

2022

Annual Report

member of CSC Group



CHUNG HUNG STEEL CORPORATION

Stock Code : 2014



The Company's website :
<http://www.chsteel.com.tw>

TWSE Market Observation Post System website :
<http://mops.twse.com.tw/mops/web/index>

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V. Name of exchange house where overseas eligible securities are traded and method of inquiry on mentioned securities

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 global economy was faced with a number of challenges in 2022. When the Russo-Ukrainian War broke out in early February, a gap immediately opened up in the international steel supply. The magnet effect led to a steady flow of steel products from each country to the European steel market and triggered a surge in global steel prices. Panic buying to replenish inventories earlier on that used up some future demand, the drawn-out war between Russia and Ukraine, the European energy crisis, skyrocket global inflation, seasonal factors such as the Asian monsoon season and Ramadan in Q2, and COVID-19 lockdowns in China all led to a slump in steel demand. These along with rapid rate increases by Western countries to curb inflation led to a correction in commodity prices. The negative effects on the economy became increasingly clear and it was obvious that the global steel market was entering a period of adjustment.

Q3 demand remained low but major steel mills in each country began announcing the shutdown of blast furnaces or production cuts due to products selling at below cost. From Q4 onwards, a slowdown in rate increases by US and European reserve banks, surge in Asian currencies, commodity prices and Asian export prices, as well as China's relaxation of its epidemic prevention policy all helped to rebuilt market confidence and the global steel market began showing signs of recovery.

In 2023, production cuts at steel mills began taking effect. A narrowing of the gap between supply and demand in the steel market also buoyed steel prices and steel mills around the world began increasing their prices. A warm winter in Europe brought about a recovery in demand for manufacturing, while China announced an end to lockdowns during the Lunar New Year and rolled out stimulus policies for the property and automotive markets. Support for raw material costs and improved demand meant that the steel market was becoming more active once again.

Chung Hung has three main priorities in the new year. First of these is raw material costs because controlling the cost of raw materials and inventory levels is fundamental to cost control. Chung Hung strives to secure reasonable prices and appropriate delivery times by maintaining a good relationship with regular slab suppliers. The second of these is vertical integration of upstream/downstream resources to maximize synergies, compete against imports, and help downstream vendors improve their competitiveness. Finally, Chung Hung is focusing on strengthening our customer service, adapt to market changes, and optimize the ratio between domestic and export sales. Chung Hung will continue to focus on the maximizing of profits, strengthening of customer relationships, building of

mutual trust, and work together with customers to meet and triumph over market challenges.

I. 2022 Business and Financial Report

(I) Business Plan Implementation Results

1. Production plan implementation status;

The production volume of steel products (excluding miscellaneous grade products) in 2022 amounted to 2.026 million tonnes, which was a decrease of 350,000 tonnes from 2.376 million tonnes in 2021, a reduction of 14.7%.

2. Sales plan implementation status:

The sales volume of steel products in 2022 amounted to 1.82 million tonnes, which was a decrease of 300,000 tonnes from 2.12 million tonnes in 2021, a reduction of 14.2%.

(II) Analysis of operating revenue/expenses and profitability

The net loss was NT\$990 million in 2022. The operating revenue/expenses and profitability are as follows:

1. Revenue:

Consolidated operating revenue amounted to NT\$44.5 billion in 2022, a decline of NT\$9.24 billion of 17.2% compared to NT\$53.74 billion in 2021

2. Expenditures:

Consolidated operating costs and consolidated operating expenses totaled NT\$46.26 billion in 2022 which was a decrease of NT\$0.96 billion, approximately 2%, from NT\$47.22 billion in 2021.

3. Profitability:

Net loss after tax amounted to NT\$990 million due primarily to higher unit selling costs as well as slump in unit selling price.

(III) Research and Development

The Company is committed to the development of new products and technologies and the development of artificial intelligence (AI). We are continuing to focus on product quality improvements, process research, and equipment technology establishment to create applications for smart equipment, smart production, and smart operations. We also established the Smart Production and Sales Promotion Committee to promote the development of a smart system for production, equipment maintenance, production scheduling, quality management, product sales, occupational safety, and environmental protection.

To cultivate the expertise needed to support the smooth introduction of AI technology, the Company not only participates in external training courses but is also continuing to seek the help of experts and industry-academic circles. In terms of key R&D accomplishments during 2022, quality improvements included improvement to surface cleanliness, adhesion and tearing for the CQ2 cold rolling process; process research included establishment of manufacturing technology for S50C (thickness \geq 3.0mm) low-hardness products, introduction of steel band displacement measurement equipment for precision rolling station, automatic roller control technology for tailboard, and phased tempering for the CQ2 cold rolling process; equipment technologies included the development of sliver grinding technique for hot rolling, development of PO high strength steel (SPFH590, GR.80), POL Scale Breaker production technology, and deployment of intelligent diagnostics system for the inner bead cutter at Dafa Plant. The key points in the development of artificial intelligence are as follows:

- (1) Deployment of intelligent scheduling system for hot rolling production line at the Hot Rolling Department: Completion of the system in 2022 Q3 shortened scheduling time and improved productivity.
- (2) Optimized management of air compressors of the Cold Rolling Department: Completed in 2022 Q1. Benefits included optimization of air compressor startup parameters to avoid excessive operation and waste of compressed air output.

II. Summary of 2023 Business Plan

Inflation in Europe and the US began plateauing at the end of 2022. The US Federal Reserve responded by holding off on further increases to interest rates. Some of the capital began flowing back into the market and the global economy began recovering from rock bottom. Production cuts at major steel mills around the world proved effective and international steel prices began to rebound. Downstream industries began replenishing their inventories and there was a visible improvement in the steel market. At the same time, China ended its policy of lockdowns in January 2023. Provinces embarked on the construction major demand projects and released stimulus policies for the property and automotive markets. On February 1, 2023, India increased its budget of infrastructure construction in the 2023 and 2024 financial years. The US Department of Transportation also announced the allocation of US\$1.2 billion to 9 infrastructure projects. Rigid demand that had been postponed is now being progressively released. Steel demand should continue to recover in 2023 and set the

steel market on the right track.

Chung Hung responded to changes in the global steel industry by maintaining a high degree of flexibility in our production and operations, streamlining our production, storage, transportation and sales, strengthening our commitment to customer service, and maintaining robust sales volumes in steel products. The Company's consolidated sales target for all products in 2023 is 2 million tonnes.

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

The “World Economic Outlook” report published by the International Monetary Fund (IMF) in January 2023 upgraded its forecast for global economic growth to 2.9% in 2023, a slight increase of 0.2% from its previous forecast, due to a clear improvement in inflation in most countries as well as the rapid economic recovery of China after the end of its lockdown policy. The World Steel Association also forecasted in October 2022 that demand from infrastructure projects in each country will also boost steel demand by 1% in 2023. European steel mills have also cut production by 40% by the end of 2022 while crude steel production at Chinese steel mills have also decreased so global supply and demand for steel is continuing to improve. At the same time, China Baowu Steel Group made consecutive price increases from January to March, 2023. Leading European and American steel mills as well as Ha Tinh in Vietnam all increased their prices as well so there are clear signs of recovery in the steel market as a whole.

The introduction of import regulations linked to net zero by key markets such as the EU and the US will drive a future shift to green products and improved processes in global manufacturing. The EU Carbon Border Adjustment Mechanism (CBAM) proposes to begin levying carbon tariffs from 2026 onwards. The US may also implement carbon tariffs under the Clean Competition Act (CCA) as early as 2024. The Climate Change Response Act was passed by the Legislative Yuan in Taiwan in January 2023 as well. Steel mills can expect their costs to be increasingly padded by carbon fees and duties. The global trend towards carbon neutrality means the reduction of carbon emissions will become the top priority for the steel industry in the future.

Net zero is now not just a question of environmental protection, but a global trade and economy issue so carbon reduction can not be put off any longer. What businesses need to do is to accelerate their carbon transformation and improve their

carbon management ability in order to cope with the impact of international carbon border taxes. The Company will continue to monitor developments related to carbon neutrality and ESG as well as the latest regulations. Corporate governance and sustainability will also be strengthened by focusing in the following areas:

- (I) Promote intelligent production and sales, strengthen cyber security management, and enforce risk management

We will continue to actively cultivate AI expertise, embrace AI as a part of our DNA, optimize and enrich our digitization management and operating environment, and set up the Information Security Committee to strengthen cyber security management. Risk management policies and procedures will also be drawn up to establish a sound risk management mechanism.

- (II) Continue to cut costs and boost profits, improve energy conservation and carbon reduction, and strengthen safety and health

As part of our continued push to realize the goal of achieving carbon neutrality by 2050, a Carbon Reduction and Carbon Neutrality Team was established by the Company to oversee and implement greenhouse gas reduction projects. An energy management system has also been put into place for conducting GHG inventories, boosting energy efficiency during production, and implementing energy conservation policies. The installation of renewable energy systems are also on the drawing board; to reduce our environmental impact and demonstrate our commitment to the circular economy, Chung Hung reduced our consumption of energy resources and recycled waste resources.

- (III) Lean production management, improve equipment efficiency, enhance quality technologies

Chung Hung is continuing to upgrade and replace our equipment in order to supply customers with high quality steel products and strengthen our overall competitiveness. Specialized equipment at each mill are also exploited to produce differentiated products with higher added value. We also conduct exchanges with peers to improve our production technology, product quality, equipment maintenance, and control technology capabilities.

Chung Hung follows a marketing strategy of “Steady domestic sales, flexible foreign sales” to maximize our competitive advantages of timeliness, speed and flexibility in production and sales. Dynamic and effective logistics management ensure optimal production and continued optimization of product structure. In

addition to the pursuit of steady growth in Company operations, we also strive to balance our development in the environment and social aspects in order to realize the sustainability road map of Chung Hung.

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

Chairperson of the Board	Kuei-Sung Tseng
President	Min Chu

B. Company Profile

I. Company Overview

Chung Hung Steel Corporation (hereafter referred to as “Chung Hung”) is a member of the China Steel Group and was established in Kaohsiung City in September 1983. Chung Hung shares were listed on the Taiwan Stock Exchange (TWSE) in 1992 and paid-in capital currently amounts to NT\$14.35 billion. Key products included hot-rolled steel coils, cold-rolled steel coils, hot-rolled galvanized steel coils, and steel pipes.

Chung Hung has a total of five production plants, of which four plants, including the Hot Rolling Department, Cold Rolling Department, Dafa Steel Pipe Plant, and the Pickling & Galvanizing Department are located in Kaohsiung City, There is also the Lukang Steel Pipe Plant located in Changhua Coastal Industrial Park, Changhua County.

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 became the first steel plant in Taiwan to receive Japanese Industrial Standards (JIS) certification from the Japanese Ministry of International Trade and Industry. Hydrogen Annealing Furnace at Kaohsiung Plant commenced pilot production.
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 listed on the Taiwan Stock Exchange Corporation.
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 Jul. 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 were 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 Chairperson Kun-Mu Chen in Changhua Coastal Industrial Park in Changhua County in the morning of Nov. 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 systems, product carbon footprint and product environmental declaration verified (certified) by DNV.
- 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 The Company passed the certification for 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 Chairperson Mr. Yu-Sung Chen retired upon reaching retirement age and Mr. Tsung-Ying Huang took over as Chairperson.
- 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 Steel Pipe Plant's new Lukang plant laboratory passed the certification for 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 Chairperson Mr. Tsung-Ying Huang retired upon reaching retirement age and Mr. Shun-Te Chiu took over as Chairperson.
- 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 product received the CIDB certification in Malaysia.
- Jan. 2018 Chairperson Mr. Shun-Te Chiu retired upon reaching retirement age and Mr. Yi-Chung Han took over as Chairperson.
- 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 Chung Hung Steel Cooperation given a “twA/twA-1” credit rating and “stable” outlook by Taiwan Rating.

- 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 certification for 52,506 tonnes of CO₂e in the first year.
- 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.
- 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 Chairperson Mr. Yi-Chung Han retired upon reaching retirement age and Mr. Min-Hsiung Liu took over as Chairperson.
- 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).

- 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 Sustainability 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 certification (second to third year) for 102,606 tonnes of CO₂e.
- 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 Unit in Kaohsiung City in 2020" and received the "2020 Outstanding Occupational Safety and Health Unit" award from the Ministry of Labor, Executive Yuan.
- Nov. 2020 Received the Gold Corporate Sustainability Report Award in the 2020 Taiwan Corporate Sustainability Awards.

- Nov. 2020 Steel Pipe product passed FPC certification in New Zealand.
- Nov. 2020 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) of the Ministry of Labor.
- Apr. 2021 The Company was rated among the top 6% to 20% of companies in the 7th Corporate Governance Evaluation of the Securities & Futures Institute in 2020.
- May. 2021 Received recognition as an Excellent Invoice Issuer from the Ministry of Finance for 2021.
- May. 2021 The Pickling and Galvanizing Department passed ISO 14001: 2015 Management System certification.
- Jul. 2021 The Pickling and Galvanizing Department passed ISO 50001: 2018 Management System certification.
- Sept. 2021 Received recognition for 2020 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 2020.
- Oct. 2021 The Laboratory of the Pickling & Galvanizing Department passed the certification for ISO/IEC 17025:2017 General requirements for the competence of testing and calibration laboratories and became a TAF-certified laboratory.
- Oct. 2021 Received certificate of top 500 ranking among outstanding import and export companies in 2020 from the Bureau of Foreign Trade, Ministry of Economic Affairs.
- Nov. 2021 The Hot Rolling Department and Cold Rolling Department passed the Taiwan Occupational Safety and Health Management System review of the Ministry of Labor. The validity period is three years from Jun. 29, 2021 to Jun. 28, 2024.
- Nov. 2021 The Dafa Steel Pipe Plant was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health Unit in Kaohsiung City in 2021" and received the "2021 Outstanding Occupational Safety and Health Unit - Five-Star Award" from the Ministry of Labor, Executive Yuan.
- Nov. 2021 Received the Silver Corporate Sustainability Report Award in the 2021 Taiwan Corporate Sustainability Awards.

Dec. 2021	The Hot Rolling Department and Cold Rolling Department received the "Gold Safety Award" for safety and health performance in 2020 from Taiwan Steel & Iron Industries Association, and the Dafa Steel Pipe Plant and Lukang Steel Pipe Plant received the "Special Honors Award."
Jan. 2022	The Company received a certificate of appreciation for inter-department greenhouse gas reduction and cooperation program in 2021 from the Environmental Protection Bureau of Kaohsiung City Government.
Apr. 2022	The Company was rated among the top 6% to 20% of companies in the 8th Corporate Governance Evaluation of the Securities & Futures Institute in 2021.
May. 2022	The heating furnace fuel conversion project of the Hot Rolling Department for replacing GHG emissions received the third certification (fourth to fifth year) for 98,584 tonnes of CO ₂ e.
Jul. 2022	The Company received a certificate of appreciation for participating in the green procurement program and promoting environmental protection in 2021 from the Environmental Protection Bureau of Kaohsiung City Government.
Aug. 2022	Hot Rolling product passed UKCA certification.
Nov. 2022	The Pickling & Galvanizing Department received the "2022 Excellent Unit for Promoting Occupational Safety and Health" from the Ministry of Labor and Kaohsiung City Government.
Nov. 2022	Recognized as a "Kaohsiung Happy Enterprise" (Large Enterprise Division) by Kaohsiung City Government.
Nov. 2022	Received the Gold Corporate Sustainability Report Award in the 2022 Taiwan Corporate Sustainability Awards.
Dec. 2022	Received recognition for outstanding performance as company responsible for air quality improvements in Kaohsiung Clean Air Quality Region in 2021 from the Environmental Protection Bureau of Kaohsiung City Government.
Dec. 2022	The Cold Rolling Department received the "Gold Safety Award in the Rolling Category" for safety and health performance in 2021 from Taiwan Steel & Iron Industries Association; the Dafa Steel Pipe Plant and Lukang Steel Pipe Plant received the "Gold Safety Award in the Other Category"; the Pickling & Galvanizing Department received the "Special Honors Award in the Other Category."
Dec. 2022	Received a certificate of appreciation for serving on the Southern Promotion Committee for Taiwan Occupational Safety and Health

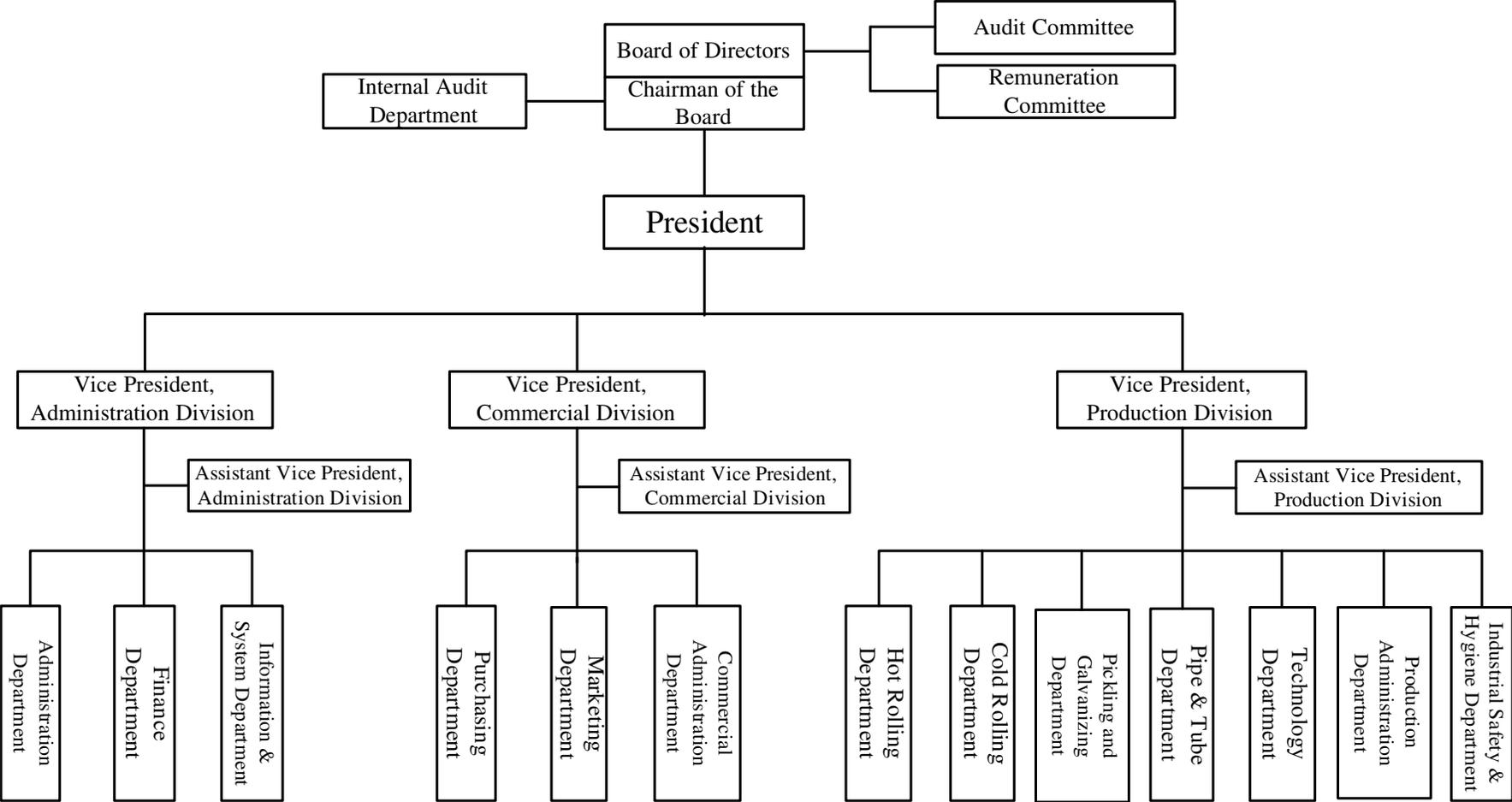
Management System (TOSHMS) from 2021 to 2022 from the Ministry of Labor.

Dec. 2022 Received a certificate of appreciation for inter-department greenhouse gas reduction and cooperation program in 2022 from the Environmental Protection Bureau of Kaohsiung City Government.

C. Corporate Governance Report

I. Organization

(I) Organization Chart



(II) Responsibilities and functions major departments

Unit		Responsibilities
Internal Audit Department		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, capital expenditures and risk management.
	Information & System Department	Overall information system and hardware planning, development, establishment, and maintenance as well as the rationalization, standardization, institutionalization and cyber security 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 industrial safety, health, environmental protection, and energy operations; deployment, integration and promotion of ISO 14001, ISO 45001, ISO 50001 management systems as well as ISO 14064 GHG inventory and reduction mechanisms.

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

(I) Directors and Independent Directors

March 31, 2023

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding (Note 1)		Shareholding by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
			Age				Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Chairperson of the Board	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 3)	582,673,153	40.59	N/A	N/A	N/A	N/A	N/A	N/A	N/A			N/A
	Republic of China	Representative: Kuei-Sung Tseng (Note 4)	Male 62	2021.8.25	3 years	2021.1.31	-	-	-	-	-	-	-	-	Systems and Naval Mechatronic Engineering, National Cheng Kung University Assistant Vice President, Production Division	Supervisor of Pacific Harbor Stevedoring Corporation	None	None	None	None
Director	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 3)	582,673,153	40.59	N/A	N/A	N/A	N/A	N/A	N/A	N/A			N/A
	Republic of China	Representative: Chao-Tung Wong	Male 69	2021.8.25	3 years	2016.11.15	-	-	-	-	-	-	-	PhD in Resources Engineering, National Cheng Kung University President of China Steel Corporation	Does not hold positions in the Company Chairman of China Steel Corporation Director of China Steel Chemical Corporation Director of China Ecotek Corporation Director of Dragon Steel Corporation Director of China Steel Global Trading Corporation Director of Taiwan High Speed Rail Inc.	None	None	None	None	

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding (Note 1)		Shareholding by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
			Age				Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Director	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 3)	582,673,153	40.59	N/A	N/A	N/A	N/A	N/A	N/A	N/A			N/A
	Republic of China	Representative: Min-Hsiung Liu (Note 4)	Male 64	2021.8.25	3 years	2018.3.31	-	-	-	-	-	-	-	-	Department of Business Administration, National Cheng Kung University Assistant Vice President of Commercial Division, China Steel Corporation	Does not hold positions in the Company Vice President of Commercial Division, China Steel Corporation Chairman of China Steel Global Trading Corporation Director of CSC Steel Holdings Bhd. Director of Dragon Steel Corporation Director of Gains Investment Corporation Director of InfoChamp Systems Corporation	None	None	None	None
Director	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 3)	582,673,153	40.59	N/A	N/A	N/A	N/A	N/A	N/A	N/A			N/A
	Republic of China	Representative: Wen-Chou Li (Note 5)	Male 63	2022.3.1	3 years	2022.3.1	-	-	-	-	-	-	-	-	Department of Business Administration, National Cheng Kung University Director of Marketing Department, China Steel Corporation	Does not hold positions in the Company Assistant Vice President of Commercial Division, China Steel Corporation Director of Honley Auto. Parts Co., Ltd. Director of China Steel and Nippon Steel Vietnam Joint Stock Company	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding (Note 1)		Shareholding by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
			Age				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	Republic of China	Juh-Shan Chiou	Male	2021.8.25	3 years	2015.6.26	-	-	-	-	-	-	-	MBA, National Sun Yat-sen University Chung Sun Certified Public Accountants Accounting Partner	Does not hold positions in the Company Independent Director and Audit Committee Convener, King Point Enterprise Co., Ltd. Independent Director, Audit Committee Convener, and Member of Remuneration Committee, Jufan Industrial Co., Ltd. Chungsun Prime Certified Public Accountants Honorary Accountant	None	None	None	None	
			71																	
Independent Director	Republic of China	Hsien-Tang Tsai	Male	2021.8.25	3 years	2015.6.26	-	-	-	-	-	-	-	Ph.D. in Business Administration, Purdue University College of the Institute of Management, National Sun Yat-sen University Dean	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 Plastic Industry (Cayman) Holding Co., Ltd.) Independent Director, Member of Audit Committee, Member of Audit Committee, and Remuneration Committee Convener, Revivegen Environmental Technology Co., Ltd.	None	None	None	None	
			67																	

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding (Note 1)		Shareholding by spouse and underage children		Shareholding by nominee arrangement		Education and work experience	Other positions in other companies held currently	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks (Note 2)
			Age				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	Republic of China	Lin-Lin Lee	Female	2021.8.25	3 years	2015.6.26	-	-	-	-	-	-	-	-	Master of Law, National Taiwan University, Vice Chairperson, Taiwan Bar Association	Does not hold positions in the Company Managing Partner, 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 Company has no employee subscription warrants and is not required to disclose employee subscription warrants held by Directors or managerial officers.

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

Note 3: This shareholding ratio refers to the ratio of shares of the Company held by China Steel Corporation and is rounded to the second decimal place.

Note 4: Company Chairperson Min-Hsiung Liu resigned on September 30, 2022. Director Kuei-Sung Tseng was elected by the Board of Directors as the new Chairperson of the Board.

Note 5: The corporate shareholder China Steel Corporation assigned Mr. Wen-Chou Li to replace Mr. Kai-Ming Huang as its representative on Mar. 1, 2022.

Table 1: Major shareholders of corporate shareholders

December 31, 2022

Name of corporate shareholder	Major shareholders of corporate shareholders
China Steel Corporation	Ministry of Economic Affairs (20.00%), Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. (2.24%), Transglory Investment Corporation (1.63%), Fubon Life Insurance Co., Ltd. (1.58%), Labor Retirement Fund (1.12%), Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.09%), Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.03%), Winning Investment Corporation (1.01%), Labor Pension Fund (0.96%), Polaris Taiwan Dividend Plus ETF (0.93%)

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

December 31, 2022

Name of Legal Entity	Major Shareholders of Corporate Shareholders
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
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%).

(II) Directors and Independent Directors

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

Name	Criteria	Professional qualifications and experience (Note 1)	Compliance with independence criteria	Number of companies the person serves as an independent director
Corporate Director Representative: Kuei-Sung Tseng		Bachelor's degree in Systems and Naval Mechatronic Engineering from NCKU, current Chairperson of the Board, Supervisor of Pacific Harbour Stevedoring Corp; former Assistant Vice President of production at China Steel Corporation, and Chairperson of CSCI Steel Corporation India Private Limited.	1. Not a spouse or a relative within two degrees of kinship with any other director. 2. 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 1% or more of the total number of issued shares of the company or ranks in the top 10 in holdings.	0
Corporate Director Representative: Chao-Tung Wong		Ph.D. in Resources Engineering from NCKU, current Chairperson of China Steel Corporation, Director of Dragon Steel Corporation, Director of China Steel Chemical Corp., Director of China Ecotek Corporation, Director of Taiwan High Speed Rail Corporation, Director of China steel Global Trading Corporation.	1. Not a spouse or a relative within two degrees of kinship with any other director. 2. 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 1% or more of the total number of issued shares of the company or ranks in the top 10 in holdings.	0
Corporate Director Representative: Min-Hsiung Liu		Bachelor's degree in Business Administration from NCKU, current Vice President Commercial Division of China Steel Corporation, Chairman of China Steel Global Trading Corporation, Director of CSC Steel Holdings Bhd., Director of Dragon Steel Corporation, Director of Dragon Steel Corporation, Director of Gains Investment Corporation, Director of InfoChamp Systems Corporation	1. Not a spouse or a relative within two degrees of kinship with any other director. 2. 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 1% or more of the total number of issued shares of the company or ranks in the top 10 in holdings.	0

Name \ Criteria	Professional qualifications and experience (Note 1)	Compliance with independence criteria	Number of companies the person serves as an independent director
Corporate Director Representative: Wen-Chou Li	Master's degree in Business Administration from NCKU; current Assistant Vice President, Commercial Division of China Steel Corporation, Director of Honley Auto. Parts Co., Ltd., Director of China Steel and Nippon Steel Vietnam Joint Stock Company, former Director of Marketing Department at China Steel Corporation.	<ol style="list-style-type: none"> 1. Not a spouse or a relative within two degrees of kinship with any other director. 2. The individual, spouse, or relative within the second degree of kinship is not a director or supervisor of the Company or any of its affiliates. 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 1% or more of the total number of issued shares of the company or ranks in the top 10 in holdings. 	0
Independent Director Juh-Shan Chiou	MBA in National Sun Yat-sen University and qualified in the high-level national examination for Certified Public Accountant of the Republic of China. Currently Independent Director and Audit Committee Convener, King Point Enterprise Co., Ltd. (June 2020 to present), Independent Director and Audit Committee Convener, Jufan Industrial Co., Ltd. (September 2021 to present), and Honorary Accountant of Chungsun Prime Certified Public Accountants. Former Partner of Chung Sun Certified Public Accountants, CPA in Deloitte, Taiwan, and lecturer of National Sun Yat-sen University. He is an accounting and finance professional.	<p>The three Independent Directors meet the following conditions during the two years before being elected or during the term of office:</p> <ol style="list-style-type: none"> 1. The individual is not an elected person in the name of a government, institution, or its representative as defined in Article 27 of the Company Act. 2. The individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates. 3. The individual is not a director, supervisor, or employee of a company that has special relations 	2

Name \ Criteria	Professional qualifications and experience (Note 1)	Compliance with independence criteria	Number of companies the person serves as an independent director
Independent Director Hsien-Tang Tsai	Ph.D. in Business Administration from Purdue University in the US; currently Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Logah Technology Corporation (since March 2014), Independent Director, Member of Audit Committee and Member of Remuneration Committee of Fulin Plastic Industry (Cayman) Holding Co., Ltd. (since June 2020), Independent Director, Member of the Audit Committee and Remuneration Committee Convener of Revivegen Environmental Technology Co., Ltd (since August 2022). Former Dean of College of Management and Professor Business Administration at National Sun Yat-sen University, and Director of Taiwan Public Television Service Foundation.	with the Company. 4.The individual is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company. 5.Has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years. 6.The individual's shareholding in the Company along with those held by their spouse, minor children, or under the name of other parties does not exceed 1% of all issued shares, or rank in the top 10 of natural-person shareholders.	3
Independent Director Lin-Lin Lee	Master of Laws from NTU, passed the R.O.C. Bar Examination; currently Managing Partner of Ling Yun Attorneys-at-Law, Director of Legal Aid Foundation, Executive Supervisor of Taiwan Bar Association, and Independent Director, Member of the Audit Committee, and Member of the Remuneration Committee of Sentien Printing Factory Co., Ltd. (since June 2020); Former Vice President of Taiwan Bar Association, President of Kaohsiung Bar Association, President of Warm Life Kaohsiung City. Member of Taiwan Attorney Disciplinary and Review Committee, Member of Ministry of Justice's Prosecutors' Selection Committee, Member of Prosecutors' Evaluation Committee, and Member of Judicial Yuan's Professional Judges' Selection Committee.		1

Note 1: All Directors of the Company meet professional qualifications, have more than five years of work experience, and do not meet the criteria listed in any Subparagraph of Article 30 of the Company Act.

2. Diversity and independence of the Board of Directors:

(1) Diversity of the Board of Directors: 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 includes 7 members including 3 Independent Directors (1 female) with different professional backgrounds, genders, or field of 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 rights.

The Company considers the overall structure of the Board of Directors and aims to set up a Board of Directors of diverse gender, age, professional knowledge, and background. The Company specified in the Company's Corporate Governance Best-Practice Principles that Directors who serve concurrently as the Company's managerial officers should not exceed one third of the Directors, and at least one member of the Board of Directors should have professional legal background or management experience in the steel industry to support the Company's future business development.

Legal compliance, sourcing, and integrated transformation are emphasized during the development of the Company. Academic background, age, professional background and gender balance are therefore taken into consideration during the selection of directors. We look to the industry and academia for suitable circles, and take the Company's 5-year business development strategy and targets into account. Independent directors include 1 attorney (female) to provide guidance on compliance; 1 accountant to provide assurance on quality of financial statements and offer recommendations on compliance with accounting standards; 1 professor from a national university with a background in business administration to provide recommendations on corporate management and risk control. Other Directors include Director Min-Hsiung Liu who is familiar with overall developments in the steel industry as well as future trends in the steel and raw material markets; Director Chao-Tung Wong who is adept at the vertical integration of the steel industry and takes a close interest in environmental protection issues and social engagement; Director Wen-Chou Li who is an expert in commercial sales and sets the future sales strategy for the Company; as well as Director Kuei-Sung Tseng with a background in engineering and steel production as the Company is now preparing for the

replacement and upgrade of production equipment.

