67	27.32	32.68
	Cash flow adequacy ratio (%)		201.99	167.45	117.67	169.50	91.28
	Cash reinvestment ratio (%)		9.77	5.03	1.56	6.61	11.58
Leverage	Operating leverage		4.44	-	1.41	1.55	1.93
	Financial leverage		1.34	0.63	1.05	1.09	1.12

Reasons for changes in financial ratios in recent two years. (Analysis can be omitted for the change is less than 20%)

- The current ratio rose by 26% from the previous year mainly due to a decrease in current liabilities which was greater than the decrease in current assets.
- The quick ratio rose by 84% from the previous year mainly due to the decrease in inventory.
- Interest coverage ratio rose by 560% from the previous year mainly due to an increase in pre-tax profit.
- The inventory turnover rose by 22% mainly due to the decrease in inventory.
- Accounts payable turnover rose by 52% from the previous year mainly due to the decrease in the average accounts payable.
- The return on assets and the return on equity rose by 512% and 4971% compared to the previous year mainly due to the increase in net profit after tax.
- Pre-tax profit to paid-in capital ratio rose by 5157% from the previous year mainly due to an increase in net profit before tax.
- Profit margin and earnings per share rose by 7100% and 3600% from the previous year mainly due to an increase in net income for the year.
- The cash flow ratio and cash reinvestment ratio rose by 211% and 94% from the previous year mainly due to an increase in net cash inflow from operating activities.
- The cash flow adequacy ratio rose by 21% from the previous year mainly due to an increase in net cash inflow from operating activities in the five preceding years.
- The degree of financial leverage rose by 113% from the previous year mainly due to an increase in operating profit.

2. Standalone financial analysis – International Financial Reporting Standards

Analysis Item (Note 5)		Financial analysis for the last 5 years (Note 1)					
		Year	2020 (Note 3)	2019	2018	2017 (Note 4)	2016
Financial structure	Debt-to-asset ratio (%)		43.79	52.17	55.82	61.99	68.50
	Long-term fund to property, plant and equipment ratio (%)		196.48	174.95	158.43	147.93	134.94
Solvency	Current ratio (%)		136.10	108.27	93.77	83.32	53.11
	Quick ratio (%)		45.31	24.66	21.79	29.37	15.74
	Interest coverage ratio		7.13	1.08	22.68	15.40	10.47
Operating performance	Accounts receivable turnover (times)		50.43	49.22	37.21	34.94	39.46
	Average collection days		7.23	7.41	9.80	10.44	9.25
	Inventory turnover (times)		6.36	5.23	6.54	7.64	7.85
	Accounts payable turnover (times)		162.09	106.54	45.76	28.02	38.41
	Average inventory turnover days		57.38	69.78	55.81	47.77	46.50
	Property, plant, and equipment turnover (times)		3.10	3.13	3.53	3.12	2.58
	Total assets turnover (times)		1.28	1.26	1.48	1.33	1.11
Profitability	Return on assets (%)		2.08	0.34	9.70	8.98	7.08
	Return on equity (%)		3.55	0.07	22.73	24.43	23.84
	Pre-tax profit to paid-in capital ratio (%)		3.68	0.07	21.12	18.15	13.33
	Profit margin (%)		1.44	0.02	6.28	6.39	5.87
	Earnings per share (NT\$) (Note 2)		0.37	0.01	2.11	1.82	1.33
Cash flow	Cash flow ratio (%)		91.77	29.57	5.65	27.32	28.98
	Cash flow adequacy ratio (%)		192.73	154.18	99.75	151.94	67.28
	Cash reinvestment ratio (%)		9.77	5.03	1.55	6.60	10.60
Leverage	Operating leverage		4.44	-	1.41	1.55	1.94
	Financial leverage		1.34	0.63	1.05	1.07	1.13

Reasons for changes in financial ratios in recent two years. (Analysis can be omitted for the change is less than 20%)

- The current ratio rose by 26% from the previous year mainly due to a decrease in current liabilities which was greater than the decrease in current assets.
- The quick ratio rose by 84% from the previous year mainly due to the decrease in inventory.
- Interest coverage ratio rose by 560% from the previous year mainly due to an increase in pre-tax profit.
- The inventory turnover rose by 22% from the previous year mainly due to the decrease in inventory.
- Accounts payable turnover rose by 52% from the previous year mainly due to the decrease in the average accounts payable.
- The return on assets and the return on equity rose by 512% and 4971% compared to the previous year mainly due to the increase in net profit after tax.
- Pre-tax profit to paid-in capital ratio rose by 5157% from the previous year mainly due to an increase in net profit before tax.
- Profit margin and earnings per share rose by 7100% and 3600% from the previous year mainly due to an increase in net income for the year.
- The cash flow ratio and cash reinvestment ratio rose by 210% and 94% from the previous year mainly due to an increase in net cash inflow from operating activities.
- The cash flow adequacy ratio rose by 25% from the previous year mainly due to an increase in net cash inflow from operating activities in the five preceding years.
- The degree of financial leverage rose by 113% from the previous year mainly due to an increase in operating profit.

Note 1: The financial data from 2016 to 2020 have been audited by CPAs.

Note 2: Calculated by weighted average number of shares issued and outstanding.

Note 3: The Company's Annual Report is published on March 31, 2021. Therefore, the information at the end of the quarter before the publication date is the information from 2020.

Note 4: Based on the recompiled Standalone Financial Report. (The Company merged the subsidiary Hung Li Steel Corporation in June 2018 and recompiled the 2017 Standalone Financial Report)

Note 5: The formula for calculating the financial analysis are as follows:

1. Financial structure

(1) Debt-to-assets ratio = Total liabilities/Total assets..

(2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities.

(3) Interest coverage ratio = Earnings before interest and taxes / Interest expense.

3. Operating performance

(1) Accounts receivable turnover = Net sales / Average accounts receivable.

(2) Average collection days = 365 / Receivables turnover.

(3) Inventory turnover = Cost of goods sold / Average inventory.

(4) Average payment turnover = Cost of goods sold / Average accounts payables.

(5) Average inventory turnover days = 365 / Inventory turnover.

(6) Property, plant, and equipment turnover = Net sales / Average net property, plant, and equipment.

(7) Total asset turnover = Net sales / Average total assets.

4. Profitability

(1) Return on assets = [Net profit + Interest expense (1 – Tax rate)] / Average total assets.

(2) Return on equity = Net profit / Average total equity.

(3) Profit margin = Net profit / Net sales.

(4) Earnings per share = (Net profit (loss) attributable to owners of the Company – Preferred share dividends) / Weighted average of shares outstanding. (Note 6)

5. Cash flow

(1) Cash flow ratio = Net cash generated from operating activities / Current liabilities.

(2) Cash flow adequacy ratio = Five-year sum of net cash generated from operating activities / Five-year sum of capital expenditure, inventory additions and cash dividends.

(3) Cash reinvestment ratio = (Net cash generated from operating activities – Cash dividends) / (Gross property, plant, and equipment + Long-term investments + Other non-current assets + Working capital). (Note 7)

6. Leverage:

(1) Operating leverage = (Net operating revenue – Variable operating cost and expenses) / Profit from operations. (Note 8)

(2) Financial leverage = Profit from operations / (Profit from operations - Interest expenses).

III. Audit Committee's Audit Report for 2020

Chung Hung Steel Corporation
Audit Committee's Audit Report

The Company's 2020 Standalone Financial Report and Consolidated Financial Report (audited and certified by CPAs Yu-Hsiang Liu and Chia-Ling Chiang of Deloitte, Taiwan), Business Report, and Earnings Distribution Proposal prepared by the Board of Directors were audited by the Audit Committee, who found them to be compliant with regulations. The Audit Report is therefore provided in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and filed for approval.

Please review and assess the preceding items.

To: The Company's 2021 General Shareholders Meeting

Audit Committee, Chung Hung Steel Corporation

Convener: Juh-Shan Chiou

February 24, 2021

IV. 2020 Standalone Financial Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the shareholders
Chung Hung Steel Corporation

Opinion

We have audited the accompanying standalone financial statements of Chung Hung Steel Corporation (the Corporation), which comprise the standalone balance sheets as of December 31, 2020 and 2019, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2020 and 2019, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2020 are stated as follows:

Measurement of Inventories

Inventories are one of the significant assets in the balance sheet. As of December 31, 2020, the carrying amount of inventories held by the Corporation was NT\$4,236,420 thousand, which accounted for 16% of total assets. Due to the fluctuations in the prices of raw materials and finished goods in steel the industry, inventory valuation, which involved critical accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and critical accounting estimates and judgments on inventories, refer to Note 4 (5) and Note 5 (1) to the standalone financial statements, respectively.

We focused on the inventory valuation at the end of the reporting period, including evaluation of obsolete

inventory and inventories valuation. Our main audit procedures performed included the following:

1. We performed year-end inventory counts and assessed the condition of inventory through inquiry and observation to evaluate the obsolete of inventory and the appropriateness of inventory valuation;
2. We obtained the year-end inventory aging report, tested the accuracy of aging report and examined whether the management performed the obsolete of inventory in accordance with its policy;
3. We obtained the year-end detail of inventory report and evaluated the appropriateness of inventories valuation.
4. We examined the valuation supporting document of the underlying assumption and the market price to recalculated the appropriateness of inventories valuation.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Corporation'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 Corporation, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 standalone financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional 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 Corporation'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 Corporation'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 standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Corporation audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Hsiang Liu and Jia-Ling, Jiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2021

Notice to Readers

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

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

CHUNG HUNG STEEL CORPORATION

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 285,899	1	\$ 66,137	-
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	242,410	1	181,351	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	819,454	3	791,311	3
Accounts receivable (Notes 4, 9 and 23)	830,087	3	466,017	1
Accounts receivable from related parties (Notes 4, 9, 23 and 29)	117,238	-	45,733	-
Other receivables (Note 9)	19,321	-	6,031	-
Other receivables from related parties (Notes 9 and 29)	26,523	-	539,939	2
Current tax assets (Note 25)	202	-	349	-
Inventories (Notes 4, 5 and 10)	4,236,420	16	6,577,637	21
Prepayments (Note 11)	150,961	1	228,531	1
Other financial assets - current (Notes 12 and 30)	300,000	1	300,000	1
Other current assets	3,961	-	1,690	-
Total current assets	<u>7,032,476</u>	<u>26</u>	<u>9,204,726</u>	<u>30</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	43,345	-	44,843	-
Investments accounted for using equity method (Notes 4 and 13)	2,698,045	10	2,553,395	9
Property, plant and equipment (Notes 4, 14, 29 and 31)	11,162,643	41	12,552,287	41
Right-of-use assets (Notes 4 and 15)	78,330	-	74,901	-
Investment properties (Notes 4 and 16)	5,983,185	22	5,984,073	20
Prepayments for equipment (Note 31)	95,659	1	42,549	-
Refundable deposits	6,220	-	5,632	-
Total noncurrent assets	<u>20,067,427</u>	<u>74</u>	<u>21,257,680</u>	<u>70</u>
TOTAL	<u>\$ 27,099,903</u>	<u>100</u>	<u>\$ 30,462,406</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 29 and 30)	\$ 404,630	2	\$ 5,154,867	17
Short-term bills payable (Note 17)	3,599,577	13	1,799,550	6
Contract liabilities - current (Note 23)	57,283	-	285,052	1
Accounts payable (Note 19)	27,500	-	29,672	-
Accounts payable to related parties (Notes 19 and 29)	313,224	1	65,597	-
Other payables (Notes 20 and 29)	580,115	2	503,188	2
Lease liabilities - current (Notes 4 and 15)	15,230	-	13,273	-
Current portion of long-term bank borrowings (Note 17)	-	-	480,000	2
Refund liabilities - current	153,756	1	153,612	-
Other current liabilities	15,764	-	16,434	-
Total current liabilities	<u>5,167,079</u>	<u>19</u>	<u>8,501,245</u>	<u>28</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	2,995,039	11	-	-
Long-term bank borrowings (Note 17)	2,000,000	8	4,130,000	13
Long-term bills payable (Note 17)	1,109,674	4	2,609,138	9
Deferred tax liabilities (Notes 4 and 25)	182,222	1	182,222	1
Lease liabilities - noncurrent (Notes 4 and 15)	63,898	-	62,044	-
Net defined benefit liabilities (Notes 4 and 21)	313,717	1	373,860	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>6,699,550</u>	<u>25</u>	<u>7,392,264</u>	<u>24</u>
Total liabilities	<u>11,866,629</u>	<u>44</u>	<u>15,893,509</u>	<u>52</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 22)				
Ordinary shares	14,355,444	53	14,355,444	47
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	90,568	-	90,450	-
Special reserve	549,578	2	497,607	2
Unappropriated earnings	662,620	3	174,071	1
Total retained earnings	<u>1,302,766</u>	<u>5</u>	<u>762,128</u>	<u>3</u>
	<u>(2)</u>		<u>(2)</u>	
Other equity	(425,839))	(549,578))
Total equity	<u>15,233,274</u>	<u>56</u>	<u>14,568,897</u>	<u>48</u>
TOTAL	<u>\$ 27,099,903</u>	<u>100</u>	<u>\$ 30,462,406</u>	<u>100</u>

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

CHUNG HUNG STEEL CORPORATION

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 29)				
Sales	\$ 36,406,042	99	\$ 39,930,527	99
Service revenue	324,620	1	475,462	1
Other operating revenue	<u>58,856</u>	<u>-</u>	<u>61,527</u>	<u>-</u>
Total operating revenue	36,789,518	100	40,467,516	100
OPERATING COSTS (Notes 10, 14, 24 and 29)	<u>35,335,654</u>	<u>96</u>	<u>39,225,201</u>	<u>97</u>
GROSS PROFIT	<u>1,453,864</u>	<u>4</u>	<u>1,242,315</u>	<u>3</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	794,236	2	1,147,701	3
General and administrative expenses	<u>321,827</u>	<u>1</u>	<u>312,146</u>	<u>1</u>
Total operating expenses	<u>1,116,063</u>	<u>3</u>	<u>1,459,847</u>	<u>4</u>
PROFIT (LOSS) FROM OPERATIONS	<u>337,801</u>	<u>1</u>	<u>(217,532)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 24 and 29)				
Interest income	950	-	2,012	-
Other income	224,750	1	173,451	1
Other gains and losses	1,488	-	73,899	-
Finance costs	(86,219)	-	(123,047)	-
Share of the profit of associates	<u>49,490</u>	<u>-</u>	<u>102,102</u>	<u>-</u>
Total non-operating income and expenses	<u>190,459</u>	<u>1</u>	<u>228,417</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	528,260	2	10,885	-
INCOME TAX (Notes 4, 5 and 25)	<u>-</u>	<u>-</u>	<u>94</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>528,260</u>	<u>2</u>	<u>10,791</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 22)				
Items that will not be reclassified subsequently to profit or loss				

(Continued)

CHUNG HUNG STEEL CORPORATION

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Remeasurement of defined benefit plans	\$ 12,378	-	\$ (9,614)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	28,579	-	(13,359)	-
Share of the other comprehensive income of associates	<u>95,160</u>	<u>-</u>	<u>(38,612)</u>	<u>-</u>
	<u>136,117</u>	<u>-</u>	<u>(61,585)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 664,377</u>	<u>2</u>	<u>\$ (50,794)</u>	<u>-</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.37</u>		<u>\$ 0.01</u>	
Diluted	<u>\$ 0.37</u>		<u>\$ 0.01</u>	

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

(Concluded)

CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2019	\$ 14,355,444	\$ 903	\$ -	\$ -	\$ 904,506	\$ (497,607)	\$ 14,763,246
Appropriation of 2018 earning (Note 22)							
Legal reserve	-	-	90,450	-	(90,450)	-	-
Special reserve	-	-	-	497,607	(497,607)	-	-
Cash dividends	-	-	-	-	(143,555)	-	(143,555)
Net profit for the year ended December 31, 2019	-	-	-	-	10,791	-	10,791
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(9,614)	(51,971)	(61,585)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	1,177	(51,971)	(50,794)
BALANCE AT DECEMBER 31, 2019	14,355,444	903	90,450	497,607	174,071	(549,578)	14,568,897
Appropriation of 2019 earning (Note 22)							
Legal reserve	-	-	118	-	(118)	-	-
Special reserve	-	-	-	51,971	(51,971)	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	528,260	-	528,260
Other comprehensive gain for the year ended December 31, 2020, net of income tax	-	-	-	-	12,378	123,739	136,117
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	540,638	123,739	664,377
BALANCE AT DECEMBER 31, 2020	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 662,620	\$ (425,839)	\$ 15,233,274

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

CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 528,260	\$ 10,885
Adjustments for:		
Depreciation expense	1,162,246	1,213,635
Net loss (gain) on financial assets at fair value through profit or loss	(78,903)	32,516
Finance costs	86,219	123,047
Interest income	(950)	(2,012)
Dividend income	(31,821)	(47,601)
Share of the profit of associates	(49,490)	(102,102)
Loss on disposal of property, plant and equipment	9,371	8,491
Gain on disposal of non - current assets held for sale	-	(871)
Write-downs (reversal) of inventories	(304,435)	4,624
Recognition (reversal) of impairment loss	576,317	(77,532)
Others	692	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	17,844	3,414
Accounts receivable	(364,070)	482,915
Accounts receivable from related parties	(71,505)	137,707
Other receivables	(13,290)	10,140
Other receivables from related parties	513,416	(195,379)
Inventories	2,645,652	1,657,890
Prepayments	77,570	144,172
Other current assets	(2,271)	4,900
Contract liabilities	(227,769)	191,497
Accounts payable	(2,172)	(15,632)
Accounts payable to related parties	247,627	(530,167)
Other payables	71,195	(497,330)
Other current liabilities	(670)	(14,540)
Net defined benefit liabilities	(47,765)	(66,473)
Refund liabilities	144	37,892
Cash generated from operations	4,741,442	2,514,086
Income taxes refund (paid)	147	(51)
Net cash generated from operating activities	<u>4,741,589</u>	<u>2,514,035</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	1,934	4,605
Proceeds from the capital reduction on investments accounted for using equity method	-	674
Proceeds from disposal of non-current assets held for sale	-	20,506
Acquisition of property, plant and equipment	(397,582)	(507,531)
Proceeds from disposal of property, plant and equipment	-	123

(Continued)

CHUNG HUNG STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
Increase in refundable deposits	\$ (588)	\$ -
Decrease in other financial assets	-	2,897
Interest received	950	2,012
Dividends received from subsidiaries and associates	-	2,829
Dividends received from others	<u>31,821</u>	<u>47,601</u>
Net cash used in investing activities	<u>(363,465)</u>	<u>(426,284)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	99,915,564	76,681,921
Repayments of short-term borrowings	(104,665,801)	(77,908,827)
Increase in short-term bills payable	10,900,027	8,700,597
Decrease in short-term bills payable	(9,100,000)	(10,100,000)
Proceeds from issuance of bonds	2,994,328	-
Proceeds from long-term borrowings	3,150,000	7,550,000
Repayments of long-term borrowings	(5,760,000)	(7,790,000)
Proceeds from long-term bills payable	200,536	2,589,580
Repayments of long-term bills payable	(1,700,000)	(1,660,000)
Decrease in guarantee deposits	-	(120)
Repayments of principal of lease liabilities	(15,074)	(11,222)
Dividends paid	-	(143,555)
Interest paid	<u>(77,942)</u>	<u>(125,663)</u>
Net cash used in financing activities	<u>(4,158,362)</u>	<u>(2,217,289)</u>
NET INCREASE (DECREASE) IN CASH	219,762	(129,538)
CASH AT THE BEGINNING OF THE YEAR	<u>66,137</u>	<u>195,675</u>
CASH AT THE END OF THE YEAR	<u>\$ 285,899</u>	<u>\$ 66,137</u>

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

(Concluded)

CHUNG HUNG STEEL CORPORATION

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chung Hung Steel Corporation (the Corporation) was incorporated in September 1983 and started operations in September 1985. It mainly manufactures and sells steel products, such as cold and hot rolled coils and steel pipes.

The Corporation's shares have been listed on the Taiwan Stock Exchange since February 1992.

As of December 31, 2020, and 2019, China Steel Corporation (CSC), the Corporation's parent and major shareholder (41%), controls the Corporation's management and operations.

The standalone financial statements are presented in the Corporation's functional currency, the New Taiwan Dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Corporation's board of directors and authorized for issue on February 24, 2021.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Material"

The Corporation adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to "could reasonably be expected to influence". Accordingly, disclosures in the standalone financial statements do not include immaterial information that may obscure material information.

- b. The IFRSs endorsed by FSC for application starting from 2021

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB (Continued)

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020
	(Concluded)

As of the date the standalone financial statements were authorized for issue, the Corporation is in the process of assessing the impact of the amendments to other standards and interpretations on Corporation’s financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non- current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

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

Basis of Preparation

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

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

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

The subsidiaries and associates are incorporated in the standalone financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the standalone financial statements equal to those attributed to owners of the Corporation on consolidated financial statements, the effect of the differences between basis of standalone and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries, associates and joint ventures and related equity.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the balance sheet date; and
- c. Cash unless the asset is restricted from being used for an exchange or used to settle a liability for more than least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;

- b. Liabilities expected to be settled within 12 months after the reporting period; and
- c. Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

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

Foreign Currencies

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

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Inventories

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

Investment in Associates

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

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

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

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

Investment in Associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The operating results and assets and liabilities of associates are incorporated in these standalone financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the share of equity of associates.

When the Corporation subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation's share of equity of associates. If the Corporation ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equal or exceed its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

When the Corporation transacts with their associates, profits and losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associate that are not related to the Corporation.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Freehold land is not depreciated.

Except that depreciation of the rollers (spare parts) that belong to the cold rolling departments, the hot rolling departments and pickling & galvanizing mill departments is calculated based on their level of wear, other depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method; each major part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

For a transfer from property, plant and equipment classification to investment properties, the deemed cost of property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

Impairment of Property, Plant and Equipment and Right-of-use Asset

At each balance sheet date, the Corporation reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, investments in equity instruments at FVTOCI, and financial assets at amortized cost.

a) Financial asset at FVTPL

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL.

Financial assets mandatorily classified as at FVTPL were investments in equity instruments which are not designed as at FVTPL. Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 28.

b) Financial assets at amortized cost

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

- i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, including cash, accounts receivable (including related parties) at amortized cost, other receivables (including related parties), other financial assets and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

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

The Corporation always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Corporation recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

The Corporation recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Revenue Recognition

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

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing

component.

a. Sale of goods

Revenue is recognized when the control of products is transferred to customers. The customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence. Domestic sales are recognized when products are delivered to and accepted by the customers, and export sales are recognized when products are loaded onto shipping vessels in accordance with the sales terms. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

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

b. Providing of services

Service revenue is recognized when services are provided by reference to the stage of completion of services provided.

Leases

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

a. The Corporation as lessor

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

b. The Corporation as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Corporation by the end of the lease terms or if the costs of right-of-use assets reflect that the Corporation will exercise a purchase option, the Corporation depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they are received. The grants obtained in the current period is recognized under other income.

Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Corporation's defined benefit plan.

Taxation

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

Current tax

Current tax is the amount of tax at statutory rate calculated on the taxable profit at the balance sheet date. According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Corporation considers the economic implications of the COVID-19 when making its critical accounting

estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Measurement of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimate to determine the net realizable value of inventory at the balance sheet date. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

Realizability of Deferred Tax Assets

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. Considering climate change in the steel industry and unpredictability of future profit, deferred tax assets were not recognized.