The Company's current Board of Directors includes 7 members (including 3 Independent Directors, 1 of which is female). Its composition is diverse and its professional knowledge and expertise encompass steel (knowledge of the industry), resources, engineering, business administration, law, accounting and finance, and electrical engineering, which fully supports the diversity targets for members of the Board of Directors. 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 all have 4 to 8 years of experience in their current role. There was 1 director aged 71 ~ 75, 5 directors aged 61 ~ 70, and 1 director aged 51 ~ 60. The implementation status is listed in the table below:

Diversity Core Item Name of Director	Basic composition								Business management	Leadership and decision making	Industry knowledge	Financial accounting	Business	Legal affairs	Marketing	Business administration	Engineering	
	Gender	Nationality	Concurrent Role as Company Employee	Age distribution			Term of Independent Director											
				51 to 60	61 to 70	71 to 75	Less than 3 years	4 to 8 years										Over 9 years
Chairperson Kuei-Sung Tseng	Male	Republic of China	✓	✓					✓	✓	✓						✓	
Director Chao-Tung Wong	Male	Republic of China		✓					✓	✓	✓			✓			✓	
Director Min-Hsiung Liu	Male	Republic of China		✓					✓	✓	✓					✓		
Director Wen-Chou Li	Male	Republic of China		✓					✓	✓	✓					✓		
Independent Director Juh-Shan Chiou	Male	Republic of China			✓			✓	✓		✓							
Independent Director Hsien-Tang Tsai	Male	Republic of China		✓				✓	✓			✓				✓		
Independent Director Lin-Lin Lee	Female	Republic of China		✓				✓	✓				✓					

(2) Independence of the Board of Directors: The Company has three Independent Directors who account for 42.86% of all Directors. There are no spousal relationships or kinship within the second degree between the Directors of the Company and no violations of the Subparagraphs under Article 30 of the Company Act. All Independent Directors meet the requirements in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

(III) Main Managerial Officers

March 31, 2023

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding (Note 1)		Shareholding by Spouse and Underage Children		Shareholding by nominee arrangement		Education/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 2)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
President and Chief Information Security Officer (Note 3)	Republic of China	Kuei-Sung Tseng (Dismissed on Sep. 30, 2022)	Male	2021.01.31	0	0	0	0	0	0	Systems and Naval Mechatronic Engineering, National Cheng Kung University Assistant Vice President, Production Division	Supervisor of Pacific Harbor Stevedoring Corporation	None	None	None	None
	Republic of China	Min Chu (Appointed on Nov. 1, 2022)	Male	2022.11.01	0	0	0	0	0	0	Ph.D. in Environmental Engineering, University of Southern California, US Vice President, Commercial Division, China Steel and Nippon Steel Vietnam Joint Stock Company	None	None	None	None	None
Vice President Administration Division and Chief Corporate	Republic of China	Chia-Wen Luo (Dismissed on Feb. 1, 2023)	Male	2018.01.01	0	0	0	0	0	0	MBA, National Sun Yat-sen University Deputy Director, Accounting	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding (Note 1)		Shareholding by Spouse and Underage Children		Shareholding by nominee arrangement		Education/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 2)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Governance Officer											Division, China Steel Corporation					
	Republic of China	Chien-Hui Lee (Appointed on Feb. 1, 2023) (Note 4)	Male	2023.02.01	0	0	0	0	0	0	MBA, National Sun Yat-sen University Vice President of Dragon Steel Corporation	Chairperson of Hung Kao Investment Corporation Director of Pro-Ascentek Investment Corporation	None	None	None	None
Vice President, Commercial Division	Republic of China	Po-Han Chen	Male	2020.06.01	0	0	0	0	0	0	Master of Business Administration, National Taiwan University Section Manager, Second Domestic Market Research Section, Marketing Department, China Steel Corporation	Supervisor of Pacific Harbor Stevedoring Corporation	None	None	None	None
Vice President, Production Division	Republic of China	Chih-Ho Chiu (Dismissed on Mar. 31, 2023) (Note 5)	Male	2020.02.01	0	0	0	0	0	0	Department of System Engineering and Naval Architecture, National Taiwan Ocean University Deputy Plant Director, Rolling Mill Dept-III Cold Rolled Products, China Steel Corporation	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding (Note 1)		Shareholding by Spouse and Underage Children		Shareholding by nominee arrangement		Education/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 2)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Assistant Vice President, Administration Division	Republic of China	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	Republic of China	Chao-Chin Lin (Appointed on Feb. 28, 2023)	Male	2023.02.28	0	0	0	0	0	0	Master's degree in Asia-Pacific Industrial and Business Management, National University of Kaohsiung Director, Procurement Division, Chung Hung Steel Corporation	None	None	None	None	None
Assistant Vice President, Production Division	Republic of China	Ming-Ju Yang (Appointed on Feb. 28, 2023)	Male	2023.02.28	38,118	0	0	0	0	0	EMBA, National Cheng Kung University Assistant Vice President of Commercial Division, Chung Hung Steel Corporation	None	None	None	None	None
Assistant Vice President, Production Division	Republic of China	Chin-Ming Hsu	Male	2018.09.01	140	0	0	0	0	0	Department of Industrial Engineering, Feng Chia University	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding (Note 1)		Shareholding by Spouse and Underage Children		Shareholding by nominee arrangement		Education/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 2)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
		(Dismissed on Feb. 28, 2023)									Assistant Vice President of Commercial Division, China Steel Corporation					
Assistant Vice President, Production Division	Republic of China	Jui-Tsai Huang (Note 5)	Male	2020.06.01	0	0	2,000	0	0	0	Department of System Engineering and Naval Architecture, National Taiwan Ocean University Director, First Hot-Rolled Steel Coil Workshop, China Steel Corporation	None	None	None	None	None
Assistant Vice President, Production Division	Republic of China	Hsi-I Chen (Appointed on Mar. 31, 2023)	Male	2023.03.31	0	0	0	0	0	0	Department of System Engineering and Naval Architecture, National Taiwan Ocean University Assistant Vice President, Production Division, China Steel and Nippon Steel Vietnam Joint Stock Company	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding (Note 1)		Shareholding by Spouse and Underage Children		Shareholding by nominee arrangement		Education/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 2)
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Director of the Finance Department (Chief Accounting Officer)	Republic of China	Wen-Ping Huang	Female	2021.03.01	2,000	0	0	0	0	0	Master, Department of Finance, National Sun Yat-sen University Section Manager, Accounting Department, China Steel Corporation	None	None	None	None	None

Note 1: All shares specified in the table are ordinary shares.

Note 2: Where the Chairperson, 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 3: The meeting of the Information Security Committee on Mar. 10, 2022 passed a resolution for the President to serve concurrently as the Chief Information Security Officer.

Note 4: Motion for the position of Chief Corporate Governance Officer to be held concurrently by Mr. Chien - Hui Lee, the Vice President, Administration Division, was approved by the Board of Directors on January 30, 2023.

Note 5: Chih-Ho Chiu, Vice President of Production Division, returned to the parent company as of March 31, 2023. Jui-Tsai Huang, Assistant Vice President of Production Division, took over his role in an acting capacity.

III. Remuneration of Directors, Independent Directors, President and Vice Presidents

(I) Remuneration Paid to Directors and Independent Directors:

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

Title	Name	Directors' remuneration								Total remuneration (A+B+C+D) as a percentage of net income after tax		Remuneration received as the Company's employee								Total remuneration (A+B+C+D+E+F+G) as a percentage of net income after tax		Remuneration received from investees other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C) (Note 1)		Business execution expenses (D)				Salary, bonus and Allowances, etc. (E)		Severance pay and pension (F)		Employees' remuneration (G)						
		This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	This Company	All companies in the financial report	
Chairperson of the Board	Kuei-Sung Tseng Representative of China Steel Corporation	809	809	105	105	0	0	46	46	960 (0.10)	960 (0.10)	2,656	2,656	284	284	0	0	0	0	3,900 (0.39)	3,900 (0.39)	924
Director	China Steel Corporation	7,498	7,498	0	0	0	0	432	432	7,930 (0.80)	7,930 (0.80)	0	0	0	0	0	0	0	0	7,930 (0.80)	7,930 (0.80)	0
	Chao-Tung Wong Representative of China Steel Corporation	0	0	0	0	0	0	35	35	35 0.00	35 0.00	0	0	0	0	0	0	0	0	35 0.00	35 0.00	9,350
	Min-Hsiung Liu Representative of China Steel Corporation	0	0	0	0	0	0	75	75	75 (0.01)	75 (0.01)	0	0	0	0	0	0	0	0	75 (0.01)	75 (0.01)	7,943
	Kai-Ming Huang Representative of China Steel Corporation	0	0	0	0	0	0	10	10	10 0.00	10 0.00	0	0	0	0	0	0	0	0	10 0.00	10 0.00	1,119
	Wen-Chou Li Representative of China Steel Corporation	0	0	0	0	0	0	25	25	25 0.00	25 0.00	0	0	0	0	0	0	0	0	25 0.00	25 0.00	3,352
Independent Director	Juh-Shan Chiou	600	600	0	0	0	0	229	229	829 (0.08)	829 (0.08)	0	0	0	0	0	0	0	0	829 (0.08)	829 (0.08)	0
	Lin-Lin Lee	600	600	0	0	0	0	229	229	829 (0.08)	829 (0.08)	0	0	0	0	0	0	0	0	829 (0.08)	829 (0.08)	0
	Hsien-Tang Tsai	302	302	0	0	0	0	181	181	483 (0.05)	483 (0.05)	0	0	0	0	0	0	0	0	483 (0.05)	483 (0.05)	0

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) Remuneration for independent directors is fixed. Directors Juh-Shan Chiou and Lin-Lin Lee receive NT\$50,000 per month, Director Hsien-Tang Tsai receive NT\$25,200 per month, and does not separately draw Director remuneration defined in Article 28 of the Articles of Incorporation. The Company's profitability 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. Except as disclosed above, remuneration received by directors in the latest year for services (e.g., acting as a non-employee consultant of the parent company/any company in the financial statements/investee) provided by the directors: None.
3. Company Chairperson Min-Hsiung Liu resigned on September 30, 2022. Director Kuei-Sung Tseng was elected by the Board of Directors as the new Chairperson of the Board.
4. Corporate shareholder China Steel Corporation appointed Wen-Chou Li as its new representative and replacement for Kai-Ming Huang as director on March 1, 2022.

Remuneration Range Table

December 31, 2022

Remuneration range for each Director in this Company	Name of Director			
	Total amount of the 4 preceding remunerations (A+B+ C+D)		Total amount of the 7 preceding remunerations (A+B+ C+D+E+F+G)	
	This Company	All companies in the financial report	This Company	The parent company and all investees
Less than NT\$ 1,000,000	Kuei-Sung Tseng, Chao-Tung Wong, Kai-Ming Huang, Wen-Chou Li, Min-Hsiung Liu, Juh-Shan Chiou, Lin-Lin Lee, Hsien-Tang Tsai	Kuei-Sung Tseng, Chao-Tung Wong, Kai-Ming Huang, Wen-Chou Li, Min-Hsiung Liu, Juh-Shan Chiou, Lin-Lin Lee, Hsien-Tang Tsai	Chao-Tung Wong, Kai-Ming Huang, Wen-Chou Li, Min-Hsiung Liu, Juh-Shan Chiou, Lin-Lin Lee, Hsien-Tang Tsai	Juh-Shan Chiou, Lin-Lin Lee, Hsien-Tang Tsai
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	None	None	None	Kai-Ming Huang
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	None	None	None	Wen-Chou Li
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	None	None	Kuei-Sung Tseng	Kuei-Sung Tseng
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, Min-Hsiung Liu
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	None	None	None	None
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	None	None	None	None
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	None	None	None	None
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	None	None	None	None
Higher than NT\$100,000,000	None	None	None	None
Total	9	9	9	9

(II) Remunerations to President and Vice President

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

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
		This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	This Company		All companies in the financial report		This Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Kuei-Sung Tseng (Dismissed on Sep. 30, 2022)													
	Min Chu (Appointed on Nov. 1, 2022)													
Vice President, Administration Division	Chia-Wen Luo													
Vice President, Commercial Division	Po-Han Chen													
Vice President, Production Division	Chih-Ho Chiu	15,383	15,383	1,694	1,694	4,463	4,463	0	0	0	0	21,540 (2.18)	21,540 (2.18)	4,122
Assistant Vice President, Administration Division	Shu-Cheng Yen													
Assistant Vice President, Commercial Division	Ming-Ju Yang													
Assistant Vice President, Production Division	Chin-Ming Hsu													
	Jui-Tsai Huang													

Note 1: All companies mentioned in the financial report including the Company.

Remuneration Range Table

December 31, 2022

Range of Remuneration Paid to the President and Vice Presidents of the Company	Name of President and Vice Presidents	
	This Company	The parent company and all investees
Less than NT\$ 1,000,000	Min Chu	Min Chu
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	None	None
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	Kuei-Sung Tseng, Chia-Wen Luo, Shih-Ho Chiu, Jui-Tsai Huang Po-Han Chen, Shu-Cheng Yen, Ming-Ju Yang, Chin-Ming Hsu	Po-Han Chen, Shu-Cheng Yen Ming-Ju Yang, Chin-Ming Hsu, Juei-Tsai Huang
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	None	Kuei-Sung Tseng, Chia-Wen Luo, Chih-Ho Chiu
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	None	None
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000 (exclusive)	None	None
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000 (exclusive)	None	None
NT\$ 30,000,000 (inclusive) to NT\$ 50,000,000 (exclusive)	None	None
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000 (exclusive)	None	None
Higher than NT\$100,000,000	None	None
Total	9	9

Note: The range of remuneration of the aforementioned managerial officers in 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, 2022

	Title	Name	Stock amount	Cash amount	Total	Ratio accounted compared to the total net income (%)
Managerial Officer	President	Kuei-Sung Tseng (Dismissed on Sep. 30, 2022)	0	0	0	0
		Min Chu (Appointed on Nov. 1, 2022)				
	Vice President, Administration Division	Chia-Wen Luo				
	Vice President, Commercial Division	Po-Han Chen				
	Vice President, Production Division	Chih-Ho Chiu				
	Assistant Vice President, Administration Division	Shu-Cheng Yen				
	Assistant Vice President, Commercial Division	Ming-Ju Yang				
	Assistant Vice President, Production Division	Chin-Ming Hsu				
		Jui-Tsai Huang				
	Head of Accounting	Wen-Ping Huang				

(III) Compensation of the Five Highest-Paid Managerial Officers

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

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
		This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	This Company	All companies in the financial report	
President	Kuei-Sung Tseng (Dismissed on Sep. 30, 2022)	1,937	1,937	284	284	719	719	0	0	2,940 (0.30)	2,940 (0.30)	690
Vice President, Administration Division	Chia-Wen Luo	2,070	2,070	108	108	587	587	0	0	2,765 (0.28)	2,765 (0.28)	920
Vice President, Production Division	Chih-Ho Chiu	2,126	2,126	311	311	595	595	0	0	3,032 (0.31)	3,032 (0.31)	790
Assistant Vice President, Commercial Division	Ming-Ju Yang	1,870	1,870	274	274	535	535	0	0	2,679 (0.27)	2,679 (0.27)	0
Assistant Vice President, Production Division	Chin-Ming Hsu	1,870	1,870	274	274	558	558	0	0	2,702 (0.27)	2,702 (0.27)	0

(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 of the procedures in determining remuneration, and association with business performance and future risks.

- The Company's remuneration for Directors (including Independent Directors), President, and Vice Presidents in 2022 accounted for 3.31 % of the after-tax net profit. The remuneration for Directors (including Independent Directors), President, and Vice Presidents in 2021 accounted for 1.72% of the after-tax net profit.
- (1) Director: Directors' transportation allowance, independent directors' remuneration, and the chairperson's salary are all set by the Board of Directors based on the standards of industry peers and publicly listed companies in accordance with Article 22 of the Articles of Incorporation. Additional compensation is paid to the chairperson in accordance with the relevant rules governing employee salaries. Under Article 28 of the Articles of Incorporation, up to 1% of the Company's profits in a given year can be allocated as director remuneration but only the Company's cumulative losses have been covered. Directors' remuneration shall be determined by the Board of Directors and reported to the Shareholders' Meeting. There was no surplus in 2022 so only directors'

transportation allowance and fixed compensation were disbursed. Director remuneration was not issued.

- (2) President and Vice Presidents: Under Article 24 of the Articles of Incorporation, the appointment, discharge, and remuneration of the Company's president and vice president require a resolution adopted by a majority of the directors present, where they represent more than half of all directors. The compensation of the president and vice president shall be based on the standards of industry peers as well as their job title, grade, academic (past) experience, professional ability, and responsibilities. Under Article 28 of the Articles of Incorporation, at least 0.1% of the Company's profits in a given year can be allocated as employee remuneration but only the Company's cumulative losses have been covered. Employee remuneration shall be determined by the Board of Directors and reported to the Shareholders' Meeting. There was no surplus in 2022 so only fixed compensation was disbursed. Employee remuneration was not issued.
3. The Company procedure for setting remuneration is based on evaluations conducted in accordance with the "Regulations Governing the Evaluation of the Performance of the Board of Directors" as well as the "Regulations Governing Performance Evaluations" applicable to the President and Vice President. The evaluation is also linked to the Company's overall business performance targets and ESG goals so that reasonable remuneration can be provided. Performance evaluation and compensation for directors, the President and Vice President take the prevailing standard of compensation offered by peers and listed companies into account. Linkage to individual performance, Company performance, ESG goals and future risks are also taken into account where appropriate. The only exceptions are independent directors whose remuneration are fixed. The short-term performance, ratio of compensation disbursed, and the timing of variable components in compensation are determined based on the nature of the industry and the Company business characteristics. Once the compensation package is approved by the Remuneration Committee it is submitted to the Board of Directors for review. The outcome of performance evaluations determine employee remuneration as well as production, sales and profitability bonuses.

IV. Implementation of Corporate Governance

(I) Board of Directors operating status and evaluation status

1. A total of 8 (A) meetings of the Board of Directors were held in 2022. The attendance of Directors was as follows:

2022.01.01~2022.12.31

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) (B/A)	Remarks
Chairperson of the Board	Representative of China Steel Corporation Kuei-Sung Tseng	8	0	100	None
Director	Representative of China Steel Corporation Chao-Tung Wong	8	0	100	None
Director	Representative of China Steel Corporation Min-Hsiung Liu	8	0	100	None
Director	Representative of China Steel Corporation Kai-Ming Huang	2	0	100	Dismissed on March 1, 2022
Director	Representative of China Steel Corporation Wen-Chou Li	6	0	100	Appointed on March 1, 2022
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 comments objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement should indicate the date, period, content 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, content of the motion and reasons of avoidance of interest as well as the involvement in voting:
 1. 7th meeting of the 15th Board of Directors on May 5, 2022: Recommendations for the President's 2021 annual performance evaluation results and the performance evaluation of the Chairperson. The Director Kuei-Sung Tseng recused himself in accordance with laws (Mr. Kuei-Sung Tseng is the President of the Company).
 2. 11th meeting of the 15th Board of Directors on Nov. 3, 2022: Proposed compensation for Company director Kuei-Sung Tseng. The Chairperson Kuei-Sung Tseng recused himself in accordance with laws.

3. 12th meeting of the 15th Board of Directors on Dec. 29, 2022: Proposed adjustment to the basic salary of the Company Chairperson, President and Vice President for the 2022 financial year backdated to April 1, 2022.

The Chairperson Kuei-Sung Tseng 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 2022 set forth below.

IV. Programs this year and in the most recent year in strengthening the functionality 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. Five meetings of the Audit Committee were convened on Jan. 20, Feb. 24, May 5, Aug. 4, and Nov. 3 in 2022 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 Sept. 2011. Operations of the Remuneration Committee in 2022: The Company convened four meetings of the Remuneration Committee on Feb. 24, May 5, Nov. 3, and Dec. 29 in 2022 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 the Taipei Exchange" announced by the Financial Supervisory Commission on Mar. 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 its 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's purchase of director and supervisor liability insurance for all directors (including independent directors) and managerial officers was reported at the Board of Directors meeting on August 4, 2022, and posted to the Market Observation Post System in accordance with regulations.

2. The Board of Directors evaluation status in 2022 was as follows:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
Board internal performance self-evaluation: Once every year	From Dec. 1, 2022 to Nov. 30, 2022	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

(1) The Company "Regulations Governing the Evaluation of the Performance of the Board of Directors" (hereafter referred to as "The Regulations") were passed at the 13th meeting of the 14th Board of Directors on December 30, 2019. Amendments were subsequently passed by the 20th meeting of the 14th Board of Directors on November 3, 2020, and internal performance evaluations in the form of self-assessment questionnaires were conducted for the Board of Directors, members of the Board, and functional committees under the Board. The results of the evaluations were recovered and reported at

the Board of Directors meeting on December 29, 2022, to provide a reference for the performance of individual directors and the setting of remuneration.

(2) The Regulations stipulate that internal evaluations shall be implemented each year and an external evaluation shall be implemented at least once every three years.

A. The criteria for evaluating the performance of the Board of Directors of the Company shall cover at least the following five aspects:

- (A) Participation in the operation of the Company.
- (B) Improvement of the quality of the Board of Directors' decision making.
- (C) Composition and structure of the Board of Directors.
- (D) Election and continuing education of the Directors;
- (E) Internal control.

B. The criteria for evaluating the performance of the Directors shall cover at least the following six aspects:

- (A) Familiarity with the goals and missions of the company.
- (B) Awareness of the duties of a Director.
- (C) Participation in the operation of the Company.
- (D) Management of internal relationship and communication.
- (E) The director's professionalism and continuing education.
- (F) Internal control.

C. 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:

- (A) Participation in the operation of the Company.
- (B) Knowledge of the duties of the functional committee.
- (C) Improvement of the quality of functional committee's decisions.
- (D) Functional committee composition and election of members.
- (E) Internal control.

(3) The performance evaluation of the Board of Directors (including functional committees) in 2022 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:

A. Results of the performance self-evaluation of the Board of Directors:

- (A) Total average score of the questionnaire: 98.29 points
- (B) Total average indicator score: 4.91 points

B. Results of the performance self-evaluation of the Directors:

- (A) Total average score of the questionnaire: 99.00 points
- (B) Total average indicator score: 4.95 points

C. Results of the performance self-evaluation of the Audit Committee:

(A) Total average score of the questionnaire: 98.67 points

(B) Total average indicator score: 4.93 points

D. Results of the performance self-evaluation of the Remuneration Committee:

(A) Total average score of the questionnaire: 98.67 points

(B) Total average indicator score: 4.93 points

(4)The performance evaluations for Board of Directors, Board members, Audit Committee and Remuneration Committee rated the performance of the Board as between 5 points “Strong Agree” and 4 points “Agree” in 2022. The score indicated that the directors strongly agreed with the various performance metrics. The overall performance of the Board of Directors and functional committees were sound as well indicating compliance with the requirements of corporate governance while also effectively strengthening the competency of the directors and protecting shareholders’ equity. The outcomes of the Company’s performance evaluations for the Board of Directors and functional committees in previous years are available from the Company website.

(II) State of operations of the Audit Committee:

1. Audit Committee member profiles:

March 31, 2023

Role	Name	Professional qualifications and experience	Compliance with independence criteria	Number of other public companies in which the member also serves as a member of their audit committee
Independent Director Convener of the Audit Committee	Juh-Shan Chiou	MBA in National Sun Yat-sen University and qualified in the high-level national examination for Certified Public Accountant of the Republic of China. Currently Independent Director and Audit Committee Convener, King Point Enterprise Co., Ltd. (June 2020 to present), Independent Director and Audit Committee Convener, Jufan Industrial Co., Ltd. (September 2021 to present), and Honorary Accountant of Chungsun Prime Certified Public Accountants. Former Partner of Chung Sun Certified Public Accountants, CPA in Deloitte, Taiwan, and lecturer of National Sun Yat-sen University. He is an accounting and finance professional.	The three Independent Directors meet the following conditions during the two years before being elected or during the term of office: 1. The individual is not an elected person in the name of a government, institution, or its representative as defined in Article 27 of the Company Act. 2. The individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates.	2
Independent Director	Hsien-Tang Tsai	Ph.D. in Business Administration from Purdue University in the US; currently Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Logah Technology Corporation (since March 2014), Independent Director, Member of Audit Committee and Member of Compensation Committee of Fulin Plastic Industry (Cayman) Holding Co., Ltd. (since June 2020), Independent Director, Member of the Audit Committee and Remuneration Committee Convener of Revivegen Environmental Technology Co., Ltd (since August 2022). Former Dean of College of Management and Professor Business Administration at National Sun Yat-sen University, and Director of Taiwan Public Television Service Foundation.	3. The individual is not a director, supervisor, or employee of a company that has special relations with the Company. 4. The individual is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company. 5. Has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years. 6. The individual's shareholding in the	3

Criteria		Professional qualifications and experience	Compliance with independence criteria	Number of other public companies in which the member also serves as a member of their audit committee
Role	Name			
Independent Director	Lin-Lin Lee	<p>Master of Laws from NTU, passed the R.O.C. Bar Examination; currently Managing Partner of Ling Yun Attorneys-at-Law, Director of Legal Aid Foundation, Executive Supervisor of Taiwan Bar Association, and Independent Director, Member of the Audit Committee, and Member of the Remuneration Committee of Sentien Printing Factory Co., Ltd. (since June 2020); Former Vice President of Taiwan Bar Association, President of Kaohsiung Bar Association, President of Warm Life Kaohsiung City. Member of Taiwan Attorney Disciplinary and Review Committee, Member of Ministry of Justice's Prosecutors' Selection Committee, Member of Prosecutors' Evaluation Committee, and Member of Judicial Yuan's Professional Judges' Selection Committee.</p>	<p>Company along with those held by their spouse, minor children, or under the name of other parties does not exceed 1% of all issued shares, or rank in the top 10 of natural-person shareholders.</p>	1

2. A total of 5 (A) meetings of the Audit Committee in 2022. The attendance of Independent Directors was as follows:

2022.01.01~2022.12.31

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director (Convener)	Juh-Shan Chiou	5	0	100	None
Independent Director	Lin-Lin Lee	5	0	100	None
Independent Director	Hsien-Tang Tsai	5	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 certifying 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 2022

1. 2nd meeting of 15th Board of Directors on Jan. 20, 2022:

- (1) Approval of the replacement of the Hot Rolling Department's F1/F4/F5/F6 main motor equipment.

2. 3rd meeting of 15th Board of Directors on Feb. 24, 2022: The Internal Audit Department provided the Annual Internal Audit Report

- (1) The Company's 2021 Business Report and Financial Report.
- (2) The Company's 2021 earnings distribution proposal.
- (3) The 2021 distribution of remuneration to employees and Directors.
- (4) The 2021 Internal Control Self-Assessment Report and Internal Control System Statement.

3. 4th meeting of 15th Board of Directors on May 5, 2022:

- (1) The Company's 2022 Q1 consolidated financial statements.
- (2) Evaluation of the independence and performance of the certifying CPAs.
- (3) Amendment of the "Procedure for Acquisition and Disposal of Assets".
- (4) Amendment of the Company's "Operating Procedures for Fund Lending".
- (5) Approval of the non-compete clause for Mr. Min-Hsiung Liu, Mr. Kuei-Sung Tseng and Mr. Wen-Chou Li.

4.5th meeting of 15th Board of Directors on August 4, 2022:

- (1) The Company's 2022 Q2 consolidated financial statements.
- (2) The sale of shares in Riselink Venture Capital Corp, invested by the Company.
- (3) Company loan to China Steel Corporation.

5.6th meeting of 15th Board of Directors on November 3, 2022:

- (1) 2022 Q3 consolidated financial statements.
- (2) Amendment of the Company "Internal Control System Regulations."

Other matters that should be recorded:

- I. The date of the meeting of the Audit Committee, the term, contents of the proposals, objections, qualified opinions, and important recommendations of Independent Directors, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be specified under any of the following circumstances in the operations of the Audit Committee:
 - (I) Items specified in Article 14-5 of the Securities and Exchange Act: None.
 - (II) In addition to matters above, 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 and internal auditors and CPAs:
 - (I) The Company convened the 2021 financial report conclusion meeting on Feb. 24, 2022. Attendees included Independent Directors, the Chief Internal Auditor, CPAs, management units, and supervisors of the finance department. The contents of the meeting mainly included reports on the Company's financial and business status in 2021 and discussions of plans for 2022. 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 ratio.
 4. Communication with the governance unit.
 5. Recently-published or amended regulations and orders.
 - (II) The Company convened the exclusive communication meeting between the Independent Directors and Chief Internal Auditor on Nov. 2, 2022. Attendees included Independent Directors, the Chief Internal Auditor, and the internal auditors. The key items in the meeting are as follows:
 1. Communication on the internal audit report in the previous four quarters.
 2. Whistleblower incident.
 3. Audit of data relating to environmental protection operations.
 - (III) The 2022 communication meeting (audit planning phase) with the governance unit was convened by the Company on December 29, 2022. Participants included the independent directors and CPAs. Meeting agenda was a report of audit items, materiality, and explanation of audit quality indicators for the Company's 2022 Financial Report. Material items discussed in the meeting are as follows:

1. Scope of audit, Group audit, and methodology.
2. Identification of significant risks and assessment of key audit items.
3. Evaluation of fraud items.
4. Audit schedule for 2022.
5. Independence declaration.
6. Audit quality indicators (AQI).

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

- (I) 3rd meeting of 15th Board of Directors on February 24, 2022: The Company's 2021 earnings distribution proposal.

Opinions of the Audit Committee: What is the dividend payout ratio?

The Company's explanation and measures taken: Dividend payout ratio was 63.35%.

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

- (II) 4th meeting of 15th Board of Directors on May 5, 2022: Amendment of the Company's "Operating Procedures for Fund Lending".

Opinions of the Audit Committee: Does the Company have any funds loaned to others? Or funds loaned to a subsidiary?

The Company's explanation and measures taken: No funds are currently loaned to other parties or subsidiaries. If any loans are made in the future, loan recipients will be restricted to the Company's parent company or subsidiaries. No loans will be made to other parties or outside companies.

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

- (III) 5th meeting of 15th Board of Directors on August 4, 2022: Loan to China Steel Corporation.

Opinions of the Audit Committee: Is it necessary for a short-term loan like this to be submitted for approval every year?

The Company's explanation and measures taken: Loans are limited by regulations to a term of one year so it must be submitted to the Board of Directors every year.

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

- (IV) 6th meeting of 15th Board of Directors on November 3, 2022: The Company's 2022 Q3 consolidated financial statements.

Opinions of the Audit Committee: Is there a link between drop in demand and the international environment?

The Company's explanation and measures taken: Russo-Ukrainian War, raising of interest rates in the US, economic recession in Europe, higher energy costs, China's lockdown policy and lack of infrastructure stimulus are all responsible for the drop in demand.

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

Assessed item	Operating status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No		Summary
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company 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) Does the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly? (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? (III) Does the company establish and execute risk control mechanism for affiliates, and firewall methods? (IV) Does the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	V	V	(I) The Company has appointed a spokesperson, acting spokesperson, and other dedicated personnel and emails to process shareholder suggestions and other issues. (II) The Company has commissioned the stock agency KGI Securities to handle related shareholder services. (III) The Company and affiliate 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. (IV) The Company has established the "Management Procedures for Handling Internal Major Information and Prevention of Inside 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.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
III. Board compositions and responsibilities (I) Did the Board of Directors formulate a diversity policy, set specific management objectives, and implement it?	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 15th Board of Directors of the Company was made up of 7 directors including 3 independent directors (1 female). The	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessed item	Operating status		Summary	Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(II) Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee?		V	<p>Company aimed for directors of different genders, ages, professional knowledge and backgrounds in the overall composition of the Board. In addition to specifically recommending against having more than one-third of all directorships held concurrently by managerial officers of the Company in the Corporate Governance Best Practice Principles, at least one member of the Board was required to have a background in law or management experience in the steel industry to support the future business development of the Company. Every director of the Company vary in their professional background, gender, or field of expertise. They possess the necessary knowledge, skills and qualities to carry out their duties. They effectively supervise and push for compliance, timely disclosure of material information and ethical management by the Company. In addition to maintaining sound channels of communication and constructive interactions with the management team, the directors also provide the Company with business guidance, and decide on important matters to ensure the continued development of the Company and protection of shareholders' equity. The status of implementation on diversity policy is detailed in this Annual Report under "II. Profile of Directors, Independent Directors and Managerial Officers (II) Profile of Directors and Independent Directors 2. Diversity and independence of the Board of Directors".</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>	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies but no other functional committees are currently established.
(III) Does the Company have Board of Directors performance assessment guidelines and	V		(III) Internal performance evaluations in the form of self-assessment questionnaires were conducted for the Board of	No deviation from the Corporate Governance Best

Assessed item	Operating status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No		Summary
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>Directors, members of the Board, and functional committees under the Board in accordance with the Company "Regulations Governing the Evaluation of the Performance of the Board of Directors." The evaluation method and contents are detailed in this Annual Report under "IV. Implementation of Corporate Governance Operating Status (I) Board of Directors operating status and evaluation status", and provides a reference for the performance of individual directors and the setting of remuneration.</p> <p>The Regulations stipulate that an external evaluation must be conducted at least once every three years in order to continue enhancing the independence and validity of Board of Directors performance evaluations. The Company commissioned the Taiwan Corporate Governance Association to conduct the external performance evaluation of Board of Directors in 2021. The outcomes of the external evaluation have been disclosed on the Company website and Market Observation Post System.</p>	Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company regularly implement assessments on the independence of CPA?	V		<p>(IV) To ensure the reliability of the Company financial reports, a questionnaire on independence of the accountants are reviewed by the Board of Directors. The Certifying CPA is also required to provide an independence statement and 13 indicators of AQI. The main evaluation items: 1. Confirm the CPAs are not related to the company and the directors. 2. Confirm the CPAs have no other financial interests or business relationship with the company. 3. Confirm that the company's CPAs and inspection team do not hold the company's stock. 4. CPAs qualification. 5. Has not been punished by the competent authority or the CPA association, or punished in accordance with Article 37, Paragraph 3 of the Securities and Exchange Act. 6. Carry out financial statement auditing work in accordance with Generally Accepted Auditing Standards and Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants.</p>	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessed item	Operating status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
			<p>The Certifying CPA does not hold any other role within the Company, does not have any other direct or indirect interests such as business transactions with the Company, did not violate their independence, and maintained a high level of professionalism during the provision of certification and consulting services on financial and taxation matters. The Company therefore deemed the performance of the CPA to be satisfactory. The Certifying CPA did not have any other financial or business interests with the Company other than fees for certification and financial/taxation cases. The Audit Quality Indicators (AQI) were introduced by the Company in 2023 for evaluating the independence and competence of the CPA. AQI encompassed 13 indicators in 5 dimensions, namely "Professionalism, Quality Control, Independence, Supervision and Innovation." These confirmed that the CPA and their firm were superior to the average standard of their peers in terms of audit experience and hours of training. The evaluation results from the past two years were reported to the Audit Committee and the Board of Directors on May 5, 2022, and February 23, 2023, respectively.</p>
IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Chief 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 Mar. 19, 2019. The role is filled by the Vice President of the Administration Division. 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 1 Section Manager. 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),</p>

Assessed item	Operating status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
			<p>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 2022 were as follows:</p> <ol style="list-style-type: none"> 1.The Company convened a total of 8 meetings of the Board of Directors in 2022. The meeting notices, agenda, and meeting minutes were mailed to the attendees and uploaded posted to the Market Observation Post System within the period required by laws. 2.On May 5, 2022, the Board of Directors reported the Company's operation and implementation status of ethical corporate management, communication with stakeholders, 2021 corporate social responsibility implementation results, and the 2022 corporate social responsibility implementation plan. 3.The Company convened a annual shareholders' meeting on June 24, 2022 and uploaded related information within the period required by laws. 4.The continuing education courses taken by Directors in 2022 have been disclosed on the Market Observation Post System.

Assessed item	Operating status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
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		(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. (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. (III) The Annual Report and Business Report are distributed each year to investors. (IV) Institutional investor conferences are held for two-way communication with investors. (V) The Company communicates with banks, customers, suppliers, and communities through related business units. (VI) The Company communicates with employees through the quarterly Labor-Management Meetings and the Employee Welfare Committee.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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?	V		(I) The Company has established a bilingual Chinese and English website at http://www.chsteel.com.tw to provide financial, business and other related information. The Administration Department is responsible for keeping the website up to date.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does 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	V		(II) Institutional investor conferences are convened by the Company in accordance with the law. Related information are also uploaded to the Market Observation Post System and made available through the Company website; dedicated personnel are responsible for the compilation of	

Assessed item	Operating status		Summary	Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
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		related information and disclosure of material information. The Company spokesperson is in charge of all external communications. (III) The Company's 2022 financial report was filed within two months after the end of the fiscal year. The 2023 quarterly reports and monthly operation status will also be published ahead of schedule before the prescribed deadline.	
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 superior to regulatory requirements to take care of employees. 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. 3. The Company regularly hosts large-scale events for employees and their	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessed item	Operating status		Summary	Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>families every year except when it was interrupted by COVID-19. Each unit also hosts its own events to bring employees closer together and have fun. Employee town halls are periodically held each year for face-to-face communication between the management and employees. 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> <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>	

Assessed item	Operating status		Summary	Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			(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.	