6. CASH

	<u>December 31</u>	
	2020	2019
Cash on hand	\$ 640	\$ 700
Checking accounts and demand deposits	<u>285,259</u>	<u>65,437</u>
	<u>\$ 285,899</u>	<u>\$ 66,137</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily as at FVTPL		
Emerging market shares	<u>\$ 242,410</u>	<u>\$ 181,351</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Domestic Listed shares	<u>\$ 819,454</u>	<u>\$ 791,311</u>
<u>Noncurrent</u>		
Domestic unlisted shares	<u>\$ 43,345</u>	<u>\$ 44,843</u>

Risalink Venture Capital Corp. conducted capital reduction and refunded NT\$1,934 thousand and NT\$4,605 thousand in September 2020 and August 2019, respectively.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Accounts receivable</u>		
Accounts receivable - non-related parties	<u>\$ 830,087</u>	<u>\$ 466,017</u>
Accounts receivable - related parties	<u>\$ 117,238</u>	<u>\$ 45,733</u>
<u>Other receivables (including related parties)</u>		
Discount receivable	\$ 886	\$ 508,256
Receivables from disposal of scrap	32,961	37,536
Others	<u>11,997</u>	<u>178</u>
	<u>\$ 45,844</u>	<u>\$ 545,970</u>

a. Accounts receivable

The Corporation allows an average credit period of 30 days (the aging of receivables from sales of goods is based upon the date of examination and acceptance of the goods settlement is monthly or 60 days after shipment date). Refer to Note 28 (4) for credit risk management policies.

The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The following table details the loss allowance of accounts receivable based on the Corporation's provision matrix.

2020

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 947,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 947,325
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 947,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,325</u>

2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 511,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,750
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 511,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,750</u>

The amounts of accounts receivable from single customer that exceed 10% of total accounts receivable were as follows:

	December 31	
	2020	2019
A company	\$ 186,520	\$ 67,712
B company	147,430	-
C company	95,493	3,122
D company	88,499	91,491
E company	<u>8,707</u>	<u>104,591</u>
	<u>\$ 526,649</u>	<u>\$ 266,916</u>

The Corporation entered into accounts receivable factoring contract (without recourse). Under the contract, the Corporation is authorized to sell accounts receivable to Bank upon the delivery of products to customers and is required to complete related formalities on the next banking day. Under this contract, the Corporation does not bear the risk of the uncollectability of the accounts receivable.

Receivables sold for the year ended December 31, 2020 and 2019 were as follows:

Buyer of Accounts Receivable	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected	Advances Received at Year-End	Interest Rates on Advances Received (%)	Credit Line
<u>For the year ended December 31, 2020</u>						
Mega Bank	\$ 926,731	\$ 2,243,387	\$ 2,568,873	\$ 601,245	1.09	NT\$855 million
Bank of Taiwan	-	193,763	126,489	67,274	1.09	NT\$200 million
Bank of Taiwan	124,214	195,829	305,466	14,577	2.06	USD\$20 million
	<u>\$ 1,050,945</u>	<u>\$ 2,632,979</u>	<u>\$ 3,000,828</u>	<u>\$ 683,096</u>		
<u>For the year ended December 31, 2019</u>						
Mega Bank	\$ 1,033,187	\$ 2,719,821	\$ 2,826,277	\$ 926,731	1.24	NT\$3 billion
Bank of Taiwan	199,960	520,664	596,410	124,214	3.66	USD20 million
	<u>\$ 1,233,147</u>	<u>\$ 3,240,485</u>	<u>\$ 3,422,687</u>	<u>\$ 1,050,945</u>		

The above credit lines are revolving.

b. Other receivables

The expected losses on other receivables are estimated using expected credit loss rate based on the other receivables overdue days. As of December 31, 2020 and 2019, there was no allowance for doubtful accounts.

10. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 1,608,738	\$ 2,804,063
Supplies	368,565	468,672
Work in progress	488,875	599,299
Finished goods	1,764,310	2,704,337
Others	3,872	887
Raw materials and supplies in transit	<u>2,060</u>	<u>379</u>
	<u>\$ 4,236,420</u>	<u>\$ 6,577,637</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2020 and 2019 was NT\$34,408,159 thousand and NT\$38,767,836 thousand, respectively, including gain on inventory value decline reversal NT\$304,435 thousand and loss on inventory value decline of NT\$4,624 thousand, respectively.

11. PREPAYMENTS

	December 31	
	2020	2019
Input tax	\$ 104,098	\$ 99,167
Prepayments for purchases	41,340	70,532
Tax overpaid retained for offsetting future tax payable	-	52,332
Others	<u>5,523</u>	<u>6,500</u>
	<u>\$ 150,961</u>	<u>\$ 228,531</u>

12. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Current		
Pledged time deposits (Note 30)	<u>\$ 300,000</u>	<u>\$ 300,000</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 28,329	\$ 27,173
Investments in associates	<u>2,669,716</u>	<u>2,526,222</u>
	<u>\$ 2,698,045</u>	<u>\$ 2,553,395</u>

a. Investments in subsidiaries

	December 31, 2020		December 31, 2019	
	Amount	Share-holding (%)	Amount	Share-holding (%)
Unlisted Companies				
Hong Kao Investment Corporation	\$ 28,329	100	\$ 27,173	100
Subsidiary Companies				
Name	Percentage of Ownership Interests and Voting Rights (%)			
	December 31, 2020		December 31, 2019	
Hong Kao Investment Corporation	100		100	

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2020 and 2019 was based on the audited financial statements for the same years.

b. Investments in associates

	December 31			
	2020	2019		
Transglory Investment Corp. (TIC)	\$ 2,669,716	\$ 2,526,222		
Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			December 31	
			2020	2019
TIC	General investment	Taiwan	40.91	40.91

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2020 and 2019 was based on the audited financial statements for the same years.

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

TIC

	December 31	
	2020	2019
Current assets	\$ 2,470	\$ 1,304
Noncurrent assets	6,598,420	6,373,775
Current liabilities	(75,063)	(200,008)
Equity	\$ 6,525,827	\$ 6,175,071
Proportion of the Corporation's ownership (%)	40.91	40.91

(Continued)

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Equity attributable to the Corporation	<u>\$ 2,669,716</u>	<u>\$ 2,526,222</u>
Carrying amount	<u>\$ 2,669,716</u>	<u>\$ 2,526,222</u> (Concluded)
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 134,062</u>	<u>\$ 268,506</u>
Net profit for the year	<u>\$ 120,233</u>	<u>\$ 249,976</u>
Other comprehensive income (loss)	<u>230,522</u>	<u>(93,524)</u>
Total comprehensive income for the year	<u>\$ 350,755</u>	<u>\$ 156,452</u>
Comprehensive income attributable to the Corporation	<u>\$ 143,494</u>	<u>\$ 64,005</u>

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 3,988,983	\$ 4,993,389	\$ 22,734,037	\$ 4,419,879	\$ 1,428,295	\$ 116,329	\$ 37,680,912
Additions	-	8,314	139,625	76,676	108,284	9,028	341,927
Disposals	-	-	(10,858)	(13,121)	(245,380)	-	(269,359)
Balance at December 31, 2020	<u>\$ 3,988,983</u>	<u>\$ 5,001,703</u>	<u>\$ 22,862,804</u>	<u>\$ 4,483,434</u>	<u>\$ 1,291,199</u>	<u>\$ 125,357</u>	<u>\$ 37,753,480</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 1,877,331	\$ 18,539,349	\$ 3,938,749	\$ 773,196	\$ -	\$ 25,128,625
Depreciation expense	-	131,610	676,183	124,436	213,654	-	1,145,883
Disposals	-	-	(1,487)	(13,121)	(245,380)	-	(259,988)
Impairment loss	-	-	423,161	-	153,156	-	576,317
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,008,941</u>	<u>\$ 19,637,206</u>	<u>\$ 4,050,064</u>	<u>\$ 894,626</u>	<u>\$ -</u>	<u>\$ 26,590,837</u>
Carrying amount at December 31, 2020	<u>\$ 3,988,983</u>	<u>\$ 2,992,762</u>	<u>\$ 3,225,598</u>	<u>\$ 433,370</u>	<u>\$ 396,573</u>	<u>\$ 125,357</u>	<u>\$ 11,162,643</u>

For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 3,985,675	\$ 4,985,220	\$ 22,511,085	\$ 4,415,341	\$ 1,448,523	\$ 78,900	\$ 37,424,744
Additions	3,320	8,564	222,952	72,515	167,664	37,429	512,444
Disposals	-	-	-	(67,977)	(187,892)	-	(255,869)
Items reclassified to investment properties	(12)	(395)	-	-	-	-	(407)
Balance at December 31, 2019	<u>\$ 3,988,983</u>	<u>\$ 4,993,389</u>	<u>\$ 22,734,037</u>	<u>\$ 4,419,879</u>	<u>\$ 1,428,295</u>	<u>\$ 116,329</u>	<u>\$ 37,680,912</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 1,746,374	\$ 17,814,290	\$ 3,862,424	\$ 752,626	\$ -	\$ 24,175,714
Depreciation expense	-	130,957	725,059	135,688	208,462	-	1,200,166
Disposals	-	-	-	(59,363)	(187,892)	-	(247,255)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 1,877,331</u>	<u>\$ 18,539,349</u>	<u>\$ 3,938,749</u>	<u>\$ 773,196</u>	<u>\$ -</u>	<u>\$ 25,128,625</u>
Carrying amount at December 31, 2019	<u>\$ 3,988,983</u>	<u>\$ 3,116,058</u>	<u>\$ 4,194,688</u>	<u>\$ 481,130</u>	<u>\$ 655,099</u>	<u>\$ 116,329</u>	<u>\$ 12,552,287</u>

Depreciation of the rollers that belong to the cold-rolling departments, the hot rolling department and the skin

pass mill of the pickling & galvanizing mill department is calculated based on their level of wear; depreciation of other assets is recognized based on the following useful lives.

Buildings	
Facility	5-50 years
Main structure	31-60 years
Machinery and equipment	
Power equipment	3-30 years
High-temperature equipment	5-18 years
Other equipment	
Computer equipment	3-10 years
Office, air condition and extinguishment equipment	3-20 years
Transportation equipment	5-16 years
Others	3-18 years
Tank	10 years

The Corporation bought farmlands for warehouse at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the Corporation's name; thus, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in changing the land title in the future and pledged the land to the Corporation as collateral. As of December 31, 2020 and 2019, the book value of those remaining farmlands recognized as land were both NT\$55,433 thousand.

The continuous cold rolling line, continuous pickling galvanizing line, quenching and tempering rolling line and rolling work roll of the Corporation acid plating plant are evaluated to have no future recoverable amount by the management. An impairment loss of NT\$576,317 thousand was recognized under operating costs.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 68,233	\$ 61,775
Transportation equipment	<u>10,097</u>	<u>13,126</u>
	<u>\$ 78,330</u>	<u>\$ 74,901</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 22,143</u>	<u>\$ 17,708</u>
Depreciation charge for right-of-use assets		
Land	\$ 12,446	\$ 10,440
Transportation equipment	<u>3,029</u>	<u>2,145</u>
	<u>\$ 15,475</u>	<u>\$ 12,585</u>

Except for the addition and recognition of depreciation expenses listed above, the Corporation's right-of-use assets did not undergo significant sub-lease and impairment for the year ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 15,230</u>	<u>\$ 13,273</u>
Non-current	<u>\$ 63,898</u>	<u>\$ 62,044</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land (%)	0.85-1.31	1.10-1.31
Transportation equipment (%)	0.76	0.76

c. Material lease activities and terms

The Corporation leases several pieces of land to store steel products, with the lease terms of 5 to 10 years. The Corporation does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 21,525</u>	<u>\$ 24,877</u>
Expenses relating to low-value asset leases	<u>\$ 1,890</u>	<u>\$ 1,294</u>
Total cash outflow for leases	<u>(\$ 39,533)</u>	<u>(\$ 38,303)</u>

For transportation equipment which qualified as short-term leases and several other equipment which qualified as low-value asset leases, the Corporation has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

For the year ended December 31, 2020

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020 and December 31, 2020	\$ 5,959,074	\$ 41,067	\$ 6,000,141
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 16,068	\$ 16,068
Depreciation expense	-	888	888
Balance at December 31, 2020	\$ -	\$ 16,956	\$ 16,956
Carrying amount at December 31, 2020	\$ 5,959,074	\$ 24,111	\$ 5,983,185

For the year ended December 31, 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 5,959,062	\$ 40,672	\$ 5,999,734
Transferred from property, plant and equipment	12	395	407
Balance at December 31, 2019	\$ 5,959,074	\$ 41,067	\$ 6,000,141
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 15,184	\$ 15,184
Depreciation expense	-	884	884
Balance at December 31, 2019	\$ -	\$ 16,068	\$ 16,068
<u>Accumulated impairment</u>			
Balance at January 1, 2019	\$ 77,532	\$ -	\$ 77,532
Reversal of impairment loss	(77,532)	-	(77,532)
Balance at December 31, 2019	\$ -	\$ -	\$ -
Carrying amount at December 31, 2019	\$ 5,959,074	\$ 24,999	\$ 5,984,073

The Corporation as lessor leased land in Longdong section in Kaohsiung on June 30, 2010 for 20 years under an operating lease agreement; the Corporation collects rental monthly. The rental revenues for the years ended December 31, 2020 and 2019 were NT\$81,889 thousand and NT\$80,290 thousand, respectively, and were included in other income. As of December 31, 2020 and 2019, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2020 and 2019, notes receivable and advance rental were as follows:

	December 31	
	2020	2019
Notes receivable	\$ 50,587	\$ 49,595
Less: Advance rental	<u>50,587</u>	<u>49,595</u>
	<u>\$ -</u>	<u>\$ -</u>

The future rentals to be received under operating leases for the leasing out of investment properties are as follows:

	December 31	
	2020	2019
1st year	\$ 87,569	\$ 91,251
2nd year	84,956	83,296
3rd year	86,618	84,956
4th year	88,232	86,618
5th year	89,996	88,232
Later than 5 years	<u>544,824</u>	<u>634,820</u>
	<u>\$ 982,195</u>	<u>\$1,069,173</u>

The above buildings of investment properties are depreciated on a straight-line basis over 31-55 years useful lives.

The Corporation appointed real estate appraiser to reevaluate land at Guo An Section in Tainan in November 2019, and recognized gain on reversal of impairment loss NT\$77,532 thousand within the scope of accumulated impairment recognized originally.

The fair value of the investment properties was arrived at on the basis of valuations carried out in March and December 2017 and November 2019 by real estate appraiser and on the basis of information at the Ministry of the Interior's real estate transaction database website. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, and land development analysis approach. The important assumptions and fair value were as follows:

	December 31	
	2020	2019
Fair value	<u>\$ 9,996,358</u>	<u>\$ 9,996,358</u>
Expense rate (%)	25.14	25.14
Depreciation rate (%)	1.90-2.57	1.90-2.57

All investment properties are owned by the Corporation and had not been pledged to secure borrowings.

17. BORROWINGS

a. Short-term borrowings and bank overdrafts

	December 31	
	2020	2019
Unsecured loans	\$ 200,000	\$ 1,900,000
Bank overdrafts (Note 30)	154,630	158,680
Letters of credit	50,000	646,187
Loans from related parties (Note 29)	<u>-</u>	<u>2,450,000</u>
	<u>\$ 404,630</u>	<u>\$ 5,154,867</u>
Interest rate (%)	0.32-0.75	0-0.95

b. Short-term bills payable

	December 31	
	2020	2019
Short-term bills payable	\$ 3,600,000	\$ 1,800,000
	<u>423</u>	<u>450</u>
Less: Unamortized discounts	<u>\$ 3,599,577</u>	<u>\$ 1,799,550</u>
Interest rate (%)	0.35-0.36	0.70-0.71

As of December 31, 2020 and 2019, all short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

	December 31	
	2020	2019
Credit bank loans		
Due on various dates through December 2024	\$ 2,000,000	\$ 4,610,000
Less: Current portion	<u>-</u>	<u>480,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 4,130,000</u>
Interest rate (%)	0.75-0.92	0.87-1.29

d. Long-term bills payable

	December 31	
	2020	2019
Long-term bills payable	\$ 1,110,000	\$ 2,610,000
Less: Unamortized discount	<u>326</u>	<u>862</u>
	<u>\$ 1,109,674</u>	<u>\$ 2,609,138</u>
Interest rate (%)	0.73-0.91	0.84-1.06

Commercial papers have revolving credit lines within the payment terms according to the contracts, and

need to be utilized to some extent. As of December 31, 2020, all commercial papers were non-guarantee commercial paper. The borrowing from International Bills Financial Corporation was secured by Bangkok Bank as of December 31, 2019.

18. BONDS PAYABLE

	December 31, 2020
Unsecured domestic bonds	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>4,961</u>
	<u>\$ 2,995,039</u>

The major terms of unsecured domestic bonds are as follow:

Issuer	Issuance Period	Total Amount	Coupon Rate (%)	Repayment and Interest Payment
The Corporation	5 years; expired in March 2025	\$ 2,000,000	0.78	Repayable in March 2025; interest payable annually.
The Corporation	5 years; expired in September 2025	1,000,000	0.65	Repayable in September 2025; interest payable annually.

19. ACCOUNTS PAYABLE

	<u>December 31</u>	
	2020	2019
<u>Accounts payable</u>		
Operating - non related parties	<u>\$ 27,500</u>	<u>\$ 29,672</u>
Operating - related parties	<u>\$ 313,224</u>	<u>\$ 65,597</u>

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	<u>December 31</u>	
	2020	2019
Salaries and incentive bonus	\$ 289,532	\$ 184,613
Utilities	59,229	65,964
Employees' compensation and remuneration and transportation allowance of directors	36,320	11
Outsourced repair and construction	34,572	40,107
Freight	27,497	29,247
Export fees	26,007	41,375
Processing fee	23,367	26,859
Others	<u>83,591</u>	<u>115,012</u>
	<u>\$ 580,115</u>	<u>\$ 503,188</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes contributions, equal to a portion of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the standalone balance sheets in respect of the Corporation’s defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 1,475,529	\$ 1,475,725
Fair value of plan assets	<u>(1,161,812)</u>	<u>(1,101,865)</u>
Net defined benefit liabilities	<u>\$ 313,717</u>	<u>\$ 373,860</u>

Movements of net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 1,475,725</u>	<u>\$ (1,101,865)</u>	<u>\$ 373,860</u>
Service cost			
Current service cost	20,114	-	20,114
Interest expense (income)	<u>10,971</u>	<u>(8,473)</u>	<u>2,498</u>
Recognized in profit or loss	<u>31,085</u>	<u>(8,473)</u>	<u>22,612</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(35,652)	(35,652)
Actuarial loss - changes in demographic assumptions	2,834	-	2,834
Actuarial loss - changes in financial assumptions	34,948	-	34,948
Actuarial loss - experience adjustments	<u>(14,508)</u>	<u>-</u>	<u>(14,508)</u>
Recognized in other comprehensive income	<u>23,274</u>	<u>(35,652)</u>	<u>(12,378)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	\$ _____ -	\$ (67,584)	\$ (67,584)
Benefits paid	_____ (54,555)	_____ 51,762	_____ (2,793)
Balance at December 31, 2020	<u>\$ 1,475,529</u>	<u>\$ (1,161,812)</u>	<u>\$ 313,717</u>
Balance at January 1, 2019	<u>\$ 1,445,603</u>	<u>\$ (1,014,884)</u>	<u>\$ 430,719</u>
Service cost			
Current service cost	21,195	-	21,195
Interest expense (income)	<u>16,158</u>	<u>(11,822)</u>	<u>4,336</u>
Recognized in profit or loss	<u>37,353</u>	<u>(11,822)</u>	<u>25,531</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,526)	(33,526)
Actuarial loss - changes in demographic assumptions	3,577	-	3,577
Actuarial loss - changes in financial assumptions	37,144	-	37,144
Actuarial loss - experience adjustments	<u>2,419</u>	<u>-</u>	<u>2,419</u>
Recognized in other comprehensive income	<u>43,140</u>	<u>(33,526)</u>	<u>9,614</u>
Contributions from the employer	_____ -	_____ (86,943)	_____ (86,943)
Benefits paid	_____ (50,371)	_____ 45,310	_____ (5,061)
Balance at December 31, 2019	<u>\$ 1,475,725</u>	<u>\$ (1,101,865)</u>	<u>\$ 373,860</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 19,066	\$ 21,472
Operating expenses	<u>3,546</u>	<u>4,059</u>
	<u>\$ 22,612</u>	<u>\$ 25,531</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate (%)	0.50	0.75
Expected rate of salary increase (%)	2.125	2.125
Turnover rate (%)	0-4.5	0-6

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

	December 31	
	2020	2019
Discount rate		
0.25% increase	<u>\$ (34,960)</u>	<u>\$ (36,641)</u>
0.25% decrease	<u>\$ 36,197</u>	<u>\$ 37,986</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 34,984</u>	<u>\$ 36,810</u>
0.25% decrease	<u>\$ (33,972)</u>	<u>\$ (35,698)</u>

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 79,110</u>	<u>\$ 81,579</u>
The average duration of the defined benefit obligation	9.7 years	10.2 years

22. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Numbers of shares authorized (in thousands)	<u>2,043,160</u>	<u>2,043,160</u>
Shares authorized	<u>\$ 20,431,600</u>	<u>\$ 20,431,600</u>
Numbers of shares issued and fully paid (in thousands)	<u>1,435,544</u>	<u>1,435,544</u>
Shares issued	<u>\$ 14,355,444</u>	<u>\$ 14,355,444</u>

In June 2009, the Corporation revised the number of its authorized shares to 3,000,000 thousand shares upon obtaining the approval in the shareholders' meeting. Change registration of aforementioned revised authorized shares has not been conducted.

Fully paid ordinary shares, which have a par value NT\$10, carry one vote per share and the right to dividends.

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Additional paid-in capital	<u>\$ 903</u>	<u>\$ 903</u>

In 2009, CSC had transferred its treasury stocks to its employees and subsidiaries. The Corporation recognized a compensation cost and capital surplus of NT\$743 thousand. In July 2011, CSC issued ordinary shares for cash capital. Under the Company Law, CSC should reserve 10% of the stocks for its employees and subsidiaries. The Corporation recognized NT\$160 thousand of compensation cost and capital surplus.

Such capital surplus may be used only to offset deficits.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that 10% of the annual net income less any deficit should be appropriated as a legal reserve; a certain percentage should be appropriated as special reserve; the remainder may be declared as dividends or retained as proposed by the Corporation's board of directors and approved in the shareholders' meetings.

In June 2020, the shareholders' meeting approved a resolution to allocate no less than 30% of the distributable surplus every year to distribute dividends. However, if the cumulative distributable surplus is less than 3% of the paid-in capital, it may not be distributed.

The Corporation is in a mature steel industry. Thus, dividends will be appropriated in cash or in stock at an appropriate ratio, with cash dividends to be at least 50% of total dividends.

Under the Company Law, legal reserve should be appropriated from retained earnings until its balance equals the Corporation's paid-in capital. Legal reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated

Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders’ meeting in June 2020 and 2019, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	2019	2018	2019	2018
Legal reserve	\$ 118	\$ 90,450		
Special reserve	51,971	497,607		
Cash dividends	-	143,555	\$ -	\$ 0.1

The appropriations of earnings for 2020 had been proposed by the Corporation’s board of directors on February 2021 as follows:

	<u>Appropriations of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
Legal reserve	\$ 54,064	
Reversal special reserve	123,739	
Cash dividends	430,663	\$ 0.3

The appropriations of earnings for 2020 are subject to the resolution of the shareholders’ meeting to be held on June 2021.

Information about the appropriation of earnings and offsetting deficits, proposed by the shareholders’ meetings and the Corporation’s board of directors, is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- d. Unrealized gains and losses on financial assets at fair value through other comprehensive income

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance, beginning of year	\$ (549,578)	\$ (497,607)
Recognized during the period		
Unrealized gains and losses - equity instruments	28,579	(13,359)
Share from associates accounted for using the equity method	<u>95,160</u>	<u>(38,612)</u>
Other comprehensive income recognized in the year	<u>123,739</u>	<u>(51,971)</u>
Balance end of year	\$ (425,839)	\$ (549,578)

23. OPERATING REVENUES

- a. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Accounts receivable	\$ <u>947,325</u>	\$ <u>511,750</u>	\$ <u>1,132,372</u>

(Continued)

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities - current			
Sale of goods	\$ 57,283	\$ 285,052	\$ 93,555
Advances received	<u>-</u>	<u>-</u>	<u>2,890</u>
	<u>\$ 57,283</u>	<u>\$ 285,052</u>	<u>\$ 96,445</u>

(Concluded)

b. Disaggregation of revenue

Refer to Statement 17.

24. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 85,229	\$ 83,649
Grant income	94,705	-
Dividend income	31,821	47,601
Indemnity income	4,108	30,113
Others	<u>8,887</u>	<u>12,088</u>
	<u>\$ 224,750</u>	<u>\$ 173,451</u>

b. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Gain (loss) arising on financial assets at fair value through profit or loss	\$ 78,903	\$ (32,516)
Reversal of impairment loss	-	77,532
Gain on disposal of non - current assets held for sale	-	871
Loss on disposal of property, plant and equipment	(9,371)	(8,491)
Service charge	(11,796)	(10,426)
Net foreign exchange gain (loss)	(51,578)	49,511
Other losses	<u>(4,670)</u>	<u>(2,582)</u>
	<u>\$ 1,488</u>	<u>\$ 73,899</u>

The components of net foreign exchange gain (loss) were as follows:

	For the Year Ended December 31	
	2020	2019
Foreign exchange gain	\$ 42,675	\$ 91,352
Foreign exchange loss	<u>(94,253)</u>	<u>(41,841)</u>
Net exchange gain (loss)	<u>\$ (51,578)</u>	<u>\$ 49,511</u>

c. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank overdrafts and loans	\$ 73,637	\$ 109,084
Interest on loans from related parties (Note 29)	12,990	15,145
Interest on lease liabilities	<u>1,044</u>	<u>910</u>
Total interest expense financial liabilities measured at amortized cost	87,671	125,139
Less: Amounts included in the cost of qualifying assets	<u>1,452</u>	<u>2,092</u>
	<u>\$ 86,219</u>	<u>\$ 123,047</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized amounts	\$ 1,452	\$ 2,092
Capitalized annual rates (%)	0.62-0.83	0.87-0.94

d. Depreciation

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 1,145,883	\$ 1,200,166
Investment properties	888	884
Right-of-use assets	<u>15,475</u>	<u>12,585</u>
	<u>\$ 1,162,246</u>	<u>\$ 1,213,635</u>
Analysis of depreciation by function		
Operating costs	\$ 1,089,347	\$ 1,128,006
Operating expenses	72,011	84,745
Deduction of other income	<u>888</u>	<u>884</u>
	<u>\$ 1,162,246</u>	<u>\$ 1,213,635</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2020	2019
Direct operating expenses of investment properties that generated rental income	\$ 11,387	\$ 11,181
Direct operating expenses of investment properties that did not generate rental income	<u>7,265</u>	<u>6,859</u>
	<u>\$ 18,652</u>	<u>\$ 18,040</u>

f. Employee benefits

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries	\$ 1,065,802	\$ 951,616
Labor and health insurance	86,243	90,264
Others	<u>123,232</u>	<u>157,459</u>
	<u>1,275,277</u>	<u>1,199,339</u>
Post-employment benefits		
Defined contribution plans	25,930	25,617
Defined benefit plans (Note 21)	<u>22,612</u>	<u>25,531</u>
	<u>48,542</u>	<u>51,148</u>
	<u>\$ 1,323,819</u>	<u>\$ 1,250,487</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 1,093,410	\$ 1,042,100
Operating expenses	<u>230,409</u>	<u>208,387</u>
	<u>\$ 1,323,819</u>	<u>\$ 1,250,487</u>

g. Employees' compensation and remuneration of directors

In accordance with the Corporation's Articles of Incorporation, the Corporation distributes employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax less any deficit, employees' compensation, and remuneration of directors.

The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors in February 2021 and February 2020, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation	\$ 29,897	\$ 11
Remuneration of directors	5,638	-

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation (%)	5.30	0.10
Remuneration of directors (%)	1.00	-

If there is a change in the proposed amounts after the annual standalone financial statements are authorized for issue, the difference is recorded as a change in accounting estimate and recognized in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the standalone financial statements for the year ended December 31, 2019 and 2018.

Information on employees' compensation and remuneration of directors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ -	\$ 94

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2020	2019
Profit before income tax	\$ 528,260	\$ 10,885
Income tax expense at the statutory rate	\$ 105,652	\$ 2,177
Permanent differences		
Profit on investments under equity method	(9,898)	(20,420)
Others	(34,379)	(15,698)
Unrecognized deductible temporary differences	31,128	(15,565)
Loss carryforwards	(92,380)	-
Investment deduction	(123)	-
Unrecognized loss carryforwards	-	49,506
Land value increment tax	-	94
	<u>\$ -</u>	<u>\$ 94</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Corporation only deducted the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. No income tax was recognized in other comprehensive loss.

c. Current tax assets and liabilities

	<u>December 31</u>	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 202</u>	<u>\$ 349</u>

d. Deferred tax liabilities

The movements of deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Land value increment tax	<u>\$ (182,222)</u>	<u>\$ -</u>	<u>\$ (182,222)</u>

For the year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Land value increment tax	<u>\$ (182,222)</u>	<u>\$ -</u>	<u>\$ (182,222)</u>

e. Items for which no deferred tax assets have been recognized

	<u>December 31</u>	
	2020	2019
Loss carryforwards		
2022 maturity	\$ 995,450	\$ 1,457,780
2023 maturity	187,880	187,880
2025 maturity	2,655,245	2,655,245
2029 maturity	<u>106,994</u>	<u>247,531</u>
	<u>\$ 3,945,569</u>	<u>\$ 4,548,436</u>
Investment credits (tax)		
Investment cost	<u>\$ 93</u>	<u>\$ -</u>

(Continued)

	December 31	
	2020	2019
Deductible temporary differences		
Amortization of deferred credits	\$ 399,479	\$ 454,558
Impairment loss on assets	563,483	-
Sales discount payable	144,862	140,124
Net defined benefit liabilities	313,717	373,860
Provision for inventory loss	123,804	428,239
Others	<u>103,533</u>	<u>100,114</u>
	<u>\$ 1,648,878</u>	<u>\$ 1,496,895</u>

(Concluded)

f. Information about unused investment credits, loss deductions and tax exemptions

As of December 31, 2020, the relevant information on investment credits is as follows:

Legal Basis	Credit Item	Remaining Creditable Amount (Tax)	Expiry Year
Biotechnology New Drug Development Ordinance Article 6 Item 2	Investment cost	<u>\$ 93</u>	2023

As of December 31, 2020, the relevant information on loss carryforwards is as follows:

Undeducted Balance	Expiry Year
<u>\$ 3,945,569</u>	2022-2029

g. Income tax assessments

The Corporation's income tax returns through 2018 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 0.37</u>	<u>\$ 0.01</u>
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.01</u>

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2020	2019
Attributable to owners of the Corporation	<u>\$ 528,260</u>	<u>\$ 10,791</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	<u>For the Year Ended December 31</u>	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:		
Employees' compensation	<u>1,898</u>	<u>401</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>1,437,442</u>	<u>1,435,945</u>

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

27. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue their operations while maximizing the return to shareholders through the optimization of the debt and equity balance.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management of the Corporation considers the carrying amount of financial assets and liabilities not carried at fair value approximates fair value.

b. Fair value of financial instruments that are measured at fair value on a recurring basis.

1) Fair value hierarchy

<u>December 31, 2020</u>	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Emerging market shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>242,410</u>	\$ <u>242,410</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 819,454	\$ -	\$ -	\$ 819,454
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>43,345</u>	<u>43,345</u>
	<u>\$ 819,454</u>	<u>\$ -</u>	<u>\$ 43,345</u>	<u>\$ 862,799</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Financial assets at FVTPL				
Emerging market shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>181,351</u>	\$ <u>181,351</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 791,311	\$ -	\$ -	\$ 791,311
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>44,843</u>	<u>44,843</u>
	<u>\$ 791,311</u>	<u>\$ -</u>	<u>\$ 44,843</u>	<u>\$ 836,154</u> (Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial assets

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
<u>For the year ended December 31, 2020</u>			
Balance, beginning of year	\$ 181,351	\$ 44,843	\$ 226,194
Total profit or loss			
Recognized in profit or loss	78,903	-	78,903
Recognized in other comprehensive income	-	436	436
Disposal	(17,844)	-	(17,844)
Capital reduction refunded	<u>-</u>	<u>(1,934)</u>	<u>(1,934)</u>
Balance, end of year	<u>\$ 242,410</u>	<u>\$ 43,345</u>	<u>\$ 285,755</u>
Unrealized gains and losses recognized in other profit or loss	<u>\$ 75,482</u>	<u>\$ -</u>	<u>\$ 75,482</u>
<u>For the year ended December 31, 2019</u>			
Balance, beginning of year	\$ 217,281	\$ 51,219	\$ 268,500
Total profit or loss			
Recognized in profit or loss	(32,516)	-	(32,516)
Recognized in other comprehensive income	-	(1,771)	(1,771)
Disposal	(3,414)	-	(3,414)
Capital reduction refunded	<u>-</u>	<u>(4,605)</u>	<u>(4,605)</u>
Balance, end of year	<u>\$ 181,351</u>	<u>\$ 44,843</u>	<u>\$ 226,194</u>
Unrealized gains and losses recognized in other profit or loss	<u>\$ (32,620)</u>	<u>\$ -</u>	<u>\$ (32,620)</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement
 - a) The fair value of emerging stocks was based on the closing price adjusted for liquidity risk premium.
 - b) The fair value of unlisted stocks was based on the current net value.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
<hr/>		
Fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ 242,410	\$ 181,351
Measured at amortized cost (see 1 below)	1,585,288	1,429,321
Financial assets at fair value through other comprehensive income		
Equity instruments	862,799	836,154
<hr/>		
Financial liabilities		
Measured at amortized cost (see 2 below)	11,218,515	14,960,624

- 1) The balances included financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties), other receivables (including related parties and excluding tax refund receivable), other financial assets and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables, refund liability, bonds payable, long-term borrowings (including current portion), long-term bills payable, and guarantee deposits received.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, long-term borrowings (including current portion of long-term bank borrowings), long-term bills payable and lease liabilities. The Corporation's financial management department provides service to the business units, coordinates domestic and international financial operations, prepares and analyzes internal risk reports to monitor and manage financial risks related to the operation of the Corporation. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

The main financial risks arising from operating activities are to the risk of change in foreign exchange rates (see (a) below), the risk of changes in interest rates (see (b) below) and the risk of other price (see (c) below).

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

a) Foreign currency risk

The Corporation was exposed to foreign currency risk due to sales and purchases, denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing the same currency for accounts receivable and payable to alleviate foreign currency risk and risk to manage futures.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Corporation was mainly exposed to the fluctuation of USD. The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only the outstanding foreign currency denominated monetary items, refer to Note 32. The following table shows the impact on profit of 1% decrease in NTD against USD.

	<u>USD Impact (Note)</u>	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 5,290	\$ 841

Note: This was mainly attributable to the exposure of outstanding USD cash, accounts receivable, accounts payable and other payables, which were not hedged at the balance sheet date.

b) Interest rate risk

The Corporation was exposed to interest rate risk because the Corporation borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Corporation's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial liabilities	\$ 3,074,167	\$ 75,317

(Continued)

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial assets	\$ 565,544	\$ 365,177
Financial liabilities	3,109,674	7,219,138
		(Concluded)

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2020 and 2019 would have been lower/higher by NT\$6,360 thousand and NT\$17,135 thousand, respectively.

c) Other price risk

The Corporation was exposed to equity price risk through their investments in domestic listed shares.

The equity price of the Corporation was evaluated by the closing price of the equity securities on a monthly basis.

Sensitivity analysis

If equity price of fair value through other comprehensive income financial assets had been lower by one dollar, the pre-tax-other comprehensive income, for the years ended December 31, 2020 and 2019 would both have been lower by NT\$33,109 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the balance sheet date, the Corporation's maximum exposure to credit risk is the carrying amount of the financial assets on the standalone balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

The Corporation made transactions only with the parties with good credit. The goods were delivered after the cash or L/C was received, and the Corporation did not provide financial guarantee to any company. Accounts receivable were due to time differences of L/C negotiation and there were no bad debt in the recent years; therefore, the credit risk is very low.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. The Corporation relies on bank borrowings as a significant source of liquidity. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of December 31, 2020, the unutilized credit facility of the Corporation was NT\$42 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

The table below summarizes the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2020</u>				
Short-term borrowings	\$ 406,794	\$ -	\$ -	\$ 406,794
Short-term bills payable	3,600,000	-	-	3,600,000
Accounts payable (including related parties)	340,724	-	-	340,724
Other payables	580,115	-	-	580,115
Refund liabilities	153,756	-	-	153,756
Lease liabilities	16,086	45,564	20,646	82,296
Bonds payable	22,100	3,088,400	-	3,110,500
Long-term bank borrowings	16,500	2,034,430	-	2,050,930
Long-term bills payable	-	1,110,000	-	1,110,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 5,136,075</u>	<u>\$ 6,278,394</u>	<u>\$ 55,646</u>	<u>\$ 11,470,115</u>
<u>December 31, 2019</u>				
Short-term borrowings	\$ 5,188,373	\$ -	\$ -	\$ 5,188,373
Short-term bills payable	1,800,000	-	-	1,800,000
Accounts payable (including related parties)	95,269	-	-	95,269
Other payables	503,188	-	-	503,188
Refund liabilities	153,612	-	-	153,612
Lease liabilities	14,082	47,037	17,228	78,347
Long-term bank borrowings	499,363	4,173,943	-	4,673,306
Long-term bills payable	-	2,610,000	-	2,610,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,253,887</u>	<u>\$ 6,830,980</u>	<u>\$ 52,228</u>	<u>\$ 15,137,095</u>

29. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and other related parties are disclosed below.

- a. The name of the company and its relationship with the Corporation

<u>Company</u>	<u>Relationship</u>
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow subsidiaries
CHC Resources Corporation (CHC)	Fellow subsidiaries
Info Champ Systems Corporation (ICSC)	Fellow subsidiaries
Himag Magnetic Corporation (HMC)	Fellow subsidiaries
CSC Steel Sdn. Bhd. (CSSB)	Fellow subsidiaries
China Ecotek Corporation	Fellow subsidiaries
China Steel Global Trading Corporation	Fellow subsidiaries
CSGT Japan Co., Ltd.	Fellow subsidiaries
China Steel Management Consulting Corp.	Fellow subsidiaries
CSC Solar Corporation.	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
China Steel Structure Co., Ltd	Fellow subsidiaries
China Steel Express Corporation	Fellow subsidiaries
China Steel Chemical Corporation	Fellow subsidiaries
China Steel Machinery Corporation	Fellow subsidiaries

(Continued)

<u>Company</u>	<u>Relationship</u>
Yu Cheng Lime Corporation	Fellow subsidiaries
Wabo Global Trading Corporation	Fellow subsidiaries
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiaries
Kaohsiung Rapid Transit Corporation	Fellow subsidiaries
Universal Exchange Inc.	Fellow subsidiaries
Sing Da Marine Structure	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
Union Steel Development Corp.	Fellow subsidiaries
Formosa Ha Tinh Steel Corporation	Other related parties
Pacific Harbour Stevedoring Corporation	The Corporation as supervisor of other company
	(Concluded)

b. Sale of goods

<u>Account Items</u>	<u>Related Parties Types /Name</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Sales	Fellow subsidiaries related to others	\$ 1,392,519	\$ 1,333,043
	Parent entity	<u>7,918</u>	<u>4,544</u>
		<u>\$ 1,400,437</u>	<u>\$ 1,337,587</u>
Service Revenue	Parent entity	\$ 319,010	\$ 470,271
	Fellow subsidiaries related to others	18	37
		<u>\$ 319,028</u>	<u>\$ 470,308</u>

The parent entity and some fellow subsidiaries related to others paid by telegraphic transfers (T/T) within 7 days from product shipment, T/T within 60 days from product shipment, monthly billing by T/T after acceptance sale of, steel pipe products collected at the beginning of next month; these payment terms differed from those for third parties, from whom payments were negotiated to be on Tuesday and Friday.

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity in which the Corporation has to do certain processing work and charged based on the formula stated in the agreements. The Corporation bills the parent entity within one month after approval of delivery.

The Corporation entered into an agreement with fellow subsidiaries related to others under which the Corporation sells waste acid and the price is charged based on the formula stated in the agreement. The Corporation bills the fellow subsidiaries related to others within a month after acceptance by T/T based on the monthly amount of processing.

Account Items	Related Parties Types /Name	For the Year Ended December 31	
		2020	2019
Other operating revenue	Fellow subsidiaries related to others		
	DSC	\$ 44,103	\$ 44,762
	HMC	<u>9,179</u>	<u>11,474</u>
		<u>\$ 53,282</u>	<u>\$ 56,236</u>

There is no significant profit or loss from the sale of the materials of the Company to fellow subsidiaries.

c. Purchase of goods

Related Parties Types/Name	For the Year Ended December 31	
	2020	2019
Parent entity	<u>\$ 17,341,242</u>	<u>\$ 20,764,285</u>
Fellow subsidiaries related to others		
DSC	\$ 9,479,326	\$ 8,712,164
Others	<u>579,355</u>	<u>334,062</u>
	<u>10,058,681</u>	<u>9,046,226</u>
Other related parties	<u>-</u>	<u>122,810</u>
	<u>\$ 27,399,923</u>	<u>\$ 29,933,321</u>

(Concluded)

The purchases were mainly slabs and hot rolling coils. The purchase price and payment terms were incomparable in 2020 because the Corporation were not purchased from non-related parties; Purchase from related parties were made under normal term in 2019.

d. Accounts receivable from related parties

Account Items	Related Parties Types /Name	December 31	
		2020	2019
Accounts receivable from related parties	Parent entity	\$ 52,905	\$ 43,118
	Fellow subsidiaries related to others	64,333	2,615
		<u>\$ 117,238</u>	<u>\$ 45,733</u>
Other receivable from related parties	Parent entity	<u>\$ 886</u>	<u>\$ 508,259</u>
	Fellow subsidiaries related to others		
	CHC	25,389	31,578
	Others	<u>248</u>	<u>102</u>
		<u>25,637</u>	<u>31,680</u>
		<u>\$ 26,523</u>	<u>\$ 539,939</u>

No guarantee had been received for accounts receivable and other receivable from related parties. No expense had been recognized for the years ended December 31, 2020 and 2019 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

e. Accounts payable to related parties (excluding loans from related parties)

Account Items	Related Parties Types /Name	December 31	
		2020	2019
Accounts payable to related parties	Parent entity	\$ 267,429	\$ 56,343
	Fellow subsidiaries related to others	41,816	1,330
	Other related parties	<u>3,979</u>	<u>7,924</u>
		<u>\$ 313,224</u>	<u>\$ 65,597</u>

The outstanding accounts payable to related parties were unsecured.

f. Loans from related parties

Related Parties Types	December 31	
	2020	2019
Parent entity	\$ <u>-</u>	\$ <u>2,450,000</u>

The Corporation borrowed money from the parent entity because of the need for short-term fund. The interest rate of the loan was based on average daily short-term interest the parent entity financed for the same currency from financial institutions in the last 30 days and adjusted monthly.

The loans from the parent entity were unsecured loans with interest expense of NT\$12,990 thousand and NT\$15,145 thousand for 2020 and 2019, respectively.

g. Other transactions with related parties

1) Authorization fees

In May 2003, the parent company, Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel Corporation in April 2019) and Sumitomo Corporation entered into a joint venture agreement and established the joint venture company East Asia United Steel Corporation (EAUS) in July 2003. The parent company thus has a stable supply of high-quality slab through this joint venture. The parent company then signed a contract with the Corporation, transferring to the Corporation the right to buy slab from EAUS. The Corporation should pay authorization fees to the parent company under the contract. These fees (included in the purchase cost of materials) were NT\$86,665 thousand and NT\$99,527 thousand in 2020 and 2019, respectively. As of December 31, 2020 and 2019, authorization fees payable (included in payables to related parties) were NT\$15,697 thousand and NT\$21,550 thousand, respectively. The calculation of slab purchase prices was based on the formula stated in the agreement.

2) Leases

a) The Corporation entered into a contract with fellow subsidiaries related to others on the lease of the Corporation's part of the land, roof and warehouse. The rental revenue for the years ended December 31, 2020 and 2019 were NT\$4,011 thousand and NT\$3,774 thousand, respectively.

b) The Corporation entered into a contract with parent entity on the lease of the Corporation's part of the land and warehouse. The rental revenue for the years ended December 31, 2020 and 2019 were both NT\$5,310 thousand.

3) Construction in progress and other expenditures

Other expenditures include import and export transportation fees, export agency fees, rent expenses, remuneration and transportation allowances of directors and supervisors.

	For the Year Ended December 31	
	2020	2019
a) Other expenditures		
Other related parties	\$ 133,514	\$ 190,046
Parent entity	77,236	118,919
Fellow subsidiaries related to others	<u>78,467</u>	<u>60,637</u>
	<u>\$ 289,217</u>	<u>\$ 369,602</u>
b) Capital expenditure		
Parent entity	<u>\$ 7,600</u>	<u>\$ 2,723</u>
Fellow subsidiaries related to others		
ICSC	103,487	21,742
Others	<u>1,383</u>	<u>34,466</u>
	<u>104,870</u>	<u>56,208</u>
	<u>\$ 112,470</u>	<u>\$ 58,931</u>

4) Income from selling supplies and scrap (included in deductions of cost of goods sold)

	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries related to others		
CHC	\$ 269,902	\$ 377,925
Others	<u>16,094</u>	<u>15,102</u>
	<u>\$ 285,996</u>	<u>\$ 393,027</u>

h. Compensation of key management personnel

The remuneration to directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 43,149	\$ 29,509
Post-employment benefits	<u>2,179</u>	<u>1,777</u>
	<u>\$ 45,328</u>	<u>\$ 31,286</u>

30. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The Corporation's assets mortgaged or pledged as collateral for Bank overdrafts were as follows (listed based on their carrying amounts):

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Time deposits (included in other financial assets - current)	<u>\$ 300,000</u>	<u>\$ 300,000</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2020 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$1,685,933 thousand
- b. The Corporation had signed agreements to buy equipment for NT\$490,758 thousand, of which NT\$217,085 thousand had been paid (included in construction-in-progress and prepayments for equipment).

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2020</u>				
Monetary financial assets				
USD	\$ 19,476	28.480	(USD:NTD)	\$ 554,666
Monetary financial liabilities				
USD	901	28.480	(USD:NTD)	25,659
<u>December 31, 2019</u>				
Monetary financial assets				
USD	4,321	29.98	(USD:NTD)	129,550
Monetary financial liabilities				
USD	1,515	29.98	(USD:NTD)	45,416
JPY	49,145	0.276	(JPY:NTD)	13,564

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gain or loss were loss of NT\$51,578 thousand and gain of NT\$49,511 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign

currency transactions.

33. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. investees:
 - 1) Financing provided to others (None)
 - 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
 - 9) Trading in derivative instruments (None)
 - 10) Information on investees (Table 3)
- c. Information on investments in mainland China (None)
- d. Major shareholders information (Table 4)

34. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2020				Note	
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value		
Chung Hung Steel Corporation	Common Stock Yieh United Steel Corp.	Parent company	Financial assets at fair value through profit or loss - current	36,728,800	\$ 242,410	1	\$ 242,410	Note 1	
	Shouh Hwang Enterprise Co., Ltd.		Financial assets at fair value through profit or loss - current	730,000	-	15	-	Note 2	
						<u>\$ 242,410</u>		<u>\$ 242,410</u>	
	Common Stock China Steel Corporation		Financial assets at fair value through other comprehensive income - current	33,109,239	<u>\$ 819,454</u>	-	<u>\$ 819,454</u>		
	Common Stock Taiwan Ves-Power Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	958,333	\$ 36,599	2	\$ 36,599	2020.11.30 net value	
	Riselink Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	3,948	866	3	866	2020.11.30 net value	
Chung Hung Steel Corporation	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	5,880	5	5,880	2020.11.30 net value	
					<u>\$ 43,345</u>		<u>\$ 43,345</u>		
Hung Kao Investment Corporation	Common Stock China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	<u>\$ 24,848</u>	-	<u>\$ 24,848</u>		

Note 1: The fair value of emerging stock was based on the closing price adjusted for liquidity risk premium.

Note 2: The impairment loss has been recognized that resulted in zero book value.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	\$ 17,341,242	62	Letter of credit at sight/Payment after final acceptance	\$ -	NO THIRD-PARTY COULD BE COMPARED	\$ (267,429)	(78)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	9,479,326	34	Letter of credit at sight	-	NO THIRD-PARTY COULD BE COMPARED	-	-	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	510,299	2	Letter of credit at sight/Payment after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	(41,210)	(12)	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,363,568)	(4)	T/T within 7 business days after lading date (not included)	-	NOT SIGNIFICANT DIFFERENCE	53,331	6	
	China Steel Corporation	Parent company	Service revenue	(319,010)	(1)	T/T as the end of the month of when invoice is issued after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	52,905	6	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Republic of China	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 28,329	\$ 303	\$ 303	Subsidiaries
Chung Hung Steel Corporation	Transglory Investment Corporation	Republic of China	General investment	2,001,152	2,001,152	306,824,279	40.91	2,669,716	120,233	49,187	Associates

TABLE 4**CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDER INFORMATION
DECEMBER 31, 2020**

Major shareholders	Shares	
	Number of shares held	Shareholding (%)
China Steel Corporation	582,673,153	40.58

Note 1: The main shareholder information in this table is based on the last business day at the end of the quarter, and the shareholders hold more than 5% of the company's ordinary shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's standalone financial report and the actual number of shares delivered without physical registration may be different due to different calculation bases.

Note 2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding and the shares delivered to the trust which has the decision rights over trust property, etc. Please refer to the public information for information on Market Observation Post System website of the Taiwan Stock Exchange.

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STATEMENT 1

CHUNG HUNG STEEL CORPORATION

STATEMENT OF CASH

DECEMBER 31, 2020

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

Item	Amount
Cash on hand	\$ 640
Cash in banks	
Demand deposits	1,443
Checking accounts	19,715
Foreign currency deposits	
USD \$ 9,273,216	264,101
	<hr/> 285,259 <hr/>
	<hr/> \$ 285,899 <hr/>

Note: US\$1=NT\$28.48.

STATEMENT 2

CHUNG HUNG STEEL CORPORATION

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

DECEMBER 31, 2020

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

Item	Shares	Acquisition Cost	Fair Value		Note
			Unit Price (NT\$)	Amount	
Common stock					
Emerging Company					
Yieh United Steel Corporation	36,728,800	\$ 218,634	\$ 6.60	<u>\$ 242,410</u>	Note 1
Less: Evaluation adjustment		<u>23,776</u>			
		242,410			
Domestic unlisted shares					
Shouh Hwang Enterprise Co., Ltd.	730,000	-	-	<u>\$ -</u>	Note 2
		<u>\$ 242,410</u>			

Note 1: Fair value is calculated based on liquidity premium adjusted by Emerging Stock Market price as of December 31, 2020.

Note 2: All were recognized as impairment loss in the previous year.

STATEMENT 3

CHUNG HUNG STEEL CORPORATION

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER
COMPREHENSIVE INCOME - CURRENT**

DECEMBER 31, 2020

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

Item	Shares	Acquisition Cost	Fair Value (Note)		
			Unit Price (NT\$)	Amount	
Domestic Listed Shares					
China Steel Corporation	33,109,239	\$635,641	\$24.75	<u>\$ 819,454</u>	Note
Plus: Evaluation adjustment		<u>183,813</u>			
		<u>\$819,454</u>			

Note: Fair value is measured on the basis of the closing price at the balance sheet date.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount (Note 2)
Related Parties	
CSC Steel Sdn. Bhd.	\$ 53,331
China Steel Corporation	52,905
China Steel Structure Co., Ltd	6,546
Others (Note 1)	<u>4,456</u>
	<u>\$ 117,238</u>
Non-Related Parties	
Synn Industrial Co., Ltd	\$ 186,520
Sumitomo Corporation Taiwan Limited	147,430
Yieh Hong Enterprise Co., Ltd.	95,493
Hong-Ye Steel Co., Ltd	88,499
DUFERCO S.A.	73,943
Others (Note 1)	<u>238,202</u>
	<u>\$ 830,087</u>

Note 1: The amount of individual customer included in others does not exceed 5% of the account balance.

Note 2: There are no accounts receivable that are past due over 1 year.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note)
Raw materials	\$ 1,627,421	\$ 1,894,247
Supplies	431,232	476,579
Work in progress	495,791	569,259
Finished goods	1,799,848	2,101,292
Others	3,872	3,872
Raw materials and supplies in transit	2,060	2,122
Allowance for loss on inventory value	(123,804)	-
	<u>\$ 4,236,420</u>	<u>\$ 5,047,371</u>

Note: Refer to Note 4 for details.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF OTHER FINANCIAL ASSETS

DECEMBER 31, 2020

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

Bank Name	Interest Rates (%)	Period	Amount	Note
Other Financial Assets				
Taiwan Business Bank- Time deposits	0.04	2020.11.29-2021.01.29	<u>\$ 300,000</u>	Note

Note: As a collateral for bank borrowings.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Balance, January 1, 2020		Additions (Note 1)		Decrease (Note 2)		Balance, December 31, 2020		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value (Note 3)	
Domestic unlisted shares									
Riselink Venture Capital Corp.	197,381	\$ 3,580	-	\$ -	193,433	\$ 2,714	3,948	\$ 866	None
Taiwan Ves-Power Co., Ltd.	958,333	35,305	-	1,294	-	-	958,333	36,599	None
Pacific Harbour Stevedoring Corp.	250,000	<u>5,958</u>	-	<u>-</u>	-	<u>78</u>	250,000	<u>5,880</u>	None
		<u>\$44,843</u>		<u>\$ 1,294</u>		<u>\$ 2,792</u>		<u>\$ 43,345</u>	

Note 1: The unrealized gain on valuation of NT\$ 1,294 thousand was recognized as additions.

Note 2: The reduced capital and refund of NT\$ 1,934 thousand and the unrealized loss on valuation of NT\$ 858 thousand were recognized as decreases.

Note 3: Fair value is estimated pursuant to the evaluation method in Note 28.

CHINA STEEL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2020		Additions (Note)		Decrease		Balance, December 31, 2020			Market Value or Net Assets Value		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price (NT\$)	Total Amount	Collateral
Unlisted companies												
Transglory Investment Corporation	297,619,989	\$ 2,526,222	9,204,290	\$ 143,494	-	\$ -	306,824,279	40.91	\$ 2,669,716	\$ 8.70	\$ 2,669,716	None
Hong Kao Investment Corporation	2,600,000	27,173	-	1,156	-	-	2,600,000	100	28,329	10.90	28,329	None
		<u>\$ 2,553,395</u>		<u>\$ 144,650</u>		<u>\$ -</u>			<u>\$ 2,698,045</u>		<u>\$ 2,698,045</u>	

Note : The increase came from investment income recognized under equity method of NT\$ 49,490 thousand and unrealized gain of financial assets at fair value through other comprehensive income of NT\$ 95,160 thousand.

CHUNG HUNG STEEL CORPORATION
**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)**

Item	Land	Transportation Equipment	Total
Cost			
Balance, January 1,2020	\$ 72,215	\$ 15,238	\$ 87,453
Additions	22,143	-	22,143
Disposals	(3,566)	-	(3,566)
Balance, December 31,2020	<u>90,792</u>	<u>15,238</u>	<u>106,030</u>
Accumulated depreciation			
Balance, January 1,2020	(10,440)	(2,122)	(12,552)
Disposals	327	-	327
Depreciation expense	(12,446)	(3,029)	(15,475)
Balance, December 31,2020	<u>(22,559)</u>	<u>(5,141)</u>	<u>(27,700)</u>
	<u>\$ 68,233</u>	<u>\$ 10,097</u>	<u>\$ 78,330</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

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

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Credit Amount	Collateral or Pledge
Revolving loans		0.59-0.75			
Bank of Taiwan, GangShan (Note 1)	2020.12.21-2021.01.19		\$ 100,000	\$ 5,500,000	None
Mitsubishi UFJ, Taipei	2020.12.22-2021.01.19		<u>100,000</u>	500,000	None
			200,000		
LC borrowing in NTD		0.75			
Bank of Taiwan, GangShan (Note 1)	2020.12.29-2021.03.29		50,000	5,500,000	None
Bank overdraft		0.32			
Taiwan Business Bank, LingYa Branch			<u>154,630</u>	-	Certificate of time deposit (Note 2)
			<u>\$ 404,630</u>		

Note 1: Revolving loans and LC borrowing in NTD shared credit amount.

Note 2: Refer to Note 30 for details.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF SHORT-TERM BILLS PAYABLE

DECEMBER 31, 2020

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

Financial Institution	Period	Interest Rates (%)	Amount		
			Issuance amount	Unamortized Amount	Carrying Amount
Ta Ching Bills Finance Corporation	2020.03.27-2021.03.27	0.358	\$ 500,000	\$ 34	\$ 499,966
Bank of Taiwan	2020.10.16-2021.10.16	0.348-0.358	1,800,000	261	1,799,739
Hua Nan Commercial Bank	2020.02.05-2021.03.18	0.348-0.358	400,000	40	399,960
Union Bank of Taiwan	2020.10.14-2021.10.13	0.348-0.358	<u>900,000</u>	<u>88</u>	<u>899,912</u>
			<u>\$ 3,600,000</u>	<u>\$ 423</u>	<u>\$ 3,599,577</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related Parties	
China Steel Corporation	\$ 267,429
China Steel Global Trading Corporation	41,210
Others (Note)	<u>4,585</u>
	<u>\$ 313,224</u>
Non-related Parties	
Prosperity Did Enterprise Co., Ltd.	\$ 1,980
JDV Control Valves Co., Ltd.	1,504
LienHwa Industrial Gases Co., Ltd.	1,426
Others (Note)	<u>22,590</u>
	<u>\$ 27,500</u>

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

CHUNG HUNG STEEL CORPORATION

STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2020

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

Bonds Name	Trustee	Issuance Date	Interest Payment Date And Repayment Method	Coupon Rate (%)	Amount					Collateral
					Total Amount	Repayment Paid	Balance, End of Year	Issuance Costs	Carrying Value	
5-year unsecured bonds	Taipei Fubon Commercial Bank Co., Ltd	2020.03-2025.03	Repayable in March 2025; interest payable annually	0.78	\$2,000,000	\$ -	\$2,000,000	(\$ 2,799)	\$1,997,201	None
	Taipei Fubon Commercial Bank Co., Ltd	2020.09-2025.09	Repayable in September 2025; interest payable annually	0.65	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	(<u>2,162</u>)	<u>997,838</u>	None
					<u>\$3,000,000</u>	<u>\$ -</u>	<u>\$3,000,000</u>	(<u>\$ 2,799</u>)	<u>\$2,995,039</u>	

CHUNG HUNG STEEL CORPORATION

STATEMENT OF LONG-TERM BANK BORROWINGS

DECEMBER 31, 2020

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

Bank Name	Contract Period and Repayment Method	Interest Rates (%)	Balance, December 31, 2020			Collateral
			Current	Over 1 Year	Total	
Long-term bank borrowings						
Bank of Taiwan, GangShan	Due in December 2024, amortisation	0.79	\$ -	\$ 1,200,000	\$ 1,200,000	None
Bank of Taiwan, GangShan	Due in December 2022 with revolving basis	0.75	-	200,000	200,000	None
Land Bank of Taiwan, Tainan	Due in December 2023 with revolving basis	0.92	-	600,000	600,000	None
			<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	

CHUNG HUNG STEEL CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Period	Discount Rates (%)	Amount
Land	2015.03.01-2029.12.31	0.85-1.31	\$ 68,966
Transportation equipment	2019.05.01-2024.04.30	0.76	<u>10,162</u>
			<u>\$ 79,128</u>

Note 1: Refer to Note 15 for details.

Note 2: Current portion of lease liabilities has been classified as current liabilities.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF LONG-TERM BILLS PAYABLE

DECEMBER 31, 2020

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

Financial Institution	Guarantee Institution	Credit Line	Period	Interest Rates (%)	Amount		Collateral	
					Issuance Amount	Uuamortized Amount		
Commercial papers payable China Bills Finance Corporation	Non-guarantee	\$ 300,000	2019.04.01-2022.03.31	0.91	\$ 210,000	\$ 73	\$ 209,927	None
Taishin Bank	Non-guarantee	<u>1,800,000</u>	2019.09.10-2022.09.09	0.73	<u>900,000</u>	<u>253</u>	<u>899,747</u>	None
		<u>\$ 2,100,000</u>			<u>\$ 1,110,000</u>	<u>\$ 326</u>	<u>\$ 1,109,674</u>	

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (Metric Tons)	Amount
Sale of Goods		
Hot rolled coiled steel	1,960,708	\$ 27,872,766
Cold rolled coiled steel	278,416	4,973,327
Steel pipe	63,991	1,253,410
Galvanized coiled steel	128,318	<u>2,306,539</u>
		36,406,042
Service revenue		324,620
Other operating revenue (Note)		<u>58,856</u>
		<u>\$ 36,789,518</u>

Note: The amount of each item included in others does not exceed 10% of the account balance.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold for in-house products	
Raw materials used	
Raw materials, beginning of year	\$ 2,925,281
Raw material purchased	27,803,468
Raw materials, end of year	<u>(1,627,421)</u>
	29,101,328
Direct labor	366,432
Manufacturing expenses	<u>4,244,228</u>
Manufacturing cost	33,711,988
Work in progress, beginning of year	638,623
Work in progress, end of year	<u>(495,791)</u>
	33,854,820
Finished goods, beginning of year	2,972,034
Finished goods, end of year	(1,799,848)
Income from off-grades	(606,770)
Others	<u>(12,077)</u>
Total costs of goods sold	34,408,159
Service costs	284,258
Impairment loss	576,317
Other operating costs	<u>66,920</u>
Total operating costs	<u>\$ 35,335,654</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Total
Export expense	\$ 684,381	\$ 10,413	\$ 694,794
Salaries and awards	46,710	145,675	192,385
Depreciation expense	107	71,904	72,011
Commission	32,280	-	32,280
Insurance	6,192	12,817	19,009
Employee benefits	4,802	11,045	15,847
Tax	29	9,580	9,609
Service fee	9,091	17,426	26,517
Travelling expense	670	2,453	3,123
Pension	2,197	5,182	7,379
Entertainment expense	1,585	4,252	5,837
Stockholder service fee	-	2,761	2,761
Repair and maintenance expense	-	6,068	6,068
Rent expense	208	2,784	2,992
Postage	644	2,133	2,777
Utility	-	2,725	2,725
Donation expense	100	2,480	2,580
Security expense	-	2,605	2,605
Freight expense	2,032	-	2,032
Others	<u>3,208</u>	<u>9,524</u>	<u>12,732</u>
Total	<u>\$ 794,236</u>	<u>\$ 321,827</u>	<u>\$ 1,116,063</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF EMPLOYEE BENEFITS AND DEPRECIATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Year Ended December 31,2020				Year Ended December 31,2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total
Employee benefits								
Salaries	\$ 873,417	\$ 180,092	\$ -	\$ 1,053,509	\$ 788,750	\$ 156,718	\$ -	\$ 945,468
Labor and health insurance	73,716	12,527	-	86,243	76,921	13,343	-	90,264
Pension	41,163	7,379	-	48,542	43,243	7,905	-	51,148
Employment benefits	102,572	15,847	-	118,419	130,713	21,108	-	151,821
Remuneration of directors	-	12,293	-	12,293	-	6,148	-	6,148
Others	2,542	2,271	-	4,813	2,473	3,165	-	5,638
	<u>\$ 1,093,410</u>	<u>\$ 230,409</u>	<u>\$ -</u>	<u>\$ 1,323,819</u>	<u>\$ 1,042,100</u>	<u>\$ 208,387</u>	<u>\$ -</u>	<u>\$ 1,250,487</u>
Depreciation	<u>\$ 1,089,347</u>	<u>\$ 72,011</u>	<u>\$ 888</u>	<u>\$ 1,162,246</u>	<u>\$ 1,128,006</u>	<u>\$ 84,745</u>	<u>\$ 884</u>	<u>\$ 1,213,635</u>

Note 1: As of December 31, 2020 and 2019, the Corporation had 1,214 and 1,235 employees, respectively. Among them 6 directors did not serve concurrently as employees in 2020 and 2019, respectively.

Note 2: Additional disclosures are as follows:

1) Average employee benefits for the year ended December 31, 2020 and 2019 were NT\$ 1,086 thousand and NT\$ 1,012 thousand, respectively.

2) Average salaries for the year ended December 31, 2020 and 2019 were NT\$ 872 thousand and NT\$ 769 thousand, respectively.

3) Changes of adjustments of average salaries was 13.39 %.

4) The Corporation did not have supervisors for the years ended December 31, 2020 and 2019.

5) The Corporation's remuneration policies are as follows:

a) Remuneration policy for directors

- i The Corporation pays a fixed compensation, NT\$50 thousand per month, to the independent directors, who shall not receive the remuneration for directors according to Article 28 of the Corporation's Articles of Incorporation.
- ii The independent directors shall attend the Board of Directors which the Corporation will pay travel allowance.
- iii The Corporation pays an attendance fee to independent directors for attending meetings held by the functional committees under the Corporation's Board of Directors.

b) Remuneration policy for the managements

The pay level and salary adjustment for the Corporation's Chairman or managements shall be submitted to the Board of Directors for approval after the Remuneration Committee discussion.

c) Compensation policy for employees

The Corporation pays employee compensation by referring to the benchmark salary of the industry, and the supply and demand of market manpower, considering the financial situation of operation, formulating the Salary Management Measures, developing the salary standard for new employees, and providing the basic salary higher than the statutory basic salary standard, regardless of gender. The salaries of male and female employees of the same position and grade shall be the same, i.e. the ratio shall be 1:1.

V. 2020 Consolidated Financial Report for parent and subsidiary companies

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Chung Hung Steel Corporation as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chung Hung Steel Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Chung Hung Steel Corporation

By

Min-Hsiung Liu
Chairman

February 24, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the shareholders
Chung Hung Steel Corporation

Opinion

We have audited the accompanying consolidated financial statements of Chung Hung Steel Corporation (the Corporation) and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

Measurement of Inventories

Inventories are one of the significant assets in the balance sheet. As of December 31, 2020, the carrying amount of inventories held by the Group was NT\$4,236,420 thousand, which accounted for 16% of the consolidated total assets. Due to the fluctuations in the prices of raw materials and finished goods in steel the industry, inventory valuation, which involved critical accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and critical accounting estimates and judgments on inventories, refer to Note 4 (6) and Note 5 (1) to the consolidated financial statements, respectively.

We focused on the inventory valuation at the end of the reporting period, including evaluation of obsolete inventory and inventories valuation. Our main audit procedures performed included the following:

1. We performed year-end inventory counts and assessed the condition of inventory through inquiry and observation to evaluate the obsolete of inventory and the appropriateness of inventory valuation;
2. We obtained the year-end inventory aging report, tested the accuracy of aging report and examined whether the management performed the obsolete of inventory in accordance with its policy;
3. We obtained the year-end detail of inventory report and evaluated the appropriateness of inventories valuation.
4. We examined the valuation supporting document of the underlying assumption and the market price to recalculate the appropriateness of inventories valuation.