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

As of Dec. 31, 2022

Title	Name	Date of Appointment	Date of Studies		Organizer	Course Title	Duration of the Course
			Starting Date	Ending Date			
Representative of Corporate Director	Kuei-Sung Tseng	2021/01/31	2022/05/20	2022/05/20	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3.0
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainability Risks and Opportunities for Enterprises	3.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Representative of Corporate Director	Min-Hsiung Liu	2018/03/31	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainability Risks and Opportunities for Enterprises	3.0
			2022/10/26	2022/10/26	Securities & Futures Institute	2022 Seminar on Legal Compliance for Stock Transactions by Internal Personnel	3.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Representative of Corporate Director	Chao-Tung Wong	2016/11/15	2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainability Risks and Opportunities for Enterprises	3.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Representative of Corporate Director	Wen-Chou Li	2022/03/01	2022/05/20	2022/05/20	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3.0
			2022/07/07	2022/07/07	Taiwan Stock Exchange and Taipei Exchange	Industry-specific Information Session on the Sustainable Development Roadmap	2.0
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainability Risks and Opportunities for Enterprises	3.0
			2022/10/07	2022/10/07	Taiwan Stock Exchange and Taipei Exchange	Announcement and Information Session for Directors and Supervisors on Guidelines for the Exercising of Powers by Independent Directors and Audit Committees of Listed Companies	3.0

			2022/10/19	2022/10/19	Securities & Futures Institute	2022 Seminar on Legal Compliance for Stock Transactions by Internal Personnel	3.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Independent Director	Juh-Shan Chiou	2015/06/26	2022/07/07	2022/07/07	Taiwan Stock Exchange and Taipei Exchange	Industry-specific Information Session on the Sustainable Development Roadmap	2.0
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainability Risks and Opportunities for Enterprises	3.0
			2022/10/28	2022/10/28	Accounting Research and Development Foundation	Green Transformation: The Road to Net Zero	3.0
Independent Director	Hsien-Tang Tsai	2015/06/26	2022/06/10	2022/06/10	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3.0
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainability Risks and Opportunities for Enterprises	3.0
Independent Director	Lin-Lin Lee	2015/06/26	2022/06/10	2022/06/10	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3.0
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainability Risks and Opportunities for Enterprises	3.0

(VII) Status of continuing education of managerial officers:

As of Dec. 31, 2022

Title	Name	Date of Appointment	Date of Studies		Organizer	Course Title	Duration of the Course
			Starting Date	Ending Date			
President	Min Chu	2022/11/01	2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Vice President, Administration Division	Chia-Wen Luo	2018/01/01	2022/03/01	2022/03/01	China Steel Corporation	“Total Transformation for the Taiwanese Industry” topical seminar	2.5
			2022/06/10	2022/06/10	Securities & Futures Institute	Corporate Sustainability Governance from the Perspective of Risks —	3.0

(Corporate Governance Officer)						From Corporate Governance to ESG	
			2022/07/13	2022/07/13	Taiwan Stock Exchange and Taipei Exchange	13th Taipei Corporate Governance Forum - Morning Session	2.0
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	13th Taipei Corporate Governance Forum - Afternoon Session	3.0
			2022/10/05	2022/10/05	Securities & Futures Institute	2022 Seminar on Legal Compliance for Stock Transactions by Internal Personnel	3.0
			2022/10/07	2022/10/07	Taiwan Stock Exchange and Taipei Exchange	Kaohsiung session of “2022 Announcement and Information Session for Directors and Supervisors on Guidelines for the Exercising of Powers by Independent Directors and Audit Committees of Listed Companies”	3.0
			2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0
Vice President, Commercial Division	Po-Han Chen	2020/06/01	2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0
Vice President of Production	Chih-Ho Chiu	2020/02/01	2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Assistant Vice President, Administration Division	Shu-Cheng Yen	2017/09/01	2022/10/24	2022/10/24	China Steel Corporation	Big data seminar “Understanding the Media, How to Talk to the Media, and Getting the Media to Report on the Company’s Philosophy, Values and Positive Stories”	3.0
			2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Assistant Vice President, Commercial Division	Ming-Ju Yang	2018/09/01	2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0

			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Assistant Vice President, Production Division	Chin-Ming Hsu	2018/09/01	2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0
Assistant Vice President, Production Division	Jui-Tsai Huang	2020/06/01	2022/11/04	2022/11/04	Chung Hung Steel Corporation	Elite Seminar - Leadership, Authority, Execution - Learning from “ <i>Tao Te Ching</i> .”	2.0
			2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Discussion of Civil and Criminal Liability of Directors and Supervisors, and Case Studies	3.0

(VIII) Implementation of risk management policy and risk measurement standards: The risk management policy and procedures passed by the Board of Directors on December 29, 2023, provided disclosure on the scope, organizational structure, and operating status of risk management at the Company. Implementation details can be found in this Annual Report under “G. Review, Analysis, and Risks of Financial Conditions and Performance VI. Risk issues and analysis evaluation (XIII) Risk Management Organization and Operations.

(IX) Status of protection of consumer or customer interests: Implemented in accordance with the law and internal rules.

(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) and Supervisors: The Company has purchased liability insurance for Directors (including Independent Directors) and reported to the Board of Directors in the 11th meeting of the 15th Board of Directors on Aug. 4, 2022.

(XII) Related certifications obtained from the relevant competent authorities by personnel associated with the transparency of financial information: The Company’s Chief Accounting Officer 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.

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:

(I) Improvements in 2022: The Company was placed in the 6 ~ 20% range by the 2021 Corporate Governance Evaluation. Based on the results of the Corporate Governance Evaluation, greater emphasis was placed on Risk Management Policy and Procedures including the scope, organizational structure, and operating status of risk management in 2022.

(II) Priorities for improvements in 2023: Compile an Intellectual Property Management Plan that is linked to operating goals and disclose its implementation status on the Company website or in the Annual Report. The Board of Directors will also be briefed.

Established on Apr. 10, 2006	Code of Ethical Conduct for Supervisors and Senior Managerial Officers	Code: CHS-AA4-03
Amended on Dec. 22, 2015		Implemented on Dec. 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: Management personnel should fulfill their obligations in an honest manner and meet professional standards in their behavior. This includes actual or obvious conflicts of interest between their personal interests and their position.</p> <p>5.2 Prevention of conflicts of interest: 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> <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 Chairperson, executive director, or senior managerial officers; <p>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: 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:</p> <ol style="list-style-type: none"> (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 		

Established on Apr. 10, 2006	Code of Ethical Conduct for Supervisors and Senior Managerial Officers	Code: CHS-AA4-03
Amended on Dec. 22, 2015		Implemented on Dec. 22, 2015
<p>information or taking advantage of their positions;</p> <p>(3) Competing with the Company.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

Established on Apr. 10, 2006	Code of Ethical Conduct for Supervisors and Senior Managerial Officers	Code: CHS-AA4-03
Amended on Dec. 22, 2015		Implemented on Dec. 22, 2015
<p>6. Supplementary provisions</p> <p>6.1 Procedures for exemption:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>6.2 Disciplinary measures:</p> <p>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”.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

Established on Apr. 10, 2006	Code of Ethical Conduct for Directors	Code: CHS-AA4-04
Amended on Dec. 22, 2015		Implemented on Dec. 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 Chairperson, executive director, or senior managerial officers; <p>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>5.5 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.</p>		

Established on Apr. 10, 2006	Code of Ethical Conduct for Directors	Code: CHS-AA4-04
Amended on Dec. 22, 2015		Implemented on Dec. 22, 2015
<p>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.</p> <p>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.</p> <p>5.8 Directors shall safeguard shareholder equity and respect the rights of partner banks, creditors, employees, consumers, suppliers, affiliate companies, communities, and other stakeholders.</p> <p>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.</p> <p>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.</p> <p>6. Supplementary provisions</p> <p>6.1 Natural persons appointed by corporate shareholders to exercise their right shall adhere to the Code.</p> <p style="padding-left: 40px;">The provisions herein shall apply mutatis mutandis to corporate shareholders represented by Directors appointed by corporate shareholders.</p> <p>6.2 Procedures for exemption:</p> <p>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.</p> <p>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.</p>		

Established on Apr. 10, 2006	Code of Ethical Conduct for Directors	Code: CHS-AA4-04
Amended on Dec. 22, 2015		Implemented on Dec. 22, 2015
<p>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.</p> <p>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.</p>		

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

1. Remuneration Committee member profiles:

March 31, 2023

Role	Name	Criteria	Professional qualifications and experience	Compliance with independence criteria	Number of other public companies in which the member also serves as a member of their remuneration committee
Independent Director, Convener of the Audit Committee	Hsien-Tang Tsai	Ph.D. in Business Administration from Purdue University in the US; currently Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Logah Technology Corporation (since March 2014), Independent Director, Member of Audit Committee and Member of Remuneration Committee of Fulin Plastic Industry (Cayman) Holding Co., Ltd. (since June 2020), Independent Director, Member of the Audit Committee and Remuneration Committee Convener of Revivegen Environmental Technology Co., Ltd. (since August 2020). Former Dean of College of Management and Professor Business Administration at National Sun Yat-sen University, and Director of Taiwan Public Television Service Foundation.	The three Independent Directors meet the following conditions during the two years before being elected or during the term of office: 1. The individual is not an elected person in the name of a government, institution, or its representative as defined in Article 27 of the Company Act. 2. The individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates. 3. The individual is not a director, supervisor, or employee of a company that	3	

Role	Name	Criteria	Professional qualifications and experience	Compliance with independence criteria	Number of other public companies in which the member also serves as a member of their remuneration committee
Independent Director	Juh-Shan Chiou		MBA in National Sun Yat-sen University and qualified in the high-level national examination for Certified Public Accountant of the Republic of China. Currently Independent Director and Audit Committee Convener, King Point Enterprise Co., Ltd. (June 2020 to present), Independent Director and Audit Committee Convener, Jufan Industrial Co., Ltd. (September 2021 to present), and Honorary Accountant of Chungsun Prime Certified Public Accountants. Former Partner of Chung Sun Certified Public Accountants, CPA in Deloitte, Taiwan, and lecturer of National Sun Yat-sen University. He is an accounting and finance professional.	has special relations with the Company. 4. The individual is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company. 5. Has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years. 6. The individual's shareholding in the Company along with those held by their spouse, minor children, or under the name of other parties does not exceed 1% of all issued shares, or rank in the top 10 of natural-person shareholders.	1
Independent Director	Lin-Lin Lee		Master of Laws from NTU, passed the R.O.C. Bar Examination; currently Managing Partner of Ling Yun Attorneys-at-Law, Director of Legal Aid Foundation, Executive Supervisor of Taiwan Bar Association, and Independent Director, Member of the Audit Committee, and Member of the Remuneration Committee of Sentien Printing Factory Co., Ltd. (since June 2020); Former Vice President of Taiwan Bar Association, President of Kaohsiung Bar Association, President of Warm Life Kaohsiung City. Member of Taiwan Attorney Disciplinary and Review Committee, Member of Ministry of Justice's Prosecutors' Selection Committee, Member of Prosecutors' Evaluation Committee, and Member of Judicial Yuan's Professional Judges' Selection Committee.		1

2. Operations of the Remuneration Committee:

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

(2) Current term for the members: August 25, 2021 to August 24, 2024. **4** (A) meetings of the Remuneration Committee were held in 2022. The qualifications of the members and attendance was as follows:

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

Other matters that should be recorded:

- I. If the board meeting declines to adopt or modifies recommendations of the Remuneration Committee, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the company handles the remuneration committee's opinions shall be disclosed in detail (e.g., if the remuneration adopted by the board committee is superior to that recommended by the remuneration committee, the differences and reasons shall be explained):
None.
- II. If there are objections or reservations by the members that have been recorded in writing during the remuneration committee resolution, the remuneration committee meeting's date, period, motion content, the opinions of all members, and treatment of the member's opinions must be disclosed in detail : None.
- III. Discussions and results of resolutions of the Remuneration Committee:
 - (I) 3rd meeting of 15th Board of Directors on Feb. 24, 2022:
 1. Request for recommendation on the amendment of the performance evaluation table of the Vice President.
Resolution: Passed by all members of the Committee in attendance.
 2. Request for recommendation on the results of the performance evaluation of the Vice Presidents of the departments in 2021.
Resolution: Passed by all members of the Committee in attendance.
 - (II) 4th meeting of 15th Board of Directors on May 5, 2022:
 1. Request for recommendations on the President's 2021 annual performance evaluation results and the performance evaluation of the Chairperson.
Resolution: Passed by all members of the Committee in attendance.
 - (III) 5th meeting of 15th Board of Directors on Nov. 3, 2022:
 1. Request for recommendations on proposed compensation for Company director Kuei-Sung Tseng.
Resolution: Passed by all members of the Committee in attendance.
 2. Request recommendations on proposed compensation for Min Chu, the newly

appointed President of the Company.

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

(IV) 6th meeting of 15th Board of Directors on Dec. 29, 2022:

1. Request for recommendations on proposed adjustment to the basic salary of the Company Chairperson, President and Vice President for the 2022 financial year backdated to April 1, 2022.

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

2. Request for recommendations on the amendment of the Company "Remuneration Committee Charter."

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

3.Information on Members of the Nominating Committee and Operations: Not applicable for the Company as it has not yet established a Nominating Committee.

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

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
I. Has the company established a governance structure for sustainable development, established an exclusively (or concurrently) dedicated unit to implement sustainable development, and have senior executives appointed by the Board of Directors to be in charge of sustainable development and to report the implementation status to the Board of Directors?	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 Sustainability Report 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. Corporate Governance, Environmental Protection, and Social Welfare Teams were established to deal with economic, environmental and social impact issues. In addition to the identification and review of economic, environmental, and social issues of concern to stakeholders and connected to business activities, the teams also compile their degree of concern on related issues and indicators to compile their respective parts of the Sustainability Report.</p> <p>Article 3.1.2 of the Company "Sustainable Development Best Practice Principles" authorizes the Vice President to brief the Board of Directors. An extract of the report contents in the three dimensions of Economy, Environment, and Society are therefore compiled by the Administration Department every year. In accordance with Article 2.4 of the Company "Sustainable Development Best Practice Principles", a Sustainable Development Implementation Plan for the following year is formulated in accordance with the implementation principles of sustainable development with an emphasis on project continuity. The Vice President, Administration Department, then briefs the Board of Directors on the plan and adjustments are made based on any directors' instructions issued during the meeting.</p>	No deviation.
II. Has the company assessed the environmental, social, and corporate governance issues related to its operations based on the principle of materiality and established related risk management policies or strategies?	V		<p>A materiality analysis process was established by the Company in accordance with the GRI Guidelines. The material topics in sustainable development are identified through the compilation, inspection, sorting, identification and confirmation processes.</p>	No deviation.

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
			<p>The Company's Sustainability Report is jointly authored by the Sustainability Core Team with the Administration Department responsible for its compilation and editing. Risk assessments of material topics disclosed in the Report as well as the boundaries of risk management policies or strategies are all based primarily on the Company. Key extracts are summarized below:</p> <p>1. Material environmental issues: Climate change response along with carbon management, energy management, and emissions management risks were identified by the Company. In addition to using ISO 14064 GHG emission inventory and verification, the emissions reporting system, ISO 14001 environmental management system as well as the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework to inventory the risks and opportunities brought by climate change as well as the manage related response measures. We also continued to manage the use of paint and solvents outside of production, offset them through emission reductions, engage in process improvements and addition of gas shielding and chimneys. Efforts were made to rectify leaks in plant conduits and promote recycling in order to reduce the amount of waste sent to landfills, conserve water, improve water efficiency, boost the amount of reclaimed water and reduce wastewater discharge.</p> <p>2. Material social issues: In terms of social issues, we shall focus on improving occupational safety and health management. We used the two-cycle occupational safety regional collective defense and discovered 670 issues with an achievement rate of 124%. We conducted inspections of the Vice President of the Production Division (8 rounds) to implement constant safety observations by supervisors in 2,665 cases (execution frequency: 2,093 cases/year for team leaders, 136 cases for plant industrial safety & hygiene engineers, 389 cases/year for (deputy) section chiefs, and 47 cases/year for (deputy) plant managers. 96% of operations complied with SJP while unsafe behavior/environments amounted to 4%. All unsafe</p>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
			<p>behaviors/environments were rectified. We conducted occupational safety audits (36 times) and reported 102 near miss incidents and improvements.</p> <p>3. Corporate governance issues: To prevent the risk of non-compliance due to internal company regulations not being kept up to date with external regulatory changes, a compliance system was established by the Company. Company regulations are periodically checked against external regulations to ensure that all company regulations comply with regulatory requirements.</p>	
<p>III. Environmental issues</p> <p>(I) Has the company established an appropriate environmental management system based on the characteristics of the industry to which it belongs?</p>	V		<p>(I) 1. The Company has established the Environmental Management Systems (ISO 14001) and Energy Management Systems (ISO 50001). In addition, the Company integrated the Environmental Management Systems and Energy Management Systems ISO 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.</p> <p>2. Under the Company "Procedures for the Environment and Energy Management Committee", the Environment and Energy Management Committee is chaired by the Vice President, Production Division, and is organized into functional teams. The Committee is organized as follows:</p> <pre> graph TD A[Committee Chairman] --> B[Deputy Committee Chairman] B --> C[Consultant] B --> D["Executive Secretary for Energy Executive Secretary for Environment"] C --> E[Committee] C --> F[Heat Technology] C --> G[Electricity Technology] D --> H[Environmental Energy System] D --> I[Education Group] </pre>	No deviation.

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
(II) Is the company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	V		<p>3.The Environmental management systems (ISO 14001) and Energy management systems (ISO 50001) received the certification from DNV Business Assurance Co., Ltd. in Jul. 2021. The certification covered the Hot Rolling Department, Cold Rolling Department, Pickling & Galvanizing Department, Pipe & Tube Department, Lukang Steel Pipe Plant, and Ciaotou Administration Building. Expiry dates of the certificates:</p> <p>(1) Environmental management system (ISO 14001): 2024/05/07 (2) Energy management systems (ISO 50001): 2024/07/24</p> <p>(II) 1.The Company has established the Energy management systems (ISO 50001: 2018 edition) and Det Norske Veritas (DNV) certification was obtained in July 2021 (certification renewal for Hot Rolling Department, Cold Rolling Department and Steel Pipe Plant; new certification for the Pickling & Galvanizing Department). The PDCA management model is employed to effectively manage all material energy-intensive facilities in order to continue improving their energy efficiency and management performance.</p> <p>2. Energy conservation projects were proposed by each plant in 2022. Actual energy conservation results were as follow:</p> <p>(1) Hot Rolling Department: 3.57% (2) Cold Rolling Department: 4.13% (3) Pickling and Galvanizing Department: 14.07% (4) Dafa Steel Pipe Plant: 1.47% (5) Lukang Steel Pipe Plant: 3.15%</p> <p>3. The Company uses comprehensive waste planning and management to recycle and reuse large amounts of industrial waste (e.g., scrap iron, mill scale, waste acid, hot rolling sludge, inorganic sludge, waste active carbon, waste lubricant oil, waste fireproof materials, etc.). The waste</p>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
(III) Does the company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	V		<p>recycling rate in 2022 was 99.21%. They were recycled for the following uses:</p> <p>(1) Hot rolling sludge/inorganic sludge: Materials for cement factories or use in road gradation or production of interlocking bricks.</p> <p>(2) Waste wood: Use as boiler fuel.</p> <p>(3) Waste acid: Recycle waste acid for processing and production of recycled acid and returned to the production process.</p> <p>(4) Scrap iron and rusty sheets: Recycled to the furnace for reuse.</p> <p>(III) The recommended framework issued by the Task Force on Climate-related Financial Disclosure (TCFD) was adopted by the Company in response to climate change so that corporate sustainability can be realized. The framework is organized around the four core pillars of Governance, Strategy, Risk Management, and Metrics and Targets. Identified climate change risks and opportunities as well as response management are shown in Table 1. A detailed analysis of the Company's climate change risks and opportunities is disclosed in this Sustainability Report.</p>	
(IV) Does the company collect data on greenhouse gas emissions, water consumption, and waste production in the past two years and implement policies to reduce greenhouse gas emissions, water consumption, and management of other waste?	V		<p>(IV) The results, management policies, and action plans for the Company's greenhouse gas emissions, unit product tap water consumption, and total weight in the past two years are explained below:</p> <p>1. Greenhouse gas emissions</p> <p>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 in the past two years were as follows:</p> <p>2021: Scope 1 and Scope 2 emissions amounted to 167,406.702 tonnes CO₂e/year and 164,861.826 tonnes CO₂e/year respectively. Total emissions amounted to 332,268.528 tonnes CO₂e/year. Emission intensity per unit of product was 0.1347 tonnes CO₂e/tonne of production.</p>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
			<p>2022: Scope 1 and Scope 2 emissions amounted to 141,949.905 tonnes CO2e/year and 140,726.569 tonnes CO2e/year respectively. Total emissions amounted to 282,676.474 tonnes CO2e/year. Emission intensity per unit of product was 0.1335 tonnes CO2e/tonne of production. (Not verified. Verification to be completed in May 2023.)</p> <p>In response to climate change and carbon management, the Company has set short-term, medium-term and long-term carbon reductions to realize net zero emissions by 2050. 2018 was set by the Company as the baseline year for carbon reduction, with short-term goal (2030) being a cumulative reduction of 22% (1% reduction per year between 2018 and 2025), the medium-term goal (2040) being a cumulative reduction of 50%, and the long-term goal (2050) being a cumulative reduction of 100%. The Company will continue to implement energy conservation and carbon reduction projects. ISO 14064 GHG verification will also be employed to realize the GHG reduction goals.</p> <p>2. Tap water consumption (excluding water consumption of Ciaotou Administration Building)</p> <p>2021: 1,327,310 cubic meters 2022: 1,193,022 cubic meters</p> <p>The Company has set short, medium, and long-term targets for water resources. The short-term goal is a wastewater recovery rate (including process wastewater) greater than 99%, medium-term goal is a wastewater recovery rate (including process wastewater) greater than 99.1%, and long-term goal is a wastewater recovery rate (including process wastewater) of greater than 99.2%. Water management measures adopted by the Company included rainwater recovery, reclamation of process wastewater at the Hot Rolling Department (recovery rate > 99.79%), recovery of discharge water from Cold Rolling Department for reuse in the washing towers, reclamation of waste pure water, recycling and reuse of process water at Steel Pipe Plant, the use of wear resistant rings instead of mechanical seals at the</p>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:						
	Yes	No	Summary							
			<p>common pumping devices of each plant, and the use of water-saving taps.</p> <p>3.Total weight of waste 2021: 123,070.044 tonnes including 100,452.559 tonnes (81.62%) of general industrial waste, and 22,617.485 tonnes (18.38%) of hazardous industrial waste. 2022: 105,091.281 tonnes including 87,346.806 tonnes (83.12%) of general industrial waste and 17,744.475 tonnes (16.88%) of hazardous industrial waste.</p> <p>The Company has set short-term, medium-term, and long-term targets for waste management. The short-term goal is a waste recycling rate greater than 98%, medium-term goal is a waste recycling rate greater than 98.5%, and long-term goal is a waste recycling rate greater than 99%. The Company now recycled all general industrial waste through sound planning and management. The Company also commissions external toxicity leaching testing for our waste output each year. High waste recycling rates in each year means that there is no material environmental impact on water and land.</p> <p>4. Environment, safety, health, and energy policy Chung Hung's environment, safety, health, and energy policy was implemented following the approval of the Chairperson 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> <table border="1"> <tbody> <tr> <td>1</td> <td>Improving employees' health.</td> </tr> <tr> <td>2</td> <td>Mitigating potential hazards and risks.</td> </tr> <tr> <td>3</td> <td>Upholding environmental protection.</td> </tr> </tbody> </table>	1	Improving employees' health.	2	Mitigating potential hazards and risks.	3	Upholding environmental protection.	
1	Improving employees' health.									
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Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:						
	Yes	No	Summary							
			<table border="1"> <tr> <td>4</td> <td>Continuing energy conservation and carbon emissions reduction.</td> </tr> <tr> <td>5</td> <td>Strengthening participation in consultation services.</td> </tr> <tr> <td>6</td> <td>Improving management performance.</td> </tr> </table>	4	Continuing energy conservation and carbon emissions reduction.	5	Strengthening participation in consultation services.	6	Improving management performance.	
4	Continuing energy conservation and carbon emissions reduction.									
5	Strengthening participation in consultation services.									
6	Improving management performance.									
IV. Social issues (I) Has the company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	V		(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 also 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 topics, a total of 1,127 hours of human rights-related training were conducted for 407 people in 2022. The training course encompassed labor laws, occupational disaster prevention, management responsibility on industrial safety, health promotion and protection, sexual harassment prevention, gender equality, and workplace partnerships. In addition to providing employees with the mandatory leave types, we also offer sick leave, bereavement leave, maternity leave, and wedding hosting leave for employees whose children are getting married. When employees need long-term leave due to military service, serious illness							

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
(II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		<p>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 promotes sustainable and inclusive economic growth by providing equal pay for equal work as well as equal promotion opportunities for male and female employees. In 2022, female employees account for 9% of all employees and female executives account for 3.7% of all executive (excluding employees of management units). The Company pays close attention to employee rights and benefits and shares the profits and earnings with employees to maintain a positive work environment. The Company also hires employees with physical disabilities, including 22 in 2022 who accounted for 1.93%. The Company meets 100% of the regulatory requirements. Employee salaries are determined based on benchmarks of the industry, market manpower supply and demand, and the business and financial conditions. The Company also established the "Salary Management Regulations" to regulate the payment of salaries and adjusts the salaries based on the Company's business performance, prevailing rates in the market, Consumer Price Index, and personal performance each year to ensure that the overall compensation remains competitive. The Company's average salary adjustment in 2022 was 4.4%. The Company established the "Production and Sales Earnings Bonus Regulations" to encourage employees to improve operation processes, increase production, and reduce the cost of production to earn and share earnings. According to the "Production and Sales Earnings Bonus Regulations", the Company shall 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 remuneration for employees is processed in accordance with the Articles of Incorporation. If the Company has profit for the year, it shall allocate no less than 0.1% of the profit as remuneration for employees.</p>	No deviation.

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
(III) Has the company provided a safe and healthy working environment and provided employees with regular safety and health training?	V		<p>(III) 1. Safe working environment: (2,597 cases in total)</p> <p>(1) Allied defense of industrial safety zones and inspections by senior executives are employed to identify and correct potential hazards in the working environment. A total of 751 potential hazards were identified in 2022 and the rectification rate was 100%.</p> <p>(2) 621 cases of improvements to hardware facilities.</p> <p>(3) 1,225 cases of 5S improvement proposals.</p> <p>2. Healthy working environment: Qualified environmental testing organizations are commissioned each year to conduct two monitoring sessions of the working environment each year. These included monitoring for chemical factors (e.g. n-Hexane, Potassium Dichromate Ethyl Acetate, Toulene, Acetone, Methy Ethyl Ketone, Sulfuric Acid, Isopropanol, Dust, Carbon Dioxide, and so on, as well as physical monitoring items (e.g. Noise, general temperature, localized exhaust fan speed... etc.) for a total of 27 items. The monitoring outcome is posted on the ERP. If any abnormal noises are head then carry out cause analysis and track corrective action.</p> <p>3. Safety Education and Training: Mandatory courses such as “Articles 26 and 27 of the Occupational Safety Act”, “Radiation Protection Training”, “In-service Education and Training for Forklift Operators rated for over 1 tonne” are set up to boost the safety and health competency and understanding of employees. These serve to enhance the safety and health awareness of contractors as well as their professional skills.</p> <p>4. Health Education and Training:</p> <p>(1)The plant physician conducts information sessions at each plant to explain the results of the health exam after the annual health exam is conducted. The physician also explains the meaning of each indicator to employees.</p> <p>(2)Health education and training such as “Health Promotion Seminar” and “Tobacco Quitting Class” were organized. Employees were</p>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
(IV) Has the company set up effective career development and training programs for its employees?	V		<p>reminded to practice self-health management, and adjust their lifestyle to improve their health and prevent problems.</p> <p>5. All plants of the company now have ISO 45001 and CNS 45001 certification.</p> <p>6. In 2022, the disabling injury frequency rate was 0.44% and failed to meet the target of 0%; there was 1 case of occupational injury among employees and involved 1 person (amounting 0.09% of the 1,144 people employed by the Company at the end of 2022).</p> <p>The Company proposed industrial safety improvement initiatives to combat occupational injury. Key SJP tasks (hazards in the operating environment, work procedure) are reviewed before the start of work. Integrity of SJP contents are then checked at the end of work.</p> <p>(IV) The Company plans comprehensive competency training for all supervisors and employees including orientation training, professional competency training, and management skill training for the management to help employees continue to learn and grow through a diverse range of learning methods and cultivate key skills. The total training hours 2022 was 13,041 hours or 11.4 hours per employee. The Company also holds regular annual employee meetings to review and provide feedback on employee performance and assist employees in their career development.</p>	
(V) Does the company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, advertising and labeling of its products and services and set up relevant consumer or customer protection policies and complaint procedures?	V		<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</p>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
			<p>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 hardware 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> <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>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
(VI) Has the company formulated supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such regulations?	V		<p>(3)Networking technology is employed to block hacker attacks and protect against the theft of customer data. All computers have licensed anti-virus software installed to protect against computer viruses or Trojan software.</p> <p>(4)All workers are assigned a personal account and password for their personal computer based on their role and responsibilities. Regular password changes are required by the system along with standby time-outs to prevent the compromise of individual accounts and passwords. Database or operating system access are also automatically managed by the system to prevent unauthorized access.</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) 1.The Company has established a comprehensive Supplier Management Policy and disclosed in the Corporate Sustainability Report and the Company's website (http://www.chsteel.com.tw/csr/sc/sc_sel.html).</p> <p>2.The Company also provides related regulations for suppliers to download (http://www.chsteel.com.tw/pr/e-com.html#dow).</p> <p>3.Chung Hung procurement contracts include provisions for the Company to cancel or terminate contracts with suppliers as well as impose financial penalties or seek compensation for material breaches of contract such as violation of the sustainability policy with a significant impact on the environment or society, engaging in unethical conduct, breaches of the “Labor Standards Act” that violate labor rights, or the raw materials used in products supplied by the seller</p>	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
			directly or indirectly finances armed criminal groups engaged in serious violations of human rights (the seller should enforce strict checks on their raw material procurement and supervision chain of product selling and manufacturing).	
V. Has the company followed internationally recognized guidelines to prepare and publish reports such as its Sustainability Report to disclose non-financial information of the Company? Has the company received assurance or certification of the aforementioned reports from a third-party accreditation institution?	V		The Company's most recent Sustainability Report was prepared in accordance with the GRI Standards: Core Option and AA1000 AccountAbility Principles. ISO 26000 guidance, the UN Global Compact (UNGC), and "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" were also used as a reference for the disclosures in this Report. The Report passed third-party certification by the British Standards Institution (BSI) for compliance with GRI Standards and Type 1 assurance in AA1000 v3.	No deviation.
<p>VI. If the company has established its own sustainable development best-practice principles by following the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and any discrepancies with regard to the Best Practice Principles: The Company "Sustainable Development Best Practice Principles" were drawn up in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and implemented after it was passed by a resolution of the Board of Directors on February 24, 2022. This was disclosed on the Market Observation Post System and reported during the Shareholders' Meeting. Actual implementation has conformed to the requirements of the Company "Sustainable Development Best Practice Principles." The Company's Sustainable Development Best Practice Principles can be viewed at the following address: http://www.chsteel.com.tw/cg/pdf/CHS-AA3-43.pdf</p>				
<p>VII. Other key information useful for explaining the status of sustainable development practices:</p> <p>1. Environmental protection: The Company integrated ISO 14001 and ISO 50001 systems into the "Environment and Energy management systems" 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 Company continues to review the performance and effectiveness of the Environment (ISO 14001 and ISO 14064) and Energy (ISO 50001) Management Systems. Enhanced environmental and energy management, proactive energy conservation and waste reduction as well as fulfillment of corporate social responsibility led to the Company receiving a certificate of appreciation for inter-department greenhouse gas reduction and cooperation program in 2022 from the Environmental Protection Bureau of Kaohsiung City Government.</p> <p>2. Workplace safety and health: The Company upholds the core value of "respect for life" in its Environmental Safety and Health Policy. In terms of occupational safety and health, Chung Hung is committed to improving employees' health, mitigating potential hazards and risks, enhancing communication mechanisms, and improving occupational safety and health performance. The Company operates the Hot Rolling Department, Cold Rolling Department, Pickling & Galvanizing Department, Lukang Steel Pipe Plant, and Dafa Steel Pipe Plant. All five plants have passed ISO 45001 and CNS 45001 certification. The implementation status and related honors in 2022 are as follows: (1) The Pickling & Galvanizing Department received the "2022 Excellent Unit for Promoting Occupational Safety and Health" from the Ministry of Labor and Kaohsiung</p>				

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
<p>City Government.</p> <p>(2) The Cold Rolling Department received the "Gold Safety Award in the Rolling Category" for safety and health performance in 2021 from Taiwan Steel & Iron Industries Association; the Dafa Steel Pipe Plant and Lukang Steel Pipe Plant received the "Gold Safety Award in the Other Category; the Pickling & Galvanizing Department received the "Special Honors Award in the Other Category."</p> <p>3.Social welfare:</p> <p>(1)By upholding the two main goals of "life" and "education", Chung Hung makes use of limited resources to sponsor social welfare programs. 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 participation and sponsorship activities in 2022 are as follows, with a total of NT\$7.818 million:</p> <p>a. Sponsor the "Independent Poverty Eradication Program" of Kaohsiung City (for 19 years)</p> <p>b. Funding for the Greater Kaohsiung Lifeline Association Suicide Prevention Program (for 19 years)</p> <p>c. Lunch subsidies for Kangshan Senior High School students from economically challenged families (for 13 years)</p> <p>d. Sponsorship of the publication of diary education drawing books for Xing Tang Elementary School in Ciaotou District (for 15 years)</p> <p>e. Scholarship sponsorship for outstanding students selected by Ziguan District Office (for 19 years)</p> <p>f. Syin-Lu Social Welfare Foundation's Syin-Lu Love Healthy Walk Plan.</p> <p>g. Sponsorship of the 2022 Gangshan Regional Festival events organized by Gangshan District Office.</p> <p>h. Sponsorship of education plan subsidies for disadvantaged students in Wulin Elementary School, Ciaotou District</p> <p>i. Sponsorship of the A Kong Tiam Khe Literature Award organized by the Kangshan College Students' Association.</p> <p>j. Donated residential fire alarms to the Fourth Brigade and Fifth Brigade of the Fire Bureau of Kaohsiung City Government</p> <p>k. Donated LED marquee funds to the Gangshan Branch Qiaotou Branch office of Kaohsiung City Police Department.</p> <p>l. Subscription of agricultural products</p> <p>m.Sponsored the repair funds for the intersection monitoring system of the Baishu Social Service Promotion Association in Qiaotou District.</p> <p>n. Sponsored projects of Elders Care and Development Association for space renovation.</p> <p>o. The theme for 2022 was "Traffic Safety." A total of 6 sessions (Chiaotou x 2, Gangshan x 2, Zihguan x 2) were successfully held and constructive interactions conducted with the community.</p> <p>(2) It's a truly happy thing to help others. Chung Hung continues to advance volunteer services to achieve happiness and the activities were as follows:</p> <p>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 Jul. 2013 and we invite colleagues and their relatives to provide services. A total of 203 participants were recorded in 2022 (average 25.4 participants/month; activities were suspended from Apr. to Jul. due to the epidemic).</p> <p>b.The Company cleaned and organized the outdoor environment with Ciaotou District Office at Jing Zhong Village in Baishu Community since 2015 and 48 employees and relatives participated in the activity in 2022.</p> <p>c.The Company has organized "volunteer training" each year since 2008 and a total of 30 participants completed training in 2022. A total of 338 employees have obtained</p>				

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
the "volunteer service record book" as of 2022.				
(3) Other activities: An annual donation drive for used goods has been held since 2012 for employees to show their compassion. The donated goods for 2022 were gifted to Syin-Lu Social Welfare Foundation in November. The Company has provided volunteers to assist the Animal Protection Association with running pet desexing, chipping, Rabies vaccinations and adoption events at Shihlong Activity Center in Ciaotou since 2017. A total of 30 employees and their friends and relatives took part in 2022.				

Appendix 1

Aspect	Disclosure	Implementation at Chung Hung
Governance	Describe the board of directors' oversight and governance of climate-related risks and opportunities	The Board of Directors is the top decision-making unit for risk management and is directly responsible for oversight of climate-related risks and opportunities. The Risk Management Team briefs the Board on climate risks and opportunities every year.
	Describe management's role in assessing and managing climate-related risks and opportunities.	The Sustainability Core Team led by the Vice President, Administration Division of the Company assesses climate-related risks and opportunities, manages the response strategies for climate-related topics, and passes the outcomes of the TCFD assessment to the Risk Management Team for its annual briefing of the Board of Directors.
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Climate-related transformation risks, physical risks and opportunities over the short term, medium term and long term were identified by the Company. Please refer to Chapter 5.2 "Climate Change and Energy Management" of the Company's 2022 Sustainability Report for more information.
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	The Company assesses the impact of climate-related risks and opportunities then sorts the risks based on their materiality. Response strategies are also proposed based on the climate-related risks and opportunities facing the Company. Please refer to Chapter 5.2 "Climate Change and Energy Management" of the Company's 2022 Sustainability Report for more information.

Aspect	Disclosure	Implementation at Chung Hung
	Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios	Scenario analysis is employed by the Company to assess the impacts of climate risks and opportunities. Please refer to Chapter 5.2 “Climate Change and Energy Management” of the Company’s 2022 Sustainability Report for more information.
Risk management	Describe the organization’s processes for identifying and assessing climate-related risks.	Climate-related risk topics are compiled by the Company then assessed in terms of likelihood, degree of impact, and potential vulnerability in order to determine the main climate risks facing the Company.
	Describe the organization’s processes for managing climate-related risks.	The Company proposes management measures or response strategies based on the main transformation and physical risks identified.
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	From 2023 onwards, the Sustainability Core Team will assess climate-related risks based on the TCFD framework. The outcomes of the assessment are passed to the Risk Management Team for briefing the Board of Directors.
Metrics and Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	The Company compiles statistical data on identified climate risk and opportunity topics then set corresponding performance metrics (e.g. short-term, medium-term and long-term targets for GHG and carbon emissions).
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	The Company manages GHG emissions and energy usage through the ISO 14064-1 GHG inventory and ISO 50001 Energy management system. For Scope 1, 2 and 3 GHG emissions, please refer to Chapter 1.3 “Sustainability Performance” of the Company's 2022 Sustainability Report.
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	The Company has set short term, medium term and long term carbon reduction targets. Short-term performance has also been disclosed.

(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		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
<p>I. Establishment of ethical management policies and solutions</p> <p>(I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices as well as the commitment of its Board of Directors and senior management to implementing the management policies?</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. 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>	No deviation.
<p>(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess operating activities with higher risk of unethical conducts on a regular basis, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate</p>	V			

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
<p>Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, implemented the policies, and review the policies on a regular basis?</p>	V		<p>The "Operating Standards for Processing Gifts, Banquets, and Requests" was established by the Company to enforce a sound corporate culture, protect the Company's image, and provide our staff with a standard for handling gifts, banquets and requests; gifts from parties related to their position should be refused or returned unless other regulations apply. 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 General Affairs Section of 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: Training on ethical management topics were conducted (including courses on legal policy, quality systems, corporate governance, internal audits and internal controls) for 451 people for a total of 1,595 person-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</p>	

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
			cooperation agreements. The Company has set up the Complaint Response Committee to implement the complaint system and penalties for violations. 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 implements these regulations and regularly reviews and amends them.	
<p>II. Implementation of ethical corporate management</p> <p>(I) Has the company evaluated the integrity records of parties it does business with and stipulated ethical conduct clauses in business contracts?</p> <p>(II) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Has the company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?</p>	V	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 Ethics". The Company also encourages reporting of any illegal or unethical activities.</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		
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and designated its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or commissioned a CPA to conduct the audit?	V		(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. To ensure the effectiveness of internal control systems, the "Internal Control System Regulations" were formulated by the Company and passed by the Board of Directors to serve as the basis for the implementation of internal controls by all Company units and personnel. The "Internal Control System Self-Assessment Procedures" were established for governing self-assessments of internal controls. Each tier-1 unit is required to conduct a self-assessment of their management status for the current year by the end of December each year. A plant-level assessment report is then sent to the Administration Department to be compiled into an overall assessment report for the Company and submitted to the competent manager for review. The report is then sent to the Finance Department and an Internal Control Statement issued. The Company's 2022 audit plan was passed by the Board of Directors in 2021 and internal audits were carried out according to plan. Each part of the transaction cycle was audited during 2022 and audit reports completed for 46 cases. A total of 37 recommendations were made in response to identified deficiencies and anomalies. The Chief Internal Auditor regularly attends meetings of the Board of Directors to report on the implementation status of the audit plan. Once the audit report has been presented it is sent to each independent director for review in accordance with the regulations. An electronic version of the report is also entered into the Computer's audit management system for further monitoring until all corrective actions are completed. Status of monitored items and corrective actions are sent in writing every quarter to each independent director for review.	
(V) Has the company held internal and external educational trainings on operational integrity regularly?	V		(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 management business philosophy and emphasize the importance of ethical conduct as well as zero tolerance for fraudulent activities.	

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
<p>III. Operation of whistle-blowing system in the Company</p> <p>(I) Has the company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?</p>	V		(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".	No deviation.
<p>(II) Has the company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, as well as relevant confidential mechanisms?</p>	V		(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 2022.	

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
(III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	V		(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.	
VI.Strengthen information disclosure Does the company disclose the content and effectiveness of its Ethical Corporate Management Principles on the company's website and the Market Observation Post System?	V		<p>Relevant sections of the Company's "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Best Practice Principles and Code of Conduct" are disclosed on the Company website under "Investor Relations -> Corporate Governance -> Corporate Governance Regulations" and on the Market Observation Post System website under "Corporate Governance -> Corporate Governance Structure -> Corporate Governance Structure Rules and Regulations.</p> <p>The status of the Company's ethical corporate management and its implementation are periodically reported to the Board of Directors by the Vice President, Administration, and disclosed on the corporate website under "Sustainability -> Corporate Governance -> Ethical Corporate Management."</p> <p>The Audit Division is also responsible for conducting supervisory audits and periodically reporting the results to the Board of Directors. Related information is disclosed on the corporate website under "Investor Relations -> Corporate Governance -> Internal Auditing."</p>	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 better understanding of the Company's implementation of ethical corporate management: (e.g., review and amendment of the Company's Ethical Corporate Management Best Practice Principles):</p> <p>1. Establishment of general penal provisions for subcontractors:</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 subcontractors or related personnel in contracted operations, the subcontractors shall actively notify the contract signing unit and contract execution unit in writing.</p> <p>Violations are fined between NT\$3,000 to NT\$60,000 under Article 6.2 of the "Contractor Safety and Health Management Regulations" covering financial penalties for contractor breaches of safety and health requirements.</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: Where a supplier provided bribes, gifts, commissions, remuneration, gratuities or other improper benefits to a manager, employee, or part-time worker or their spouses and direct relatives, consultants or design/planning service providers employed by Chung Hung, if the complaint is found to be true then the matter, depending on its severity, will be reported to contract execution unit of Party A. The Purchasing Department or Commercial Administration Department will also be notified of the decision. The matter is then submitted to the President for review before the contract is amended by the Purchasing Department or Commercial Administration Department. The supplier will then have a part or all of its active contracts suspended, or blocked from further dealings with the Company.</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, Ethical Corporate Operating Procedures and Code of Conduct, Audit Committee Charter, Management Procedures for Handling Internal Major Information and Prevention of Inside Trading, Corporate Governance Best-Practice Principles, Sustainable Development Best Practice Principles, Regulations Governing the Evaluation of the Performance of the Board of Directors.

2. Query Method:

- (1) Listed 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: The Company's Chief Accounting Officer has completed sufficient hours of continuing education in accordance with laws.

(IX) Implementation of Internal Control System

1. Statement of Internal Control

Chung Hung Steel Corporation

Internal Control System Statement

Date: February 23, 2023

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2022.

- 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. The internal control system has its innate limitations. No matter how well it is designed, an effective internal control system can only provide reasonable assurance of the three above goals; the effectiveness of the internal control system may also vary due to changes in the environment or 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 Dec. 31, 2022 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 Feb. 23, 2023 where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Chung Hung Steel Corporation

Chairperson: Kuei-Sung Tseng (signature and seal)

President: Min Chu (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) The company's major deficiencies improvement status for internal personnel who have received penalties for violating provisions provided by the internal control system 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 2022 and up to the publication date of this annual report:**
- **Shareholder's meeting**
 - 1. Critical resolutions adopted at the 2022 annual shareholders' meeting:**
 - (1) Approval of the Company's 2021 Business Report and Financial Report.
 - (2) Approval of the Company's 2021 earnings distribution proposal.
 - (3) Passed the amendments of the "Procedure for Acquisition and Disposal of Assets".
 - (4) Passed the amendments of the "Operating Procedures for Fund Lending".
 - (5) Passed the lifting of non-compete clauses for directors Min-Hsiung Liu, Kuei-Sung Tseng, and Wen-Chou Li.
 - 2. Execution of resolutions adopted at the 2022 annual shareholders' meeting:**
 - (1) Approval of the Company's 2021 Business Report and Financial Report: Passed as proposed.
 - (2) Approval of the Company's 2021 earnings distribution proposal: Distribution of the 2021 surplus was approved as proposed with a cash dividend of NT\$4,019,524,449 (NT\$2.8 per share) distributed to shareholders. The ex dividend date was set as August 1, 2022, and the distribution date was set as August 25, 2022. All dividends have been distributed.
 - (3) Passed the amendments of the "Procedure for Acquisition and Disposal of Assets": Passed as proposed and announced on the company website.
 - (4) Passed the amendments of the "Operating Procedures for Fund Lending": Passed as proposed and announced on the company website.
 - (5) Passed the lifting of non-compete clauses for directors Min-Hsiung Liu, Kuei-Sung Tseng, and Wen-Chou Li: Passed as proposed and published on the Market Observation Post System on Jun. 24, 2022.
 - **Important resolutions of the Board of Directors in 2022 and 2023:**
 - 1. Important resolutions of the Board of Directors passed in the 5th meeting of the 15th Board of Directors on Jan. 20, 2022:**
 - (1) Approval of the replacement of the Hot Rolling Department's F1/F4/F5/F6 main motor equipment.
 - 2. Important resolutions of the Board of Directors passed in the 6th meeting of the 15th Board of Directors on Feb. 24, 2022:**
 - (1) Reported the results of the 2021 board performance evaluation.
 - (2) Approval of the Company's 2021 Business Report and Financial Report.
 - (3) Approval of the Company's 2021 earnings distribution proposal.
 - (4) Approval of the report on the 2021 distribution of remuneration to employees and Directors.
 - (5) Approval of the 2021 Internal Control Self-Assessment Report and Internal Control System Statement.

- (6) Approval of the amendment of certain articles of the Company's "Corporate Social Responsibility Principles".
 - (7) Approval of the proposal for convening the Company's 2022 annual shareholders' meeting.
- 3. Important resolutions of the Board of Directors passed in the 7th meeting of the 15th Board of Directors on May 5, 2022:**
- (1) Assessment report on the independence, competence and performance of the Company's CPA.
 - (2) Report on the contents of the Company "Sustainability Roadmap."
 - (3) Approval of the Company's 2022 Q1 Financial Report.
 - (4) Approval of the amendments of the "Corporate Governance Best-Practice Principles".
 - (5) Approval of the amendments of the "Procedure for Acquisition and Disposal of Assets".
 - (6) Approval of the amendments of the "Operating Procedures for Fund Lending".
 - (7) Approval of the amendments of the Company "Management Procedures for Handling Internal Major Information and Prevention of Inside Trading."
 - (8) Approval of the non-compete clause for Mr. Min-Hsiung Liu, Mr. Kuei-Sung Tseng and Mr. Wen-Chou Li
 - (9) Approval of the revisions of the agenda for the Company's 2022 annual shareholders' meeting.
- 4. Important resolutions of the Board of Directors passed in the 8th meeting of the 15th Board of Directors on Aug. 4, 2022:**
- (1) Approval of the Company's 2022 Q2 Financial Report.
- 5. Important resolutions of the Board of Directors passed in the 9th meeting of the 15th Board of Directors on Sep. 30, 2022:**
- (1) Election of the Chairperson.
 - (2) Approval of the appointment of the Company's President.
- 6. Important resolutions of the Board of Directors passed in the 10th meeting of the 15th Board of Directors on Oct. 11, 2022:**
- (1) Approval of the Company's 2022 budget correction.
- 7. Important resolutions of the Board of Directors passed in the 11th meeting of the 15th Board of Directors on Nov. 3, 2022:**
- (1) Approval of the Company's 2022 Q3 Financial Report.
 - (2) Approval of the Company's 2022 audit plan.
 - (3) Approval of the amendment of the Company "Rules of Procedure for Shareholders' Meetings."
 - (4) Approval of the amendment of the Company "Internal Control System Regulations."
 - (5) Approval of the amendment of the Company "Risk Management Policy and Procedures."
- 8. Important resolutions of the Board of Directors passed in the 12th meeting of the 15th Board of Directors on Dec. 29, 2022:**
- (1) 2022 Board of Directors performance evaluation report.
 - (2) 2022 Risk management operation report.
 - (3) 2022 Information security implementation report.
 - (4) Approval of the Company's 2023 budget.

- (5) Approval of the amendment of the "Remuneration Committee Charter".
- (6) Approval of the amendment of the Company "Management Procedures for Handling Material Inside Information and Prevention of Inside Trading."

9. Important resolutions of the Board of Directors passed in the 13th meeting of the 15th Board of Directors on Jan. 31, 2023:

- (1) Approval for appointment of the Company's Vice President, Administration Division.
- (2) Approval for change of the Company's Chief Finance Officer.
- (3) Approval for change of the Company's Chief Corporate Governance officer.

10. Important resolutions of the Board of Directors passed in the 14th meeting of the 15th Board of Directors on Feb. 23, 2023:

- (1) Assessment report on the independence, competence and performance of the Company's CPA.
- (2) Approval of the Company's 2022 Business Report and Financial Report.
- (3) Approval of the Company's 2022 earnings distribution proposal.
- (4) Approval of the appointment of the Company's certifying CPA.
- (5) Approval of the 2022 Internal Control Self-Assessment Report and Internal Control System Statement.
- (6) Approval of the proposal for convening the Company's 2023 annual shareholders' meeting.

(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) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

January 1, 2022 ~ March 31, 2023

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
Chairperson of the Board	Min-Hsiung Liu	2019.09.30	2022.09.30	Resignation
President	Kuei-Sung Tseng	2021.01.31	2022.09.30	Change of Position
Chief Finance Officer	Chia-Wen Luo	2018.01.01	2023.02.01	Change of Position
Corporate Governance Officer		2019.03.19		

V. Information on Fees to CPA

Information on Fees to Certifying CPA

Unit: NT\$1,000

Name of the accounting firm	CPA name	Audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte, Taiwan	Yu-Hsiang Liu	2022.01.01~ 2022.12.31	4,715	1,843	6,558	Non-audit fees for transfer pricing service fees, tax return assessment and certification fees, and consultation service fees for climate-related financial disclosures.
	Chia-Ling Chiang	2022.01.01~ 2022.12.31				

(I) 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 the decrease in audit fees, the percentage, and the reason for such changes should be disclosed: None.

(II) 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 referred to in item (I) refers to fees paid by the Company to the CPA for the auditing, review, and re-review of the relevant financial reports.

VI. 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	Approved by the 14th Meeting of the 15th Board of Directors on February 23, 2023		
Reason for Replacement and Explanation	The internal rotation mechanism of Deloitte Taiwan meant that there was a change to the CPAs Yu-Hsiang Liu and Chia-Ling Chiang previously responsible for certifying the Company's financial reports. Li-Yuan Kuo and Chia-Ling Chiang became the new CPAs from 2023 Q1 onwards.		
State whether the appointer or the CPAs have terminated the appointment, or whether the appointer or the CPAs have rejected the appointment	Contracting Party	Accountants	Appointer
	Scenario	N/A	
	Termination initiated by client		
	CPA declined to accept (continue) the appointment		
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 statements
			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
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(II) Regarding succeeding CPA:

Name of CPA Firm	Deloitte, Taiwan
CPA name	Li-Yuan Kuo
Date of Appointment	Approved by the 14th Meeting of the 15th Board of Directors on February 23, 2023
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	N/A
The succeeding accountant's opinions in written form in response to the former accountant's opinions	N/A

Previous CPAs' reply to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Regulations: Not applicable.

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

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

VIII. 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	2022		2023 up to March 31		Remarks
		Number of shares held added (subtracted)	Number of pledged shares added (subtracted)	Number of shares held added (subtracted)	Number of pledged shares added (subtracted)	
Director	China Steel Corporation	0	0	0	0	
	Representative: Chao-Tung Wong	0	0	0	0	
	Representative: Min-Hsiung Liu	0	0	0	0	
	Representative: Kuei-Sung Tseng	0	0	0	0	
	Representative: Kai-Ming Huang	0	0	N/A	N/A	Dismissed on March 1, 2022
	Representative: Wen-Chou Li	0	0	0	0	Appointed on March 1, 2022
Independent Director	Juh-Shan Chiou	0	0	0	0	
	Hsien-Tang Tsai	0	0	0	0	

Title	Name	2022		2023 up to March 31		Remarks
		Number of shares held added (subtracted)	Number of pledged shares added (subtracted)	Number of shares held added (subtracted)	Number of pledged shares added (subtracted)	
	Lin-Lin Lee	0	0	0	0	
Chairperson of the Board	Min-Hsiung Liu	0	0	N/A	N/A	Dismissed on September 30, 2022
	Kuei-Sung Tseng	0	0	0	0	Appointed on September 30, 2022
President	Kuei-Sung Tseng	0	0	N/A	N/A	Dismissed on September 30, 2022
	Min Chu	0	0	0	0	Appointed on November 1, 2022
Vice President, Administration Division	Chia-Wen Luo	0	0	0	0	Dismissed on February 1, 2023
Vice President, Administration Division	Chien-Hui Lee	N/A	N/A	0	0	Appointed on February 1, 2023
Vice President, Commercial Division	Po-Han Chen	0	0	0	0	
Vice President, Production Division	Chih-Ho Chiu	0	0	0	0	Dismissed on March 31, 2023
Assistant Vice President, Administration Division	Shu-Cheng Yen	0	0	0	0	
Assistant Vice President, Commercial Division	Chao-Chin Lin	N/A	N/A	0	0	Appointed on February 28, 2023
Assistant Vice President, Production Division	Chin-Ming Hsu	0	0	0	0	Dismissed on February 28, 2023
	Ming-Ju Yang	0	0	0	0	Former Assistant President, Commercial Division, being transferred on February 28, 2023, to become the Assistant Vice President, Production Division.
	Jui-Tsai Huang	0	0	0	0	
	Hsi-I Chen	N/A	N/A	0	0	Appointed on March 31, 2023
Head of Accounting	Wen-Ping Huang	0	0	0	0	

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

Note 2: The final shareholding of dismissed directors is their shareholding during the month of dismissal. For newly appointed directors, their initial shareholding is their shareholding during the month they were appointed.

IX. 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 August 2022)

Unit: Shares; %, August 1, 2022

Name	Personal Shareholding		Shares Held by Spouse and Underage Children		Total Shareholding by Nominee Arrangement		Shareholders with the top 10 shareholding ratios who are related, or their spouses and second-degree relatives' names and their respective relationships.		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.Polaris Taiwan Dividend Plus ETF	66,397,623	4.63	0	0	0	0	None	None	
3. Fubon Taiwan High Dividend 30 ETF	18,951,000	1.32	0	0	0	0	None	None	
4.Yung-Shun Wang	14,435,000	1.01	0	0	0	0	None	None	
5.Chun Fa Co., Ltd.	13,959,000	0.97	0	0	0	0	None	None	
Legal representative: Shao-Chun Wang	70,000	0	0	0	0	0	None	None	
6.Vanguard Emerging Stock Market Index Fund investment account under the custody of JPMorgan Chase	12,031,000	0.84	0	0	0	0	None	None	
7. Vanguard Total International Stock Index Fund under the custody of JPMorgan Chase	11,166,000	0.78	0	0	0	0	None	None	
8. Ting Fa Investment Co., Ltd.	10,247,000	0.71	0	0	0	0	None	None	
Legal representative: Shao-I Wang	779,000	0.05	0	0	0	0	None	None	
9. Taishin Life Insurance	5,800,000	0.40	0	0	0	0	None	None	
10.Vanguard Trust Equity Index II investment account under the custody of JPMorgan Chase	5,154,000	0.36	0	0	0	0	None	None	

X. 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, 2023

Investee business (Note)	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	39.59%	0	0	306,824,279	39.59%
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, 2023

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 (1,000 shares)	Amount (NT\$1,000)	Number of Shares (1,000 shares)	Amount (NT\$1,000)	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 NT\$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

Year Month	Issuing price	Authorized Capital		Paid-Up Capital		Remarks		
		Number of Shares (1,000 shares)	Amount (NT\$1,000)	Number of Shares (1,000 shares)	Amount (NT\$1,000)	Source of Capital	Subscriptions paid with property other than cash	Others
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) Shareholders:

(information from the period after the book closure date in August 2022)

Date: August 1, 2022

Shareholders Quantity	Government Agencies	Financial Institutions	Other Institutions	Individual Investors	Foreign Institutions and Foreigners	Total
Number of People	—	14	289	168,494	264	169,061
Number of Shares Held	—	93,356,284	618,554,265	656,144,090	67,489,807	1,435,544,446
Shareholding Percentage	—	6.50%	43.09%	45.71%	4.70%	100%

(III) Dispersion of equity ownership:

(information from the period after the book closure date in August 2022)

Date: August 1, 2022; face value of each share was NT\$10

Shareholding Classification	Number of Shareholders	Number of Shares Held	Shareholding ratio (%)
1 - 999	42,829	8,893,167	0.62
1,000 - 5,000	100,788	212,627,962	14.81
5,001 - 10,000	14,898	118,519,991	8.26
10,001 - 15,000	3,780	48,407,842	3.37
15,001 - 20,000	2,619	48,992,537	3.41
20,001 - 30,000	1,786	45,936,249	3.2
30,001 - 40,000	758	27,358,629	1.91
40,001 - 50,000	499	23,488,691	1.64
50,001 - 100,000	717	51,291,278	3.57
100,001 - 200,000	248	34,435,820	2.4
200,001 - 400,000	77	21,863,003	1.52
400,001 - 600,000	21	10,365,229	0.72
600,001 - 800,000	10	7,313,994	0.51
800,001 - 1,000,000	2	1,678,000	0.12
Over 1,000,001	29	774,372,054	53.94
Total:	169,061	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 August 2022)

Date: August 1, 2022

Name of the Main Shareholder	Shares	Number of Shares Held	Shareholding percentage (%)
China Steel Corporation		582,673,153	40.59
Polaris Taiwan Dividend Plus ETF		66,397,623	4.63
Fubon Taiwan High Dividend 30 ETF		18,951,000	1.32
Yung-Shun Wang		14,435,000	1.01
Chun Fa Co., Ltd.		13,959,000	0.97
Vanguard Emerging Stock Market Index Fund investment account under the custody of JPMorgan Chase		12,031,000	0.84
Vanguard Total International Stock Index Fund under the custody of JPMorgan Chase		11,166,000	0.78
Ting Fa Investment Co., Ltd.		10,247,000	0.71
Taishin Life Insurance		5,800,000	0.4
Vanguard Trust Equity Index II investment account under the custody of JPMorgan Chase		5,154,000	0.36

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

Item		Year	2021	2022	Current year up to Mar.31,2023(Note 8)
Market value per share (Note 1)	Highest		64.70	49.15	30.20
	Lowest		13.10	19.35	26.05
	Average		36.89	31.12	28.08
Net value per share (Note 2)	Pre-distribution		15.72	11.89	12.30
	Post-distribution		12.92	N/A	N/A
Earnings per share (Note 3)	Weighted average shares		1,435,544 thousand shares	1,435,544 thousand shares	1,435,544 thousand shares
	Earnings per share		4.42	(0.69)	0.28
Earnings Dividend	Cash dividends		2.8	0.35	N/A
	Stock dividends	Dividends from earnings	—	—	N/A
		Dividends from capital surplus	—	—	N/A
	Cumulative undistributed dividends (Note 4)		—	—	N/A
Return on investment analysis	PE ratio (Note 5)		8.35	(45.10)	N/A
	Price-dividend ratio (Note 6)		13.175	88.914	N/A
	Cash dividend yield (Note 7)		0.0759	0.0112	N/A

* If retained earnings or capital surpluses 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 meeting of the Board of Directors or 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 a profit after the closing of annual accounts, taxes shall be paid, cumulative losses incurred in previous years shall be compensated, and a statutory reserve shall be set aside in accordance with the law. However, in the event that the accumulated statutory reserve is equivalent to or exceeds the Company's total paid-in capital, no further reserve set aside is required. The remainder may be set aside or converted to a special surplus reserve in accordance with law. If there is still a balance remaining, it shall be combined with the undistributed earnings for the year to serve as distributable earnings, which shall be retained or distributed as dividends in accordance with a resolution of the shareholders meeting.

The Company shall allocate no less than 30% of the distributable earnings for the distribution of shareholder dividends and bonuses each year. However, dividends may be canceled if the accumulated 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 bonuses in common stocks at NT\$0.35 per share.

(3)The Company plans to authorize the Chairperson 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

2022

Item	Amount	Unit: NT\$
Undistributed earnings at the beginning of the period	\$	2,289,509,600
After-tax income (loss) for the year	(989,929,431)	
Remeasurement of defined benefit plan converted into retained earnings	372,369,658	
Disposal of equity instruments at fair value through other comprehensive income	285,253	
Changes in long-term investments	(21,172,601)	
Amount to be included in undistributed income (loss) by adding up after-tax income (loss) for the year and other items		(638,447,121)
Deduct: Statutory surplus reserves		0
Deduct: Appropriation for special reserve		0
Distributable earnings		1,651,062,479
Common stock bonus available for distribution - 1,435,544,446 common stocks at NT\$0.35 per share (cash NT\$0.35)		(502,440,556)
Undistributed earnings at the end of the period	\$	1,148,621,923

Chairperson:

Kuei-Sung Tseng

Managerial Officer:

Min Chu

Chief Accounting Officer:

Wen-Ping Huang

(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 rewards 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 Direct remuneration. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before employee bonus and director remuneration can be allocated according to the above percentage. Employee bonus and director remuneration proposals shall be submitted to the Board of Directors for resolution and presented to the shareholders' meeting."

2. The basis for estimating the amount of employee, director, and supervisor profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

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. No provision was made for employee and directors' remuneration in 2022 due to earnings being a net loss before tax. If there are changes made to the amount before the issuance of the annual standalone financial statements, the changes shall be adjusted and accounted for as annual expenses. If there are changes made to the amount after the issuance of the annual standalone financial statements, the changes shall be accounted for as changes in accounting estimates and recognized in the financial statements of the following year.

3. Distribution of remuneration passed by the Board of Directors: The Company experienced operating losses in 2022 so there was no distribution of remuneration.

4. If there is any discrepancy between the actual amount of rewards distributed to employees and Directors (including number and dollar amount of shares distributed, as well as share price), the recognized amount of rewards for employees and Directors in the 2021 fiscal year, the amount, causes and treatment of such discrepancies shall be stated: The Company's actual distributed employee and Directors' remuneration in 2021 were consistent with the amount recognized in the Consolidated Financial Report of 2021.

(IX) Status of company share buyback

March 31, 2023

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 and 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	
Credit rating organization name and date of rating, corporate bond rating and so on.	Taiwan Ratings Corp. November 8, 2019; Rating twA	Taiwan Ratings Corp. September 3, 2020; Rating twA	
Other rights attached	Dollar amount of common shares already converted (swapped or warranted) 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 has completed all securities issuance or offering or has completed the plan within the most recent three years but has not seen significant benefits.

E. Business overview

I. Business activities

(I) Business scope: 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 2023 are as follows:

Primary Product	Ratio (%)
Hot-rolled steel coils	83
Cold-rolled steel coils	10
Galvanized steel coils	3
Steel pipes	4
Total	100

(II) Industry Overview

1. Current status and development

When the Russo-Ukrainian War that broke out in February 2022, both the Russian and Ukrainian steel industries were affected by the fighting leading to a shortfall in European steel supply. The resultant surge in steel prices led to steel mills prioritizing sales to high price regions such as Europe and the US so there was an upward trend in international steel prices between the first and second quarters. Skyrocketing inflation in each country in the second half of the year led to a tightening of monetary policy by the US Federal Reserve. The strong dollar and high-interest environment this created put pressure on the global economy and trend. The anticipated dampening of end-consumer demand and expenditure led to a discernible slump in the manufacturing sector. Upstream and downstream industries were now faced with the twin pressures of weak demand and inventory adjustment. The fourth quarter saw the European and US rate increases take effect at last and inflation dropped back from record highs. China also ended its lockdown policy after the White Paper movement. The global economy now began showing signs of recovery and the boost to market confidence meant that the steel market seemed to rebound from rock bottom.

In 2023, the continued clampdown on inflation in the US, reduced pressure from energy costs due to a warm winter in Europe, as well as the ending of lockdowns in China meant that the market now expects the global economic recession to be less severe than before. The World Economic Outlook report for January 2023 published by the International Monetary Fund (IMF) on January 30 revised the rate of global economic growth from 0.2% to 2.9% (previous forecast in the October 2022 report was 2.7%). China's economic growth in 2023 was also revised upwards from the previous forecast of 4.4% to 5.2%, indicating that the global economy is now recovering from high inflation, COVID-19 and other events.

In terms of steel supply, the data announced by Worldsteel on January 31 gave the global crude steel production as 1.8785 billion tonnes, a year-on-year decrease of 4.2%. Supply has therefore tightened significantly. In terms of demand, in October 2022

Worldsteel forecasted that demand from infrastructure construction will increase slightly by 1% in 2023 and reach 1.815 billion tonnes. In the same period, China announced on January 28 that start of construction on key projects in 16 provinces and cities. Provinces such as Henan, Guangdong and Zhejiang planned to complete more than RMB 1000 billion in investments during 2023. India also increased its infrastructure spending budget for the 2023 ~ 2024 financial year by 36% on February 1, while the US announced nearly US\$1.2 billion in transportation infrastructure construction projects for 2023. Rigid demand that had been postponed is now being released so steel demand is expected to continue recovering in 2023. Supply and demand in the steel market should see further improvements and steady growth.

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, Vietnam, and Taiwan. 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).

3. Product trends and competition

(1) Hot-rolled products:

A. Domestic market: Competition is intense due to the ease with which general steel materials can be imported, the presence of numerous competitors in the market, and limited demand in Taiwan. Emphasis is therefore being placed on supply chain development to provide customers with reliable delivery times and timely feedback in order to keep up with changes in the market.

Export markets: Taiwan is located in the geographic center of East Asia and the sales of steel materials is easily affected by export competition from China, Russia, Japan, Korea, Vietnam, and India. Price wars often ensue for regular-grade steel materials. Therefore, the development of high-quality and differentiated steel products has become an important trend and challenge.

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.

D. High-strength hot rolled products are processed and formed by customers into solar power brackets in keeping with global carbon reduction trends.

(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. Customers must use small rollers to produce 0.08-0.30mm products 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 frame, and IC components.
- D. Domestic prices for general CQ1/CQ2 steel have been badly disrupted by large quantities of low-price imports. Taiwan is a thin market so there is intense competition on price.

(3) Steel pipes:

- A. Demand from the US oil pipeline market is expected to stay stable in 2023 so we will continue to consolidate our existing sales channels.
- B. Expand into other international markets and develop structural piping, pile pipe, piping, firefighting piping and other products.
- C. Integrate upstream and downstream resources and use Chung Hung's structural pipes in public infrastructure and construction projects to expand the scope of use.

(4) Galvanized products:

Galvanized products are used extensively for building materials and structural applications. High-strength materials are generally supplied by domestic steel mills. Thin plate orders have relatively strict requirements for the hot rolling process. Production and selling prices in the market are steady so this is a key area of development.

(III) Overview of Technology and R&D

The Company is committed to the development of new products and technologies and the development of artificial intelligence (AI). We continue product quality improvements, process research, and equipment technology establishment to create applications for smart equipment, smart production, and smart operations. We also establish the Smart Production and Sales Promotion Committee to promote the development of a smart system for production, equipment maintenance, production scheduling, quality management, product sales, occupational safety, and environmental protection.

To cultivate talents required for AI development and facilitate the smooth introduction of AI, the Company actively participates in external training courses and constantly seeks assistance from professionals of the parent company, the industry, and academia. The notable achievements in 2022 were as follows.

1. Product quality improvements

(1) Improvement to surface cleanliness and adhesion for cold rolled CQ2.

2. Process research

(1) Establishment of manufacturing technology for S50C (thickness ≥ 3.0 mm) low-hardness product, introduction of steel band displacement measurement equipment for precision rolling station, and automatic roller control technology for tailboard.

(2) Establishment of phased tempering technique for cold rolled CQ2

3. Equipment technology establishment

(1) Establishing of sliver grinding technique for hot rolling.

(2) Completed the replacement of the F3 main motor for Hot Rolling Department.

(3) Established POL Scale Breaker production technology for PO high-strength steel (SPFH590, GR.80).

(4) Establishment of inner bead cutter smart monitoring and diagnosis system at Dafa Plant.

4. Artificial intelligence (AI)

(1) Deployment of intelligent scheduling system for hot rolling production line at the Hot Rolling Department: Completion of the system in Q3 shortened scheduling time and improved productivity.

(2) Optimized management of air compressors of the Cold Rolling Department: The project was completed in Q1 and benefits included optimization of air compressor startup parameters to avoid excessive operation and waste of compressed air output.

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

1. Short-term plans

Optimize use of resources as well as production, sales, transportation and storage; track the pulse of the market to achieve a win-win outcome with customers; prepare for equipment modifications and lean production management; enhance digital management and enforce succession planning; implement health, safety and carbon reduction to fulfill our social responsibility.

2. Long-term plans

(1) Continuing to convert equipment to strengthen production capabilities and improving quality and technology.

- (2) Gaining information on market developments, implementing flexible production and sales operations, intensifying customer services, and co-creating industry development.
- (3) Revitalizing human resources, ensuring the transfer of technical know-how, creating a happy work environment, and attaining sustainable development goals for a sustainable enterprise.
- (4) Cultivating AI technology talents, promoting smart production and sales, and strengthening information security management to lay the foundations for long-term development.
- (5) Improve energy conservation and carbon reduction and attain carbon neutrality targets in response to international targets for net zero emissions.

II. Market, production and sales

(I) Market analysis

1. Sales region for the main products:

The Company's product sales in 2022 included domestic sales which accounted for 55.5% of the total sales volume of 1.817 million tonnes (74.06% in 2021). Exports accounted for 44.5% and export regions include China, Japan, Korea, Southeast Asia, South Asia, Middle East, Australia, Europe and the Americas. Distribution was as follows: Southeast Asia (23.80%), North America (4.73%), Europe (4.19%), Japan and South Korea (7.96%), Hong Kong and China (0.66%), Australia and New Zealand (0.81%), Middle-East (0.06%).

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): 18.9%.
- (2) Cold-rolled products (including imports): 12.1%.
- (3) Galvanized products (including imports): 4.4%.
- (4) Steel pipe products (including imports): 5.6%.