Other Matter

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Hsiang Liu and Jia-Ling, Jiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2021

Notice to Readers

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

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 287,373	1	\$ 67,028	-
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	242,410	1	181,351	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	819,454	3	791,311	3
Accounts receivable (Notes 4, 9 and 23)	830,087	3	466,017	1
Accounts receivable from related parties (Notes 4, 9, 23 and 29)	117,238	-	45,733	-
Other receivables (Note 9)	19,321	-	6,031	-
Other receivables from related parties (Notes 9 and 29)	26,672	-	541,414	2
Current tax assets (Note 25)	514	-	661	-
Inventories (Notes 4, 5 and 10)	4,236,420	16	6,577,637	21
Prepayments (Note 11)	150,961	1	228,531	1
Other financial assets - current (Notes 12 and 30)	301,700	1	301,700	1
Other current assets	3,961	-	1,690	-
Total current assets	<u>7,036,111</u>	<u>26</u>	<u>9,209,104</u>	<u>30</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	68,193	-	68,838	-
Investments accounted for using equity method (Notes 4 and 13)	2,669,716	10	2,526,222	9
Property, plant and equipment (Notes 4, 14, 29 and 31)	11,162,643	41	12,552,287	41
Right-of-use assets (Notes 4 and 15)	78,330	-	74,901	-
Investment properties (Notes 4 and 16)	5,983,185	22	5,984,073	20
Prepayments for equipment (Note 31)	95,659	1	42,549	-
Refundable deposits	6,220	-	5,632	-
Total noncurrent assets	<u>20,063,946</u>	<u>74</u>	<u>21,254,502</u>	<u>70</u>
TOTAL	<u>\$ 27,100,057</u>	<u>100</u>	<u>\$ 30,463,606</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 29 and 30)	\$ 404,630	2	\$ 5,154,867	17
Short-term bills payable (Note 17)	3,599,577	13	1,799,550	6
Contract liabilities - current (Note 23)	57,283	-	285,052	1
Accounts payable (Note 19)	27,500	-	29,672	-
Accounts payable to related parties (Notes 19 and 29)	313,224	1	65,597	-
Other payables (Notes 20 and 29)	580,264	2	504,388	2
Current tax liabilities (Note 25)	5	-	-	-
Lease liabilities - current (Notes 4 and 15)	15,230	-	13,273	-
Current portion of long-term bank borrowings (Note 17)	-	-	480,000	2
Refund liabilities - current	153,756	1	153,612	-
Other current liabilities	15,764	-	16,434	-
Total current liabilities	<u>5,167,233</u>	<u>19</u>	<u>8,502,445</u>	<u>28</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	2,995,039	11	-	-
Long-term bank borrowings (Note 17)	2,000,000	8	4,130,000	13
Long-term bills payable (Note 17)	1,109,674	4	2,609,138	9
Deferred tax liabilities (Notes 4 and 25)	182,222	1	182,222	1
Lease liabilities - noncurrent (Notes 4 and 15)	63,898	-	62,044	-
Net defined benefit liabilities (Notes 4 and 21)	313,717	1	373,860	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>6,699,550</u>	<u>25</u>	<u>7,392,264</u>	<u>24</u>
Total liabilities	<u>11,866,783</u>	<u>44</u>	<u>15,894,709</u>	<u>52</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 22)				
Ordinary shares	14,355,444	53	14,355,444	47
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	90,568	-	90,450	-
Special reserve	549,578	2	497,607	2
Unappropriated earnings	662,620	3	174,071	1
Total retained earnings	1,302,766	5	762,128	3
	<u>(2)</u>		<u>(2)</u>	
Other equity	(425,839))	(549,578))
Total equity	<u>15,233,274</u>	<u>56</u>	<u>14,568,897</u>	<u>48</u>
TOTAL	<u>\$ 27,100,057</u>	<u>100</u>	<u>\$ 30,463,606</u>	<u>100</u>

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 29)				
Sales	\$ 36,406,042	99	\$ 39,930,527	99
Investment revenue	502	-	1,004	-
Service revenue	324,754	1	477,071	1
Other operating revenue	<u>58,856</u>	<u>-</u>	<u>61,527</u>	<u>-</u>
Total operating revenue	36,790,154	100	40,470,129	100
OPERATING COSTS (Notes 10, 14, 24 and 29)	<u>35,335,654</u>	<u>96</u>	<u>39,225,201</u>	<u>97</u>
GROSS PROFIT	<u>1,454,500</u>	<u>4</u>	<u>1,244,928</u>	<u>3</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	794,236	2	1,147,701	3
General and administrative expenses	<u>322,052</u>	<u>1</u>	<u>314,816</u>	<u>1</u>
Total operating expenses	<u>1,116,288</u>	<u>3</u>	<u>1,462,517</u>	<u>4</u>
PROFIT (LOSS) FROM OPERATIONS	<u>338,212</u>	<u>1</u>	<u>(217,589)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 24 and 29)				
Interest income	966	-	2,026	-
Other income	224,631	1	173,330	1
Other gains and losses	1,488	-	73,899	-
Finance costs	(86,219)	-	(123,047)	-
Share of the profit of associates	<u>49,187</u>	<u>-</u>	<u>102,266</u>	<u>-</u>
Total non-operating income and expenses	<u>190,053</u>	<u>1</u>	<u>228,474</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	528,265	2	10,885	-
INCOME TAX (Notes 4, 5 and 25)	<u>5</u>	<u>-</u>	<u>94</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>528,260</u>	<u>2</u>	<u>10,791</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 22)				
Items that will not be reclassified subsequently to profit or loss				

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Remeasurement of defined benefit plans	\$ 12,378	-	\$ (9,614)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	29,432	-	(13,710)	-
Share of the other comprehensive income of associates	<u>94,307</u>	<u>-</u>	<u>(38,261)</u>	<u>-</u>
	<u>136,117</u>	<u>-</u>	<u>(61,585)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 664,377</u>	<u>2</u>	<u>\$ (50,794)</u>	<u>-</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 528,260</u>	<u>1</u>	<u>\$ 10,791</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 664,377</u>	<u>2</u>	<u>\$ (50,794)</u>	<u>-</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.37</u>		<u>\$ 0.01</u>	
Diluted	<u>\$ 0.37</u>		<u>\$ 0.01</u>	

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

(Concluded)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2019	\$ 14,355,444	\$ 903	\$ -	\$ -	\$ 904,506	\$ (497,607)	\$ 14,763,246
Appropriation of 2018 earning (Note 22)							
Legal reserve	-	-	90,450	-	(90,450)	-	-
Special reserve	-	-	-	497,607	(497,607)	-	-
Cash dividends	-	-	-	-	(143,555)	-	(143,555)
Net profit for the year ended December 31, 2019	-	-	-	-	10,791	-	10,791
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(9,614)	(51,971)	(61,585)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	1,177	(51,971)	(50,794)
BALANCE AT DECEMBER 31, 2019	14,355,444	903	90,450	497,607	174,071	(549,578)	14,568,897
Appropriation of 2019 earning (Note 22)							
Legal reserve	-	-	118	-	(118)	-	-
Special reserve	-	-	-	51,971	(51,971)	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	528,260	-	528,260
Other comprehensive gain for the year ended December 31, 2020, net of income tax	-	-	-	-	12,378	123,739	136,117
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	540,638	123,739	664,377
BALANCE AT DECEMBER 31, 2020	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 662,620	\$ (425,839)	\$ 15,233,274

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 528,265	\$ 10,885
Adjustments for:		
Depreciation expense	1,162,246	1,213,635
Net loss (gain) on financial assets at fair value through profit or loss	(78,903)	32,516
Finance costs	86,219	123,047
Interest income	(966)	(2,026)
Dividend income	(32,323)	(48,605)
Share of the profit of associates	(49,187)	(102,266)
Loss on disposal of property, plant and equipment	9,371	8,491
Gain on disposal of non - current assets held for sale	-	(871)
Write-downs (reversal) of inventories	(304,435)	4,624
Recognition (reversal) of impairment loss	576,317	(77,532)
Others	692	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	17,844	3,414
Accounts receivable	(364,070)	482,915
Accounts receivable from related parties	(71,505)	137,707
Other receivables	(13,290)	9,971
Other receivables from related parties	514,742	(192,705)
Inventories	2,645,652	1,657,890
Prepayments	77,570	144,352
Other current assets	(2,271)	4,900
Other financial assets	-	(1,700)
Contract liabilities	(227,769)	191,497
Accounts payable	(2,172)	(15,632)
Accounts payable to related parties	247,627	(530,167)
Other payables	70,144	(497,342)
Other current liabilities	(670)	(14,540)
Net defined benefit liabilities	(47,765)	(66,473)
Refund liabilities	144	37,892
Cash generated from operations	4,741,507	2,513,877
Income taxes refund (paid)	147	(872)
Net cash generated from operating activities	<u>4,741,654</u>	<u>2,513,005</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	1,934	4,605
Proceeds from disposal of non-current assets held for sale	-	20,506
Acquisition of property, plant and equipment	(397,582)	(507,531)
Proceeds from disposal of property, plant and equipment	-	123

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
Increase in refundable deposits	\$ (588)	\$ -
Decrease in other financial assets	-	2,897
Interest received	966	2,026
Dividends received from others	<u>32,323</u>	<u>48,605</u>
Net cash used in investing activities	<u>(362,947)</u>	<u>(428,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	99,915,564	76,681,921
Repayments of short-term borrowings	(104,665,801)	(77,908,827)
Increase in short-term bills payable	10,900,027	8,700,597
Decrease in short-term bills payable	(9,100,000)	(10,100,000)
Proceeds from issuance of bonds	2,994,328	-
Proceeds from long-term borrowings	3,150,000	7,550,000
Repayments of long-term borrowings	(5,760,000)	(7,790,000)
Proceeds from long-term bills payable	200,536	2,589,580
Repayments of long-term bills payable	(1,700,000)	(1,660,000)
Decrease in guarantee deposits	-	(120)
Repayments of principal of lease liabilities	(15,074)	(11,222)
Dividends paid to owner of the corporation	-	(143,555)
Interest paid	<u>(77,942)</u>	<u>(125,663)</u>
Net cash used in financing activities	<u>(4,158,362)</u>	<u>(2,217,289)</u>
NET INCREASE/(DECREASE) IN CASH	220,345	(133,053)
CASH AT THE BEGINNING OF THE YEAR	<u>67,028</u>	<u>200,081</u>
CASH AT THE END OF THE YEAR	<u>\$ 287,373</u>	<u>\$ 67,028</u>

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

(Concluded)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chung Hung Steel Corporation (the Corporation) was incorporated in September 1983 and started operations in September 1985. It mainly manufactures and sells steel products, such as cold and hot rolled coils and steel pipes.

The Corporation's shares have been listed on the Taiwan Stock Exchange since February 1992.

As of December 31, 2020, and 2019, China Steel Corporation (CSC), the Corporation's parent and major shareholder (41%), controls the Corporation's management and operations.

The consolidated financial statements are presented in the Corporation's functional currency, the New Taiwan Dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors and authorized for issue on February 24, 2021.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation and its subsidiaries' (the Group) accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to "could reasonably be expected to influence". Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

- b. The IFRSs endorsed by FSC for application starting from 2021

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB (Continued)

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020
	(Concluded)

As of the date the consolidated financial statements were authorized for issue, the Group is in the process of assessing the impact of the amendments to other standards and interpretations on Group’s financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non- current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

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

Basis of Preparation

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

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

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the balance sheet date; and
- c. Cash unless the asset is restricted from being used for an exchange or used to settle a liability for more than least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities expected to be settled within 12 months after the reporting period; and
- c. Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%)	
			December 31, 2020	December 31, 2019
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (Note)	Operation in progress	-	-
	Hung Kao Investment Corporation	General investment	100	100

Note: The board of directors of Taiwan Steel Corporation authorized the liquidation of the company; the date of liquidation was September 25, 2019; the settlement was completed on December 30, 2019.

Foreign Currencies

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

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Inventories

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

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the share of equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

When the Group transacts with their associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Freehold land is not depreciated.

Except that depreciation of the rollers (spare parts) that belong to the cold rolling departments, the hot rolling departments and pickling & galvanizing mill departments is calculated based on their level of wear, other depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method; each major part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated

impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from property, plant and equipment classification to investment properties, the deemed cost of property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

Impairment of Property, Plant and Equipment and Right-of-use Asset

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, investments in equity instruments at FVTOCI, and financial assets at amortized cost.

a) Financial asset at FVTPL

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL.

Financial assets mandatorily classified as at FVTPL were investments in equity instruments which are not designated as at FVTPL. Financial assets at FVTPL are subsequently measured at fair value,

with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 28.

b) Financial assets at amortized cost

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

- i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, including cash, accounts receivable (including related parties) at amortized cost, other receivables (including related parties), other financial assets and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

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

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Revenue Recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

a. Sale of goods

Revenue is recognized when the control of products is transferred to customers. The customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence. Domestic sales are recognized when products are delivered to and accepted by the customers, and export sales are recognized when products are loaded onto shipping vessels in accordance with the sales terms. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

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

b. Providing of services

Service revenue is recognized when services are provided by reference to the stage of completion of services provided.

Leases

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

a. The Group as lessor

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

b. The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the

purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received. The grants obtained in the current period is recognized under other income.

Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan.

Taxation

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

Current tax

Current tax is the amount of tax at statutory rate calculated on the taxable profit at the balance sheet date. According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Measurement of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the balance sheet date. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

Realizability of Deferred Tax Assets

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. Considering climate change in the steel industry and unpredictability of future profit, deferred tax assets were not recognized.

6. CASH

	December 31	
	2020	2019
Cash on hand	\$ 640	\$ 700
Checking accounts and demand deposits	<u>286,733</u>	<u>66,328</u>
	<u>\$ 287,373</u>	<u>\$ 67,028</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets at FVTPL - current		
Financial assets mandatorily as at FVTPL		
Emerging market shares	<u>\$ 242,410</u>	<u>\$ 181,351</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Current		
Domestic Listed shares	<u>\$ 819,454</u>	<u>\$ 791,311</u>
Noncurrent		
Domestic listed shares	\$ 24,848	\$ 23,995
Domestic unlisted shares	<u>43,345</u>	<u>44,843</u>
	<u>\$ 68,193</u>	<u>\$ 68,838</u>

Risalink Venture Capital Corp. conducted capital reduction and refunded NT\$1,934 thousand and NT\$4,605 thousand in September 2020 and August 2019, respectively.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Accounts receivable</u>		
Accounts receivable - non-related parties	<u>\$ 830,087</u>	<u>\$ 466,017</u>
Accounts receivable - related parties	<u>\$ 117,238</u>	<u>\$ 45,733</u>
<u>Other receivables (including related parties)</u>		
Discount receivable	\$ 886	\$ 508,256
Receivables from disposal of scrap	32,961	37,536
Others	<u>12,146</u>	<u>1,653</u>
	<u>\$ 45,993</u>	<u>\$ 547,445</u>

a. Accounts receivable

The Group allows an average credit period of 30 days (the aging of receivables from sales of goods is based upon the date of examination and acceptance of the goods settlement is monthly or 60 days after shipment date). Refer to Note 28 (4) for credit risk management policies.

The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status rather than distinguishing each different customer group.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

2020

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 947,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 947,325
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 947,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,325</u>

2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 511,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,750
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 511,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,750</u>

The amounts of accounts receivable from single customer that exceed 10% of total accounts receivable were as follows:

	December 31	
	2020	2019
A company	\$ 186,520	\$ 67,712
B company	147,430	-
C company	95,493	3,122
D company	88,499	91,491
E company	<u>8,707</u>	<u>104,591</u>
	<u>\$ 526,649</u>	<u>\$ 266,916</u>

The Corporation entered into accounts receivable factoring contract (without recourse). Under the contract, the Corporation is authorized to sell accounts receivable to Bank upon the delivery of products to customers and is required to complete related formalities on the next banking day. Under this contract, the Corporation does not bear the risk of the uncollectability of the accounts receivable.

Receivables sold for the year ended December 31, 2020 and 2019 were as follows:

Buyer of Accounts Receivable	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
<u>For the year ended December 31, 2020</u>						
Mega Bank	\$ 926,731	\$ 2,243,387	\$ 2,568,873	\$ 601,245	1.09	NT\$855 million
Bank of Taiwan	-	193,763	126,489	67,274	1.09	NT\$200 million
Bank of Taiwan	124,214	195,829	305,466	14,577	2.06	USD\$20 million
	<u>\$ 1,050,945</u>	<u>\$ 2,632,979</u>	<u>\$ 3,000,828</u>	<u>\$ 683,096</u>		
<u>For the year ended December 31, 2019</u>						
Mega Bank	\$ 1,033,187	\$ 2,719,821	\$ 2,826,277	\$ 926,731	1.24	NT\$3 billion
Bank of Taiwan	199,960	520,664	596,410	124,214	3.66	USD20 million
	<u>\$ 1,233,147</u>	<u>\$ 3,240,485</u>	<u>\$ 3,422,687</u>	<u>\$ 1,050,945</u>		

The above credit lines are revolving.

b. Other receivables

The expected losses on other receivables are estimated using expected credit loss rate based on the other receivables overdue days. As of December 31, 2020 and 2019, there was no allowance for doubtful accounts.

10. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Raw materials	\$ 1,608,738	\$ 2,804,063
Supplies	368,565	468,672
Work in progress	488,875	599,299
Finished goods	1,764,310	2,704,337
Others	3,872	887
Raw materials and supplies in transit	<u>2,060</u>	<u>379</u>
	<u>\$ 4,236,420</u>	<u>\$ 6,577,637</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2020 and 2019 was NT\$34,408,159 thousand and NT\$38,767,836 thousand, respectively, including gain on inventory value decline reversal NT\$304,435 thousand and loss on inventory value decline NT\$4,624 thousand, respectively.

11. PREPAYMENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Input tax	\$ 104,098	\$ 99,167
Prepayments for purchases	41,340	70,532
Tax overpaid retained for offsetting future tax payable	-	52,332
Others	<u>5,523</u>	<u>6,500</u>
	<u>\$ 150,961</u>	<u>\$ 228,531</u>

12. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Pledged time deposits (Note 30)	\$ 300,000	\$ 300,000
One-year time deposits	<u>1,700</u>	<u>1,700</u>
	<u>\$ 301,700</u>	<u>\$ 301,700</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Transglory Investment Corp. (TIC)	<u>\$ 2,669,716</u>	<u>\$ 2,526,222</u>

Name of Associate	Nature of Activities	Proportion of Ownership and Voting Rights		
		Principal Place of Business	December 31	
			2020	2019
TIC	General investment	Taiwan	40.91%	40.91%

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2020 and 2019 was based on the audited financial statements for the same years.

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

TIC

	December 31	
	2020	2019
Current assets	\$ 2,470	\$ 1,304
Noncurrent assets	6,598,420	6,373,775
Current liabilities	<u>(75,063)</u>	<u>(200,008)</u>
Equity	<u>\$ 6,525,827</u>	<u>\$ 6,175,071</u>
Proportion of the Group's ownership (%)	40.91	40.91
Equity attributable to the Group	<u>\$ 2,669,716</u>	<u>\$ 2,526,222</u>
Carrying amount	<u>\$ 2,669,716</u>	<u>\$ 2,526,222</u>
	For the Year Ended December 31	
	2020	2019
Operating revenue	<u>\$ 134,062</u>	<u>\$ 268,506</u>
Net profit for the year	\$ 120,233	\$ 249,976
Other comprehensive income (loss)	<u>230,522</u>	<u>(93,524)</u>
Total comprehensive income for the year	<u>\$ 350,755</u>	<u>\$ 156,452</u>
Comprehensive income attributable to the Group	<u>\$ 143,494</u>	<u>\$ 64,005</u>

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 3,988,983	\$ 4,993,389	\$ 22,734,037	\$ 4,419,879	\$ 1,428,295	\$ 116,329	\$ 37,680,912
Additions	-	8,314	139,625	76,676	108,284	9,028	341,927
Disposals	-	-	(10,858)	(13,121)	(245,380)	-	(269,359)
Balance at December 31, 2020	<u>\$ 3,988,983</u>	<u>\$ 5,001,703</u>	<u>\$ 22,862,804</u>	<u>\$ 4,483,434</u>	<u>\$ 1,291,199</u>	<u>\$ 125,357</u>	<u>\$ 37,753,480</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 1,877,331	\$ 18,539,349	\$ 3,938,749	\$ 773,196	\$ -	\$ 25,128,625
Depreciation expense	-	131,610	676,183	124,436	213,654	-	1,145,883
Disposals	-	-	(1,487)	(13,121)	(245,380)	-	(259,988)
Impairment loss	-	-	423,161	-	153,156	-	576,317
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,008,941</u>	<u>\$ 19,637,206</u>	<u>\$ 4,050,064</u>	<u>\$ 894,626</u>	<u>\$ -</u>	<u>\$ 26,590,837</u>
Carrying amount at December 31, 2020	<u>\$ 3,988,983</u>	<u>\$ 2,992,762</u>	<u>\$ 3,225,598</u>	<u>\$ 433,370</u>	<u>\$ 396,573</u>	<u>\$ 125,357</u>	<u>\$ 11,162,643</u>

(Concluded)

For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 3,985,675	\$ 4,985,220	\$ 22,511,085	\$ 4,415,341	\$ 1,448,523	\$ 78,900	\$ 37,424,744
Additions	3,320	8,564	222,952	72,515	167,664	37,429	512,444
Disposals	-	-	-	(67,977)	(187,892)	-	(255,869)
Items reclassified to investment properties	(12)	(395)	-	-	-	-	(407)
Balance at December 31, 2019	<u>\$ 3,988,983</u>	<u>\$ 4,993,389</u>	<u>\$ 22,734,037</u>	<u>\$ 4,419,879</u>	<u>\$ 1,428,295</u>	<u>\$ 116,329</u>	<u>\$ 37,680,912</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 1,746,374	\$ 17,814,290	\$ 3,862,424	\$ 752,626	\$ -	\$ 24,175,714
Depreciation expense	-	130,957	725,059	135,688	208,462	-	1,200,166
Disposals	-	-	-	(59,363)	(187,892)	-	(247,255)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 1,877,331</u>	<u>\$ 18,539,349</u>	<u>\$ 3,938,749</u>	<u>\$ 773,196</u>	<u>\$ -</u>	<u>\$ 25,128,625</u>
Carrying amount at December 31, 2019	<u>\$ 3,988,983</u>	<u>\$ 3,116,058</u>	<u>\$ 4,194,688</u>	<u>\$ 481,130</u>	<u>\$ 655,099</u>	<u>\$ 116,329</u>	<u>\$ 12,552,287</u>

Depreciation of the rollers that belong to the cold-rolling departments, the hot rolling department and the skin pass mill of the pickling & galvanizing mill department is calculated based on their level of wear; depreciation of other assets is recognized based on the following useful lives:

Buildings	
Facility	5-50 years
Main structure	31-60 years
Machinery and equipment	
Power equipment	3-30 years
High-temperature equipment	5-18 years
Other equipment	
Computer equipment	3-10 years
Office, air condition and extinguishment equipment	3-20 years
Transportation equipment	5-16 years
Others	3-18 years
Tank	10 years

The Corporation bought farmlands for warehouse at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Group from registering the title of these farmlands in the Corporation's name; thus, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in changing the land title in the future and pledged the land to the Corporation as collateral. As of December 31, 2020 and 2019, the book value of those remaining farmlands recognized as land were both NT\$55,433 thousand.

The continuous cold rolling line, continuous pickling galvanizing line, quenching and tempering rolling line and rolling work roll of the Corporation acid plating plant are evaluated to have no future recoverable amount by the management. An impairment loss of NT\$576,317 thousand was recognized under operating costs.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 68,233	\$ 61,775
Transportation equipment	<u>10,097</u>	<u>13,126</u>
	<u>\$ 78,330</u>	<u>\$ 74,901</u>
For the Year Ended December 31		
	2020	2019
Additions to right-of-use assets	<u>\$ 22,143</u>	<u>\$ 17,708</u>
Depreciation charge for right-of-use assets		
Land	\$ 12,446	\$ 10,440
Transportation equipment	<u>3,029</u>	<u>2,145</u>
	<u>\$ 15,475</u>	<u>\$ 12,585</u>

Except for the addition and recognition of depreciation expenses listed above, the Group's right-of-use assets did not undergo significant sub-lease and impairment for the year ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 15,230</u>	<u>\$ 13,273</u>
Non-current	<u>\$ 63,898</u>	<u>\$ 62,044</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land (%)	0.85-1.31	1.10-1.31
Transportation equipment (%)	0.76	0.76

c. Material lease activities and terms

The Corporation leases several pieces of land to store steel products, with the lease terms of 5 to 10 years. The Corporation does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 21,525</u>	<u>\$ 24,877</u>
Expenses relating to low-value asset leases	<u>\$ 1,890</u>	<u>\$ 1,294</u>
Total cash outflow for leases	<u>\$ (39,533)</u>	<u>\$ (38,303)</u>

For transportation equipment which qualified as short-term leases and several other equipment which qualified as low-value asset leases, the Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

For the year ended December 31, 2020

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020 and December 31, 2020	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 16,068	\$ 16,068
Depreciation expense	<u>-</u>	<u>888</u>	<u>888</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 16,956</u>	<u>\$ 16,956</u>
Carrying amount at December 31, 2020	<u>\$ 5,959,074</u>	<u>\$ 24,111</u>	<u>\$ 5,983,185</u>

For the year ended December 31, 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 5,959,062	\$ 40,672	\$ 5,999,734
Transferred from property, plant and equipment	<u>12</u>	<u>395</u>	<u>407</u>
Balance at December 31, 2019	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>

(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 15,184	\$ 15,184
Depreciation expense	<u>-</u>	<u>884</u>	<u>884</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 16,068</u>	<u>\$ 16,068</u>
<u>Accumulated impairment</u>			
Balance at January 1, 2019	\$ 77,532	\$ -	\$ 77,532
Reversal of impairment loss	<u>(77,532)</u>	<u>-</u>	<u>(77,532)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Carrying amount at December 31, 2019	<u>\$ 5,959,074</u>	<u>\$ 24,999</u>	<u>\$ 5,984,073</u> (Concluded)

The Corporation as lessor leased land in Longdong section in Kaohsiung on June 30, 2010 for 20 years under an operating lease agreement; the Corporation collects rental monthly. The rental revenues for the years ended December 31, 2020 and 2019 were NT\$81,889 thousand and NT\$80,290 thousand, respectively, and were included in other income. As of December 31, 2020 and 2019, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2020 and 2019, notes receivable and advance rental were as follows:

	<u>December 31</u>	
	2020	2019
Notes receivable	\$ 50,587	\$ 49,595
Less: Advance rental	<u>50,587</u>	<u>49,595</u>
	<u>\$ -</u>	<u>\$ -</u>

The future rentals to be received under operating leases for the leasing out of investment properties are as follows:

	<u>December 31</u>	
	2020	2019
1st year	\$ 87,569	\$ 91,251
2nd year	84,956	83,296
3rd year	86,618	84,956
4th year	88,232	86,618
5th year	89,996	88,232
Later than 5 years	<u>544,824</u>	<u>634,820</u>
	<u>\$ 982,195</u>	<u>\$1,069,173</u>

The above buildings of investment properties are depreciated on a straight-line basis over 31-55 years useful lives.