3. Future market supply/demand and growth:

In 2022 Q4, inflation in Europe and the US began to plateau while the US Federal Reserve slowed down its rate increases and the value of the US Dollar dropped once more. This resulted in capital flowing back into the financial and trade markets, and the stabilization of international prices for bulk commodities. At the same time, China introduced cuts to the requirement reserve ratio (RRR), released stimulus for the property market, relaxed its epidemic prevent measures, and expanded its support for the financial and industrial sectors. These were all positive signs that pointed to a recovery in the global economy and will boost post-pandemic steel demand. In October 2022, WorldSteel forecasted a further

1% growth (approximately 18.15 million tonnes) in steel demand in 2023 with India and Southeast Asia seeing the most significant growth with 6.7% and 6.0% respectively. In 2023 Q1, China's relaxation of its lockdown policy, easing in global inflation as well as nations stepping up their infrastructure investments to boost the economy, global demand for crude steel in 2023 is likely to be revised upwards.

In terms of supply, WorldSteel data suggested that crude steel production from January to October in 2022 declined by 3.9% (approximately 63 million tonnes). Major steel mills in Europe, US and Asia all continued to cut back on production while social inventory levels of steel in China dropped to its lowest level in three years. The global steel market is therefore approaching the end of its destocking phase.

Generally speaking, the supply and demand situation in the steel market is continuing to improve. With high iron ore and coal prices staying high, index steel mills in Europe, US, as well as Baosteel in China and Ha Tinh in Vietnam all began raising their prices. Global steel prices are therefore definitely rebounding after hitting rock bottom.

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

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

- Combine the tracking of market supply and demand with regulation of sales volume
The performance of the steel market is determined by supply and demand. Prices go down if supply is greater demand, and prices go up if demand is greater than supply. After going through 8 to 9 months of consecutive downturns, the domestic and foreign steel markets are now finally seeing the light at the end of the tunnel. New orders and lower inventories present an opportunity for replenishment of inventory and rebound in prices. Higher international prices across the board and other favorable factors should bring about a thaw in the steel market. To ensure the healthy development of the steel market however, the Company must carefully regulate sales volume as prices start to increase and manage prices through volume to ensure that the upward in the steel market can be maintained for as long and steadily as possible.
- Implementation of carbon reduction projects to increase corporate competitiveness
Europe and US are all beginning to draft carbon tax laws in response to global warming and extreme climate change. These developments have attracted widespread international attention and Taiwan will not be immune. Domestic carbon fees will inevitably be levied. No effort is being spared by China Steel in its efforts on low-carbon transformation, development of low-carbon production processes, and improvement of energy efficiency. The Company must leverage group synergies as well by actively

cooperating with the policies of our parent company and implementing related carbon reduction projects. The low-carbon trend represents not only a challenge but also unlimited possibilities. Seizing the initiative on carbon reduction will provide an advantage during the transformation process. The Company can only stay competitive if product carbon emissions can be kept low in the future.

- Continuation of “product certification” to expand scope of export orders

Global trade is rife with obstacles and litigation. The top priority for businesses today is how to stay competitive and maintain sustainability. One of the options for expanding sales and maintaining steady business is “product certification.” The Company has obtained international steel product certifications in the EU, UK, Vietnam, Malaysia, Singapore, and New Zealand. We are continuing to work to expand the scope of export orders.

The international situation can be very volatile. The Russo-Ukrainian War, the European energy crisis, inflation and higher interest rates, and China's COVID-19 lockdowns are all major variables that have an impact on the market. The Company must adapt to international developments, embrace new changes, make timely adjustments and seize the initiative in order to maintain our market position and stay viable.

(2) Unfavorable factors for future market development and response strategies

- Global economy is expected to grow at a slower rate in 2023 than last year and face even greater challenges

The ongoing Russo-Ukrainian War, the continuing energy crisis, persistently high pressure from interest rate increases and inflation as well as a resurgence in the COVID-19 epidemic due to China's relaxation of its lockdown policy all suggest that there is still a great deal of uncertainty surrounding the future development of the steel market. The global economic outlook for 2023 therefore remains pessimistic with a potential slowdown in end demand and trade activity. In major nations such as Europe, US, China, Japan and Korea, the PMI for the manufacturing industry is expected to trend towards conservative in the next six months. Forecasts from research bodies also suggest that the global economy will grow at a lower rate in 2023 compared to last year. 2023 is therefore shaping up to be an even more difficult year.

- Profit margins squeezed by higher material prices and growing costs

In terms of raw materials, coal and steel prices have begun to rise after going through a period of correction in the last 3 months. This has put pressure on the profit margins of Company products and may even lead to operating losses. Even though we were successful in raising the prices of final products, selling price remains low due to a long

downturn in the steel market. More time is needed for the market to correct itself and build up steam for further price increases to be progressively made.

Response strategies

- Counter competition on price by using appropriate materials and sources

The more common products produced by the Company must contend with low-price imports and cut-throat competition from domestic peers. These have long become “red sea” segments where “price” is generally the top consideration, with quality in second place because customers know how to use materials appropriate to the application. Low-quality raw materials can therefore be used for producing lower-grade products to regulate material costs when the market conditions are poor.

- Cooperate closely with customers and do everything possible to satisfy customer requirements for steady orders

We have no control over the overall steel market. We must therefore revise our sales strategy based on the state of the industry and optimize our sales combinations to keep Company operations on an even keel. At the same time, we will work closely with customers to develop customized products and do everything possible to satisfy customer requirements. Higher levels of customization translates into more steady orders and customer dependence (loyalty). Interference from market factors will become smaller as well. The stability of raw material supply has always been the Company’s greatest advantage. Ensuring the continuity of supply for customers is another surefire way for consolidating orders and creating a win-win outcome for both the Company and our customers.

- Focus on carbon reduction and application for international product certification to expand scope of export orders

As noted in (1) above, proper implementation of carbon reduction measures will reduce the carbon emissions of products and lower expenditure from carbon fees; applying for international product certification to expand the scope of export orders is also another key task that the Company must continue working on in the future.

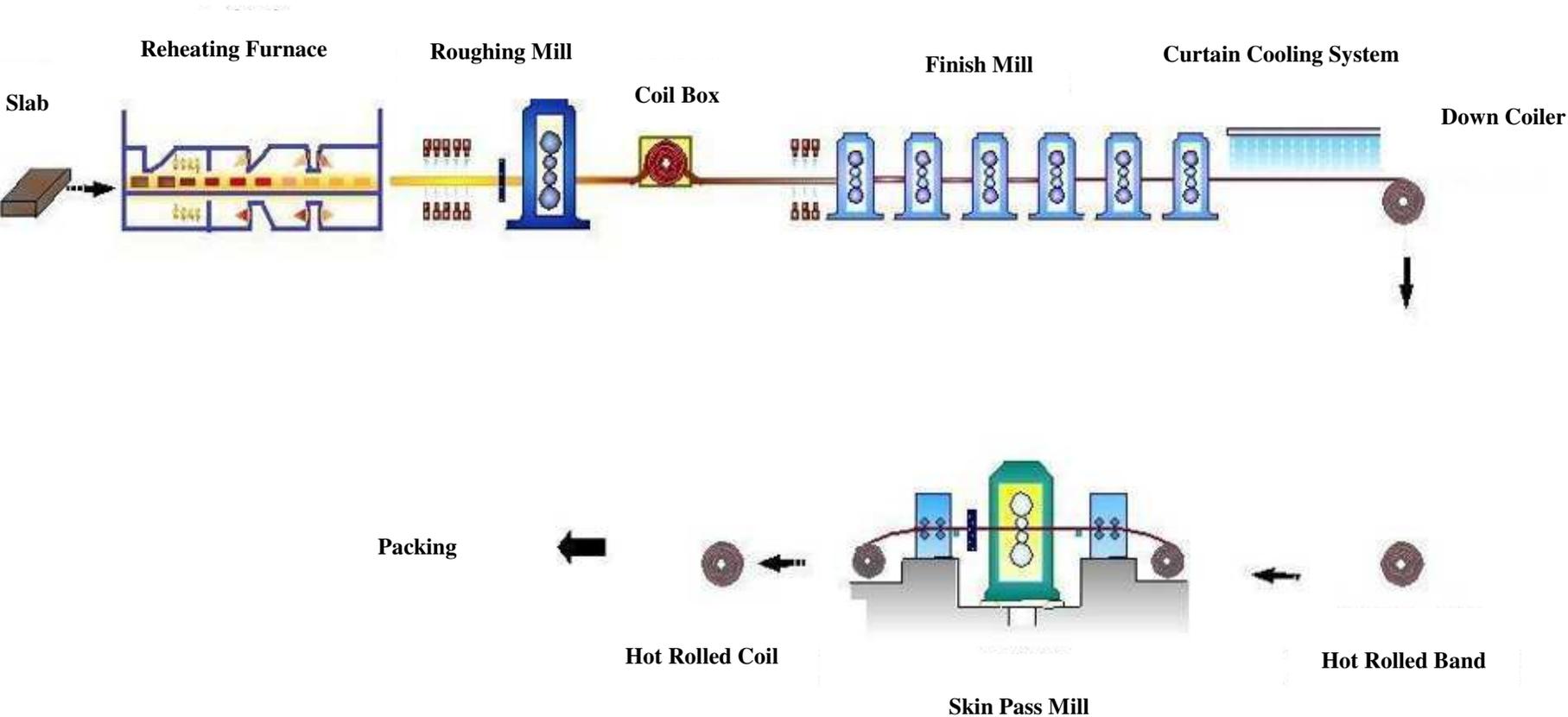
(II) Major product manufacturing processes

1. Applications main products

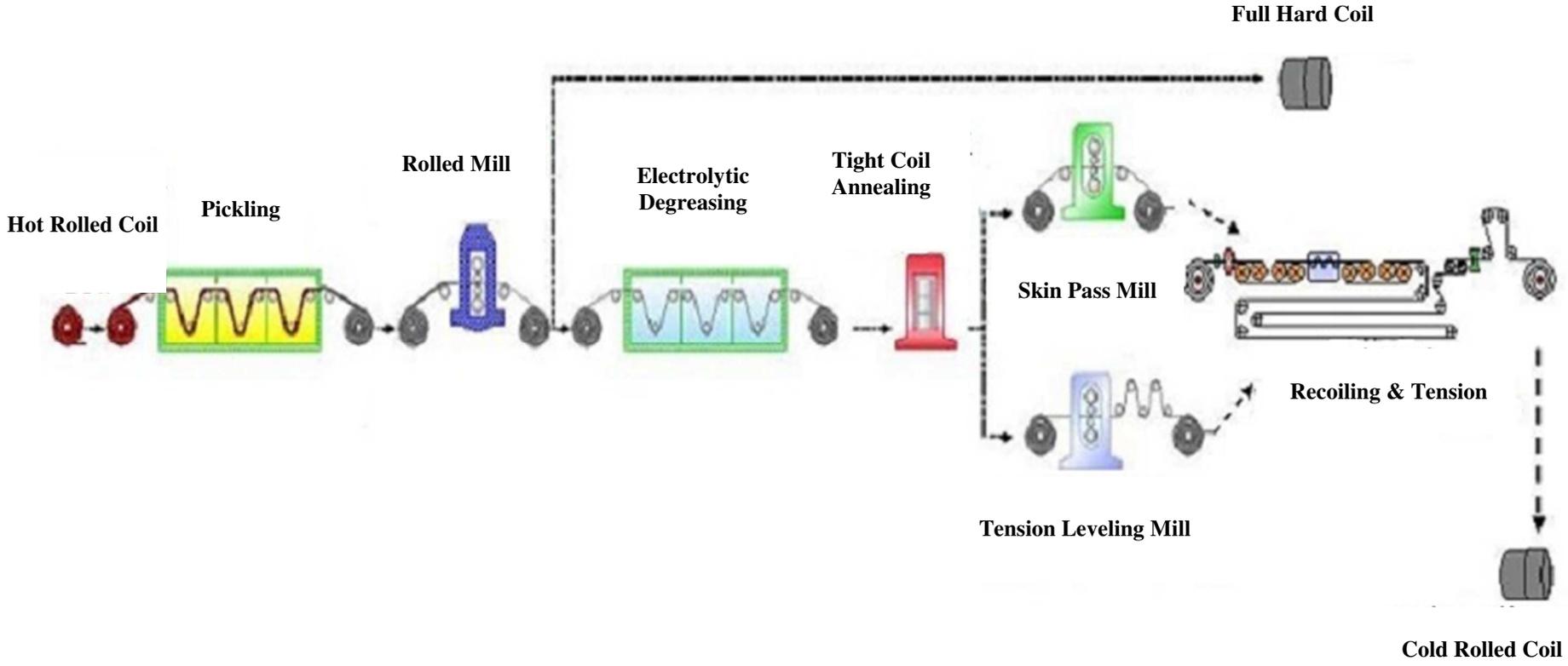
Product	Applications
Hot-rolled steel coils	<ul style="list-style-type: none">● Re-rolling steel coils such as processing into cold-rolled steel plates and galvanized (coated) steel plates.● Soft steel for processing into products such as containers, tools, and agricultural machinery.● Structural steel 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

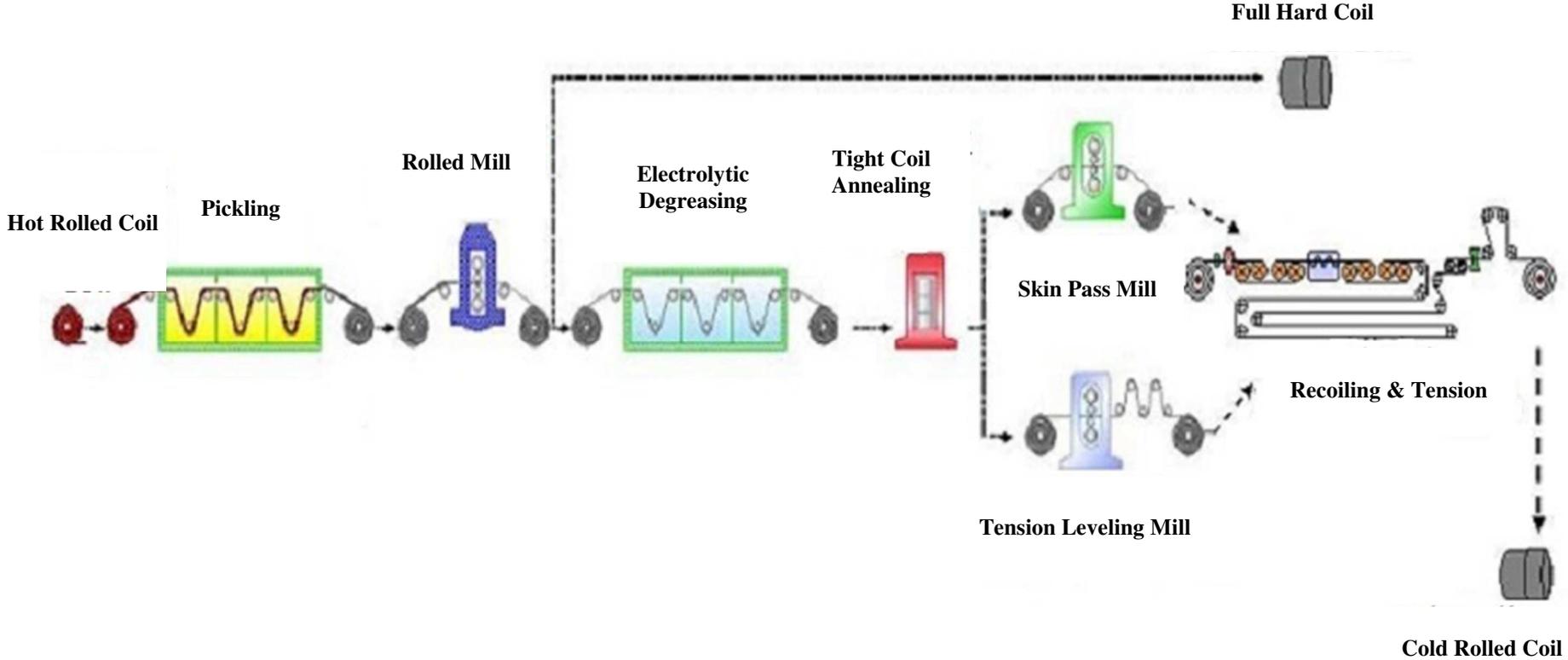
(1) Hot-rolled steel coils



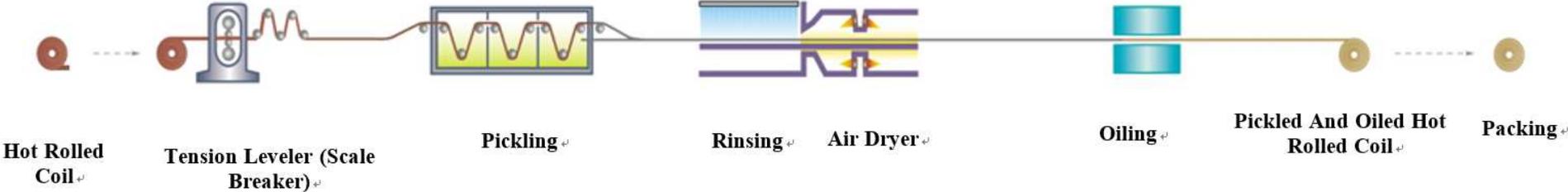
(2) Cold-rolled steel coils



(3) Steel pipe products



(4) Pickling products



(III) State of supply of chief raw materials

The Company's hot-rolled steel coils are mainly for internal use and external sale. The chief raw materials is steel slabs sourced mainly from Taiwan, Japan, and Vietnam. Supply and quality from all sources have been stable. Hot-rolled steel coils form the raw material for cold-rolled steel coils and are partially sourced from Taiwan. Material supply is good.

(IV) Names of customers who accounted for more than 10% of the sales in any of the last two years, and sales as a percentage of total sales

1. Suppliers that accounted for more than ten percent of total purchases:

Unit: NT\$1,000

Item	2022				2021				2023 up to the end of the first quarter
	Name	Amount	Percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases for the year (%)	Relationship with the issuer	
1	Dragon Steel	15,307,063	38	Related party	Dragon Steel	16,347,526	34	Related party	Information at the end of the quarter before the publication date of the 2023 Annual Report is information from 2022. Therefore, the information is the same as the information on the left.
2	SUMITOMO	14,414,158	36	Supplier	SUMITOMO	14,460,401	30	Supplier	
3	China Steel	7,402,133	18	Related party	China Steel	8,085,884	17	Related party	
4	China Steel Global Trading	3,262,928	8	Related party	China Steel Global Trading	6,402,704	13	Related party	
5	Others	14,401	0	N/A	Others	2,978,856	6	N/A	
	Net amount for purchases	40,400,683	100	N/A	Net amount for purchases	48,275,371	100	N/A	

Description of changes: Mainly due to a reduction in purchases in 2022 compared to 2021.

2. Customers that accounted for more than ten percent of total sales:

Unit: NT\$1,000

Item	2022				2021				2023 up to the end of the first quarter
	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with the issuer	
1	Company A	5,387,210	12	Customer	Company A	7,752,757	15	Customer	Information at the end of the quarter before the publication date of the 2023 Annual Report is information from 2022. Therefore, the information is the same as the information on the left.
2	Company B	4,884,798	11	Customer	Company B	6,807,648	13	Customer	
3	Company C	3,902,054	9	Customer	Company C	6,635,545	12	Customer	
4	Others	29,501,686	68	N/A	Others	31,823,106	60	N/A	
	Net sales	43,675,748	100		Net sales	53,019,056	100		

Description of changes: Decrease in unit selling price of steel products in 2022.

(V) Table of consolidated production volume in the 2 most recent years

Unit: NT\$1,000; tonnes

Output Volume Primary Product	Year	2022			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Hot-rolled steel products		2,400,000	1,756,416	38,523,184	2,400,000	2,035,735	41,465,057
Cold-rolled steel products		360,000	189,129	5,243,408	360,000	266,478	6,804,607
Steel pipes		90,667	80,074	2,480,139	90,667	43,837	1,192,722
Total		2,850,667	2,025,619	46,246,731	2,850,667	2,346,050	49,462,386

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.

(VI) Consolidated sales volume in the most recent two fiscal years

Unit: NT\$1,000; tonnes

Volume Value Primary Product	Year	2022				2021			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Hot-rolled steel products		805,717	18,595,922	661,489	14,462,868	1,285,565	31,103,176	440,776	10,571,703
Cold-rolled steel products		145,748	3,950,880	63,270	1,815,945	202,676	5,703,481	58,042	1,701,795
Steel pipes		9,067	310,548	78,237	2,965,905	12,216	490,702	29,231	814,560
Galvanized steel products		48,223	1,378,991	5,594	194,689	69,256	1,992,568	21,793	641,071
Total		1,008,755	24,236,341	808,590	19,439,407	1,569,713	39,289,927	549,842	13,729,129

III. Human resources

Number of employees, average years of, average age, and education of employees for the last two years until the public date of this report

March 31, 2023

The Company and subsidiaries of the Company		Year		
		End of 2022	End of 2021	2023 up to March31
Number of employees		1,140	1,162	1,115
Average Age		48.02	47.16	48.04
Average years of services		19.25	18.41	19.35
Academic qualification %	Doctorate	0.26	0.17	0.27
	Master's	11.67	11.27	11.84
	College	54.03	53.97	53.90
	High school (vocational high school)	32.11	32.44	32.29
	High School and below	1.93	2.15	1.70

Note: The number of employees did not count the 6 directors that were not also employees.

IV. Environmental management measures and environmental protection expenditures

To uphold our core EHS values and philosophy of “Environmental Concern” and “Energy Conservation and Waste Reduction”, the Company is committed to doing our best in environmental protection, to continue with energy conservation and waste reduction, strengthen consultation and engagement, and to continue improving environmental management performance. We have now passed various inspections and verifications (ISO 14001, ISO 50001 ISO 14064-1, ISO 14064-2, ISO 14067), and won numerous awards.

A “Carbon Reduction and Carbon Neutrality Task Force” was established by the Company in response to international net zero targets and the requirements of EU’s Carbon Border Adjustment Mechanism (CBAM). We are now actively meeting the challenges of net zero emissions by developing carbon reduction pathways and setting short, medium and long term carbon reduction targets. In terms of climate change mitigation, the “Recommendations of the TCFD” framework issued by the Financial Stability Board (FSB) was adopted to conduct an inventory of the risk and opportunities that climate change is bringing to the Company as well as the response measures to take. We support national energy conservation and carbon reduction targets by adopting policies on energy management system, GHG emission management, carbon reduction pathway, annual 1% reduction in electricity

consumption. Action plans are being developed for the continued promotion of energy conservation and carbon reduction.

Carbon credits and quotas is another coming trend. Our “Project for the Replacement of Heavy Oil with Natural Gas as the Heating Furnace Fuel” has already obtained 253,696 tonnes of CO₂e carbon credits. The exchange program is expected to run for another two years and is expected to generate 364,418 tonnes CO₂e in total carbon credits, equivalent to the carbon reduction produced by 936 Da-an Forest Parks.

At the same time, the Company is continuing to use natural gas as clean fuel and implement various energy conservation projects. Good progress was made on energy conservation and carbon reduction in 2022 with GHG emission intensity being 0.1335 tonnes CO₂e per tonne of product. We have been effective in controlling our environmental impact in terms of the Greenhouse Effect by maintaining our GHG emission intensity at below 0.14 tonnes CO₂e per tonne of product for the past five years. In terms of GHG management during 2022, our fossil fuel consumption generated 0.0671 tonnes CO₂e of emissions in fuel consumption per tonne of product and 0.0666 tonnes CO₂e of emissions in electricity consumption per tonne of product.

In terms of greenhouse gas inventory, the Company's organization boundaries for the inventory was set based on the operation control method which meet the requirements in the Greenhouse Gas Inventory Guidelines of the Environmental Protection Administration. The GHG inventory results for 2020 ~ 2021 underwent external verification by a third-party (DNV) in May 2022 and ISO 14064-1 inventory statement was obtained; our 2022 GHG self-inventory gave our total emissions as 282,676.474 tonnes CO₂e and third-party verification should be completed by the end of May 2023.

In conclusion, the Company is a steel company and part of an industry with high energy intensity. In response to the pressure of rising environmental protection awareness in Taiwan and to reduce the environmental protection issues in the production process of the industry, the Company actively implements climate change response, carbon management, energy management, and air pollutant management to meet regulatory requirements. We also implement action plans to attain annual targets. The Company shall continue to evaluate and identify opportunities for reduction and improvements and fulfill corporate social responsibility.

(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 2022 to March 2023.

(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 certification (audits) of the management system, special assistance projects, and regulatory fees for environmental protection (air pollution fees, soil pollution fees, etc.).
2. Environmental protection expenditures in 2022 amounted to NT\$70,851 thousand.

Item	Amount (NT\$1,000)
1. Air pollution prevention costs	12,438
2. Water pollution prevention costs	6,363
3. Industrial waste disposal expenses	27,120
4. Soil pollutant expenses, land restoration, and soil and groundwater inspections	155
5. Toxic chemical (statuary expenses, review, and certification expenses)	1
6. Drinking water inspection expenses (including the cost of repairs)	311
7. Energy conservation investment, employee training, consultation, and verification expenses	24,463
Total	70,851

3. Total estimated environmental protection expenditures in 2023 is approximately NT\$81,610 thousand.

Item	Amount (NT\$1,000)
1. Air pollution prevention costs	15,169
2. Water pollution prevention costs	7,752
3. Industrial waste disposal expenses	31,976
4. Soil pollutant expenses, land restoration, and soil and groundwater inspections	138
5. Toxic chemical (statuary expenses, review, and certification expenses)	2
6. Drinking water inspection expenses (including the cost of repairs)	363
7. Energy conservation investment, employee training, consultation, and verification expenses	26,210
Total	81,610

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

Chung Hung upholds the core value of "respect for life" in its Environmental Safety and Health Policy. In terms of occupational safety and health, the Company implements operations

based on "facility improvements, supervisory inspection, training, health management, and contractor management". We also implement the annual occupational safety and health management plan as well as ISO 45001 and CNS 45001 internal and external audits to implement PDCA system operations to improve the safety and health performance. A "Company Occupational Safety and Health Committee" has been established in accordance with the "Occupational Safety and Health Management Procedures" passed by the Company. The President serves as the Committee Chairperson while OSH personnel, managers, medical personnel and labor representatives make up the Committee membership at each level. Labor representatives also make up more than 1/3 of the Committee membership. The Committee meets every 2 months to discuss OSH topics and management performance.

(I) Improvement of facilities

1. Continue to promote regional collective defense for occupational safety and inspections by senior managers: Each section conducted an inventory of potential hazards in their operating area and drew a risk map. The risk map was used to select the improvement focus for the year (e.g. drops, falls, crushing, collision, separation of pedestrian and vehicular traffic, cuts (scratches), and exposure to hazardous chemicals). All personnel took part in self-inspections and allied defense to continue identifying and making improvements to potential hazards in the working environment. In terms of allied defense operations and outcomes at each plant, delegations made up of tier-1 managers, representatives from other plants and industrial safety personnel led by senior executives toured each plant to learn from and interact with each other. Self-inspections and allied defense identified 751 potential hazards during 2022 and the completion rate for improvements was 100%.
2. Three-tiered construction safety review meetings: For routine (annual) maintenance or major engineering projects of NT\$5 million or more, three-tiered construction safety review meetings (contract execution unit → plant unit → assistant vice president-grade unit) are convened to review the following items: Project summary, construction method (flow chart, hazard identification, risk assessment, and disaster prevention plan), safety and protective facilities, construction machinery and equipment, construction area partitioning and personnel/traffic management, personnel training and hazard notification, self-inspection plan, change management, emergency response plan and drills. By conducting a rigorous review before the start of construction, all hazardous risks can be identified and preventive action taken to minimize danger during construction.
3. Upgrading of emergency response operating capability: The results of risk assessments are used by plants to conduct an inventory of high fire risk areas and response facilities/equipment. Emergency response drills are then developed and conducted. The conduct of the drills, outcomes, and performance indicators are assessed and reviewed to ensure the effectiveness of response. Fire-related emergency response items at each plant in 2022 included the oil room, electrical room, annealing area, mill rolling machine, oil storage

area, welding area of the pickling line, natural gas metering station, ultra high voltage substation, steel pipe UV coating area, and mandatory fire extinguishing, reporting, and evacuation drills.

(II) Supervisor Inspections

1. Constant safety observations by supervisors: To identify and eliminate unsafe behavior by personnel at work, supervisors take videos of workers during their routine safety inspections or review CCTV footage for day, night and weekend shifts. Supervisors and workers in the video review the footage together to see if there are any unsafe behaviors and confirm that actual operations comply with SJP. A total of 2,093 cases were conducted by team leaders in 2022 while plant industrial safety engineers conducted 136 cases, (deputy) section chiefs conducted 389 cases, and (deputy) plant managers conducted 47 cases for a completion rate of 122%. The enforcement of active safety observations by supervisors reduced the incidence of unsafe behavior by workers from 31% to 2%.
2. Occupational safety audits: Monthly industrial safety audits are employed to audit the enforcement of industrial safety management, contractor management, active safety observations by supervisors, walk-about management, and the proper implementation of safe job procedures during each process. Potential hazard factors are identified as early as possible so that corrective action can be taken to reduce the probability of hazardous incidents. A total of 395 audits were conducted in 2022, with 371 compliant cases (93.9%) and 24 non-compliant cases (6.1%). These issues were all related to production process safety facilities and improper records, and have since been tracked and corrected through the audit record management system.

(III) Training

1. Compliance with Article 26 and Article 27 of the Occupational Safety and Health Act: To strengthen employee awareness on Article 26 (hazard notification for contractors) and Article 27 (joint operation by contractors), a total of 168 people including supervisors above the grade of team leader, industrial safety personnel and project coordinators were trained in 4 batches (3 hours per batch). The Article 26 and Article 27 of the OSH Act Contractor Management Checklist” was also used to check the compliance of contractor projects to ensure the compliance of contractor operations.
2. CPR and AED response: A total of 9 AED units were updated and installed. An inventory of first-aid personnel assigned to each plant area was also carried out and determined that the Company had a total of 133 qualified first-aid personnel. No-notice testing was also conducted for first-aid personnel throughout the plants on first-aid reporting, performance of CPR, and AED operation. A total of 9 no-notice tests were conducted in 2022 and all resulted in a “pass.”
3. Traffic safety and defensive ability: To reduce probability of traffic accidents among employees by strengthening their traffic safety awareness and defensive abilities, “VR

Hazard Detection Experience” was organized where VR technology was integrated with defensive driving concepts. VR interactions was used to simulate potential hazard scenarios on the road to improve employees’ knowledge of traffic safety and their defensive skills through an immersive experience. A total of 3 sessions were arranged in 2022 with 105 people taking part in the training.

4.The Company continued to organize various types of safety and health education and training in 2022 including “Radiation Protection Training”, “In-service Training for Working in Confined Spaces”, and “In-service Education and Training for Forklift Operators rated for over 1 tonne”, and Hazard General Knowledge Training” in 2022. There were a total of 16 training courses with 70 classes held and a total attendance of 1,255 to improve the safety and health awareness as well as professional skills of employees and contractors.

(IV)Health management

1.Working environment monitoring: Working environment monitoring was carried out to confirm compliance on hazards in the workplace and the environment. By tracking actual workplace conditions and assessing worker exposure, the quality of the working environment can be improved to ensure the health and safety of employees. Qualified monitoring bodies are commissioned to carry out working environment monitoring every year for chemical factors (e.g. n-Hexane, Potassium Dichromate, Ethyl Acetate, Toulene, Acetone, Methy Ethyl Ketone, Sulfuric Acid, Isopropanol, Dust, Carbon Dioxide, and so on, as well as physical monitoring items (e.g. noise, general temperature, localized exhaust fan speed, and so on.) A total of 27 items are monitored 2 times a year. In 2022, 1 noise location at the Pickling & Galvanizing Department exceeded 85 dB (90.1dB) and improvements were made to the operating process (personnel sapling iron oxide powder must conduct sampling inside the sack without turning on compressed air to blow clean the surface of the PP bag) that reduced the noise level to 77.9 dBA.

2.Employee health management and promotion:

(1)Health exams are arranged for all employees every year and the 19 items examine exceed the mandatory 7 items required by law. An employee health risk management process was also established by the Company to periodically analyze the results of employees’ health exams and provide tiered management of employee health risks. High risk individuals (those with high blood pressure, low density lipoprotein ≥ 190 mg/dL, ECG shows atrial fibrillation, old myocardial infarction, myocardial anoxia, or Glycated Hemoglobin $\geq 8\%$) receive support such as having their supervisor check on their health, interview with occupational medicine specialist, follow-up by occupational nurse, and health promoting activities. Employees are educated on the link between

metabolic disease and heart disease as well as the importance and ways of preventing and controlling metabolic diseases. Employees are also encouraged to cultivate a healthy lifestyle. There were 159 high health risk individuals in 2022, a decrease of 119 compared to 2021 (278 people), a decrease rate of 42.8%.

(2)Health promotion: The Company organizes weight loss events, quit smoking events, health seminars and other activities to ensure employee health.

A.Weight loss events: Personalized health education was provided by the occupational medicine specialist and nurse for the 45 employees with a BMI > 35 including knowledge, attitude, and skills relating to weight loss, disease prevention and health maintenance. Personalized weight loss, diet and exercise plans were also developed for each employee. A total of 94 people took part in the voluntary weight loss activity during 2022 and lost 168 kg in total. First place winner in individual weight loss managed to shed 29.2kg.

B.Quit smoking events: A total of 4 quit smoking classes were held during 2022. Each class ran for 12 hours and the course introduced participants to the hazards of tobacco, the proper way to quit smoking, diet, weight control and stress reduction during the quitting period, how smoking damages, as well as behavioral changes to quit smoking, ways to reject smoking and prevent resumption of smoking habit, and cardiopulmonary rehabilitation exercises. In 2022, 24 (out of 36) people that took part in the quit smoking events managed to quit smoking for a completion rate of 66.66%.

C.Health seminars: In 2022, a total 6 seminars were held with a total attendance of 202. Health seminars conducted by doctors reminded employees about the health risks of metabolic syndrome and encouraged employees to get in the habit of exercises. Employees were also reminded to practice health self-management and adjust their lifestyle. These measures along with proper exercise and diets will help with maintenance health and preventing disease.

3.Computerized health system management: A health management system was deployed in 2022 capable of efficiently analyzing the health exam data of all employees. Each employee can then query their own personal health risk indicator - trend analysis radar map and trends from past health exam results. The occupational nurse can also use system analysis to track employee health.

4.Execution of four key projects: Ergonomic hazards, abnormal workload, unlawful infringement, and protection of maternal health:

(1)Ergonomic hazards: The “Musculo-skeletal symptom self-awareness” questionnaire survey was completed by all 1,168 employees with a recovery rate of 100%. The

outcome of the assessment was as follows: 15 people reported symptoms of discomfort. Interviews and health advice from the occupational physician, no direct link was found between nature of work or work posture. There were no complaints during the year and the 3 ergonomic improvements were all related to the automation of manual labor (relocation of coupling; adjustment of pipe cart; steel tube polishing).

- (2)Abnormal workload: The “Overwork” questionnaire survey was completed by all 1,168 people with a recovery rate of 100%. The risk of occupation-triggered cardiopulmonary disease risk within 10 years of health exam was assessed using “Risk of Cardiopulmonary Risk Disease Chart”, “Overwork Checklist” and “Overtime Hours” to obtain a comprehensive review of occupational-triggered cardiopulmonary disease. 7 people were classified as high risk (middle or old-aged, or smoking habit.) Interviews with the occupational medicine specialist then had to arranged.
- (3)Unlawful infringement: The completion rate of the Company's risk assessment survey for plants (departments) was 100%. The external risks and internal risks of the plants (departments) were surveyed and the risk items included physical violence, verbal violence, psychological violence, and sexual harassment. The results of the survey for plants (departments) showed 0% high risk, 2.4% medium risk, and 97.6% low risk. Management measures have been adopted for the medium and low risks (e.g., providing information for employees to learn about different patterns of workplace violence) and personal protection (e.g., courses for enhancing employees' communication skills and their use of complaint channels).
- (4)Protection of maternal health: The “Statement on Maternal Health Protection for Female Workers” was signed by the President as a declaration of the Company's commitment to maternal health protection for by developing a working environment that is friendly to the physical and mental health of female workers. Maternal health protection was activated for two pregnant female workers in 2022. Interviews and assessments with the occupational safety, occupational nurse and occupational medicine specialist determined that their work posed no threat to maternal health and there was no need for adaptive work adjustment.

5.COVID-19:

- (1)The Company established the "COVID-19 Epidemic Prevention Plan" and implemented continuous adjustments for related epidemic prevention measures based on the changes announced by the Central Epidemic Command Center.
- (2)Epidemic prevention measures: Convening of regular epidemic prevention meetings, forehead temperature measurements, rapid antigen tests, staggered shifts, restrictions on

training, gatherings, business travel, club and travel activities, environmental sanitation and disinfection, reporting mechanism, and vaccination rates.

(3) Epidemic prevention results: There were confirmed cases among employees and contractors but all stayed in good health and returned to work on schedule without any impact on production operations.

(V) Contractor management

1. Contractor management: Contractor and OSH Family industrial safety conferences were regularly held every year to provide contractors with an opportunity to learn from each other. A total of 4 sessions were held in 2022 and attended by 26 vendors. During the conferences, contractors gave briefings on hazard identification during contract work and the corresponding SJP. On-site demonstrations were also given. Financial incentives were awarded to contractors for outstanding briefings and on-site demonstrations.

2. OSH self-management assessment for long-term contractors: To encourage long-term contractors stationed at each plant to enforce safety and health management, the “Rules Governing Distribution of Performance Bonuses for Safety and Health Self-Management by Contractors” authorized each plant to carry out evaluations based on their own “Detailed Rules Governing Evaluation of Contractor Health and Safety Self-management Performance for Distribution of Performance Bonuses.” Group and individual cash awards and medals for outstanding performance during the year were offered to contractors and contractors’ industrial safety personnel. Recipients were personally recognized by the President during company and safety committee meetings.

3. Deployment of contractor management system: Work commenced in 2022 on the first contractor management system aimed at facilitating closer engagement with contractors and more efficient management. The system will encompass contractor profile, access control, professional qualifications, standard operating procedures, and on-site inspection/audits once it is completed and activated in 2023.

VI. 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, 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.
- (3) Emergency loans for employees: Permanent employees may apply for emergency loans from the Employee Welfare Committee in accordance with the welfare rules in an emergency.
- (4) The Employee Welfare Committee organizes group insurance for employees. The insured includes the employee, spouses, children, and parents. Insurance policies include periodic life insurance, injury insurance, hospitalization and medical insurance, major illness insurance, and cancer insurance. We also organize group medical insurance for employees with policies including life insurance, injury 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. Employees can continue to challenge their own limits through internal/external training, OJT and the guidance of their supervisors/peers. At the same time, training for new hires/professional skills/management skills/general knowledge maximize employee satisfaction. Everyone can experience the joy of learning new knowledge and building a better future together.

The Company has established the "Regulations on the Advancement of Education and Training" 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 11.4 hours of internal/external training. Total expenditures amounted to NT\$1,739 thousand.

3. Employee retirement system

The retirement system for Company personnel adhere to the Labor Standards Act and company retirement regulations. If an employee's combined years of service and age is greater than 60 then they are also eligible to apply for voluntary retirement. A pension is then paid at the standard rate based on the Labor Standards Act.

A Supervisory Committees of Workers' Retirement Reserve Funds was established by the Company in accordance with the law. Monthly contributions are made to the Workers' Retirement Reserve Fund. Once the Labor Pension Act took effect on July 1, 2005, a monthly pension equal to 6% of the salary is also paid to the Labor Insurance Bureau for employees that choose the new system.

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:

Harmonious labor relations have been maintained with managers at all levels taking a keen interest in employee welfare and identifying problems as they arises. Internal management

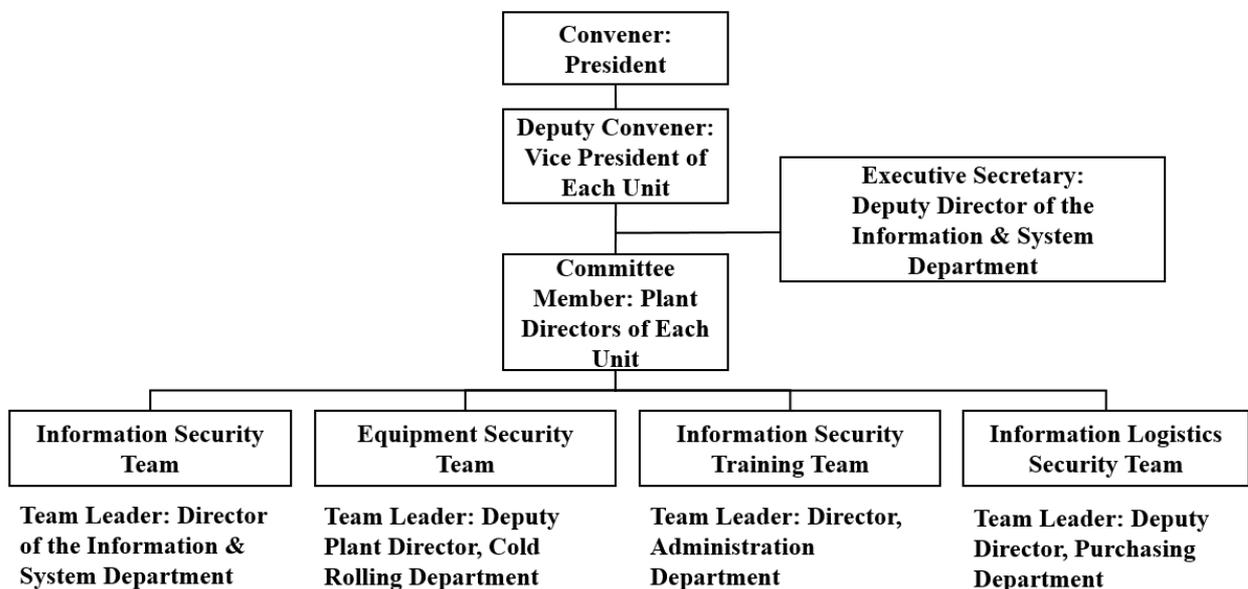
rules are aligned with the Labor Standards Act as well; regular employee town halls and employer-employee meetings are convened by the Company. Employer-employee interactions and channels of communication are all unobstructed so there have been no labor disputes.

VII. Information security management:

(I) The information security risk management framework, information security policy, substantive management plans and resources invested towards information security management are all aimed at enhancing the reliability and security of information communications.

1. Information security risk management framework

The “Information Security Committee” was established by the Company in 2021 oversees 4 subordinate teams: Information Security Team, Equipment Security Team, Information Security Education and Training Team, and Material Security Team. The Committee has overall responsibility for the formulation and implementation of information security and protection policies, risk management, and compliance audits. A meeting is convened quarterly by the convener (President) to review the state of implementation. If the convener is not available, the deputy convener (designated by the convener) acts as the proxy. A report on implementation and review of outcomes is made to the Board of Directors every year. The Information Security Committee is structured as follows:



2. Information Security Policy

(1) Information security management strategy and framework

Objective: To ensure the secure and stable operations of Chung Hung's information systems, provide trusted information services, ensure the confidentiality, integrity, and availability of information assets, and facilitate smooth progression of the Company's businesses, the Company established the Chung Hung Information Security Policy (hereinafter referred to as the

Policy) as the Company's highest guiding principles for information security management.

Scope: The Policy applies to all employees of Chung Hung as well as contractors that use the Company's business information or provide services and their personnel.

Targets: A. Ensure the confidentiality, integrity, and availability of information related to the Company's business operations and protect the security of the Company's information.

B. Enhance information security protection to achieve the goal of continuous business operations.

Strategy: A. Evaluate the security requirements of information operations and establish relevant procedures and standards to ensure the confidentiality, integrity, and availability of information assets.

B. Establish the information security organization and the division of responsibilities to facilitate the implementation of information security operations.

C. Establish the tiers of responsibility for information security in the Company to execute the required tasks.

D. Establish the criteria for grading of information security incidents in the Company to execute the required tasks.

E. Regularly increase employees' awareness of information security to reduce damage from information security incidents caused by human factors.

Review: The formulation and revision of this policy shall be processed by the Information Security Committee and submitted to the Chairperson of the Board of Directors for approval. The Policy shall be reviewed at least once every year or reevaluated in the event of material changes in the organization. The Policy shall be amended based on the result of the review to ensure the appropriateness and effectiveness of the Policy.

(2) Information security risk management and continuous improvement framework



(3) Specific management plans

Management plan	Description
Computer Anti-virus Information	Anti-virus software must be installed on all servers and personal computers. An anti-virus software virus signature update server must also be set up and automatic updates enabled to prevent virus infections and their spread.
Employee Internet information	<ol style="list-style-type: none"> 1. When employees apply for Internet access, they will be granted external access with the approval of the Vice President of the Department. 2. When accessing the Internet, employees must abide by related regulations in the Company's "Ethical Corporate Operating Procedures and Code of Conduct" and "Personal Data Security Maintenance and Management Regulations", and must not engage in illegal or malicious behavior online.
E-mail information	Employees apply for a company e-mail address must consent to cooperating with Company investigations of e-mail contents.
Computer use information	<ol style="list-style-type: none"> 1. New personal computers must be added to the company domain to ensure the implementation of the Company's Information Security Policy. 2. If an employee downloads legal software or media from the Internet, the employee must state the purpose and method of acquisition and provide the authorization certificate of the original manufacturer for corporate use. 3. The installation and use of computer hardware and legal software media

Management plan	Description
	that do not belong to the Company are strictly prohibited. 4. To ensure information security and maintain normal computer operations, the computer asset management software must be installed on personal computers for processing documents.
Process control computer information	Once newly purchased computers are turned on, they must first be scanned for viruses. They can only be connected to the network after operating system installation and virus scan.
VPN management	1. The application for the use or suspension of use of the virtual private network to connect to the ERP server for official business shall be processed with the approval of the Vice President of the Department. 2. The virtual private network account will be closed on the first business day after the employee's resignation or the approved termination date on the "Virtual Private Network Request Form" or the requested deactivation date.
External storage media	1. The use of external storage devices must be regulated. No more than 20% of all equipment in each unit (except the Internal Auditing Department) may allow access for USB external storage devices. A new application for access permission must also be filed each year.

(4)Resources invested in information security management

Results of the implementation of enterprise information security measures in 2022:

A.The Company's Information Security Management Committee convened 4 meetings in 2022 (March 10, June 13, September 15, and December 16) to review the implementation status of the Information Security Policy of all units.

B.Purchase of information security products to strengthen information security protection capabilities (Chung Hung signed an information security services contract with CHT Security on February 1, 2022, for outsourcing of monitoring services (MDR and SOC)).

C.The 2022 vulnerability scan of the corporate website and servers (corporate website, e-commerce platform, mobile application platform) was completed by CHT Security on November 25. The report on the findings was also delivered to the Company and corrective measures will be carried out based on the recommendations in the report.

D.Firewall partitioning between the IT and OT domains of each plant has been deployed at all plants.

E. Actual implementation of information security audit and protection in 2022:

(a)The 2022 audit of document processing software on personal computers screened and compared the software and hardware account data on all computers. No unauthorized installation of BSA members' software were found in any unit.

- (b)USB external storage device is used to audit file access every quarter. Applications for USB access are currently capped at 20%.
- (c)Monthly checks on document processing (OA) personal computers for prolonged periods of usage without shutdown.
- (d)Monthly checks on the anti-virus software of personal computers to block and eliminate information security threats. All threats were found to have been blocked by anti-virus software and there were no information security incidents.

F. Implementation of information security training and education in 2022:

- (a)Information security education was conducted through the Company ERP bullet in board a total of 11 times during the year.
- (b)Two classes of the “Information Security Protection and Case Study” course were conducted in accordance with the 2022 education and training plan. The classes held on April 21 (41 people) and June 28 (69 people), for a total attendance of 110.
- (c)Participated in the “CHFI Information Security Forensics Expert Course” held by Chunghwa Telecom between September 12 to September 21. The Company sent the Chief Information Security Officer and information security specialists to attend the training.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

Not applicable as the Company did not experience any significant information security incidents in the most recent financial year and up to the annual report publication date.

VIII. 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~ 2025.06.30	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.	2021.11.01~ 2024.10.31	Nan Jehn provide fuel required for the annealing furnace of the Cold Rolling Department	None.
Long-term natural gas supply contract	CPC Corporation, Taiwan	2021.09.01~ 2026.08.31	CPC provides fuel required for ARP production in the Pickling & Galvanizing Department	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.
Extension of long-term supply contract for hydrogen and nitrogen	Linde Lienhwa Industrial Gases Co., Ltd.	2019.02.01~ 2029.01.31	Supply of fuel used by Cold Rolling Department during production	None.
Land lease contract	Costco President Taiwan Inc.	2011.08.24~ 2031.08.23	Land lease	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 operations period. The maximum contract renewal period shall be ten years but it may not be lower than five years. 2. The lessee may terminate this contract at any time ten years after the starting date of

Nature of the Contract	Contracting Party	Commencement Date/Expiration Date	Main Content	Restrictive provisions
				<p>rental. The lessor must however be provided with no less than six months of notice in writing stating the reason why the lease cannot be extended (hereafter referred to as the “termination notice period”) and the lessor’s consent obtained in writing; the lessor may not refuse consent without a proper reason. The consent of the lessor in writing is not required however if the lessee is unable to continue with the lease due to experiencing two or more consecutive years of losses while operating the site/building (documentary proof issued by the accountant should be provided).</p>
Hot Rolling Department F1/F4/F5/F6 Replacement of main motor	TMEIC (Japan)/ Shihlin Electric (Taiwan)	2022.07.29~ 2026.06.30	The main motors of the four stations F1/F4/F5/F6 were replaced to keep the production line in running order	None.

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\$1,000

Item	Year	Financial data for the last 5 years (Note 1)				
		2022 (Note 2)	2021	2020	2019	2018
Current assets		16,719,765	17,052,944	7,036,111	9,209,104	11,663,757
Property, plant and equipment		9,801,656	10,164,924	11,162,643	12,552,287	13,249,030
Intangible assets		0	0	0	0	0
Other assets		10,243,456	10,261,466	8,901,303	8,702,215	8,508,126
Total assets		36,764,877	37,479,334	27,100,057	30,463,606	33,420,913
Current liabilities	Before distribution	11,681,933	9,828,452	5,167,233	8,502,445	12,430,048
	After distribution	Note 3	13,847,976	5,597,896	8,502,445	12,573,603
Non-current liabilities		8,020,507	5,089,484	6,699,550	7,392,264	6,227,619
Total liabilities	Before distribution	19,702,440	14,917,936	11,866,783	15,894,709	18,657,667
	After distribution	Note 3	18,937,460	12,297,446	15,894,709	18,801,222
Equity attributed to the owners of the Corporation		17,062,437	22,561,398	15,233,274	14,568,897	14,763,246
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	Before distribution	2,415,868	7,073,840	1,302,766	762,128	904,506
	After distribution	Note 3	3,054,316	872,103	762,128	760,951
Other equity		290,222	1,131,211	(425,839)	(549,578)	(497,607)
Treasury stock		0	0	0	0	0
Non-controlling equity		0	0	0	0	0
Total equity	Before distribution	17,062,437	22,561,398	15,233,274	14,568,897	14,763,246
	After distribution	Note 3	18,541,874	14,802,611	14,568,897	14,619,691

Note 1: The financial data from 2018 to 2022 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2023. Therefore, the information at the end of the quarter before the publication date is the information from 2022.

Note 3: The proposal of the Company's 2022 earnings allocation remains to be approved by the resolution of the shareholders' meeting.

2. Standalone condensed balance sheet – International Financial Reporting Standards

Unit: NT\$1,000

Item \ Year		Financial data for the last 5 years (Note 1)				
		2022 (Note 2)	2021	2020	2019	2018
Current assets		16,712,186	17,039,020	7,032,476	9,204,726	11,654,994
Property, plant and equipment		9,801,656	10,164,924	11,162,643	12,552,287	13,249,030
Intangible assets		0	0	0	0	0
Other assets		10,249,782	10,272,296	8,904,784	8,705,393	8,515,140
Total assets		36,763,624	37,476,240	27,099,903	30,462,406	33,419,164
Current liabilities	Before distribution	11,680,680	9,825,358	5,167,079	8,501,245	12,428,299
	After distribution	Note 3	13,844,882	5,597,742	8,501,245	12,571,854
Non-current liabilities		8,020,507	5,089,484	6,699,550	7,392,264	6,227,619
Total liabilities	Before distribution	19,701,187	14,914,842	11,866,629	15,893,509	18,655,918
	After distribution	Note 3	18,934,366	12,297,292	15,893,509	18,799,473
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	Before distribution	2,415,868	7,073,840	1,302,766	762,128	904,506
	After distribution	Note 3	3,054,316	872,103	762,128	760,951
Other equity		290,222	1,131,211	(425,839)	(549,578)	(497,607)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	17,062,437	22,561,398	15,233,274	14,568,897	14,763,246
	After distribution	Note 3	18,541,874	14,802,611	14,568,897	14,619,691

Note 1: The financial data from 2018 to 2022 have been audited by CPAs.

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Note 3: The proposal of the Company's 2022 earnings allocation remains to be approved by the resolution of the shareholders' meeting.

(II) Condensed income statement

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

Unit: NT\$1,000

Item \ Year	Financial data for the recent 5 years (Note 1)				
	2022 (Note 2)	2021	2020	2019	2018
Operating revenue	44,503,494	53,744,012	36,790,154	40,470,129	48,238,885
Gross profit (loss)	(1,125,940)	7,546,402	1,454,500	1,244,928	4,384,886
Profit (loss) from operation	(1,760,697)	6,523,650	338,212	(217,589)	2,875,777
Non-operating income and expenses	576,174	489,426	190,053	228,474	158,071
Profit before income tax	(1,184,523)	7,013,076	528,265	10,885	3,033,848
Net profit (loss) from continuing operations	(989,929)	6,350,411	528,260	10,791	3,033,223
Loss from discontinued operations	0	0	0	0	0
Net profit (loss)	(989,929)	6,350,411	528,260	10,791	3,033,223
Profit (loss) from discontinued operations	0	0	0	0	0
Other comprehensive income (loss) for the period (net of income tax)	(468,846)	1,408,376	136,117	(61,585)	(195,636)
Total comprehensive income (loss) for the period	(1,458,775)	7,758,787	664,377	(50,794)	2,837,587
Net profit (loss) attributable to owners of the Corporation	(989,929)	6,350,411	528,260	10,791	3,033,223
Net profit attributable to non-controlling equity	0	0	0	0	0
Total comprehensive income (loss) attributed to the owners of the Corporation	(1,458,775)	7,758,787	664,377	(50,794)	2,837,587
Total comprehensive income (loss) attributed to non-controlling equity	0	0	0	0	0
Basic earnings (loss) per share (NT\$) (Note 3)	(0.69)	4.42	0.37	0.01	2.11

Note 1: The financial data from 2018 to 2022 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2023. Therefore, the information at the end of the quarter before the publication date is the information from 2022.

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

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

Unit: NT\$1,000

Item	Year	Financial data for the last 5 years (Note 1)				
		2022 (Note 2)	2021	2020	2019	2018
Operating revenue		44,497,278	53,733,214	36,789,518	40,467,516	48,233,721
Gross profit (loss)		(1,132,156)	7,535,604	1,453,864	1,242,315	4,379,722
Profit (loss) from operation		(1,763,346)	6,514,174	337,801	(217,532)	2,871,898
Non-operating income and expenses		578,573	497,078	190,459	228,417	161,325
Profit (loss) before income tax		(1,184,773)	7,011,252	528,260	10,885	3,033,223
Net profit (loss) from continuing operations		(989,929)	6,350,411	528,260	10,885	3,033,223
Loss from discontinued operations		0	0	0	0	0
Net profit (loss)		(989,929)	6,350,411	528,260	10,791	3,033,223
Profit (loss) from discontinued operations		0	0	0	0	0
Other comprehensive income (loss) for the period (net of income tax)		(468,846)	1,408,376	136,117	(61,585)	(195,636)
Total comprehensive income (loss) for the period		(1,458,775)	7,758,787	664,377	(50,794)	2,837,587
Basic earnings (loss) per share (NT\$) (Note 3)		(0.69)	4.42	0.37	0.01	2.11

Note 1: The financial data from 2018 to 2022 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2023. Therefore, the information at the end of the quarter before the publication date is the information from 2022.

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

(III) Names of auditors and opinions:

Year	Name of the accounting firm	Certifying CPA	Audit opinion
2022	Deloitte, Taiwan	Yu-Hsiang Liu and Chia-Ling Chiang	Unqualified opinion
2021	Deloitte, Taiwan	Yu-Hsiang Liu and Chia-Ling Chiang	Unqualified 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 with emphasis of matter paragraphs (Note)

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

(一) Financial analysis

1. Consolidated financial analysis— International Financial Reporting Standards

Analysis Item (Note 4)		Financial analysis for the last 5 years (Note 1)					
		Year	2022 (Note 3)	2021	2020	2019	2018
Financial structure	Debt-to-assets ratio (%)		53.59	39.80	43.79	52.17	55.82
	Long-term fund to property, plant, and equipment ratio (%)		255.91	272.02	196.48	174.95	158.43
Solvency	Current ratio (%)		143.12	173.51	136.17	108.31	93.83
	Quick ratio (%)		47.94	29.37	45.34	24.69	21.86
	Interest coverage ratio		(8.07)	154.41	7.13	1.08	22.68
Operating performance	Accounts receivable turnover (times)		70.23	55.83	50.43	49.23	37.21
	Average collection days		5.19	6.53	7.23	7.41	9.80
	Inventory turnover (times)		4.01	5.38	6.36	5.23	6.54
	Accounts payable turnover (times)		34.39	42.56	162.09	106.54	45.76
	Average inventory turnover days		91.02	67.84	57.38	69.78	55.81
	Property, plant, and equipment turnover (times)		4.46	5.04	3.10	3.13	3.53
	Total assets turnover (times)		1.20	1.66	1.28	1.26	1.48
Profitability	Return on assets (%)		(2.39)	19.78	2.08	0.34	9.70
	Return on equity (%)		(5.00)	33.60	3.55	0.07	22.73
	Pre-tax income to paid-in capital ratio (%)		(8.25)	48.85	3.68	0.07	21.13
	Net margin (%)		(2.22)	11.82	1.44	0.02	6.28
	Earnings Per Share (NT\$) (Note 2)		(0.69)	4.42	0.37	0.01	2.11
Cash flow	Cash flow ratio (%)		0.24	20.59	91.76	29.55	5.67
	Cash flow adequacy ratio (%)		53.50	84.74	201.99	167.45	117.67
	Cash reinvestment ratio (%)		(7.53)	2.87	9.77	5.03	1.56
Leverage	Operating leverage		0.59	1.12	4.44	-	1.41
	Financial leverage		0.93	1.01	1.34	0.63	1.05

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

- Debt to total assets ratio increased 35% from the previous year mainly due to the increase in loans.
- Quick ratio increased 63% from the previous year mainly due to the increase in quick assets was greater than the increase in current liabilities.
- Interest coverage ratio fell by 105% from the previous year mainly due to the decrease in net profit before tax and interest.
- Accounts receivable turnover increased 26% and average collection days decreased 21% from the previous year mainly due to the decrease in average receivables.
- Inventory turnover decreased 25% and average inventory turnover days increased 34% from the previous year mainly due to the increase in average inventory.
- Total assets turnover decreased 28% from the previous year mainly due to the decrease in net sales and increase in average total assets.
- Return on assets and return on equity decreased 112% 115% respectively from the previous year mainly due to the decrease in net profit after tax.
- Pre-tax income to paid-in capital ratio decreased 117% from the previous year mainly due to the decrease in net profit before tax.

9. Net margin and earnings per share decreased 119% and 116% respectively from the previous year mainly due to the decrease in net profit after tax in the year.
10. Cash flow ratio decreased 99% from the previous year mainly due to the decrease in net cash inflow from operating activities.
11. Cash flow adequacy ratio decreased 37% from the previous year mainly due to the decrease in net cash inflow from operating activities and increase in cash dividend in the past five years.
12. Cash reinvestment ratio decreased 362% from the previous year mainly due to the decrease in net cash inflow from operating activities and increase in cash dividend.
13. Degree of operating leverage decreased 47% from the previous year mainly due to the decrease in net operating revenue.

2. Standalone financial analysis – International Financial Reporting Standards

Analysis Item (Note 4)		Financial analysis for the last 5 years (Note 1)					
		Year	2022 (Note 3)	2021	2020	2019	2018
Financial structure	Debt-to-assets ratio (%)		53.59	39.80	43.79	52.17	55.82
	Long-term fund to property, plant, and Equipment ratio (%)		255.91	272.02	196.48	174.95	158.43
Solvency	Current ratio (%)		143.08	173.42	136.10	108.27	93.77
	Quick ratio (%)		47.89	29.27	45.31	24.66	21.79
	Interest coverage ratio		(8.07)	154.37	7.13	1.08	22.68
Operating performance	Accounts receivable turnover (times)		70.22	55.82	50.43	49.22	37.21
	Average collection days		5.19	6.53	7.23	7.41	9.80
	Inventory turnover (times)		4.01	5.38	6.36	5.23	6.54
	Accounts payable turnover (times)		34.39	42.56	162.09	106.54	45.76
	Average inventory turnover days		91.02	67.84	57.38	69.78	55.81
	Property, plant, and equipment turnover (times)		4.46	5.04	3.10	3.13	3.53
	Total assets turnover (times)		1.20	1.66	1.28	1.26	1.48
Profitability	Return on assets (%)		(2.39)	19.78	2.08	0.34	9.70
	Return on equity (%)		(5.00)	33.60	3.55	0.07	22.73
	Pre-tax income to paid-in capital ratio (%)		(8.25)	48.84	3.68	0.07	21.12
	Net margin (%)		(2.22)	11.82	1.44	0.02	6.28
	Earnings Per Share (NT\$) (Note 2)		(0.69)	4.42	0.37	0.01	2.11
Cash flow	Cash flow ratio (%)		0.20	20.60	91.77	29.57	5.65
	Cash flow adequacy ratio (%)		53.47	84.73	192.73	154.18	99.75
	Cash reinvestment ratio (%)		(7.54)	2.87	9.77	5.03	1.55
Leverage	Operating leverage		0.59	1.12	4.44	-	1.41
	Financial leverage		0.93	1.01	1.34	0.63	1.05

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

1. Debt to total assets ratio increased 35% from the previous year mainly due to the increase in loans.
2. Quick ratio increased 64% from the previous year mainly due to quick asset growing at a faster rate than current liabilities.
3. Interest coverage ratio decreased 105% from the previous year mainly due to the decrease in net profit before tax and interest.
4. Accounts receivable turnover increased 26% and average collection days decreased 21% from the previous year mainly due to the decrease in average receivables.
5. Inventory turnover decreased 25% and average inventory turnover days increased 34% from the previous year mainly due to the increase in average inventory.
6. Total assets turnover decreased 28% from the previous year mainly due to the decrease in net sales and increase in average total assets.
7. Return on assets and return on equity decreased 112% and 115% respectively from the previous year mainly due to the decrease in net profit after tax.
8. Pre-tax income to paid-in capital ratio decreased 117% from the previous year mainly due to the decrease in net profit before tax.
9. Net margin and earnings per share decreased 119% and 116% respectively from the previous year mainly due to the decrease in net profit after tax in the year.
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12. Cash reinvestment ratio decreased 362% from the previous year mainly due to the decrease in net cash inflow from operating activities and increase in cash dividend.
13. Degree of operating leverage decreased 47% from the previous year mainly due to the decrease in net operating revenue.

Note 1: The financial data from 2018 to 2022 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, 2023. Therefore, the information at the end of the quarter before the publication date is the information from 2022.

Note 4: The formula is as follows:

1. Financial structure

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

(2) Long-term fund ratio for property, plant, and equipment = (total equity + non-current liabilities) / net for property, plant, and equipment.

2. Solvency

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

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses - Other financial assets: Current - Other current liabilities) / Current liabilities.

(3) Interest coverage ratio = earnings before interest expense and net income / interest expense.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from operation) turnover = net sales / average receivables (including accounts receivable and notes receivable arising from operation) balances.

(2) Average collection period = 365 / receivables turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Payable (including accounts payable and notes payable arising from operation) turnover = cost of goods sold / average payables (including accounts payable and notes payable arising from operation) balances.

- (5) Average days of sales = $365 / \text{inventory turnover}$.
- (6) Property, plant, and equipment turnover = $\text{net sales} / \text{average net for property, plant, and equipment}$.
- (7) Total assets turnover = $\text{net sales} / \text{average total assets}$.

4. Profitability

- (1) Return on assets = $(\text{net income} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{average total assets}$.
- (2) Return on equity - Profit and loss after tax / average equity.
- (3) Net margin = $\text{net income} / \text{net sales}$.
- (4) Earnings per share = $(\text{profit or loss attributable to owners of the Corporation} - \text{preferred stock dividends}) / \text{weighted average number of shares outstanding}$.

5. Cash flow

- (1) Cash flow ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$.
- (2) Net cash flow adequacy ratio = $\text{net cash flow from operating activities for the last 5 years} / \text{most recent five years (capital expenditure} + \text{inventory} + \text{cash dividend})$.
- (3) Cash reinvestment ratio = $(\text{net cash flow from operating activities} - \text{cash dividend}) / (\text{gross profit for property, plant, and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$

6. Leverage:

- (1) Operating leverage = $(\text{net operating income} - \text{variable operating cost and expenses}) / \text{operating income}$.
- (2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$.

III. Audit Committee's Audit Report for 2022

Chung Hung Steel Corporation
Audit Committee's Audit Report

Hereby approves

The Company's 2022 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.

Respectfully submitted to

The Company's 2023 Annual Shareholders Meeting

Audit Committee, Chung Hung Steel Corporation

Convener: Juh-Shan Chiou

February 23, 2023

IV. 2022 Standalone Financial Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and 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, 2022 and 2021, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

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, 2022 and 2021, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2022 are stated as follows:

The Existence of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2022 was NT\$19,503,169 thousand, which represented 45% of the sales revenue. Because the sales revenue from export sales has grown significantly compared to the sales revenue from the previous year, we considered the existence of sales revenue from export sales as a key audit matter. Refer to Notes 4 and 24 to standalone financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We obtained an understanding of the design and implementation of the internal controls and tested the operating effectiveness of controls related to the existence of sales revenue.
2. We tested the export sales details by selecting samples, including sales orders, shipping documents and cash collections, and we confirmed that the collections of counterparties were consistent with the record of transactions and the accuracy of revenue recognized.
3. We obtained subsequent details of sales returns and allowances of export sales and tested whether there is any unusual sales returns and allowances and confirmed that sales revenue existed before the balance sheet date.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers endorsed and issued into effect by the FSC of the Republic of China, 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 to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

1. Identify and assess the risks of material misstatement of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2023

Notice to Readers

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

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

CHUNG HUNG STEEL CORPORATION

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,265,526	9	\$ 507,465	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	986,655	3	1,170,412	3
Financial assets for hedging – current (Notes 4 and 8)	700,188	2	-	-
Accounts receivable (Notes 4, 9 and 24)	231,840	-	930,578	2
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	57,510	-	47,355	-
Other receivables (Note 9)	11,156	-	9,051	-
Other receivables from related parties (Notes 9 and 30)	341,528	1	211,007	1
Inventories (Notes 4, 5 and 10)	9,761,983	27	12,717,439	34
Prepayments (Note 11)	255,755	1	443,116	1
Other financial assets - current (Notes 12 and 31)	1,100,000	3	1,000,000	3
Other current assets	45	-	2,597	-
Total current assets	<u>16,712,186</u>	<u>46</u>	<u>17,039,020</u>	<u>45</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	41,163	-	62,040	-
Investments accounted for using equity method (Notes 4 and 13)	3,738,144	10	4,089,098	11
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,801,656	27	10,164,924	28
Right-of-use assets (Notes 4 and 15)	48,092	-	62,920	-
Investment properties (Notes 4 and 16)	5,981,409	16	5,982,297	16
Deferred tax assets (Notes 4, 5 and 26)	373,292	1	-	-
Prepayments for equipment (Note 32)	56,285	-	70,290	-
Refundable deposits	9,337	-	5,651	-
Net defined benefit assets (Notes 4, 5 and 22)	2,060	-	-	-
Total noncurrent assets	<u>20,051,438</u>	<u>54</u>	<u>20,437,220</u>	<u>55</u>
TOTAL	<u>\$ 36,763,624</u>	<u>100</u>	<u>\$ 37,476,240</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ 7,561,516	21	\$ 4,562,252	12
Short-term bills payable (Note 17)	-	-	999,641	3
Financial liabilities for hedging – current (Notes 4 and 8)	2,166	-	-	-
Contract liabilities - current (Note 24)	102,146	-	95,155	-
Accounts payable (Note 19)	534,403	2	1,360,732	4
Accounts payable to related parties (Notes 19 and 30)	289,098	1	469,577	1
Other payables (Notes 20 and 30)	541,337	2	1,174,438	3
Current tax liabilities (Notes 4 and 26)	89,378	-	652,941	2
Provisions – current (Notes 4 and 21)	133,700	-	206,850	1
Lease liabilities - current (Notes 4 and 15)	12,877	-	15,408	-
Current portion of long-term borrowings (Note 17)	2,340,000	6	-	-
Refund liabilities	57,815	-	265,047	1
Other current liabilities	16,244	-	23,317	-
Total current liabilities	<u>11,680,680</u>	<u>32</u>	<u>9,825,358</u>	<u>27</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	2,997,309	8	2,996,174	8
Long-term bank borrowings (Note 17)	2,260,000	6	1,200,000	3
Long-term bills payable (Note 17)	2,498,441	7	239,792	1
Deferred tax liabilities (Notes 4 and 26)	193,481	1	182,222	-
Lease liabilities - noncurrent (Notes 4 and 15)	36,276	-	48,519	-
Net defined benefit liabilities (Notes 4, 5, and 22)	-	-	387,777	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>8,020,507</u>	<u>22</u>	<u>5,089,484</u>	<u>13</u>
Total liabilities	<u>19,701,187</u>	<u>54</u>	<u>14,914,842</u>	<u>40</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Ordinary shares	14,355,444	39	14,355,444	38
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	764,806	2	144,632	-
Special reserve	-	-	425,839	1
Unappropriated earnings	1,651,062	4	6,503,369	18
Total retained earnings	2,415,868	6	7,073,840	19
Other equity	290,222	1	1,131,211	3
Total equity	<u>17,062,437</u>	<u>46</u>	<u>22,561,398</u>	<u>60</u>
TOTAL	<u>\$ 36,763,624</u>	<u>100</u>	<u>\$ 37,476,240</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			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)				
Sales	\$ 43,675,748	98	\$ 53,019,056	99
Service revenue	741,273	2	624,450	1
Other operating revenue	<u>80,257</u>	<u>-</u>	<u>89,708</u>	<u>-</u>
Total operating revenue	44,497,278	100	53,733,214	100
OPERATING COSTS (Notes 10, 14, 25 and 30)	<u>45,629,434</u>	<u>103</u>	<u>46,197,610</u>	<u>86</u>
GROSS PROFIT (LOSS)	<u>(1,132,156)</u>	<u>(3)</u>	<u>7,535,604</u>	<u>14</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	376,864	1	577,505	1
General and administrative expenses	<u>254,326</u>	<u>-</u>	<u>443,925</u>	<u>1</u>
Total operating expenses	<u>631,190</u>	<u>1</u>	<u>1,021,430</u>	<u>2</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(1,763,346)</u>	<u>(4)</u>	<u>6,514,174</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	47,609	-	803	-
Other income	283,378	-	131,463	-
Other gains and losses	29,000	-	370,938	1
Finance costs	<u>(130,575)</u>	<u>-</u>	<u>(45,715)</u>	<u>-</u>
Share of the profit of associates	<u>349,161</u>	<u>1</u>	<u>39,589</u>	<u>-</u>
Total non-operating income and expenses	<u>578,573</u>	<u>1</u>	<u>497,078</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	(1,184,773)	(3)	7,011,252	13
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 26)	<u>(194,844)</u>	<u>-</u>	<u>660,841</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(989,929)</u>	<u>(3)</u>	<u>6,350,411</u>	<u>12</u>