The Group appointed real estate appraiser to reevaluate land at Guo An Section in Tainan in November 2019, and recognized gain on reversal of impairment loss NT\$77,532 thousand within the scope of accumulated impairment recognized originally.

The fair value of the investment properties was arrived at on the basis of valuations carried out in March and December 2017 and November 2019 by real estate appraiser and on the basis of information at the Ministry of the Interior's real estate transaction database website. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, and land development analysis approach. The important assumptions and fair value were as follows:

	December 31	
	2020	2019
Fair value	<u>\$ 9,996,358</u>	<u>\$ 9,996,358</u>
Expense rate (%)	25.14	25.14
Depreciation rate (%)	1.90-2.57	1.90-2.57

All investment properties are owned by the Group and had not been pledged to secure borrowings.

17. BORROWINGS

a. Short-term borrowings and bank overdrafts

	December 31	
	2020	2019
Unsecured loans	\$ 200,000	\$ 1,900,000
Bank overdrafts (Note 30)	154,630	158,680
Letters of credit	50,000	646,187
Loans from related parties (Note 29)	<u>-</u>	<u>2,450,000</u>
	<u>\$ 404,630</u>	<u>\$ 5,154,867</u>
Interest rate (%)	0.32-0.75	0-0.95

b. Short-term bills payable

	December 31	
	2020	2019
Short-term bills payable	\$ 3,600,000	\$ 1,800,000
	<u>423</u>	<u>450</u>
Less: Unamortized discounts	<u>\$ 3,599,577</u>	<u>\$ 1,799,550</u>
Interest rate (%)	0.35-0.36	0.70-0.71

As of December 31, 2020 and 2019, all short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

	December 31	
	2020	2019
Credit bank loans		
Due on various dates through December 2024	\$ 2,000,000	\$ 4,610,000
Less: Current portion	<u> -</u>	<u> 480,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 4,130,000</u>
Interest rate (%)	0.75-0.92	0.87-1.29

d. Long-term bills payable

	December 31	
	2020	2019
Long-term bills payable	\$ 1,110,000	\$ 2,610,000
Less: Unamortized discount	<u> 326</u>	<u> 862</u>
	<u>\$ 1,109,674</u>	<u>\$ 2,609,138</u>
Interest rate (%)	0.73-0.91	0.84-1.06

Commercial papers have revolving credit lines within the payment terms according to the contracts, and need to be utilized to some extent. As of December 31, 2020, all commercial papers were non-guarantee commercial paper. The borrowing from International Bills Financial Corporation was secured by Bangkok Bank as of December 31, 2019.

18. BONDS PAYABLE

	December 31, 2020
Unsecured domestic bonds	\$ 3,000,000
Less: Issuance cost of bonds payable	<u> 4,961</u>
	<u>\$ 2,995,039</u>

The major terms of unsecured domestic bonds are as follow:

Issuer	Issuance Period	Total Amount	Coupon Rate (%)	Repayment and Interest Payment
The Corporation	5 years; expired in March 2025	\$ 2,000,000	0.78	Repayable in March 2025; interest payable annually
The Corporation	5 years; expired in September 2025	1,000,000	0.65	Repayable in September 2025; interest payable annually.

19. ACCOUNTS PAYABLE

	December 31	
	2020	2019
<u>Accounts payable</u>		
Operating - non related parties	<u>\$ 27,500</u>	<u>\$ 29,672</u>
Operating - related parties	<u>\$ 313,224</u>	<u>\$ 65,597</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	December 31	
	2020	2019
Salaries and incentive bonus	\$ 289,532	\$ 184,613
Utilities	59,229	65,964
Employees' compensation and remuneration and transportation allowances of directors	36,469	1,211
Outsourced repair and construction	34,572	40,107
Freight	27,497	29,247
Export fees	26,007	41,375
Processing fee	23,367	26,859
Others	<u>83,591</u>	<u>115,012</u>
	<u>\$ 580,264</u>	<u>\$ 504,388</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes contributions, equal to a portion of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 1,475,529	\$ 1,475,725
Fair value of plan assets	<u>(1,161,812)</u>	<u>(1,101,865)</u>
Net defined benefit liabilities	<u>\$ 313,717</u>	<u>\$ 373,860</u>

Movements of net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ <u>1,475,725</u>	\$ <u>(1,101,865)</u>	\$ <u>373,860</u>
Service cost			
Current service cost	20,114	-	20,114
Interest expense (income)	<u>10,971</u>	<u>(8,473)</u>	<u>2,498</u>
Recognized in profit or loss	<u>31,085</u>	<u>(8,473)</u>	<u>22,612</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(35,652)	(35,652)
Actuarial loss - changes in demographic assumptions	2,834	-	2,834
Actuarial loss - changes in financial assumptions	34,948	-	34,948
Actuarial loss - experience adjustments	<u>(14,508)</u>	<u>-</u>	<u>(14,508)</u>
Recognized in other comprehensive income	<u>23,274</u>	<u>(35,652)</u>	<u>(12,378)</u>
Contributions from the employer	<u>-</u>	<u>(67,584)</u>	<u>(67,584)</u>
Benefits paid	<u>(54,555)</u>	<u>51,762</u>	<u>(2,793)</u>
Balance at December 31, 2020	\$ <u>1,475,529</u>	\$ <u>(1,161,812)</u>	\$ <u>313,717</u>
Balance at January 1, 2019	\$ <u>1,445,603</u>	\$ <u>(1,014,884)</u>	\$ <u>430,719</u>
Service cost			
Current service cost	21,195	-	21,195
Interest expense (income)	<u>16,158</u>	<u>(11,822)</u>	<u>4,336</u>
Recognized in profit or loss	<u>37,353</u>	<u>(11,822)</u>	<u>25,531</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,526)	(33,526)
Actuarial loss - changes in demographic assumptions	3,577	-	3,577
Actuarial loss - changes in financial assumptions	37,144	-	37,144
Actuarial loss - experience adjustments	<u>2,419</u>	<u>-</u>	<u>2,419</u>
Recognized in other comprehensive income	<u>43,140</u>	<u>(33,526)</u>	<u>9,614</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	\$ _____ -	\$ (86,943)	\$ (86,943)
Benefits paid	_____ (50,371)	_____ 45,310	_____ (5,061)
Balance at December 31, 2019	<u>\$ 1,475,725</u>	<u>\$ (1,101,865)</u>	<u>\$ 373,860</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 19,066	\$ 21,472
Operating expenses	<u>3,546</u>	<u>4,059</u>
	<u>\$ 22,612</u>	<u>\$ 25,531</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate (%)	0.50	0.75
Expected rate of salary increase (%)	2.125	2.125
Turnover rate (%)	0-4.5	0-6

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

	December 31	
	2020	2019
Discount rate		
0.25% increase	<u>\$ (34,960)</u>	<u>\$ (36,641)</u>
0.25% decrease	<u>\$ 36,197</u>	<u>\$ 37,986</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 34,984</u>	<u>\$ 36,810</u>
0.25% decrease	<u>\$ (33,972)</u>	<u>\$ (35,698)</u>

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 79,110</u>	<u>\$ 81,579</u>
The average duration of the defined benefit obligation	9.7 years	10.2 years

22. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Numbers of shares authorized (in thousands)	<u>2,043,160</u>	<u>2,043,160</u>
Shares authorized	<u>\$ 20,431,600</u>	<u>\$ 20,431,600</u>
Numbers of shares issued and fully paid (in thousands)	<u>1,435,544</u>	<u>1,435,544</u>
Shares issued	<u>\$ 14,355,444</u>	<u>\$ 14,355,444</u>

In June 2009, the Corporation revised the number of its authorized shares to 3,000,000 thousand shares upon obtaining the approval in the shareholders' meeting. Change registration of aforementioned revised authorized shares has not been conducted.

Fully paid ordinary shares, which have a par value NT\$10, carry one vote per share and the right to dividends.

b. Capital surplus

	December 31	
	2020	2019
Additional paid-in capital	<u>\$ 903</u>	<u>\$ 903</u>

In 2009, CSC had transferred its treasury stocks to its employees and subsidiaries. The Corporation recognized a compensation cost and capital surplus of NT\$743 thousand. In July 2011, CSC issued ordinary shares for cash capital. Under the Company Law, CSC should reserve 10% of the stocks for its employees and subsidiaries. The Corporation recognized NT\$160 thousand of compensation cost and capital surplus.

Such capital surplus may be used only to offset deficits.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that 10% of the annual net income less any deficit should be appropriated as a legal reserve; a certain percentage should be appropriated as special reserve; the remainder may be declared as dividends or retained as proposed by the Corporation's board of directors and approved in the shareholders' meetings.

In June 2020, the shareholders' meeting approved a resolution to allocate no less than 30% of the distributable surplus every year to distribute dividends. However, if the cumulative distributable surplus is less than 3% of the paid-in capital, it may not be distributed.

The Corporation is in a mature steel industry. Thus, dividends will be appropriated in cash or in stock at an appropriate ratio, with cash dividends to be at least 50% of total dividends.

Under the Company Law, legal reserve should be appropriated from retained earnings until its balance equals the Corporation's paid-in capital. Legal reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders' meeting in June 2020 and 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 118	\$ 90,450		
Special reserve	51,971	497,607		
Cash dividends	-	143,555	\$ -	\$ 0.1

The appropriations of earnings for 2020 had been proposed by the Corporation's board of directors on February, 2021 as follows:

	Appropriations of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 54,064	
Reversal special reserve	123,739	
Cash dividends	430,663	\$ 0.3

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 2021.

Information about the appropriation of earnings and offsetting deficits, proposed by the shareholders' meetings and the Corporation's board of directors, is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- d. Unrealized gains and losses on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2020	2019
Balance, beginning of year	<u>\$ (549,578)</u>	<u>\$ (497,607)</u>
Recognized during the period		
Unrealized gains and losses - equity instruments	29,432	(13,710)
Share from associates accounted for using the equity method	<u>94,307</u>	<u>(38,261)</u>
Other comprehensive income recognized in the year	<u>123,739</u>	<u>(51,971)</u>
Balance end of year	<u>\$ (425,839)</u>	<u>\$ (549,578)</u>

23. OPERATING REVENUES

- a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable	<u>\$ 947,325</u>	<u>\$ 511,750</u>	<u>\$ 1,132,372</u>
Contract liabilities - current			
Sale of goods	\$ 57,283	\$ 285,052	\$ 93,555
Advances received	<u>-</u>	<u>-</u>	<u>2,890</u>
	<u>\$ 57,283</u>	<u>\$ 285,052</u>	<u>\$ 96,445</u>

- b. Disaggregation of revenue

For the year ended December 31, 2020

	Reportable segments		
	Chung Hung	Others	Total
<u>Type of goods or services</u>			
Sale of goods	\$ 36,406,042	\$ -	\$ 36,406,042
Rendering of services	324,620	134	324,754
Others	<u>58,856</u>	<u>502</u>	<u>59,358</u>
	<u>\$ 36,789,518</u>	<u>\$ 636</u>	<u>\$ 36,790,154</u>

For the year ended December 31, 2019

<u>Type of goods or services</u>	<u>Reportable segments</u>		
	<u>Chung Hung</u>	<u>Others</u>	<u>Total</u>
Sale of goods	\$ 39,930,527	\$ -	\$ 39,930,527
Rendering of services	475,462	1,609	477,071
Others	<u>61,527</u>	<u>1,004</u>	<u>62,531</u>
	<u>\$ 40,467,516</u>	<u>\$ 2,613</u>	<u>\$ 40,470,129</u>

24. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Grant income	\$ 94,705	\$ -
Rental income	85,229	83,649
Dividend income	31,821	47,601
Indemnity income	4,108	30,113
Others	<u>8,768</u>	<u>11,967</u>
	<u>\$ 224,631</u>	<u>\$ 173,330</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Gain (loss) arising on financial assets at fair value through profit or loss	\$ 78,903	\$ (32,516)
Reversal of impairment loss	-	77,532
Gain on disposal of non - current assets held for sale	-	871
Loss on disposal of property, plant and equipment	(9,371)	(8,491)
Service charge	(11,796)	(10,426)
Net foreign exchange gain (loss)	(51,578)	49,511
Other losses	<u>(4,670)</u>	<u>(2,582)</u>
	<u>\$ 1,488</u>	<u>\$ 73,899</u>

The components of net foreign exchange gain (loss) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Foreign exchange gain	\$ 42,675	\$ 91,352
Foreign exchange loss	<u>(94,253)</u>	<u>(41,841)</u>
Net exchange gain (loss)	<u>\$ (51,578)</u>	<u>\$ 49,511</u>

c. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank overdrafts and loans	\$ 73,637	\$ 109,084
Interest on loans from related parties (Note 29)	12,990	15,145
Interest on lease liabilities	<u>1,044</u>	<u>910</u>
Total interest expense financial liabilities measured at amortized cost	87,671	125,139
Less: Amounts included in the cost of qualifying assets	<u>1,452</u>	<u>2,092</u>
	<u>\$ 86,219</u>	<u>\$ 123,047</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized amounts	\$ 1,452	\$ 2,092
Capitalized annual rates (%)	0.62-0.83	0.87-0.94

d. Depreciation

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 1,145,883	\$ 1,200,166
Investment properties	888	884
Right-of-use assets	<u>15,475</u>	<u>12,585</u>
	<u>\$ 1,162,246</u>	<u>\$ 1,213,635</u>
Analysis of depreciation by function		
Operating costs	\$ 1,089,347	\$ 1,128,006
Operating expenses	72,011	84,745
Deduction of other income	<u>888</u>	<u>884</u>
	<u>\$ 1,162,246</u>	<u>\$ 1,213,635</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2020	2019
Direct operating expenses of investment properties that generated rental income	\$ 11,387	\$ 11,181
Direct operating expenses of investment properties that did not generate rental income	<u>7,265</u>	<u>6,859</u>
	<u>\$ 18,652</u>	<u>\$ 18,040</u>

f. Employee benefits

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries	\$ 1,065,802	\$ 951,616
Labor and health insurance	86,243	90,264
Others	<u>123,232</u>	<u>157,459</u>
	<u>1,275,277</u>	<u>1,199,339</u>
Post-employment benefits		
Defined contribution plans	25,930	25,617
Defined benefit plans (Note 21)	<u>22,612</u>	<u>25,531</u>
	<u>48,542</u>	<u>51,148</u>
	<u>\$ 1,323,819</u>	<u>\$ 1,250,487</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 1,093,410	\$ 1,042,100
Operating expenses	<u>230,409</u>	<u>208,387</u>
	<u>\$ 1,323,819</u>	<u>\$ 1,250,487</u>

g. Employees' compensation and remuneration of directors

In accordance with the Corporation's Articles of Incorporation, the Corporation distributes employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax less any deficit, employees' compensation, and remuneration of directors.

The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors in February 2021 and February 2020, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation	\$ 29,897	\$ 11
Remuneration of directors	5,638	-

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation (%)	5.30	0.10
Remuneration of directors (%)	1.00	-

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate and recognized in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018.

Information on employees' compensation and remuneration of directors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	<u>\$ 5</u>	<u>\$ 94</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2020	2019
Profit before income tax	<u>\$ 528,265</u>	<u>\$ 10,885</u>
Income tax expense at the statutory rate	\$ 105,653	\$ 2,195
Permanent differences		
Profit on investments under equity method	(9,837)	(20,453)
Others	(34,427)	(15,693)
Unrecognized deductible temporary differences	31,128	(15,565)
Loss carryforwards	(92,389)	-
Investment deduction	(123)	-
Unrecognized loss carryforwards	-	49,516
Land value increment tax	<u>-</u>	<u>94</u>
	<u>\$ 5</u>	<u>\$ 94</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducted the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. No income tax was recognized in other comprehensive loss.

c. Current tax assets and liabilities

	<u>December 31</u>	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 514</u>	<u>\$ 661</u>
Current tax liabilities		
Income tax payable	<u>\$ 5</u>	<u>\$ -</u>

d. Deferred tax liabilities

The movements of deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Land value increment tax	<u>\$ (182,222)</u>	<u>\$ -</u>	<u>\$ (182,222)</u>

For the year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Land value increment tax	<u>\$ (182,222)</u>	<u>\$ -</u>	<u>\$ (182,222)</u>

e. Items for which no deferred tax assets have been recognized

	<u>December 31</u>	
	2020	2019
Loss carryforwards		
2022 maturity	\$ 995,450	\$ 1,457,780
2023 maturity	187,880	187,880
2025 maturity	2,655,245	2,655,245
2029 maturity	<u>106,994</u>	<u>247,577</u>
	<u>\$ 3,945,569</u>	<u>\$ 4,548,482</u>
Investment credits (tax)		
Investment cost	<u>\$ 93</u>	<u>\$ -</u>

(Continued)

	December 31	
	2020	2019
Deductible temporary differences		
Impairment loss on assets	\$ 563,483	\$ -
Amortization of deferred credits	399,479	454,558
Net defined benefit liabilities	313,717	373,860
Sales discount payable	144,862	140,124
Provision for inventory loss	123,804	428,239
Others	<u>103,533</u>	<u>100,114</u>
	<u>\$ 1,648,878</u>	<u>\$ 1,496,895</u>

(Concluded)

f. Information about unused investment credits, loss deductions and tax exemptions

As of December 31, 2020, the relevant information on investment credits is as follows:

Legal Basis	Credit Item	Remaining Creditable Amount (Tax)	Expiry Year
Biotechnology New Drug Development Ordinance Article 6 Item 2	Investment cost	\$ 93	2023

As of December 31, 2020, the relevant information on loss carryforwards is as follows:

Undeducted Balance	Expiry Year
\$ 3,945,569	2022-2029

g. Income tax assessments

The Group's income tax returns through 2018 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 0.37</u>	<u>\$ 0.01</u>
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.01</u>

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2020	2019
Attributable to owners of the Corporation	<u>\$ 528,260</u>	<u>\$ 10,791</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:		
Employees' compensation	<u>1,898</u>	<u>401</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>1,437,442</u>	<u>1,435,945</u>

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

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue their operations while maximizing the return to shareholders through the optimization of the debt and equity balance.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management of the Group considers the carrying amount of financial assets and liabilities not carried at fair value approximates fair value.

b. Fair value of financial instruments that are measured at fair value on a recurring basis.

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Emerging market shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,410</u>	<u>\$ 242,410</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 844,302	\$ -	\$ -	\$ 844,302
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>43,345</u>	<u>43,345</u>
	<u>\$ 844,302</u>	<u>\$ -</u>	<u>\$ 43,345</u>	<u>\$ 887,647</u>
<u>December 31, 2019</u>				
Financial assets at FVTPL				
Emerging market shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,351</u>	<u>\$ 181,351</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic listed shares	\$ 815,306	\$ -	\$ -	\$ 815,306
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>44,843</u>	<u>44,843</u>
	<u>\$ 815,306</u>	<u>\$ -</u>	<u>\$ 44,843</u>	<u>\$ 860,149</u>
				(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial assets

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
<u>For the year ended December 31, 2020</u>			
Balance, beginning of year	\$ 181,351	\$ 44,843	\$ 226,194
Total profit or loss			
Recognized in profit or loss	78,903	-	78,903
Recognized in other comprehensive income	-	436	436
Disposal	(17,844)	-	(17,844)
Capital reduction refunded	<u>-</u>	<u>(1,934)</u>	<u>(1,934)</u>
Balance, end of year	<u>\$ 242,410</u>	<u>\$ 43,345</u>	<u>\$ 285,755</u>
Unrealized gains and losses recognized in other profit or loss	<u>\$ 75,482</u>	<u>\$ -</u>	<u>\$ 75,482</u>
<u>For the year ended December 31, 2019</u>			
Balance, beginning of year	\$ 217,281	\$ 51,219	\$ 268,500
Total profit or loss			
Recognized in profit or loss	(32,516)	-	(32,516)
Recognized in other comprehensive income	-	(1,771)	(1,771)
Disposal	(3,414)	-	(3,414)
Capital reduction refunded	<u>-</u>	<u>(4,605)</u>	<u>(4,605)</u>
Balance, end of year	<u>\$ 181,351</u>	<u>\$ 44,843</u>	<u>\$ 226,194</u>
Unrealized gains and losses recognized in other profit or loss	<u>\$ (32,620)</u>	<u>\$ -</u>	<u>\$ (32,620)</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

- a) The fair value of emerging stocks was based on the closing price adjusted for liquidity risk premium.
- b) The fair value of unlisted stocks was based on the current net value.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ 242,410	\$ 181,351
Measured at amortized cost (see 1 below)	1,588,611	1,433,387
Financial assets at fair value through other comprehensive income		
Equity instruments	887,647	860,149
Financial liabilities		
Measured at amortized cost (see 2 below)	11,218,664	14,961,824

- 1) The balances included financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties), other receivables (including related parties and excluding tax refund receivable), other financial assets and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables, refund liability, bonds payable, long-term borrowings (including current portion), long-term bills payable, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, long-term borrows (including current portion of long-term bank borrowings), long-term bills payable and lease liabilities. The Group's financial management department provides service to the business units, coordinates domestic and international financial operations, prepares and analyzes internal risk reports to monitor and manage financial risks related to the operation of the Group. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

The main financial risks arising from operating activities are to the risk of change in foreign exchange rates (see (a) below), the risk of changes in interest rates (see (b) below) and the risk of other price (see (c) below).

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

a) Foreign currency risk

The Group was exposed to foreign currency risk due to sales and purchases, denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing the same currency for accounts receivable and payable to alleviate foreign currency risk and risk to manage futures.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the fluctuation of USD. The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only the outstanding foreign currency denominated monetary items, refer to Note 32. The following table shows the impact on profit of 1% decrease in NTD against USD.

	USD Impact (Note)	
	For the Year Ended December 31	
	2020	2019
Profit before income tax	\$ 5,290	\$ 841

Note: This was mainly attributable to the exposure of outstanding USD cash, accounts receivable, accounts payable and other payables, which were not hedged at the balance sheet date.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 3,074,167	\$ 75,317
Cash flow interest rate risk		
Financial assets	567,017	366,068
Financial liabilities	3,109,674	7,219,138

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have been lower/higher by NT\$6,357 thousand and NT\$17,133 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through their investments in domestic listed shares.

The equity price of the Group was evaluated by the closing price of the equity securities on a monthly basis.