(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			
	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 22 , 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 294,407	1	(\$ 157,217)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(196,066)	-	369,653	1
Gains and losses on hedging instruments	(11,068)	-	-	-
Share of the other comprehensive income (loss) of associates	(636,823)	(1)	1,196,082	2
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	80,176	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>528</u>	<u>-</u>	<u>(142)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(468,846)</u>	<u>-</u>	<u>1,408,376</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>(\$ 1,458,775)</u>	<u>(3)</u>	<u>\$ 7,758,787</u>	<u>15</u>
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	<u>(\$ 0.69)</u>		<u>\$ 4.42</u>	
Diluted	<u>(\$ 0.69)</u>		<u>\$ 4.40</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			Exchange Differences on Translating Foreign Operations	Other Equity	Gains and Losses on Hedging Instruments	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2021	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 662,620	\$ -	(\$ 425,839)	\$ -	\$ 15,233,274
Appropriation of 2020 earning (Note 23)									
Legal reserve	-	-	54,064	-	(54,064)	-	-	-	-
Cash dividends	-	-	-	-	(430,663)	-	-	-	(430,663)
Reversal of special reserve	-	-	-	(123,739)	123,739	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	6,350,411	-	-	-	6,350,411
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	(157,217)	(142)	1,565,735	-	1,408,376
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	6,193,194	(142)	1,565,735	-	7,758,787
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	8,543	-	(8,543)	-	-
BALANCE AT DECEMBER 31, 2021	14,355,444	903	144,632	425,839	6,503,369	(142)	1,131,353	-	22,561,398
Appropriation of 2021 earning (Note 23)									
Legal reserve	-	-	620,174	-	(620,174)	-	-	-	-
Cash dividends	-	-	-	-	(4,019,524)	-	-	-	(4,019,524)
Reversal of special reserve	-	-	-	(425,839)	425,839	-	-	-	-
Net loss for the year ended December 31, 2022	-	-	-	-	(989,929)	-	-	-	(989,929)
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-	-	-	-	372,362	528	(832,882)	(8,854)	(468,846)
Total comprehensive loss for the year ended December 31, 2022	-	-	-	-	(617,567)	528	(832,882)	(8,854)	(1,458,775)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(219)	-	219	-	-
Adjustment from changes in equity of associates	-	-	-	-	(20,662)	-	-	-	(20,662)
BALANCE AT DECEMBER 31, 2022	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,651,062	\$ 386	\$ 298,690	(\$ 8,854)	\$ 17,062,437

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	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	(\$ 1,184,773)	\$ 7,011,252
Adjustments for:		
Depreciation expense	717,892	753,729
Net gain on financial assets at fair value through profit or loss	(2,774)	(318,331)
Finance costs	130,575	45,715
Interest income	(47,609)	(803)
Dividend income	(104,930)	(10,383)
Share of profit of associates	(349,161)	(39,589)
Write-downs of inventories	1,466,930	4,859
Recognition of impairment loss	-	646,025
Recognition (reversal) of provisions	(73,150)	206,850
Others	1,135	1,097
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,774	560,741
Financial assets for hedging	(462,011)	-
Accounts receivable	698,738	(100,491)
Accounts receivable from related parties	(10,155)	69,883
Other receivables	1,777	10,297
Other receivables from related parties	169,479	(184,484)
Inventories	1,488,526	(8,485,878)
Prepayments	187,361	(295,155)
Other current assets	2,552	1,364
Contract liabilities	6,991	37,872
Accounts payable	(826,329)	1,333,232
Accounts payable to related parties	(180,479)	156,353
Other payables	(649,691)	588,691
Other current liabilities	(7,073)	7,553
Net defined benefit liabilities	(95,429)	(83,157)
Refund liabilities	(207,232)	111,291
Cash generated from operations	673,934	2,031,533
Income taxes paid	(650,576)	(7,698)
Net cash generated from operating activities	<u>23,358</u>	<u>2,023,835</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	325	-
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	8,242	-
Acquisition of financial assets for hedging	(247,079)	-
Purchase of investments accounted for using the equity method	-	(200,000)
Acquisition of property, plant and equipment	(322,740)	(353,847)

(Continued)

CHUNG HUNG STEEL CORPORATION

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

	For the Year Ended December 31	
	2022	2021
Decrease (Increase) in refundable deposits	(\$ 3,686)	\$ 569
Increase in other receivables from related parties	(300,000)	-
Increase in other financial assets	(100,000)	(700,000)
Interest received	43,727	776
Dividends received from others	<u>148,088</u>	<u>54,859</u>
Net cash used in investing activities	<u>(773,123)</u>	<u>(1,197,643)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	120,525,034	117,158,161
Repayments of short-term borrowings	(117,525,770)	(113,000,539)
Increase in short-term bills payable	4,900,359	8,200,064
Decrease in short-term bills payable	(5,900,000)	(10,800,000)
Proceeds from long-term borrowings	3,900,000	300,000
Repayments of long-term borrowings	(500,000)	(1,100,000)
Proceeds from long-term bills payable	2,498,649	240,118
Repayments of long-term bills payable	(240,000)	(1,110,000)
Repayments of principal of lease liabilities	(15,489)	(15,232)
Dividends paid to owner of the corporation	(4,019,524)	(430,663)
Interest paid	<u>(115,433)</u>	<u>(46,535)</u>
Net cash generated from (used in) financing activities	<u>3,507,826</u>	<u>(604,626)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,758,061	221,566
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>507,465</u>	<u>285,899</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,265,526</u>	<u>\$ 507,465</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, 2022 AND 2021 (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.

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

As of December 31, 2022, and 2021, China Steel Corporation (CSC), the Corporation's parent and major shareholder (40.58%), 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 23, 2023.

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

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

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

- b. The IFRSs endorsed by FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

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)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

As of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the possible impact of the application of other standards and interpretations will 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.

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 (assets) which are measured at present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, 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 Non-current 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 and cash equivalents 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 non-current.

Foreign Currencies

In preparing the financial statements of the Corporation, transactions in currencies other than the Corporation's functional currency (i.e., 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 Subsidiaries

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 and accumulated impairment loss.

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. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets 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 for depreciation of the rollers (spare parts) that belong to the cold rolling department, the hot rolling department and pickling & galvanizing mill department is calculated based on their level of wear, and other depreciation is recognized so as to write off the cost of assets less their residual value 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, Right-of-use Asset and Investment Properties

At each balance sheet date, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and Investment properties 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 estimate 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, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

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 29.

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 and cash equivalents, accounts receivable at amortized cost, other receivables, 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.

Cash equivalents include time deposits and commercial papers with repurchase agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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 receivable).

The Corporation always recognizes lifetime Expected Credit Loss (i.e., ECL) for accounts receivable. 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.

d. Derivative financial instruments

The Corporation enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Hedge accounting

The Corporation designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction

subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Corporation discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate including risks and uncertainties of the expenditure required to settle the obligation on the balance sheet date.

When the Corporation expects that the unavoidable costs of the performance of contractual obligations to exceed the expected economic benefits that may be gained from the contract, the Corporation recognizes provisions for the performance of its obligations in the onerous contract. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

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.

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

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 possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flows projections, growth rate, discount rate, profitability, etc. 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. In cases where the actual future profit generated is less (greater) than expected, a material reversal (recognition) of deferred tax assets may arise, which would be recognized in the period in which such a reversal (recognition) takes place.

Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the pension cost of defined benefit plan under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2022	2021
Cash on hand	\$ 640	\$ 640
Checking accounts and demand deposits	223,571	506,825
Cash equivalents (investments with original maturities within three months)		
Time deposits	991,933	-
Commercial papers with repurchase agreements	1,839,382	-
Bonds with repurchase agreements	<u>210,000</u>	<u>-</u>
	<u>\$3,265,526</u>	<u>\$ 507,465</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Domestic listed shares	<u>\$ 986,655</u>	<u>\$1,170,412</u>
<u>Non-current</u>		
Domestic unlisted shares	<u>\$ 41,163</u>	<u>\$ 62,040</u>

8. FINANCIAL INSTRUMENT FOR HEDGING

	<u>December 31</u>	
	2022	2021
<u>Financial assets for hedging - current</u>		
Foreign-currency deposits	<u>\$ 700,188</u>	<u>\$ -</u>
<u>Financial liabilities for hedging - current</u>		
Foreign exchange forward contracts	<u>\$ 2,166</u>	<u>\$ -</u>

For the purpose of managing cash flow risk from exchange rate fluctuations due to the purchase of imported raw materials and equipment, the Corporation purchased foreign-currency deposits and entered into foreign exchange forward contracts. Refer to Note 29 for information relating to financial instruments for hedging.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Accounts receivable</u>		
Accounts receivable - non-related parties at amortized cost	<u>\$ 231,840</u>	<u>\$ 930,578</u>
Accounts receivable - related parties at amortized cost	<u>\$ 57,510</u>	<u>\$ 47,355</u>
<u>Other receivables (including related parties)</u>		
Other receivables - related parties' loans	\$ 300,000	\$ -
Receivables from disposal of scrap	31,720	49,662
Receivables from price settlement	16,039	170,204
Others	<u>4,925</u>	<u>192</u>
	<u>\$ 352,684</u>	<u>\$ 220,058</u>

a. Accounts receivable at amortized cost

Refer to Note 29 (d) for credit risk management policies. The expected credit losses on accounts receivable are estimated using a provision matrix approach considering the 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 rather than distinguishing each different customer group.

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

December 31, 2022

	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	\$ 289,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,350
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 289,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,350</u>

December 31, 2021

	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	\$ 977,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 977,933
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 977,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,933</u>

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

	December 31	
	2022	2021
A company	\$ 89,771	\$ -
B company	41,915	33,745
C company	10,944	169,772
D company	1,502	108,898
E company	-	121,226
F company	<u>-</u>	<u>244,817</u>
	<u>\$ 144,132</u>	<u>\$ 678,458</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 years ended December 31, 2022 and 2021 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, 2022</u>						
Mega Bank	\$ 453,536	\$ 1,051,545	\$ 1,280,699	\$ 224,382	1.38	NT\$533.3 million
Bank of Taiwan	46,016	141,425	177,148	10,293	1.37	NT\$200 million
Bank of Taiwan	22,479	40,239	53,610	9,108	3.50	USD\$20 million
	<u>\$ 522,031</u>	<u>\$ 1,233,209</u>	<u>\$ 1,511,457</u>	<u>\$ 243,783</u>		
<u>For the year ended December 31, 2021</u>						
Mega Bank	\$ 601,245	\$ 1,614,825	\$ 1,762,534	\$ 453,536	1.03	NT\$841.2 million
Bank of Taiwan	67,274	183,448	204,706	46,016	1.03	NT\$200 million
Bank of Taiwan	14,577	60,977	53,075	22,479	1.44	USD\$20 million
	<u>\$ 683,096</u>	<u>\$ 1,859,250</u>	<u>\$ 2,020,315</u>	<u>\$ 522,031</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, 2022 and 2021, there was no allowance for doubtful accounts.

10. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 5,774,808	\$ 6,207,596
Supplies	375,065	309,073
Work in progress	619,397	730,616
Finished goods	2,580,831	4,262,064
Others	6,148	6,418
Raw materials and supplies in transit	<u>405,734</u>	<u>1,201,672</u>
	<u>\$ 9,761,983</u>	<u>\$ 12,717,439</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 was NT\$45,099,826 thousand and NT\$45,058,843 thousand, respectively, including write-down of inventory of NT\$1,466,930 thousand and NT\$4,859 thousand, respectively.

11. PREPAYMENTS

	December 31	
	2022	2021
Input tax	\$ 183,016	\$ 312,282
Tax overpaid retained for offsetting future tax payable	31,948	102,533
Prepayments for purchases	27,207	24,036
Others	<u>13,584</u>	<u>4,265</u>
	<u>\$ 255,755</u>	<u>\$ 443,116</u>

12. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Current		
Pledged time deposits (Note 31)	\$ 800,000	\$ 700,000
Pledged demand deposits (Note 31)	<u>300,000</u>	<u>300,000</u>
	<u>\$1,100,000</u>	<u>\$1,000,000</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 36,245	\$ 46,320
Investments in associates	<u>3,701,899</u>	<u>4,042,778</u>
	<u>\$ 3,738,144</u>	<u>\$ 4,089,098</u>

a. Investments in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Amount	Amount
Unlisted Companies		
Hong Kao Investment Corporation	<u>\$ 36,245</u>	<u>\$ 46,320</u>
Percentage of Ownership Interests and Voting Rights (%)		
<u>Subsidiary Companies Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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, 2022 and 2021 was based on the audited financial statements for the same years.

b. Investments in associates

	<u>December 31</u>	
	2022	2021
Material associates		
Transglory Investment Corp. (TIC)	\$ 3,508,558	\$ 3,829,875
Associates that are not individually material	<u>193,341</u>	<u>212,903</u>
	<u>\$ 3,701,899</u>	<u>\$ 4,042,778</u>

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			<u>December 31</u>	
			2022	2021
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, 2022 and 2021 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

	<u>December 31</u>	
	2022	2021
Current assets	\$ 533,139	\$ 1,052
Non-current assets	8,049,395	9,470,285
Current liabilities	<u>(6,645)</u>	<u>(110,059)</u>
Equity	<u>\$ 8,575,889</u>	<u>\$ 9,361,278</u>

(Continued)

	December 31	
	2022	2021
Proportion of the Corporation's ownership (%)	40.91	40.91
Equity attributable to the Corporation	<u>\$ 3,508,558</u>	<u>\$ 3,829,875</u>
Carrying amount	<u>\$ 3,508,558</u>	<u>\$ 3,829,875</u> (Concluded)

	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 841,415</u>	<u>\$ 79,856</u>
Net profit for the year	\$ 832,427	\$ 69,510
Other comprehensive income (loss)	<u>(1,504,690)</u>	<u>2,874,151</u>
Total comprehensive income (loss) for the year	<u>(\$ 672,263)</u>	<u>\$ 2,943,661</u>
Comprehensive income (loss) attributable to the Corporation	<u>(\$ 275,035)</u>	<u>\$ 1,204,430</u>

2) Information about associates that are not individually material was as follows:

	For the Year Ended December 31	
	2022	2021
The Corporation's subsidiaries' share of		
Net profit for the year	\$ 6,304	\$ 3,448
Other comprehensive income (loss)	<u>(15,126)</u>	<u>9,455</u>
Total comprehensive income (loss)	<u>(\$ 8,822)</u>	<u>\$ 12,903</u>

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

Refer to Table 5 "Information on Investees" for the nature of main business, principal place of business and countries of incorporation of associates that are not individually material.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2022

	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, 2022	\$ 3,988,983	\$ 5,012,081	\$ 23,066,828	\$ 4,530,559	\$ 1,330,770	\$ 67,071	\$ 37,996,292
Additions	19,298	2,429	157,987	57,939	119,828	(19,288)	338,193
Disposals	-	-	-	(8,145)	(220,180)	-	(228,325)
Balance at December 31, 2022	<u>\$ 4,008,281</u>	<u>\$ 5,014,510</u>	<u>\$ 23,224,815</u>	<u>\$ 4,580,353</u>	<u>\$ 1,230,418</u>	<u>\$ 47,783</u>	<u>\$ 38,106,160</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 2,141,699	\$ 19,554,344	\$ 4,138,570	\$ 774,413	\$ -	\$ 26,609,026
Depreciation expense	-	133,518	337,229	100,203	130,511	-	701,461
Disposals	-	-	-	(8,145)	(220,180)	-	(228,325)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 2,275,217</u>	<u>\$ 19,891,573</u>	<u>\$ 4,230,628</u>	<u>\$ 684,744</u>	<u>\$ -</u>	<u>\$ 27,082,162</u>
<u>Accumulated impairment</u>							
Balance at January 1 and December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at December 31, 2022	<u>\$ 4,008,281</u>	<u>\$ 2,739,293</u>	<u>\$ 2,264,056</u>	<u>\$ 349,725</u>	<u>\$ 392,518</u>	<u>\$ 47,783</u>	<u>\$ 9,801,656</u>

For the year ended December 31, 2021

	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, 2021	\$ 3,988,983	\$ 5,001,703	\$ 22,862,804	\$ 4,483,434	\$ 1,291,199	\$ 125,357	\$ 37,753,480
Additions	-	10,378	210,281	57,033	166,262	(58,286)	385,668
Disposals	-	-	(6,257)	(9,908)	(126,691)	-	(142,856)
Balance at December 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 5,012,081</u>	<u>\$ 23,066,828</u>	<u>\$ 4,530,559</u>	<u>\$ 1,330,770</u>	<u>\$ 67,071</u>	<u>\$ 37,996,292</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 2,008,941	\$ 19,214,045	\$ 4,050,064	\$ 741,470	\$ -	\$ 26,014,520
Depreciation expense	-	132,758	346,556	98,414	159,634	-	737,362
Disposals	-	-	(6,257)	(9,908)	(126,691)	-	(142,856)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 2,141,699</u>	<u>\$ 19,554,344</u>	<u>\$ 4,138,570</u>	<u>\$ 774,413</u>	<u>\$ -</u>	<u>\$ 26,609,026</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2021	\$ -	\$ -	\$ 423,161	\$ -	\$ 153,156	\$ -	\$ 576,317
Impairment loss	-	-	646,025	-	-	-	646,025
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at December 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 2,870,382</u>	<u>\$ 2,443,298</u>	<u>\$ 391,989</u>	<u>\$ 403,201</u>	<u>\$ 67,071</u>	<u>\$ 10,164,924</u>

Depreciation of the rollers 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	3-20 years
Tank	10 years

The Corporation bought farmlands for warehousing at the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the Corporation's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in freely changing the land title to the Corporation or to other name under the Corporation's instructions. Meanwhile, the land has been pledged to the Corporation as collateral. In May 2022, a portion of the land was classified under land category and registered under the Corporation's sole ownership. As of December 31, 2022 and 2021, the carrying amount of the farmlands recognized as land was NT\$19,354 thousand and NT\$55,433 thousand, respectively.

Based on the market conditions and the evaluated capacity, the Corporation assessed that the recoverable amount of a portion of the plant and equipment in the steel pipe plant was estimated to be less than its carrying amount; therefore, recognized an impairment loss of NT\$646,025 thousand under operating costs for the year ended December 31, 2021. The Corporation performs evaluation of impairment by reviewing the recoverable amounts based on value in use. In assessing value in use, the estimated future cash flow is discounted to its present value using annual discount rate at 7.19%.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Land	\$ 43,521	\$ 55,852
Transportation equipment	<u>4,571</u>	<u>7,068</u>
	<u>\$ 48,092</u>	<u>\$ 62,920</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 1,076</u>	<u>\$ 69</u>
Depreciation charge for right-of-use assets		
Land	\$ 12,443	\$ 12,450
Transportation equipment	<u>3,100</u>	<u>3,029</u>
	<u>\$ 15,543</u>	<u>\$ 15,479</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, 2022 and 2021.

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Current	<u>\$ 12,877</u>	<u>\$ 15,408</u>
Non-current	<u>\$ 36,276</u>	<u>\$ 48,519</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Land (%)	0.65-1.31	0.65-1.31
Transportation equipment (%)	0.75-0.76	0.76

c. Material lease activities and terms

The Corporation leases several pieces of land to store steel products, with the lease terms of 3 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	
	2022	2021
Expenses relating to short-term leases	<u>\$ 16,395</u>	<u>\$ 12,728</u>
Expenses relating to low-value asset leases	<u>\$ 1,284</u>	<u>\$ 1,353</u>
Total cash outflow for leases	<u>(\$ 33,848)</u>	<u>(\$ 30,167)</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, 2022

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2022 and December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 17,844	\$ 17,844
Depreciation expense	<u>-</u>	<u>888</u>	<u>888</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 18,732</u>	<u>\$ 18,732</u>
Carrying amount at December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 22,335</u>	<u>\$ 5,981,409</u>

For the year ended December 31, 2021

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2021 and December 31, 2021	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ -	\$ 16,956	\$ 16,956
Depreciation expense	<u>-</u>	<u>888</u>	<u>888</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 17,844</u>	<u>\$ 17,844</u>
Carrying amount at December 31, 2021	<u>\$ 5,959,074</u>	<u>\$ 23,223</u>	<u>\$ 5,982,297</u>

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 amounts of rental revenue for the years ended December 31, 2022 and 2021 were NT\$85,109 thousand and NT\$83,446 thousand, respectively, and were included in other income. As of December 31, 2022 and 2021, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2022 and 2021, notes receivable and advance rental were as follows:

	December 31	
	2022	2021
Notes receivable	\$ 52,630	\$ 51,598
Less: Advance rental	<u>52,630</u>	<u>51,598</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	
	2022	2021
1st year	\$ 98,074	\$ 94,793
2nd year	88,232	86,618
3rd year	89,996	88,232
4th year	91,796	89,996
5th year	93,632	91,796
Later than 5 years	<u>359,396</u>	<u>453,028</u>
	<u>\$ 821,126</u>	<u>\$ 904,463</u>

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

The fair value of the investment properties was arrived at on the basis of valuations carried out in December 2021 by real estate appraiser. 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	
	2022	2021
Fair value	<u>\$ 13,667,266</u>	<u>\$ 13,667,266</u>
Expense rate (%)	27.52	27.52
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

	<u>December 31</u>	
	2022	2021
Unsecured loans	\$ 4,780,000	\$ 2,700,000
Bank overdrafts (Note 31)	980,171	666,391
Letters of credit	<u>1,801,345</u>	<u>1,195,861</u>
	<u>\$ 7,561,516</u>	<u>\$ 4,562,252</u>
Interest rate (%)	0.67-1.84	0.21-0.75

b. Short-term bills payable

	<u>December 31</u>	
	2022	2021
Short-term bills payable	\$ -	\$ 1,000,000
Less: Unamortized discounts	<u>-</u>	<u>359</u>
	<u>\$ -</u>	<u>\$ 999,641</u>
Interest rate (%)	-	0.56

As of December 31, 2021, all short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

	<u>December 31</u>	
	2022	2021
Credit bank loans		
Due on various dates through October 2025	\$ 4,600,000	\$ 1,200,000
Less: Current portion	<u>2,340,000</u>	<u>-</u>
	<u>\$ 2,260,000</u>	<u>\$ 1,200,000</u>
Interest rate (%)	1.35-1.71	0.79

d. Long-term bills payable

	<u>December 31</u>	
	2022	2021
Long-term bills payable	\$ 2,500,000	\$ 240,000
Less: Unamortized discount	<u>1,559</u>	<u>208</u>
	<u>\$ 2,498,441</u>	<u>\$ 239,792</u>
Interest rate (%)	0.64-1.54	0.62

Long-term bills payable have revolving credit lines within the payment terms according to the contracts, and need to be utilized to some extent. As of December 31, 2022 and 2021, all long-term bills payable were non-guarantee commercial paper.

18. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>2,691</u>	<u>3,826</u>
	<u>\$ 2,997,309</u>	<u>\$ 2,996,174</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	
	2022	2021
<u>Accounts payable</u>		
Operating – non-related parties	<u>\$ 543,403</u>	<u>\$1,360,732</u>
Operating - related parties	<u>\$ 289,098</u>	<u>\$ 469,577</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

	December 31	
	2022	2021
Salaries and incentive bonus	\$ 213,075	\$ 487,058
Utilities	56,846	55,505
Export fees	51,516	57,829
Outsourced repair and construction	42,176	32,317
Interest payable	30,739	14,528
Compensation of employees and remuneration of directors	369	371,146
Others	<u>146,616</u>	<u>156,055</u>
	<u>\$ 541,337</u>	<u>\$ 1,174,438</u>

21. PROVISIONS-CURRENT

	<u>December 31</u>	
	2022	2021
Onerous contracts	\$ <u>133,700</u>	\$ <u>206,850</u>

	<u>December 31</u>	
	2022	2021
Balance at beginning of the year	\$ 206,850	\$ -
Recognized (Reversal)	(<u>73,150</u>)	<u>206,850</u>
Balance at end of the year	\$ <u>133,700</u>	\$ <u>206,850</u>

The provision for onerous contracts comes from the non-cancellable purchase contracts with suppliers, and the provision amounts are measured using the difference of the unavoidable costs of meeting the contractual obligations less the economic benefits expected to be received from the contracts.

22. 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 Act, 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:

	<u>December 31</u>	
	2022	2021
Present value of defined benefit obligation	\$ 1,381,697	\$ 1,601,663
Fair value of plan assets	(<u>1,383,757</u>)	(<u>1,213,886</u>)
Net defined benefit liabilities (assets)	(<u>\$ 2,060</u>)	\$ <u>387,777</u>

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 1,601,663</u>	<u>(\$ 1,213,886)</u>	<u>\$ 387,777</u>
Service cost			
Current service cost	18,640	-	18,640
Interest expense (income)	<u>7,969</u>	<u>(6,379)</u>	<u>1,590</u>
Recognized in profit or loss	<u>26,609</u>	<u>(6,379)</u>	<u>20,230</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>(94,776)</u>	<u>(94,776)</u>
Actuarial gain - changes in financial assumptions	<u>(123,541)</u>	-	<u>(123,541)</u>
Actuarial gain - experience adjustments	<u>(76,090)</u>	-	<u>(76,090)</u>
Recognized in other comprehensive income	<u>(199,631)</u>	<u>(94,776)</u>	<u>(294,407)</u>
Contributions from the employer	<u>-</u>	<u>(111,556)</u>	<u>(111,556)</u>
Benefits paid	<u>(46,944)</u>	<u>42,840</u>	<u>(4,104)</u>
Balance at December 31, 2022	<u>\$ 1,381,697</u>	<u>(\$ 1,383,757)</u>	<u>(\$ 2,060)</u>
Balance at January 1, 2021	<u>\$ 1,475,529</u>	<u>(\$ 1,161,812)</u>	<u>\$ 313,717</u>
Service cost			
Current service cost	18,626	-	18,626
Interest expense (income)	<u>7,372</u>	<u>(6,001)</u>	<u>1,371</u>
Recognized in profit or loss	<u>25,998</u>	<u>(6,001)</u>	<u>19,997</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>(14,600)</u>	<u>(14,600)</u>
Actuarial loss - changes in demographic assumptions	33,010	-	33,010
Actuarial loss - changes in financial assumptions	52,523	-	52,523
Actuarial loss - experience adjustments	<u>86,284</u>	-	<u>86,284</u>
Recognized in other comprehensive income	<u>171,817</u>	<u>(14,600)</u>	<u>157,217</u>
Contributions from the employer	<u>-</u>	<u>(95,550)</u>	<u>(95,550)</u>
Benefits paid	<u>(71,681)</u>	<u>64,077</u>	<u>(7,604)</u>
Balance at December 31, 2021	<u>\$ 1,601,663</u>	<u>(\$ 1,213,886)</u>	<u>\$ 387,777</u>

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	
	2022	2021
Operating costs	\$ 16,957	\$ 16,845
Operating expenses	<u>3,273</u>	<u>3,152</u>
	<u>\$ 20,230</u>	<u>\$ 19,997</u>

Through the defined benefit plans under the Labor Standards Act, 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	
	2022	2021
Discount rate (%)	1.5	0.5
Expected rate of salary increase (%)	2.5	2.5
Turnover rate (%)	0-4.5	0-4.5

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	(<u>\$ 28,527</u>)	(<u>\$ 36,735</u>)
0.25% decrease	<u>\$ 29,434</u>	<u>\$ 37,995</u>

(Continued)

	December 31	
	2022	2021
Expected rate of salary increase		
0.25% increase	<u>\$ 28,617</u>	<u>\$ 36,597</u>
0.25% decrease	<u>(\$ 27,878)</u>	<u>(\$ 35,578)</u>
		(Concluded)

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

	December 31	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ 82,850</u>	<u>\$ 139,466</u>
The average duration of the defined benefit obligation	8.5 years	9.4 years

23. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
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. The number of authorized shares approved by the Department of Commerce, Ministry of Economic Affairs is 2,043,160 thousand shares.

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

b. Capital surplus

	December 31	
	2022	2021
Additional paid-in capital	<u>\$ 903</u>	<u>\$ 903</u>

In 2009, CSC had transferred its treasury shares 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 shares 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 deficit.

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. The allocation of no less than 30% of the distributable surplus every year to distribute dividends was resolved and approved. 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 shares 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.

The appropriations of earnings for 2021 and 2020 had been approved by the shareholders' meeting in June 2022 and August 2021, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	2021	2020	2021	2020
Legal reserve	\$ 620,174	\$ 54,064		
Reversal of special reserve	(425,839)	(123,739)		
Cash dividends	4,019,524	430,663	\$ 2.8	\$ 0.3

The appropriations of earnings for 2022 had been proposed by the Corporation's board of directors on February 2023 as follows:

	<u>Appropriations of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
Cash dividends	\$ 502,441	\$ 0.35

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held in June 2023.

Information about the appropriation of earnings and offsetting deficit, 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. Exchange differences on translating foreign operations

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at beginning of the year	(\$ 142)	\$ -
Recognized during the year		
Share from associates accounted for using the equity method	<u>528</u>	<u>(142)</u>
Balance at end of the year	<u>\$ 386</u>	<u>(\$ 142)</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at beginning of the year	<u>\$1,131,353</u>	<u>(\$ 425,839)</u>
Recognized during the year		
Unrealized gains and losses - equity instruments	(196,066)	369,653
Share from associates accounted for using the equity method	<u>(636,816)</u>	<u>1,196,082</u>
Other comprehensive income recognized in the year	<u>(832,882)</u>	<u>1,565,735</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>219</u>	<u>(8,543)</u>
Balance at end of the year	<u>\$ 298,690</u>	<u>\$1,131,353</u>

f. Gains and losses on hedging instruments- cash flow hedges

	For the Year Ended December 31	
	2022	2021
Balance at beginning of the year	<u>\$ -</u>	<u>\$ -</u>
Recognized during the year		
Foreign currency risk-hedging – foreign currency deposits	(8,902)	-
Foreign currency risk-hedging – foreign exchange forward contracts	(2,166)	-
Income tax effect	<u>2,214</u>	<u>-</u>
Other comprehensive income recognized in the year	<u>(8,854)</u>	<u>-</u>
Balance at end of the year	<u>(\$ 8,854)</u>	<u>\$ -</u>

24. OPERATING REVENUE

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable	<u>\$ 289,350</u>	<u>\$ 977,933</u>	<u>\$ 947,325</u>
Contract liabilities			
Sale of goods	<u>\$ 102,146</u>	<u>\$ 95,155</u>	<u>\$ 57,283</u>

b. Disaggregation of revenue

Refer to Statement 15.

25. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax consisted of following items:

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 104,930	\$ 10,383
Rental income	89,331	86,876
Government grants income	8	24,207
Others	<u>89,109</u>	<u>9,997</u>
	<u>\$ 283,378</u>	<u>\$ 131,463</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on financial assets at fair value through profit or loss	\$ 2,774	\$ 318,331
Service charge	(5,452)	(7,554)
Net foreign exchange gain	38,682	64,415
Others	<u>(7,004)</u>	<u>(4,254)</u>
	<u>\$ 29,000</u>	<u>\$ 370,938</u>

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

	For the Year Ended December 31	
	2022	2021
Foreign exchange gain	\$ 366,780	\$ 128,405
Foreign exchange loss	<u>(328,098)</u>	<u>(63,990)</u>
Net exchange gain	<u>\$ 38,682</u>	<u>\$ 64,415</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank overdrafts and loans	\$ 130,964	\$ 45,534
Interest on lease liabilities	<u>680</u>	<u>854</u>
Total interest expense financial liabilities measured at amortized cost	131,644	46,388
Less: Amounts included in the cost of qualifying assets	<u>1,069</u>	<u>673</u>
	<u>\$ 130,575</u>	<u>\$ 45,715</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized amounts	\$ 1,069	\$ 673
Capitalized annual rates (%)	0.59-1.32	0.56-0.72
 d. Depreciation		
	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 701,461	\$ 737,362
Investment properties	888	888
Right-of-use assets	<u>15,543</u>	<u>15,479</u>
	<u>\$ 717,892</u>	<u>\$ 753,729</u>
 Analysis of depreciation by function		
Operating costs	\$ 707,678	\$ 745,529
Operating expenses	9,326	7,312
Deduction of other income	<u>888</u>	<u>888</u>
	<u>\$ 717,892</u>	<u>\$ 753,729</u>
 e. Operating expenses directly related to investment properties		
	For the Year Ended December 31	
	2022	2021
Direct operating expenses of investment properties that generated rental income	\$ 11,296	\$ 11,401
Direct operating expenses of investment properties that did not generate rental income	<u>9,934</u>	<u>7,265</u>
	<u>\$ 21,230</u>	<u>\$ 18,666</u>
 f. Employee benefits		
	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 967,833	\$ 1,850,603
Labor and health insurance	104,127	98,075
Others	<u>185,302</u>	<u>214,994</u>
	<u>1,257,262</u>	<u>2,163,672</u>
 Post-employment benefits		
Defined contribution plans	27,201	26,275
Defined benefit plans (Note 22)	<u>20,230</u>	<u>19,997</u>
	<u>47,431</u>	<u>46,272</u>
	<u>\$ 1,304,693</u>	<u>\$ 2,209,944</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Analysis of employee benefits expense by function		
Operating costs	\$ 1,082,941	\$ 1,785,946
Operating expenses	<u>221,752</u>	<u>423,998</u>
	<u>\$ 1,304,693</u>	<u>\$ 2,209,944</u>
		(Concluded)

g. Compensation of employees and remuneration of directors

In accordance with the Corporation's Articles of Incorporation, the Corporation distributes compensation of employees 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, compensation of employees, and remuneration of directors. The Company did not accrue compensation of employees and remuneration of directors for the year ended December 31, 2022 due to the losses incurred.

The compensation of employees and remuneration of directors for the years ended December 31, 2021, which were approved by the Corporation's board of directors in February 2022, were as follows:

	For the Year Ended December 31, 2021
<u>Amount</u>	
Compensation of employees	\$ 307,804
Remuneration of directors	61,561
	For the Year Ended December 31, 2021
<u>Accrual rate</u>	
Compensation of employees (%)	4.17
Remuneration of directors (%)	0.83

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, 2021 and 2020.

Information on compensation of employees 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.