Sensitivity analysis

If equity price of fair value through other comprehensive income financial assets had been lower by one dollar, the pre-tax-other comprehensive income, for the years ended December 31, 2020 and 2019 would both have been lower by NT\$34,113 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the balance sheet date, the Group's maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group made transactions only with the parties with good credit. The goods were delivered after the cash or L/C was received, and the Group did not provide financial guarantee to any company. Accounts receivable were due to time differences of L/C negotiation and there were no bad debt in the recent years; therefore, the credit risk is very low.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of December 31, 2020, the unutilized credit facility of the Group was NT\$42 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2020</u>				
Short-term borrowings	\$ 406,794	\$ -	\$ -	\$ 406,794
Short-term bills payable	3,600,000	-	-	3,600,000
Accounts payable (including related parties)	340,724	-	-	340,724
Other payables	580,264	-	-	580,264
Refund liabilities	153,756	-	-	153,756
Lease liabilities	16,086	45,564	20,646	82,296
Bonds payable	22,100	3,088,400	-	3,110,500
Long-term bank borrowings	16,500	2,034,430	-	2,050,930
Long-term bills payable	-	1,110,000	-	1,110,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 5,136,224</u>	<u>\$ 6,278,394</u>	<u>\$ 55,646</u>	<u>\$ 11,470,264</u>

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2019</u>				
Short-term borrowings	\$ 5,188,373	\$ -	\$ -	\$ 5,188,373
Short-term bills payable	1,800,000	-	-	1,800,000
Accounts payable (including related parties)	95,269	-	-	95,269
Other payables	504,388	-	-	504,388
Refund liabilities	153,612	-	-	153,612
Lease liabilities	14,082	47,037	17,228	78,347
Long-term bank borrowings	499,363	4,173,943	-	4,673,306
Long-term bills payable	-	2,610,000	-	2,610,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,255,087</u>	<u>\$ 6,830,980</u>	<u>\$ 52,228</u>	<u>\$ 15,138,295</u>
				(Concluded)

29. TRANSACTIONS WITH RELATED PARTIES

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

- a. The name of the company and its relationship with the Group

<u>Company</u>	<u>Relationship</u>
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow subsidiaries
CHC Resources Corporation (CHC)	Fellow subsidiaries
Info Champ Systems Corporation (ICSC)	Fellow subsidiaries
CSC Steel Sdn. Bhd. (CSSB)	Fellow subsidiaries
Himag Magnetic Corporation (HMC)	Fellow subsidiaries
China Ecotek Corporation	Fellow subsidiaries
China Steel Global Trading Corporation	Fellow subsidiaries
CSGT Japan Co., Ltd.	Fellow subsidiaries
China Steel Management Consulting Corp.	Fellow subsidiaries
CSC Solar Corporation.	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
China Steel Structure Co., Ltd	Fellow subsidiaries
China Steel Express Corporation	Fellow subsidiaries
China Steel Chemical Corporation	Fellow subsidiaries
China Steel Machinery Corporation	Fellow subsidiaries
Yu Cheng Lime Corporation	Fellow subsidiaries
Wabo Global Trading Corporation	Fellow subsidiaries
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiaries
Kaohsiung Rapid Transit Corporation	Fellow subsidiaries
Universal Exchange Inc.	Fellow subsidiaries
Sing Da Marine Structure	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
Union Steel Development Corp.	Fellow subsidiaries
Formosa Ha Tinh Steel Corporation	Other related parties
Pacific Harbour Stevedoring Corporation	The Corporation as supervisor of other company

b. Sale of goods

Account Items	Related Parties Types /Name	For the Year Ended December 31	
		2020	2019
Sales	Fellow subsidiaries related to others	\$ 1,392,519	\$ 1,333,043
	Parent entity	<u>7,918</u>	<u>4,544</u>
		<u>\$ 1,400,437</u>	<u>\$ 1,337,587</u>
Service Revenue	Parent entity	\$ 319,145	\$ 471,880
	Fellow subsidiaries related to others	<u>18</u>	<u>37</u>
		<u>\$ 319,163</u>	<u>\$ 471,917</u>

The parent entity and some fellow subsidiaries related to others paid by telegraphic transfers (T/T) within 7 days from product shipment, T/T within 60 days from product shipment, monthly billing by T/T after acceptance sale of, steel pipe products collected at the beginning of next month; these payment terms differed from those for third parties, from whom payments were negotiated on Tuesday and Friday.

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity in which the Corporation has to do certain processing work and charged based on the formula stated in the agreements. The Corporation bills the parent entity within one month after approval of delivery.

The Corporation entered into an agreement with fellow subsidiaries related to others under which the Corporation sells waste acid and the price is charged based on the formula stated in the agreement. The Corporation bills the fellow subsidiaries related to others within a month after acceptance by T/T based on the monthly amount of processing.

Account Items	Related Parties Types /Name	For the Year Ended December 31	
		2020	2019
Other operating revenue	Fellow subsidiaries related to others		
	DSC	\$ 44,103	\$ 44,762
	HMC	<u>9,179</u>	<u>11,474</u>
		<u>\$ 53,282</u>	<u>\$ 56,236</u>

There is no significant profit or loss from the sale of the materials of the Company to fellow subsidiaries.

c. Purchase of goods

Related Parties Types/Name	For the Year Ended December 31	
	2020	2019
Parent entity	<u>\$ 17,341,242</u>	<u>\$ 20,764,285</u>

(Continued)

Related Parties Types/Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries related to others		
DSC	\$ 9,479,326	\$ 8,712,164
Others	<u>579,355</u>	<u>334,062</u>
	<u>10,058,681</u>	<u>9,046,226</u>
Other related parties	<u>-</u>	<u>122,810</u>
	<u>\$ 27,399,923</u>	<u>\$ 29,933,321</u> (Concluded)

The purchases were mainly slabs and hot rolling coils. The purchase price and payment terms were incomparable in 2020 because the Corporation were not purchased from non-related parties; Purchase from related parties were made under normal term in 2019.

d. Accounts receivable from related parties

Account Items	Related Parties Types /Name	December 31	
		2020	2019
Accounts receivable from related parties	Parent entity	\$ 52,905	\$ 43,118
	Fellow subsidiaries related to others	<u>64,333</u>	<u>2,615</u>
		<u>\$ 117,238</u>	<u>\$ 45,733</u>
Other receivable from related parties	Parent entity	<u>\$ 1,035</u>	<u>\$ 509,734</u>
	Fellow subsidiaries related to others		
	CHC	25,389	31,578
	Others	<u>248</u>	<u>102</u>
		<u>25,637</u>	<u>31,680</u>
		<u>\$ 26,672</u>	<u>\$ 541,414</u>

No guarantee had been received for accounts receivable and other receivable from related parties. No expense had been recognized for the years ended December 31, 2020 and 2019 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

e. Accounts payable to related parties (excluding loans from related parties)

Account Items	Related Parties Types /Name	December 31	
		2020	2019
Accounts payable to related parties	Parent entity	\$ 267,429	\$ 56,343
	Fellow subsidiaries related to others	41,816	1,330
	Other related parties	<u>3,979</u>	<u>7,924</u>
		<u>\$ 313,224</u>	<u>\$ 65,597</u>

The outstanding accounts payable to related parties were unsecured.

f. Loans from related parties

Related Parties Types	December 31	
	2020	2019
Parent entity	\$ <u> -</u>	\$ <u>2,450,000</u>

The Corporation borrowed money from the parent entity because of the need for short-term fund. The interest rate of the loan was based on average daily short-term interest the parent entity financed for the same currency from financial institutions in the last 30 days and adjusted monthly.

The loans from the parent entity were unsecured loans with interest expense of NT\$12,990 thousand and NT\$15,145 thousand for 2020 and 2019, respectively.

g. Other transactions with related parties

1) Authorization fees

In May 2003, the parent company, Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel Corporation in April 2019) and Sumitomo Corporation entered into a joint venture agreement and established the joint venture company East Asia United Steel Corporation (EAUS) in July 2003. The parent company thus has a stable supply of high quality slab through this joint venture. The parent company then signed a contract with the Corporation, transferring to the Corporation the right to buy slab from EAUS. The Corporation should pay authorization fees to the parent company under the contract. These fees (included in the purchase cost of materials) were NT\$86,665 thousand and NT\$99,527 thousand in 2020 and 2019, respectively. As of December 31, 2020 and 2019, authorization fees payable (included in payables to related parties) were NT\$15,697 thousand and NT\$21,550 thousand, respectively. The calculation of slab purchase prices was based on the formula stated in the agreement.

2) Leases

- a) The Corporation entered into a contract with fellow subsidiaries related to others on the lease of the Corporation's part of the land and warehouse. The rental revenue for the years ended December 31, 2020 and 2019 were NT\$4,011 thousand and NT\$3,774 thousand, respectively.
- b) The Corporation entered into a contract with parent entity on the lease of the Corporation's part of the land, roof and warehouse. The rental revenue for the years ended December 31, 2020 and 2019 were both NT\$5,310 thousand.

3) Construction in progress and other expenditures

Other expenditures include import and export transportation fees, export agency fees, rent expenses, remuneration and transportation allowances of directors and supervisors.

	For the Year Ended December 31	
	2020	2019
a) Other expenditures		
Other related parties	\$ 133,514	\$ 190,046
Parent entity	77,248	118,932

(Continued)

	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries related to others	<u>\$ 78,467</u>	<u>\$ 60,637</u>
	<u>\$ 289,229</u>	<u>\$ 369,615</u>
b) Capital expenditure		
Parent entity	<u>\$ 7,600</u>	<u>\$ 2,723</u>
Fellow subsidiaries related to others		
ICSC	103,487	21,742
Others	<u>1,383</u>	<u>34,466</u>
	<u>104,870</u>	<u>56,208</u>
	<u>\$ 112,470</u>	<u>\$ 58,931</u>
		(Concluded)

4) Income from selling supplies and scrap (included in deductions of cost of goods sold)

	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries related to others		
CHC	\$ 269,902	\$ 377,925
Others	<u>16,094</u>	<u>15,102</u>
	<u>\$ 285,996</u>	<u>\$ 393,027</u>

h. Compensation of key management personnel

The remuneration to directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 43,149	\$ 29,509
Post-employment benefits	<u>2,179</u>	<u>1,777</u>
	<u>\$ 45,328</u>	<u>\$ 31,286</u>

30. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The Group's assets mortgaged or pledged as collateral for Bank overdrafts were as follows (listed based on their carrying amounts):

	December 31	
	2020	2019
Time deposits (included in other financial assets - current)	<u>\$ 300,000</u>	<u>\$ 300,000</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2020 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$1,685,933 thousand
- b. The Group had signed agreements to buy equipment for NT\$490,758 thousand, of which NT\$217,085 thousand had been paid (included in construction-in-progress and prepayments for equipment).

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2020</u>				
Monetary financial assets				
USD	\$ 19,476	28.480	(USD:NTD)	\$ 554,666
Monetary financial liabilities				
USD	901	28.480	(USD:NTD)	25,659
<u>December 31, 2019</u>				
Monetary financial assets				
USD	4,321	29.98	(USD:NTD)	129,550
Monetary financial liabilities				
USD	1,515	29.98	(USD:NTD)	45,416
JPY	49,145	0.276	(JPY:NTD)	13,564

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gain or loss were loss of NT\$51,578 thousand and gain of NT\$49,511 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions.

33. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. investees:
 - 1) Financing provided to others (None)
 - 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (None)
 - 11) Information on investees (Table 3)
- c. Information on investments in mainland China (None)
- d. Major shareholder information (Table 4)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reportable segments of the Group were as follows:

- The Corporation - manufacture, process and sell steel products.
 - Other corporations - Hung Kao Investment Corporation engaged in general investment.
- a. Segment revenues and operating results

The following is an analysis of the Group revenues and results of operations by reportable segment.

	The Corporation	Others	Adjustment and Elimination	Total
For the year ended December 31, 2020				
Revenues from external customers	<u>\$ 36,789,518</u>	<u>\$ 636</u>	<u>\$ -</u>	<u>\$ 36,790,154</u>
Segment profit	\$ 337,801	\$ 291	\$ 120	\$ 338,212
Interest revenue	950	16	-	966
Other income	224,750	1	(120)	224,631
Other income and expenses	1,488	-	-	1,488

(Continued)

	The Corporation	Others	Adjustment and Elimination	Total
Finance costs	\$ (86,219)	\$ -	\$ -	\$ (86,219)
Share of the profit of associates	<u>49,490</u>	<u>-</u>	<u>(303)</u>	<u>49,187</u>
Profit before income tax for the year	528,260	308	(303)	528,265
Income tax expense	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Net profit for the year	<u>\$ 528,260</u>	<u>\$ 303</u>	<u>\$ (303)</u>	<u>\$ 528,260</u>
Identifiable assets	\$ 24,401,858	\$ 28,483	\$ -	\$ 24,430,341
Investments accounted for using equity method	<u>2,698,045</u>	<u>-</u>	<u>(28,329)</u>	<u>2,669,716</u>
Total assets	<u>\$ 27,099,903</u>	<u>\$ 28,483</u>	<u>\$ (28,329)</u>	<u>\$ 27,100,057</u>
Total liabilities	<u>\$ 11,866,629</u>	<u>\$ 154</u>	<u>\$ -</u>	<u>\$ 11,866,783</u>
For the year ended December 31, 2019				
Revenues from external customers	<u>\$ 40,467,516</u>	<u>\$ 2,613</u>	<u>\$ -</u>	<u>\$ 40,470,129</u>
Segment loss	\$ (217,532)	\$ (177)	\$ 120	\$ (217,589)
Interest revenue	2,013	13	-	2,026
Other income	173,450	-	(120)	173,330
Other income and expenses	73,899	-	-	73,899
Finance costs	(123,047)	-	-	(123,047)
Share of the profit of associates	<u>102,102</u>	<u>-</u>	<u>164</u>	<u>102,266</u>
Profit before income tax for the year	10,885	(164)	164	10,885
Income tax expense	<u>94</u>	<u>-</u>	<u>-</u>	<u>94</u>
Net profit (loss) for the year	<u>\$ 10,791</u>	<u>\$ (164)</u>	<u>\$ 164</u>	<u>\$ 10,791</u>
Identifiable assets	\$ 27,909,011	\$ 28,373	\$ -	\$ 27,937,384
Investments accounted for using equity method	<u>2,553,395</u>	<u>-</u>	<u>(27,173)</u>	<u>2,526,222</u>
Total assets	<u>\$ 30,462,406</u>	<u>\$ 28,373</u>	<u>\$ (27,173)</u>	<u>\$ 30,463,606</u>
Total liabilities	<u>\$ 15,893,509</u>	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 15,894,709</u>

(Concluded)

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, finance costs and income tax expense (benefit). This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenues from major products and services

Revenues from major products and services of the Group were as follows:

	For the Year Ended December 31	
	2020	2019
Sales		
Hot Rolled Steel	\$ 27,872,766	\$ 28,424,804
Cold Rolled Steel	4,973,327	5,455,299
Galvanized Steel	2,306,539	2,313,888
Steel Pipe	1,253,410	3,736,536
Service revenue	324,754	477,071
Investments revenue	502	1,004
Other operating revenue	<u>58,856</u>	<u>61,527</u>
	<u>\$ 36,790,154</u>	<u>\$ 40,470,129</u>

c. Geographical information

The Group operates in Taiwan.

The Group's revenues from external customers and information about its noncurrent assets by geographical location were detailed below.

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 23,178,212	\$ 19,203,193	\$ 17,319,817	\$ 18,653,810
Asia	11,890,832	15,903,466	-	-
America	828,813	3,406,230	-	-
Europe	289,214	1,050,194	-	-
Others	<u>603,083</u>	<u>907,046</u>	<u>-</u>	<u>-</u>
	<u>\$ 36,790,154</u>	<u>\$ 40,470,129</u>	<u>\$ 17,319,817</u>	<u>\$ 18,653,810</u>

d. Information about major customers

	For the Year Ended December 31	
	2020	2019
Sales revenue		
A Company	\$ 4,765,887	\$ 4,462,556
B Company	4,005,402	3,927,418
C Company	3,474,689	1,032,007
D Company	<u>2,803,324</u>	<u>4,403,377</u>
	<u>\$ 15,049,302</u>	<u>\$ 13,825,358</u>

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2020				Note	
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value		
Chung Hung Steel Corporation	Common Stock Yieh United Steel Corp.	Parent company	Financial assets at fair value through profit or loss - current	36,728,800	\$ 242,410	1	\$ 242,410	Note 1	
	Shouh Hwang Enterprise Co., Ltd.		Financial assets at fair value through profit or loss - current	730,000	-	15	-	Note 2	
						<u>\$ 242,410</u>		<u>\$ 242,410</u>	
	Common Stock China Steel Corporation		Financial assets at fair value through other comprehensive income - current	33,109,239	<u>\$ 819,454</u>	-	<u>\$ 819,454</u>		
	Common Stock Taiwan Ves-Power Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	958,333	\$ 36,599	2	\$ 36,599	2020.11.30 net value	
	Riselink Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	3,948	866	3	866	2020.11.30 net value	
Chung Hung Steel Corporation	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	5,880	5	5,880	2020.11.30 net value	
					<u>\$ 43,345</u>		<u>\$ 43,345</u>		
Hung Kao Investment Corporation	Common Stock China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	<u>\$ 24,848</u>	-	<u>\$ 24,848</u>		

Note 1: The fair value of emerging stock was based on the closing price adjusted for liquidity risk premium.

Note 2: The impairment loss has been recognized that resulted in zero book value.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	\$ 17,341,242	62	Letter of credit at sight/Payment after final acceptance	\$ -	NO THIRD-PARTY COULD BE COMPARED	\$ (267,429)	(78)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	9,479,326	34	Letter of credit at sight	-	NO THIRD-PARTY COULD BE COMPARED	-	-	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	510,299	2	Letter of credit at sight/Payment after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	(41,210)	(12)	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,363,568)	(4)	T/T within 7 business days after lading date (not included)	-	NOT SIGNIFICANT DIFFERENCE	53,331	6	
	China Steel Corporation	Parent company	Service revenue	(319,010)	(1)	T/T as the end of the month of when invoice is issued after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	52,905	6	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Republic of China	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 28,329	\$ 303	\$ 303	Subsidiaries (Note)
Chung Hung Steel Corporation	Transglory Investment Corporation	Republic of China	General investment	2,001,152	2,001,152	306,824,279	40.91	2,669,716	120,233	49,187	Associates

Note: Amount was eliminated in the consolidated financial statements.

TABLE 4**CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDER INFORMATION
DECEMBER 31, 2020**

Major shareholders	Shares	
	Number of shares held	Shareholding (%)
China Steel Corporation	582,673,153	40.58

Note 1: The main shareholder information in this table is based on the last business day at the end of the quarter, and the shareholders hold more than 5% of the company's ordinary shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to different calculation bases.

Note 2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding and the shares delivered to the trust which has the decision rights over trust property, etc. Please refer to the public information for information on Market Observation Post System website of the Taiwan Stock Exchange.

VI. Effects of financial difficulties experienced by the company and its affiliated companies on the Company's financial status: None.

G. Review, Analysis, and Risks of Financial Conditions and Performance

I. Financial conditions

1. Comparative analysis of financial status - International Financial Reporting Standards (consolidated)

Unit: NTS1000

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	7,036,111	9,209,104	(2,172,993)	(23.60)
Property, plant and equipment	11,162,643	12,552,287	(1,389,644)	(11.07)
Other assets	8,901,303	8,702,215	199,088	2.29
Total assets	27,100,057	30,463,606	(3,363,549)	(11.04)
Current liabilities	5,167,233	8,502,445	(3,335,212)	(39.23)
Long-term liabilities	6,699,550	7,392,264	(692,714)	(9.37)
Total liabilities	11,866,783	15,894,709	(4,027,926)	(25.34)
Capital stock	14,355,444	14,355,444	-	-
Capital surplus	903	903	-	-
Retained earnings	1,302,766	762,128	540,638	70.94
Other equity	(425,839)	(549,578)	123,739	22.52
Net shareholder equity	15,233,274	14,568,897	664,377	4.56
<p>Explanation:</p> <ol style="list-style-type: none"> 1. Current assets fell from the previous year mainly due to the decrease in inventory. 2. Current liabilities and total liabilities fell from the previous year mainly due to the decrease in long-term and short-term borrowings. 3. The retained earnings rose from the previous year mainly due to an increase in net profit in this period. 4. Other equity increased from the previous year mainly due to an increase in the share of the other comprehensive income of associates. 				

2. Comparative analysis of financial status - International Financial Reporting Standards (standalone)

Unit: NT\$1000

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	7,032,476	9,204,726	(2,172,250)	(23.60)
Property, plant and equipment	11,162,643	12,552,287	(1,389,644)	(11.07)
Other assets	8,904,784	8,705,393	199,391	2.29
Total assets	27,099,903	30,462,406	(3,362,503)	(11.04)
Current liabilities	5,167,079	8,501,245	(3,334,166)	(39.22)
Long-term liabilities	6,699,550	7,392,264	(692,714)	(9.37)
Total liabilities	11,866,629	15,893,509	(4,026,880)	(25.34)
Capital stock	14,355,444	14,355,444	-	-
Capital surplus	903	903	-	-
Retained earnings	1,302,766	762,128	540,638	70.94
Other equity	(425,839)	(549,578)	123,739	22.52
Net shareholder equity	15,233,274	14,568,897	664,377	4.56
Explanation:				
1. Current assets fell from the previous year mainly due to the decrease in inventory.				
2. Current liabilities and total liabilities fell from the previous year mainly due to the decrease in long-term and short-term borrowings.				
3. The retained earnings rose from the previous year mainly due to an increase in net profit in this period.				
4. Other equity increased from the previous year mainly due to an increase in the share of the other comprehensive income of associates.				

II. Financial performance

(I) Comparative Analysis of Operational Performance

1. Comparative analysis of financial performance - International Financial Reporting Standards (consolidated)

Unit: NT\$1000

Item \ Year	2020	2019	Increase (decrease) amount	Percentage of change (%)
Net operating revenue	36,790,154	40,470,129	(3,679,975)	(9.09)
Operating costs	35,335,654	39,225,201	(3,889,547)	(9.92)
Gross profit	1,454,500	1,244,928	209,572	16.83
Operating expenses	1,116,288	1,462,517	(346,229)	(23.67)
Operating profit (loss)	338,212	(217,589)	555,801	255.44
Non-operating income (expenses)	190,053	228,474	(38,421)	(16.82)
Pre-tax profit	528,265	10,885	517,380	4753.15
Income tax expenses	5	94	(89)	(94.68)
Net profit for the year	528,260	10,791	517,469	4795.38
Other comprehensive income (loss)	136,117	(61,585)	197,702	321.02
Total comprehensive income (loss)	664,377	(50,794)	715,171	1407.98

Analysis description for items with increase and decrease ratio change: (changes of over 20%)

1. Operating expenses fell from the previous year mainly due to the decrease in export freight and miscellaneous fees this year.
2. Operating profit (loss) increased from the previous year mainly due to the increase in average unit margin this year.
3. Income tax expenses decreased from the previous year mainly due to the absence of the land value increment tax this year.
4. Profits before tax and net profit in this year rose from the previous year mainly due to the increase in average unit margin this year.
5. Other comprehensive income increased from the previous year mainly due to an increase in the share of the other comprehensive income of associates this year.

2. Comparative analysis of financial performance - International Financial Reporting Standards (standalone)

Unit: NT\$1000

Item \ Year	2020	2019	Increase (decrease) amount	Percentage of change (%)
Net operating revenue	36,789,518	40,467,516	(3,677,998)	(9.09)
Operating costs	35,335,654	39,225,201	(3,889,547)	(9.92)
Gross profit	1,453,864	1,242,315	211,549	17.03
Operating expenses	1,116,063	1,459,847	(343,784)	(23.55)
Operating profit (loss)	337,801	(217,532)	555,333	255.29
Non-operating income (expenses)	190,459	228,417	(37,958)	(16.62)
Pre-tax profit	528,260	10,885	517,375	4753.10
Income tax expenses	-	94	(94)	(100.00)
Net profit for the year	528,260	10,791	517,469	4795.38
Other comprehensive income (loss)	136,117	(61,585)	197,702	321.02
Total comprehensive income (loss)	664,377	(50,794)	715,171	1407.98
Analysis description for items with increase and decrease ratio change: (changes of over 20%)				
1. Operating expenses fell from the previous year mainly due to the decrease in export freight and miscellaneous fees this year.				
2. Operating profit (loss) increased from the previous year mainly due to the increase in average unit margin this year.				
3. Income tax expenses decreased from the previous year mainly due to the absence of the land value increment tax this year.				
4. Profits before tax and net profit in this year rose from the previous year mainly due to the increase in average unit margin this year.				
5. Other comprehensive income increased from the previous year mainly due to an increase in the share of the other comprehensive income of associates this year.				

- (II) The expected sales volume and its basis, and the possible impact on the company's future financial position and business operation and response plans are detailed in page 6 of the Annual Report.

III. Cash flow

1. Analysis on the cash flow changes of the current year - International Financial Reporting Standards (consolidated):

Cash increased by NT\$220,345 thousand in 2020 and cash flows changed as follows:

- (1) Operating activities: The net cash inflow of NT\$4,741,654 thousand was mainly due to the pre-tax profit of NT\$528,265 thousand plus depreciation of NT\$1,162,246 thousand plus the NT\$2,645,652 thousand decrease in inventory.
- (2) Investing activities: Net cash outflow of NT\$362,947 thousand was mainly due to the fixed asset purchases of NT\$397,582 thousand.
- (3) Financing activities: Net cash outflow of NT\$4,158,362 thousand was mainly due to the repayment in short-term borrowing of NT\$4,750,237 thousand.

Cash flow analysis for the following year:

Unit: NT\$1000

Cash balance at beginning of the period	Estimated annual net cash flow from operating activities	Expected annual cash outflow	Estimated cash surplus (shortage) amount	Estimated remedial measures for cash deficit	
				Investment plan	Financial plan
287,373	571,159	596,775	261,757	N/A	N/A
1. Analysis of estimated annual cash flow changes in the 2021 fiscal year Net cash flows from operating activities: Cash inflow is mainly from operating activities and changes in accounts receivable and inventory. Cash outflow: Cash outflow is mainly caused by procurement of fixed assets in investing activities and a decrease in long-term and short-term loans.					
2. Expected cash deficit remedies and liquidity analysis: Not applicable.					

2. Analysis on the cash flow changes of the current year - International Financial Reporting Standards (standalone):

Cash increased by NT\$219,762 thousand in 2020 and cash flows changed as follows:

- (1) Operating activities: The net cash inflow of NT\$4,741,589 thousand was mainly due to the pre-tax profit of NT\$528,260 thousand plus depreciation of NT\$1,162,246 thousand plus the NT\$2,645,652 thousand decrease in inventory.
- (2) Investing activities: Net cash outflow of NT\$363,465 thousand was mainly due to the fixed asset purchases of NT\$397,582 thousand.
- (3) Financing activities: Net cash outflow of NT\$4,158,362 thousand was mainly due to the repayment in short-term borrowing of NT\$4,750,237 thousand.

Cash flow analysis for the following year:

Unit: NT\$1000

Cash balance at beginning of the period	Estimated annual net cash flow from operating activities	Expected annual cash outflow	Estimated cash surplus (shortage) amount	Estimated remedial measures for cash deficit	
				Investment plan	Financial plan
285,899	571,159	596,775	260,283	N/A	N/A
<p>1. Analysis of estimated annual cash flow changes in the 2021 fiscal year Net cash flows from operating activities: Cash inflow is mainly from operating activities and changes in accounts receivable and inventory. Cash outflow: Cash outflow is mainly caused by procurement of fixed assets in investing activities and a decrease in long-term and short-term loans.</p> <p>2. Expected cash deficit remedies and liquidity analysis: Not applicable.</p>					

IV. Effect of major capital expenditure on financial position and business operation in the most recent year: None.

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

Name of investee	Investment amount as of March 31, 2021	Policy	Main reasons for profit or loss	Improvement plan	Other investment plan in the future
Hung Kao Investment Co., Ltd.	NT\$26 million	Investment	The main source of income in 2020 was remuneration for Directors and Supervisors of China Steel and income from cash dividends for investment in China Steel.	None	None
Transglory Investment Corporation	NT\$2.001 billion	Investment	Recognized as income from cash dividends for investment in China Steel.	None	None
Pro-Ascentek Investment Corporation	NT\$200 million	Investment	We completed fundraising in January 2021 and the main loss was management fees paid to Mentor Consulting Corporation.	None	None

VI. Risk issues and analysis evaluation

(I) Impacts of interest rates, exchange rate fluctuation and inflation situation on the company's profit and loss, and the future countermeasures:

1. Impact on the Company's income:

(1) Interest rate change

The Group's main financial instruments include accounts receivable, equity investment, other financial assets, accounts payable, short-term borrowings, short-term notes and bills payable, long-term borrowing (including long-term borrowing that mature within

one year), and long-term notes and bills payable. The finance management department of the Group provides services to business units and coordinates operations in the domestic and overseas financial markets. It establishes diverse financing channels and obtains favorable loan interest rates. It also adjusts the loan structure based on trends in interest rates. The financial assets and financial liabilities with cash flow interest rate risks as of the end of 2020 were NT\$567,017 thousand and NT\$3,109,674 thousand. If the interest rate increases/decreases by 0.25% while all other variables remain unchanged, the Group's net profit before tax in 2020 would decrease/increase by NT\$6,357 thousand.

(2) Exchange rate variation

The Group conducts sales and purchases in foreign currencies and therefore the Group is exposed to risks in exchange rate variation. The management of the Company's exchange rate risk exposure involves the use of accounts receivable and payable of the same currency to alleviate exchange rate risks. When the NTD increase 1% in value against the USD, it generates a NT\$5,290 thousand loss for the Company.

(3) Inflation

According to the statistics of the Directorate-General of Budget, Accounting, and Statistics of the Executive Yuan, the annual growth rate of the Consumer Price Index (CPI) in Taiwan as of December 2020 increased by 0.06% and the annual average decrease was 0.23%. Therefore, inflation does not have a significant impact on the Company's income.

2. Future response measures:

(1) Short-term funds are controlled and managed by overdraft accounts and the Company borrows funds or repays loans based on funding conditions to lower the cost of loans as a priority. Demand for capital expenditures and long-term investment are mostly met with medium to long-term funding.

(2) The finance units maintain close control over interest rates and exchange rates variation and take response measures (for both NTD and USD). Capital expenditures of more than US\$2 million in a single transaction shall be immediately hedged upon the signing of the contract to adopt pre-purchase or pre-sales methods during exchange rate fluctuations. With regard to the impact of inflation, the Company pays close attention to changes in related economic environments and market conditions. The Company also upholds the spirit of financial prudence and continues to advance various plans to lower costs.

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

1. The Company has not conducted any high-risk or high-leverage investments.

2. The Company's loans to others are processed in accordance with the "Operating Procedures for Fund Lending".
3. The Company's endorsements and guarantees are processed in accordance with the "Procedures for Making Endorsements and Guarantees".
4. The Company's policies for transactions of derivative products are processed in accordance with the "Asset Acquisition or Disposal Procedures".

(III) Future R&D projects and estimated expenditures for equipment improvement:

1. Annual R&D and equipment improvement expenses in the most recent years:

Unit: NT\$1000

Year	2018	2019	2020
Item			
R&D and equipment improvement expenses	252,100	214,429	146,414

2. The R&D and equipment improvement projects in 2021 are as follows:
 - (1) Hot rolling - replacement of upper and lower sliding tracks of the cutting machinery in CB area.
 - (2) Hot rolling - installation of a wireless temperature monitoring system for the bearing housing.
 - (3) Hot rolling - replacement of old chock bearing cleaning equipment.
 - (4) Cold rolling - cooling pump replacement.
 - (5) Cold rolling - replacement of the rolled fineblanking oil motor on the first rolling production line.
 - (6) Cold-rolling - replacement of the infrared thermal imaging camera.
 - (7) Pickling and galvanizing - replacement of the cooling pump (608A)
 - (8) Pickling and galvanizing - installation of the surveillance equipment and system (occupational safety improvement) in the plant.
 - (9) Pickling and galvanizing - replacement of the wave roofing sheets for the POL workshop roof (pillars 8 to 12 and pillars 15 to 17).
 - (10) Steel pipes - API 5CT K55 20" product development.

In response to the rise of steel mills in China and other competition, Chung Hung shall remain committed to improving product quality and refining manufacturing control technologies. It shall face the challenge of developing high-grade niche products to improve added value of products and separate the market. To strengthen overall competitiveness, the Company shall continue to accelerate the update and improvement of production equipment and it shall also actively work with the parent company (China

Steel) to establish production, equipment, project improvement, and other technical assistance channels to strengthen the technical roots of the Company and enhance the Company's overall competitiveness.

3. Expected expenditures for R&D and equipment improvement plans in 2021: The total is approximately NT\$34,905 thousand.
4. Current progress of uncompleted R&D and equipment improvement projects in 2020: The uncompleted projects are as follows. The average progress is approximately 54% and they shall be continued in 2021.
 - (1) Hot rolling - development of S55C low-temperature rolled fineblanking products.
 - (2) Hot-rolling - No.3 grinder revamping project.
 - (3) Hot rolling - automatic surface inspection system (ASIS) added to the skin pass mill production line.
 - (4) Hot rolling - RM roll terminal universal joint spare parts procurement.
 - (5) Hot rolling - D/C width meter replacement project.
 - (6) Hot rolling - roughing-down entry width meter replacement project.
 - (7) Hot rolling - data acquisition system (ODG) equipment replacement.
 - (8) Hot rolling - additional D/C Pinch Roll milling equipment.
 - (9) Hot rolling - replacement of the F3 main motor.
 - (10) Cold-rolling - Update of power factor system equipment.
 - (11) Pickling and galvanizing - update of electrical control equipment of the pickling line.
 - (12) Pickling and galvanizing - automatic surface inspection system (ASIS) added to the pickling production line.
 - (13) Pickling and galvanizing - replacement of the electricity measurement system.
 - (14) Pickling and galvanizing - replacement of the electrical control system for the No. 2 crane.
 - (15) Steel pipes - CSA Z245.1 Grade 359 Cat.II M45C product development.
 - (16) Steel pipes - establish #4 pipe production line CAE simulation technology.
 - (17) Steel pipes - API 5CT K55 5" product development.
 - (18) Steel pipes - API 5CT J55U2 7-5/8" product development.
 - (19) Steel pipes - API 5L X70M PSL2 product development with a diameter of 16" and above.
 - (20) Steel pipes - conversion of the Dafa Steel Pipe Plant painting line to coating process.
5. Expected R&D and equipment improvement expenses for R&D projects not completed in 2020: The total is approximately NT\$279,091 thousand.
6. Major factors that influence the success of R&D in the future:

They include conditions of cooperation onsite, project control, and coordination and support.

- (IV) Impact on the Company's finance and business due to changes in important domestic/foreign policies and laws and response measures thereof:

The Company follows the implementation schedule of the "Corporate Governance 3.0 - Sustainable Development Roadmap" published by the Financial Supervisory Commission. Starting from 2023, all listed companies with a paid-in capital of more than NT\$10 billion shall be required to file the Financial Report for the previous year within 75 days of the end of the fiscal year. The Company has published financial reports within two months of the end of the fiscal year since 2020, and already meets the aforementioned requirements.

- (V) The impacts of technology changes and industry changes on the Company's finance and business, and the countermeasures:

The Company operates in the traditional steel manufacturing industry with few industrial changes. Recent technology advancements have led to a shift in the steel industry toward lighter, thinner, shorter, smaller, and more refined products and the Company is also committed to the development of high added-value products and process improvements as it adjusts its product portfolio to enhance competitiveness. The technology changes are not expected to cause great impact on financial performance.

- (VI) Impact of corporate image change on crisis management and response measures: As a member of the China Steel Corporation Group, Chung Hung upholds one of the four major business philosophies of the Group "Promote social welfare". In addition to diligent business operations to achieve earnings, the Company also actively gives back to society. Since 2004, the Company has continuously sponsored the municipal government's Poverty Eradication Programs and it has sponsored the "Greater Kaohsiung Lifeline Association" Suicide Prevention Program for 17 years. Chung Hung spares no effort in fulfilling corporate social responsibilities. The Company shall continue to make improvements in all areas and make contributions to the creation of a better society.

- (VII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures: No such occurrences as of the publication date of the Annual Report.

- (VIII) Expected benefits and potential risks of capacity expansion and response measures: The Company's capacity expansion has been subjected to comprehensive, careful, and professional assessments. Major investment projects must be submitted to the Audit Committee and Board of Directors and the Company has fully considered the benefits of investment and potential risks.

- (IX) Risks associated with over-concentration in purchase or sale and response measures: The Company's slabs are sourced from CSC Group and Nippon Steel. The Company signed a long-term slab supply agreement with Nippon Steel Corporation through China Steel Corporation in May 2003 which greatly assists the Company's acquisition of materials with stable quantity and quality at reasonable prices. In addition, the Company maintains long-term stable cooperation with customers and provides high-quality products and optimal technical services to establish close interactions and relations and increase customers' dependency on the Company.

- (X) Impacts and risks arising from major exchange or transfer of shares by directors or shareholders with over 10% of stake in the company and the countermeasures: No such occurrences as of the publication date of the Annual Report.
- (XI) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations: No such occurrences as of the publication date of the Annual Report.
- (XII) In terms of litigation or non-litigation matters, the company and the company's directors, supervisors, president, actual responsible person, shareholders holding more than 10% of the company shares, and a subsidiary company who is involved in a major lawsuit that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or securities prices, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed: No such occurrences as of the publication date of the Annual Report.
- (XIII) Risk management framework: The main scope of risk management includes system and incident risks, market risks, credit risks, market fluidity risks, and capital liquidity risks. The Company's various risk management are tasked to each business unit or task-based organizations for management. For instance, business units are responsible for market risks and evaluation and management of customers' credit risks; finance units are responsible for the evaluation and management of fund liquidity risks; the exchange rate evaluation team is responsible for risk assessments of foreign-currency assets and liabilities exchange rate variations. The units implement professional and objective risk monitoring duties and bridge communications between the senior management with decision-making powers and each business unit to achieve optimal profitability after implementing risk adjustments. Please refer to page 20 of the Annual Report for the structure of business units of the Company.
- (XIV) Other significant risks and response measures: Description of the information security risk analysis

Risk Category	Potential risks	Response management measures
Information security risks	Regulatory risks Data security	<ol style="list-style-type: none"> 1. Establish personal computer asset management system to collect software installation information and implement user access management. Abide by software copyright verification and reduce the risks of infringement of related intellectual property right legislation. 2. Establish data maintenance mechanisms for the online database of the ERP system and establish a database of past records to store data offline to reduce the risks system performance deterioration or service interruption. 3. Conduct regular data backup to ensure data security and conduct one simulated data recovery at least once every year to verify the effectiveness of data and backup procedures.

Risk Category	Potential risks	Response management measures
	<p>Hacking incidents and virus infection</p> <p>Access control</p>	<p>4. Continue to use network firewall and hacking prevention equipment to prevent hacker attacks and install anti-virus software in the Windows computer system for regular updates to prevent the infection and spread of viruses.</p> <p>5. Use various channels to conduct information security education and email phishing tests to strengthen employee awareness and jointly build a line of defense for information security.</p> <p>6. Establish the e-commerce (EC) website in the demilitarized zone (DMZ) in the firewall to ensure customer's purchase orders and related sales queries are isolated from internal networks to prevent unauthorized access.</p> <p>7. Strengthen USB disk management. Usage shall require the approval of a supervisor ranked Vice President or above and the Company shall provide regular USB disk access records to the supervisors to verify whether there are confidentiality concerns.</p> <p>8. Establish a virtual private network (VPN) for emergency connection for external personnel and retain related communication records for verification and follow-up.</p> <p>9. Implement access control and automatic surveillance in the server rooms to ensure continuous operations of computer equipment under a normal environment. Require registration and explanation of the reasons for access to the server rooms and allow access only with the approval of the supervisor.</p>

VII. Other critical matters: None

H. Special Notes

I. Profile on affiliates

- (I) 2020 Consolidated Business Report of Affiliates: Refer to Attachment 1.
- (II) 2020 Affiliation Report: Refer to Attachment 2.
- (III) 2020 Consolidated Financial Report of Affiliates: Please refer to pages 230 to 292.
- (IV) Endorsement and guarantee with regard to affiliated enterprises: None.
- (V) Loans related to affiliated enterprises: None.
- (VI) Affiliated enterprises that conduct transactions in derivative products: None.

II. Status of private solicitation for marketable securities handling for the recent year up to the publication date of this annual report: None.

III. Holding or disposal of stocks of the Company by subsidiaries for the recent year up to the publication date of this annual report: None.

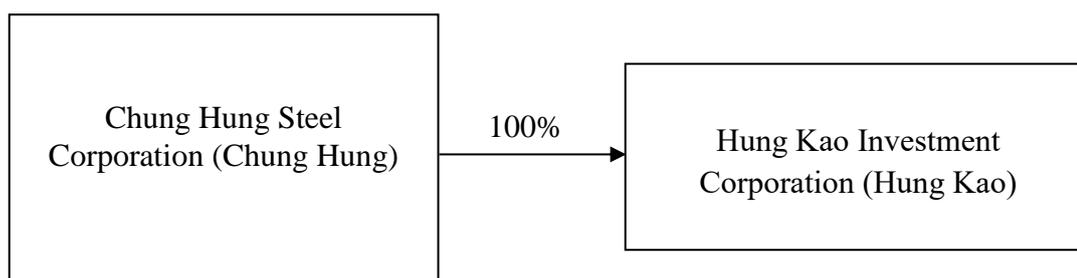
IV. Other necessary supplemental information: None.

I. Any Event which Significantly Affects Shareholders' Equity or Share Price Pursuant to Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act for the recent year up to the publication date of this annual report: None.

Chung Hung Steel Corporation
Consolidated business report of affiliated enterprises
2020

I. Profiles and status of affiliated enterprises:

(I) Organization chart for the affiliated enterprises



(II) Basic information of the affiliated enterprises

Unit: NT\$1000

Company name	Date of establishment	Address	Paid-in capital	Principal business or core products
Chung Hung	1983.9.29	No. 317, Yuliao Road, Ciaotou Dist., Kaohsiung City	14,355,444	Manufacturing and sales of hot-rolled steel coils, cold-rolled steel coils, steel pipes, etc.
Hung Kao	2006.9.26	28F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City	26,000	General investment

(III) Companies presumed as having control and subordinate relationships in accordance with Article 369-3 of the Company Act: None.

(IV) Businesses included in the affiliated enterprises' overall operations are as follows:

Company name	Industry
Chung Hung	Steel and Iron Industry
Hung Kao	Investment

(V) Information on directors, independent directors, and presidents of affiliated enterprises

Unit: shares; %

Company name	Title	Name or representative	Shares held		Remarks
			Number of Shares	Shareholding (%)	
Chung Hung	Chairman of the Board	Min-Hsiung Liu	582,673,153	40.59	Representative of China Steel Corporation
	Director	Chao-Tung Wong	582,673,153	40.59	Representative of China Steel Corporation
	Director	Kuei-Sung Tseng	582,673,153	40.59	Representative of China Steel Corporation
	Director	Kai-Ming Huang	582,673,153	40.59	Representative of China Steel Corporation
	Independent Director	Juh-Shan Chiou	0	0	
	Independent Director	Hsien-Tang Tsai	0	0	
	Independent Director	Lin-Lin Lee	0	0	
	President	Kuei-Sung Tseng	0	0	
Hung Kao	Chairman of the Board	Chia-Wen Luo	2,600,000	100.00	Representative of Chung Hung Steel Corporation

Note 1: The shareholding information is from the end of 2020 and it does not include retained decision-making trust shares.

Note 2: The status of representatives was as of March 31, 2021.

II. Status of operations of affiliated enterprises

(Except for the EPS which is in NTD)

Unit: NT\$1000

Company name	Paid-in capital	Total Assets	Total liabilities	Net value	Operating revenue	Net operating profit	Net profit for the year (after tax)	Basic earnings per share (after tax)
Chung Hung	14,355,444	27,099,903	11,866,629	15,233,274	36,789,518	337,801	528,260	0.37
Hung Kao	26,000	28,483	154	28,329	636	291	303	0.12

Affiliation Report Statement

The Company's 2020 Affiliation Report was prepared based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and there are no major discrepancies between the information disclosed and the related information disclosed in the notes of the financial report for the aforementioned period.

It is hereby declared

Chung Hung Steel Corporation

Legal representative: Min-Hsiung Liu

March 31, 2021

Chung Hung Steel Corporation Affiliation Report 2020

I. Relationship status between the controlling and subordinate companies

Unit: shares; %

Name of controlling company	Reason for control	Status of the controlling company's share ownership and pledge			Status of director, supervisor, or manager designated by the controlling company (Note 2)	
		Total number of shares held	Total shareholding percentage (%)	Number of shares pledged	Title	Name
China Steel Corporation (China Steel)	Note 1	582,673,153	40.59	0	Chairman of the Board	Min-Hsiung Liu (Representative of China Steel Corporation)
					Director	Chao-Tung Wong (Representative of China Steel Corporation)
					Director	Kuei-Sung Tseng (Representative of China Steel Corporation)
					Director	Kai-Ming Huang (Representative of China Steel Corporation)

Note 1: China Steel Corporation holds 40.59% of shares of the Company and retains management control over the Company.

Note 2: The status of representatives was as of March 31, 2021.

II. Transaction status:

(I) Procurement and sales status

Unit: NT\$1000; %

Transaction status with controlling company				Transaction conditions with controlling company		Regular transaction terms		Cause of variation
Purchase (sales)	Amount	Ratio of total procurement (sales)	Sales margin	Unit price (NT\$1,000/ton)	Credit period	Unit price (NT\$1,000/ton)	Credit period	
Sales	7,918	—	—	—	Issuance of sight L/C	—	Cash advance received L/C	None
Procurement	17,341,242	62	—	—	Issuance of sight L/C	—	L/C	None

Unit: NT\$1000; %

Accounts and Notes receivable (payable)		Overdue accounts receivable			Remarks
Balance	Ratio of total accounts and notes receivable (payable)	Amount	Processing method	Allowance for bad debts	
52,905	6	0	0	0	Note 1
(267,429)	(78)	0	0	0	Note 2

Note 1: Derived mainly from accounts receivable from service revenue (OEM contracts).

Note 2: Purchases from China Steel Corporation in 2020 consisted mainly of hot-rolled steel coils, slabs, and materials.

- (II) Property transactions: None.
- (III) Status of fund accommodation: As of December 31, 2020, the parent company provided the Company with NT\$3.15 billion in short-term loan credit limit and the Company has not yet applied for loans.
- (IV) Status of asset leasing: The Company leased certain land to the parent company and the lease shall expire in December 2021. The income from lease is NT\$5,310 thousand.
- (V) Other significant transactions: None

III. Endorsements and guarantees: None.

IV. Other matters with material impact on finance and business: China Steel Corporation signed a joint venture agreement with Sumitomo Metal Industries (renamed Nippon Steel Corporation in April 2019) and Sumitomo Corporation in May 2003 and established East Asia United Steel as a joint venture in July of the same year. East Asia United Steel then invested in Wakayama Iron Works, Ltd. (a company spun off from Sumitomo Metal Industries). China Steel Corporation has thus obtained high quality and stable supplies of slabs through this joint venture. China Steel subsequently signed a slab licensing agreement with the Company to assign part of the purchasing rights of the slabs obtained from the aforementioned joint venture agreement to the Company. The Company pays royalties to China Steel in accordance with the agreement. The expenditures on royalties in 2020 totaled approximately NT\$86,665 thousand. The payable royalties as of the end of December 2020 totaled NT\$15,697 thousand. The procurement price of the aforementioned slabs is calculated based on the formula specified in the agreement.

Chung Hung Steel Corporation

Chairman of the Board

Min-Hsiung Liu



Head Office/Cold Rolling Department:

No. 317, Yuliao Road, Ciaotou Dist., Kaohsiung City

Hot Rolling Department:

No. 576, Xinglong St., Gangshan Dist., Kaohsiung City

Pickling and Galvanizing Department:

No. 24, Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City

Steel Pipe Plant (Dafa Plant):

No. 18, Huazhong Rd., Dafa Industrial Park, Daliao Dist., Kaohsiung City

Steel Pipe Plant (Lukang Plant):

No. 42, Lugong Rd., Lukang Township, Changhua County

The Company's website:

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

TWSE Market Observation Post System website:

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

Stock Code : 2014