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ -	\$ 656,304
Income tax on unappropriated earnings	93,750	-
In respect of prior years	(6,737)	4,537
Deferred tax		
In respect of the current year	(281,857)	-
	<u>(\$ 194,844)</u>	<u>\$ 660,841</u>

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

	For the Year Ended December 31	
	2022	2021
Profit (Loss) before income tax	(\$ 1,184,773)	\$ 7,011,252
Income tax expense (benefit) at the statutory rate	(\$ 236,955)	\$ 1,402,250
Permanent differences		
Profit on investments under equity method	(69,832)	(7,918)
Others	(20,051)	(64,523)
Unrecognized deductible temporary differences	(125,637)	121,919
Unrecognized loss carryforwards	170,618	-
Loss carryforwards	-	(795,424)
Income tax on unappropriated earnings	93,750	-
In respect of the prior years	(6,737)	4,537
	<u>(\$ 194,844)</u>	<u>\$ 660,841</u>

b. No income tax was recognized directly in equity.

c. Income tax benefit recognized in other comprehensive income

	December 31	
	2022	2021
Deferred tax		
Gains and losses on hedging instruments	\$ 2,214	\$ -
Remeasurement on defined benefit plans	<u>77,962</u>	<u>-</u>
	<u>\$ 80,176</u>	<u>\$ -</u>

d. Current tax liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax liabilities		
Income tax payable	\$ <u>89,378</u>	\$ <u>652,941</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2022

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized other comprehensive income	Balance at End of the Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized write-down of inventories	\$ -	\$ 319,119	\$ -	\$ 319,119
Provisions	-	26,740	-	26,740
Others	<u>-</u>	<u>25,219</u>	<u>2,214</u>	<u>27,433</u>
	<u>\$ -</u>	<u>\$ 371,078</u>	<u>\$ 2,214</u>	<u>\$ 373,292</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	(\$ 182,222)	\$ -	\$ -	(\$ 182,222)
Unrealized loss on sales	-	(10,847)	-	(10,847)
Defined benefit plans	<u>-</u>	<u>(78,374)</u>	<u>77,962</u>	<u>(412)</u>
	<u>(\$ 182,222)</u>	<u>(\$ 89,221)</u>	<u>\$ 77,962</u>	<u>(\$ 193,481)</u>

For the year ended December 31, 2021

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

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

	December 31	
	2022	2021
Loss carryforwards		
Expired in 2032	<u>\$ 705,000</u>	<u>\$ -</u>
Deductible temporary differences		
Impairment loss on assets	\$ 818,339	\$ 1,024,967
Amortization of deferred credits	289,375	344,401
Net defined benefit liabilities	-	387,777
Purchase contract loss	-	206,850
Sales discount payable	-	200,042
Provision for inventory loss	-	128,663
Others	<u>-</u>	<u>122,891</u>
	<u>\$ 1,107,714</u>	<u>\$ 2,415,591</u>

g. Income tax assessments

The Corporation's income tax returns through 2020 have been assessed by the tax authorities.

27. EARNINGS (LOSSES) PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings (losses) per share	<u>(\$ 0.69)</u>	<u>\$ 4.42</u>
Diluted earnings (losses) per share	<u>(\$ 0.69)</u>	<u>\$ 4.40</u>

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

Net profit or loss for the year

	For the Year Ended December 31	
	2022	2021
Attributable to owners of the Corporation	<u>(\$ 989,929)</u>	<u>\$6,350,411</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares in computation of basic earnings (losses) per share	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:		
Compensation of Employees	<u>-</u>	<u>7,737</u>
Weighted average number of ordinary shares used in computation of diluted earnings (losses) per share	<u>1,435,544</u>	<u>1,443,281</u>

The Corporation may settle the compensation paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be 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. In consideration of the net loss for the year ended December 31, 2022, due to the dilutive effect, the potential shares attributed to the compensation of employees were excluded from the computation of diluted losses per share.

28. 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.

29. 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

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$ 986,655	\$ -	\$ -	\$ 986,655
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>41,163</u>	<u>41,163</u>
	<u>\$ 986,655</u>	<u>\$ -</u>	<u>\$ 41,163</u>	<u>\$1,027,818</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,166</u>	<u>\$ -</u>	<u>\$ 2,166</u>
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$1,170,412	\$ -	\$ -	\$1,170,412
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>62,040</u>	<u>62,040</u>
	<u>\$1,170,412</u>	<u>\$ -</u>	<u>\$ 62,040</u>	<u>\$1,232,452</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

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, 2022</u>			
Balance at beginning of the year	\$ -	\$ 62,040	\$ 62,040
Total profit or loss			
Recognized in profit or loss	2,774	-	2,774
Recognized in other comprehensive income	-	(12,310)	(12,310)
Disposal	-	(325)	(325)
Capital reduction refunded	<u>(2,774)</u>	<u>(8,242)</u>	<u>(11,016)</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 41,163</u>	<u>\$ 41,163</u>
<u>For the year ended December 31, 2021</u>			
Balance at beginning of the year	\$ 242,410	\$ 43,345	\$ 285,755
Total profit or loss			
Recognized in profit or loss	318,331	-	318,331
Recognized in other comprehensive income	-	18,695	18,695
Disposal	<u>(560,741)</u>	<u>-</u>	<u>(560,741)</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 62,040</u>	<u>\$ 62,040</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivative instruments	Derivatives with quoted prices in active markets were measured at fair value based on their market prices. If market prices are not available, derivatives are measured at estimated value using valuation techniques. The estimates and assumptions used in the Corporation's valuation techniques are consistent with the information used by market participants in pricing financial instruments, which are available to the Corporation. The fair value of each foreign exchange forward contract was determined separately under forward exchange rates indicated by the bank quotation system.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

- a) The fair value of emerging shares was based on the closing price adjusted for liquidity risk premium.
- b) The fair value of unlisted shares was based on the current net value.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial assets for hedging	\$ 700,188	\$ -
Measured at amortized cost (see 1 below)	5,016,897	2,711,107
Financial assets at fair value through other comprehensive income		
Equity instruments	1,027,818	1,232,452
Financial liabilities		
Financial liabilities for hedging	2,166	-
Measured at amortized cost (see 2 below)	19,114,919	13,302,653

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, 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 liabilities, 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 financial assets for hedging, accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable, long-term borrowings (including current portion), long-term bills payable and lease liabilities. The Corporation's financial department 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. The Corporation manages exposure to foreign exchange risk using foreign currency deposits and engages in foreign exchange forward contracts with firm commitment opposite to exchange rate fluctuations within the scope permitted by the policy.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities exposed foreign currency risk at the end of the reporting period are set out in Note 33.

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 33. The following table shows the impact on profit or equity of 1% decrease in NTD against USD.

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit (loss) before income tax (Note 1)	\$ 7,900	(\$ 11,834)
Equity (Note 2)	7,002	-

Note 1: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and other payables, which were not hedged at the balance sheet date.

Note 2: These were attributable to financial assets for hedging that were designated as hedging instruments in cash flow hedges.

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:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 3,046,462	\$ 4,059,742
Cash flow interest rate risk		
Financial assets	\$ 1,318,571	\$ 1,430,632
Financial liabilities	14,659,957	6,002,044

Sensitivity analysis

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, 2022 and 2021 would have been lower/ higher by NT\$33,353 thousand and NT\$11,429 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, 2022 and 2021 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, 2022, the unutilized credit facility of the Corporation was NT\$39.7 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, 2022</u>				
Short-term borrowings	\$ 7,656,261	\$ -	\$ -	\$ 7,656,261
Accounts payable (including related parties)	823,501	-	-	823,501
Other payables	510,598	-	-	510,598
Refund liabilities	57,815	-	-	57,815
Lease liabilities	13,400	29,260	8,129	50,789
Bonds payable	22,100	3,044,200	-	3,066,300
Long-term bank borrowings	2,373,999	2,276,006	-	4,650,005
Long-term bills payable	-	2,500,000	-	2,500,000

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2022</u>				
Guarantee deposits received	\$ -	\$ -	\$ 35,000	\$ 35,000
	<u>\$ 11,457,674</u>	<u>\$ 7,849,466</u>	<u>\$ 43,129</u>	<u>\$ 19,350,269</u>
	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2021</u>				
Short-term borrowings	\$ 4,584,062	\$ -	\$ -	\$ 4,584,062
Short-term bills payable	1,000,000	-	-	1,000,000
Accounts payable (including related parties)	1,830,309	-	-	1,830,309
Other payables	1,159,910	-	-	1,159,910
Refund liabilities	265,047	-	-	265,047
Lease liabilities	16,086	35,783	14,364	66,233
Bonds payable	22,100	3,066,300	-	3,088,400
Long-term bank borrowings	9,480	1,215,258	-	1,224,738
Long-term bills payable	-	240,000	-	240,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,886,994</u>	<u>\$ 4,557,341</u>	<u>\$ 49,364</u>	<u>\$ 13,493,699</u>

(Concluded)

4) Cash flow hedging

December 31, 2022

Hedging Instruments	Currency	Contract Amount (in thousands)	Maturity	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Fair Value of Hedging Instrument Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Cash flow hedging								
Foreign currency deposit	USD	\$ 22,800	NA	NA	Financial assets for hedging	\$ 700,188	\$ -	(\$ 8,902)
Foreign exchange forward contract	NTD/USD	USD 7,000/ TWD 217,116	112.01	30.9933- 31.0555	Financial liabilities for hedging	-	2,166	(2,166)

Hedging Instruments/Hedged Items	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
		Continuing Hedges	Discontinuing Hedges
Cash flow hedging			
Foreign currency deposit/Forecast purchases of raw materials and equipment	\$ 8,902	(\$ 8,902)	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	<u>2,166</u>	<u>(2,166)</u>	<u>-</u>
	<u>\$ 11,068</u>	<u>(\$ 11,068)</u>	<u>\$ -</u>

For the year ended December 31, 2022

Effect on Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging	(\$ 11,068)	\$ -	-	\$ -	\$ -

30. 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

Company	Relationship
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow subsidiary
CHC Resources Corporation (CHC)	Fellow subsidiary
Info Champ Systems Corporation (ICSC)	Fellow subsidiary
CSC Steel Sdn. Bhd. (CSSB)	Fellow subsidiary
China Steel Global Trading Corporation (CSGT)	Fellow subsidiary
Himag Magnetic Corporation (HMC)	Fellow subsidiary
China Steel Machinery Corporation (CSMC)	Fellow subsidiary
China Ecotek Corporation	Fellow subsidiary
China Steel Security Corporation	Fellow subsidiary
Steel Castle Technology Corporation	Fellow subsidiary
China Steel Express Corporation	Fellow subsidiary
China Steel Structure Co., Ltd	Fellow subsidiary
Universal Exchange Inc.	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
Yu Cheng Lime Corporation	Fellow subsidiary
Wabo Global Trading Corporation	Fellow subsidiary
CSC Solar Corporation.	Fellow subsidiary
Kaohsiung Rapid Transit Corporation	Fellow subsidiary
Sing Da Marine Structure	Fellow subsidiary
United Steel Engineering & Construction Corp	Fellow subsidiary
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiary
CSE Transport Corporation	Fellow subsidiary
CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary
Transglory Investment Corporation	Associate
Pro-Ascentek Investment Corporation	Associate
Pacific Harbour Stevedoring Corporation	Other related party

b. Sale of goods

Account Items	Related Party Types /Name	For the Year Ended December 31	
		2022	2021
Sales	Parent entity	\$ 310	\$ 1,399
	Fellow subsidiaries related to others		
	CSSB	1,751,268	2,211,117
	Others	89,335	78,095
		<u>1,840,603</u>	<u>2,289,212</u>
		<u>\$ 1,840,913</u>	<u>\$ 2,290,611</u>
Service Revenue	Parent entity	\$ 722,048	\$ 564,537
	Fellow subsidiaries related to others		
		7	38,137
		<u>722,055</u>	<u>602,674</u>

The payment terms and prices of other related parties were no different from those of unrelated parties.

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity and fellow subsidiaries related to others 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 and fellow subsidiaries related to others within one month after acceptance by T/T.

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 Party Types /Name	For the Year Ended December 31	
		2022	2021
Other operating revenue	Parent entity	\$ 3,460	\$ -
	Fellow subsidiaries related to others		
	DSC	\$ 53,834	\$ 62,930
	HMC	14,597	14,448
	Others	-	103
		<u>68,431</u>	<u>77,481</u>
		<u>\$ 71,891</u>	<u>\$ 77,481</u>

There is no significant profit or loss from the sale of the supplies and oxidized iron powder of the Corporation to fellow subsidiaries related to others.

c. Purchase of goods

Related Party Types/Name	For the Year Ended December 31	
	2022	2021
Parent entity	\$ 7,402,133	\$ 8,085,884
Fellow subsidiaries related to others		
DSC	15,307,063	16,347,526
CSGT	3,262,928	6,402,704
Others	<u>73,707</u>	<u>70,111</u>
	<u>18,643,698</u>	<u>22,820,341</u>
	<u>\$ 26,045,831</u>	<u>\$ 30,906,225</u>

The purchases were mainly slabs and hot rolled coils. The payment terms and prices of other related parties were no different from those of unrelated parties for the years ended December 31, 2022 and 2021.

d. Accounts receivable from related parties (excluding loans to related parties)

Account Items	Related Party Types /Name	December 31	
		2022	2021
Accounts receivable from related parties	Parent entity	\$ 41,915	\$ 33,745
	Fellow subsidiaries related to others	<u>15,595</u>	<u>13,610</u>
		<u>\$ 57,510</u>	<u>\$ 47,355</u>
Other receivable from related parties	Parent entity	\$ 16,240	\$ 170,204
	Fellow subsidiaries related to others		
	CHC	<u>25,288</u>	<u>40,803</u>
		<u>\$ 41,528</u>	<u>\$ 211,007</u>

No guarantees have been received for accounts receivable and other receivable from related parties. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for accounts receivable from related parties.

e. Accounts payable to related parties (excluding loans from related parties)

Account Items	Related Party Types /Name	December 31	
		2022	2021
Accounts payable to related parties	Parent entity	\$ 285,669	\$ 463,370
	Fellow subsidiaries related to others	1,100	1,554
	Other related parties	<u>2,329</u>	<u>4,653</u>
		<u>\$ 289,098</u>	<u>\$ 469,577</u>

(Continued)

Account Items	Related Party Types /Name	December 31	
		2022	2021
Other payable to related parties	Parent entity	\$ 1,353	\$ 64,317
	Fellow subsidiaries related to others	10,290	16,737
	Other related parties	<u>3,847</u>	<u>3,807</u>
		<u>\$ 15,130</u>	<u>\$ 84,861</u> (Concluded)

The outstanding accounts payable to related parties and other payable to related parties were unsecured.

- f. Loans to related parties (recognized under other receivables – related parties)

Related Party Types	December 31	
	2022	2021
Parent entity	<u>\$ 300,000</u>	<u>\$ -</u>
<u>Interest income</u>		

Related Party Types	For the Year Ended December 31	
	2022	2021
Parent entity	<u>\$ 1,111</u>	<u>\$ -</u>

The Corporation provided unsecured loans to the parent entity, and the interest rate is similar to the market interest rate. These loans are expected to be repaid within one year, and there is no expected credit loss after assessment.

- 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\$52,832 thousand and NT\$67,640 thousand in 2022 and 2021, respectively. As of December 31, 2022 and 2021, authorization fees payable (included in payables to related parties) were NT\$7,150 thousand and NT\$13,104 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, 2022 and 2021 were NT\$4,304 thousand and NT\$3,995 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, 2022 and 2021

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.

	For the Year Ended December 31	
	2022	2021
a) Other expenditures		
Parent entity	\$ 147,944	\$ 190,683
Fellow subsidiaries related to others	121,420	162,401
Other related parties	<u>118,350</u>	<u>136,611</u>
	<u>\$ 387,714</u>	<u>\$ 489,695</u>

	For the Year Ended December 31	
	2022	2021
b) Capital expenditure		
Fellow subsidiaries related to others		
CSMC	\$ 20,600	\$ -
ICSC	13,940	38,021
Other	<u>3,040</u>	<u>-</u>
	<u>\$ 37,580</u>	<u>\$ 38,021</u>

4) Income from selling supplies and scrap (included in deductions of cost of goods sold)

	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries related to others		
CHC	\$ 469,215	\$ 479,895
Others	<u>385</u>	<u>3,018</u>
	<u>\$ 469,600</u>	<u>\$ 482,913</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	
	2022	2021
Short-term employee benefits	\$ 30,919	\$ 108,073
Post-employment benefits	<u>1,475</u>	<u>1,410</u>
	<u>\$ 32,394</u>	<u>\$ 109,483</u>

31. 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>2022</u>	<u>2021</u>
Time deposits (included in other financial assets - current)	\$ 800,000	\$ 700,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>
	<u>\$1,100,000</u>	<u>\$1,000,000</u>

32. 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, 2022 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$2,728,044 thousand.
- b. The Corporation had signed agreements to buy equipment for NT\$517,702 thousand, of which NT\$94,665 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Corporation provided letters of credits for NT\$400 thousand guaranteed by financial institutions for purchase agreements. Guarantee notes for NT\$174,500 thousand were provided for purchases of raw material.

33. 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 Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2022</u>				
Monetary financial assets				
USD	\$ 65,492	30.71	(USD:NTD)	\$2,011,260
Monetary financial liabilities				
USD	16,967	30.71	(USD:NTD)	521,043
<u>December 31, 2021</u>				
Monetary financial assets				
USD	27,573	27.68	(USD:NTD)	763,213
Monetary financial liabilities				
USD	70,327	27.68	(USD:NTD)	1,946,640

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gain were NT\$38,682 thousand and NT\$64,415 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.

34. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. investees:
 - 1) Financing provided to others (Table 1)
 - 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 2)
 - 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 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments (Note 29)
 - 10) Information on investees (Table 5)
- c. Information on investments in mainland China (None)
- d. Major shareholders' information (Table 6)

35. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

NO.	Endorsement/ Guarantee Provider	Endorsee/Guaranteee	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Chung Hung Steel Corporation	China Steel Corporation	Other receivables	Yes	\$300,000	\$ 300,000	\$ 300,000	1.04~1.53	2	\$ -	Operating capital	\$-	None	\$ -	\$1,706,243	\$6,824,974	Note 2

Note 1: The nature for financing is as follows:
 1. Business relationship.
 2. The need for short-term financing.

Note 2: According to "The Process of Financing Others" established by the Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 10% of the net worth of the Corporation, respectively.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares Shouh Hwang Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss - current	730,000	\$ -	15	\$ -	Note
	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	33,109,239	\$ 986,655	-	\$ 986,655	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	134,167	\$ 34,733	2	\$ 34,733	2022.11.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income – non-current	250,000	6,430	5	6,430	2022.08.31 net value
					\$ 41,163		\$ 41,163	
Hung Kao Investment Corporation	Ordinary Shares China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income – non-current	1,003,980	\$ 29,919	-	\$ 29,919	

Note : As of December 31, 2022, the impairment loss has been recognized that resulted in zero carrying amount, and the entity was dissolved on January 3, 2022.

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, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer (Seller)	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	\$ 7,402,133	18	Letter of credit at sight/Payment after final acceptance	\$ -		(\$ 285,669)	(35)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	15,307,063	38	Letter of credit at sight	-		-	-	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	3,262,928	8	T/T within 7 business days after lading date (not included)	-		-	-	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,751,268)	(4)	T/T within 7 business days after lading date (not included)	-		-	-	
	China Steel Corporation	Parent company	Service revenue	(722,048)	(2)	T/T as the end of the month after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	41,915	14	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 316,240	(Note 1)	\$ -	-	\$ 13,716	\$ -

Note 1: Receivables from price settlement and loans to related parties (included in other receivables to related parties) which is not applicable to turnover rate.

Note 2: The amount has received at the report date.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022	December 31, 2021						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 36,245	\$ 2,296	\$ 2,296	Subsidiaries
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	306,824,279	40.91	3,508,558	832,427	340,561	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	193,341	37,820	6,304	Associates

TABLE 6**CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDERS' INFORMATION
DECEMBER 31, 2022**

Major shareholders	Shares	
	Number of shares held	Shareholding (%)
China Steel Corporation	582,673,153	40.58

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Corporation's ordinary shares (only ones that have completed dematerialized registration and delivery, and round down to two decimal places) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. 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.

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STATEMENT 1**CHUNG HUNG STEEL CORPORATION****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Maturity Date	Interest Rates (%)	Amount
Cash on hand			<u>\$ 640</u>
Cash in banks			
Demand deposits			20,445
Checking accounts			5,000
Foreign currency deposits			
USD \$ 6,451,525.97			<u>198,126</u>
			<u>223,571</u>
Cash equivalents			
Foreign Time deposits	2023.01.06-		
USD \$ 32,300,000.00	2023.01.16	4.00-4.35	991,933
Commercial papers with repurchase agreements	2023.01.03- 2023.01.12	1.15-1.25	1,839,382
Bonds with repurchase agreements	2023.01.03- 2023.01.09	1.15-1.23	<u>210,000</u>
			<u>3,041,315</u>
			<u>\$ 3,265,526</u>

Note: US\$1=NT\$30.71.

STATEMENT 2

CHUNG HUNG STEEL CORPORATION

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER
COMPREHENSIVE INCOME - CURRENT**

DECEMBER 31, 2022

(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	29.80	<u>\$ 986,655</u>	Note
Plus: Evaluation adjustment		<u>351,014</u>			
		<u>\$ 986,655</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, 2022

(In Thousands of New Taiwan Dollars)

Customer Name	Amount (Note 2)
Related Parties	
A company	\$ 41,915
B company	13,213
Others (Note 1)	<u>2,382</u>
	<u>\$ 57,510</u>
Non-Related Parties	
C company	\$ 89,771
D company	23,342
E company	20,329
F company	11,856
Others (Note 1)	<u>86,542</u>
	<u>\$ 231,840</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, 2022****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note)
Raw materials	\$ 6,657,035	\$ 5,785,686
Supplies	443,945	480,327
Work in progress	697,357	645,197
Finished goods	3,088,661	2,599,369
Others	6,148	6,148
Raw materials and supplies in transit	464,430	405,734
Allowance for loss on inventory value	(1,595,593)	-
	<u>\$ 9,761,983</u>	<u>\$ 9,922,461</u>

Note: Refer to Note 4 for details.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OTHER FINANCIAL ASSETS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Bank Name	Interest Rates (%)	Period	Amount	Note
Other Financial Assets - Current				
Time deposits				
Taiwan Business Bank	0.46	2022.11.29-2023.01.29	\$ 300,000	Note
Mega Bank	0.43	2022.12.07-2023.01.10	<u>500,000</u>	Note
			800,000	
Demand deposits				
Bank of Taiwan	0.455		<u>300,000</u>	Note
			<u>\$ 1,100,000</u>	

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, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Balance, January 1, 2022		Additions		Decrease (Note 1)		Balance, December 31, 2022		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value (Note 2)	
Domestic unlisted shares									
Riselink Venture Capital Corp.	3,948	\$ 391	-	\$ -	3,948	\$ 391	-	\$ -	None
Taiwan Ves-Power Co., Ltd.	958,333	55,114	-	-	824,166	20,381	134,167	34,733	None
Pacific Harbour Stevedoring Corp.	250,000	6,535	-	-	-	105	250,000	6,430	None
		<u>\$ 62,040</u>		<u>\$ -</u>		<u>\$ 20,877</u>		<u>\$ 41,163</u>	

Note 1: Capital reduction refunded of NT\$ 8,242 thousand , disposal from price settlement of NT\$ 325 thousand , and the unrealized loss on valuation of NT\$ 12,310 thousand were recognized as decreases.

Note 2: Fair value is estimated pursuant to the evaluation method in Note 29.

CHINA STEEL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2022		Additions (Note 1)		Decrease (Note 2)		Balance, December 31, 2022			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	306,824,279	\$ 3,829,875	-	\$ 340,589	-	\$ 661,906	306,824,279	40.91	\$ 3,508,558	\$ 11.44	\$ 3,508,558	None
Hong Kao Investment Corporation	2,600,000	46,320	-	2,296	-	12,371	2,600,000	100	36,245	13.94	36,245	None
Pro-Ascentek Investment Corporation	20,000,000	212,903	-	6,804	-	26,366	20,000,000	16.67	193,341	9.67	193,341	None
		<u>\$ 4,089,098</u>		<u>\$ 349,689</u>		<u>\$ 700,643</u>			<u>\$ 3,738,144</u>		<u>\$ 3,738,144</u>	

Note 1: The increase came from exchange differences on translation of foreign financial statements under equity method of NT\$ 528 thousand, and investment income recognized under equity method of NT\$ 349,161 thousand.

Note 2: The decrease came from cash dividends NT\$ 43,158 thousand, unrealized loss of financial assets at fair value through other comprehensive income of NT\$ 636,816 thousand, remeasurement of defined benefit plans of NT\$ 7 thousand, and adjustment from changes in equity of NT\$ 20,662 thousand.

CHUNG HUNG STEEL CORPORATION**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Land	Transportation Equipment	Total
Cost			
Balance, January 1, 2022	\$ 90,159	\$ 15,238	\$ 105,397
Additions	112	964	1,076
Disposals	(7,974)	-	(7,974)
Revision	<u>-</u>	<u>(361)</u>	<u>(361)</u>
Balance, December 31, 2022	<u>82,297</u>	<u>15,841</u>	<u>98,138</u>
Accumulated depreciation			
Balance, January 1, 2022	(34,307)	(8,170)	(42,477)
Disposals	7,974	-	7,974
Depreciation expense	<u>(12,443)</u>	<u>(3,100)</u>	<u>(15,543)</u>
Balance, December 31, 2022	<u>(38,776)</u>	<u>(11,270)</u>	<u>(50,046)</u>
	<u>\$ 43,521</u>	<u>\$ 4,571</u>	<u>\$ 48,092</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2022

(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					
Mizuho Bank, Ltd., Kaohsiung	2022.10.28-2023.03.28	1.68	\$ 1,900,000	\$ 3,801,600	None
Mitsubishi UFJ, Taipei	2022.11.04-2023.03.06	1.77	900,000	2,000,000	None
Bank of Taiwan, GangShan	2022.11.24-2023.05.23	1.76	650,000	2,500,000	None
Bangkok Bank, Kaohsiung	2022.11.14-2023.05.12	1.84	600,000	870,000	None
ChinaTrust Commercial Bank, Minzu	2022.11.24-2023.05.23	1.40	400,000	2,000,000	None
Land Bank of Taiwan, Tainan	2022.10.17-2023.01.16	1.33	<u>330,000</u>	1,200,000	None
			<u>4,780,000</u>		
LC borrowing in NTD					
Bank of Taiwan, GangShan (Note 1)	2022.10.18-2023.01.10	1.35	23,399	2,500,000	None
Yuanta Commercial Bank, Kaohsiung	2022.10.04-2023.03.27	1.29-1.46	953,222	1,000,000	None
Land Bank of Taiwan, Tainan (Note 1)	2022.10.11-2023.01.23	1.32-1.36	63,846	1,200,000	None
ChinaTrust Commercial Bank, Minzu (Note 1)	2022.08.23-2023.06.02	1.30-1.53	<u>760,878</u>	2,000,000	None
			<u>1,801,345</u>		
Bank overdraft					
Mega Bank, Kaohsiung Metropolitan		0.67	493,909	-	Certificate of time deposit (Note 2)
Bank of Taiwan, GangShan		0.72	268,611	-	Demand deposits (Note 2)
Taiwan Business Bank, LingYa Branch		0.74	<u>217,651</u>	-	Certificate of time deposit (Note 2)
			<u>980,171</u>		
			<u>\$ 7,561,516</u>		

Note 1: Revolving loans and LC borrowing in USD shared credit amount.

Note 2: Refer to Note 31 for details.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related Parties	
A company	\$ 285,699
Others (Note)	<u>3,429</u>
	<u>\$ 289,098</u>
Non-related Parties	
B company	\$ 486,579
Others (Note)	<u>47,824</u>
	<u>\$ 534,403</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, 2022

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

Bonds Name	Trustee	Issuance Date	Interest Payment Date And Repayment Method	Coupon Rate (%)	Amount					Collateral or Pledge
					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	(\$ 1,456)	\$ 1,998,544	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>1,000,000</u>	(<u>1,235</u>)	<u>998,765</u>	None
					<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	(<u>\$ 2,691</u>)	<u>\$ 2,997,309</u>	

CHUNG HUNG STEEL CORPORATION

STATEMENT OF LONG-TERM BANK BORROWINGS

DECEMBER 31, 2022

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

Bank Name	Contract Period and Repayment Method	Interest Rates (%)	Balance, December 31, 2022			Collateral or Pledge
			Current	Over 1 Year	Total	
Long-term bank borrowings						
Bank of Taiwan, GangShan	Due in December 2024, amortization from June 2023	1.35	\$ 240,000	\$ 960,000	\$ 1,200,000	None
Bank of Taiwan, GangShan	Due in October 2025 with revolving basis	1.60	-	1,000,000	1,000,000	None
Mega Bank, Kaohsiung Metropolitan	Due in September 2023 with revolving basis	1.71	1,600,000	-	1,600,000	None
Land Bank of Taiwan, Tainan	Due in December 2023 with revolving basis	1.42	500,000	-	500,000	None
Export-Import Bank of the Republic of China, Kaohsiung	Repaid in August 2025	1.61	-	300,000	300,000	None
			<u>\$ 2,340,000</u>	<u>\$ 2,260,000</u>	<u>\$ 4,600,000</u>	

CHUNG HUNG STEEL CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Period	Discount Rates (%)	Amount
Land	2015.03.01-2031.12.31	0.65-1.31	\$ 44,525
Transportation equipment	2019.05.01-2024.10.31	0.75-0.76	<u>4,628</u>
			<u>\$ 49,153</u>

Note 1: Refer to Note 15 for details.

Note 2: Current portion of lease liabilities NT\$ 12,877 thousand has been classified as current liabilities.

CHUNG HUNG STEEL CORPORATION

STATEMENT OF LONG-TERM BILLS PAYABLE

DECEMBER 31, 2022

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

Financial Institution	Guarantee Institution	Credit Line	Period	Interest Rates (%)	Amount			Collateral or Pledge
					Issuance Amount	Unamortized Amount	Carrying Amount	
Commercial papers payable								
Union Bank of Taiwan	Non-guarantee	\$ 1,000,000	2022.08.19-2026.10.31	1.39	\$ 1,000,000	\$ 191	\$ 999,809	None
Taishin Bank	Non-guarantee	1,800,000	2022.01.14-2025.01.14	1.54	900,000	1,251	898,749	None
China Bills Finance Corporation	Non-guarantee	300,000	2022.03.31-2024.03.30	0.64	300,000	26	299,974	None
International Bills Finance Corporation	Non-guarantee	300,000	2022.01.28-2024.01.27	0.65	300,000	91	299,909	None
		<u>\$ 3,400,000</u>			<u>\$ 2,500,000</u>	<u>\$ 1,559</u>	<u>\$ 2,498,441</u>	

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (Metric Tons)	Amount
Sale of Goods		
Hot rolled coiled steel	1,467,206	\$ 33,058,790
Cold rolled coiled steel	209,018	5,766,825
Steel pipe	87,304	3,276,453
Galvanized coiled steel	53,817	<u>1,573,680</u>
		43,675,748
Service revenue		741,273
Other operating revenue		<u>80,257</u>
		<u>\$ 44,497,278</u>

CHUNG HUNG STEEL CORPORATION**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold for in-house products	
Raw materials used	
Raw materials, beginning of year	\$ 6,299,585
Raw material purchased	40,400,683
Raw materials, end of year	(7,121,426)
	39,508,842
Direct labor	371,099
Manufacturing expenses	3,448,229
Manufacturing cost	43,328,170
Work in progress, beginning of year	735,249
Work in progress, end of year	(697,357)
	43,366,062
Finished goods, beginning of year	4,285,975
Finished goods, end of year	(3,088,661)
Income from off-grades	(944,458)
Others	1,479,714
Total costs of goods sold	45,098,632
Service costs	529,608
Purchase contract loss (reversal of loss)	(73,150)
Other operating costs	74,344
Total operating costs	<u>\$ 45,629,434</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Total
Export expense	\$ 252,685	\$ -	\$ 252,685
Salaries and awards	43,542	127,407	170,949
Depreciation expense	268	9,058	9,326
Commission	44,786	-	44,786
Insurance	8,954	17,334	26,288
Employee benefits	7,560	18,700	26,260
Tax	8,372	12,299	20,671
Service fee	2,522	13,017	15,539
Travelling expense	253	2,259	2,512
Pension	2,162	5,125	7,287
Entertainment expense	406	6,795	7,201
Stockholder service fee	-	4,358	4,358
Repair and maintenance expense	59	5,988	6,047
Rent expense	200	2,234	2,434
Postage	696	3,947	4,643
Utility	-	2,867	2,867
Donation expense	150	5,427	5,577
Security expense	-	3,250	3,250
Freight expense	915	-	915
Others	<u>3,334</u>	<u>14,261</u>	<u>17,595</u>
Total	<u>\$ 376,864</u>	<u>\$ 254,326</u>	<u>\$ 631,190</u>

CHUNG HUNG STEEL CORPORATION

STATEMENT OF EMPLOYEE BENEFITS AND DEPRECIATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Year Ended December 31,2022				Year Ended December 31,2021			
	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	\$ 796,884	\$ 160,738	\$ -	\$ 957,622	\$ 1,477,581	\$ 303,062	\$ -	\$ 1,780,643
Labor and health insurance	87,244	16,883	-	104,127	83,415	14,660	-	98,075
Pension	40,144	7,287	-	47,431	39,223	7,049	-	46,272
Employment benefits	156,922	26,260	-	183,182	182,902	28,512	-	211,414
Remuneration of directors	-	10,211	-	10,211	-	69,960	-	69,960
Others	<u>1,747</u>	<u>373</u>	<u>-</u>	<u>2,120</u>	<u>2,825</u>	<u>755</u>	<u>-</u>	<u>3,580</u>
	<u>\$ 1,082,941</u>	<u>\$ 221,752</u>	<u>\$ -</u>	<u>\$ 1,304,693</u>	<u>\$ 1,785,946</u>	<u>\$ 423,998</u>	<u>\$ -</u>	<u>\$ 2,209,944</u>
Depreciation	<u>\$ 707,678</u>	<u>\$ 9,326</u>	<u>\$ 888</u>	<u>\$ 717,892</u>	<u>\$ 745,529</u>	<u>\$ 7,312</u>	<u>\$ 888</u>	<u>\$ 753,729</u>

Note 1: As of December 31, 2022 and 2021, the Corporation had 1,155 and 1,183 employees, respectively. Among them 6 directors did not serve concurrently as employees in 2022 and 2021, respectively.

Note 2: Additional disclosures are as follows:

- 1) Average employee benefits for the year ended December 31, 2022 and 2021 were NT\$ 1,127 thousand and NT\$ 1,818 thousand, respectively.
- 2) Average salaries for the year ended December 31, 2022 and 2021 were NT\$ 833 thousand and NT\$ 1,513 thousand, respectively.
- 3) Changes of adjustments of average salaries was -44.94%.
- 4) The Corporation did not have supervisors for the years ended December 31, 2022 and 2021.
- 5) The Corporation's remuneration policies are as follows:
 - a) Remuneration policy for directors
 - i The Corporation pays a fixed compensation , 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. 2022 Consolidated Financial Report for parent and subsidiary companies

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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, 2022, 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 of affiliates is included in the consolidated financial statements of parent and subsidiary companies. Consequently, Chung Hung Steel Corporation and its subsidiaries do not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

Chung Hung Steel Corporation

By

Kuei-Sung Tseng
Chairman

February 23, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and 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, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

The Existence of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2022 was NT\$19,503,169 thousand, which represented 45% of the sales revenue. Because the sales revenue from export sales has grown significantly compared to the sales revenue from the previous year, we considered the existence of sales revenue from export sales as a key audit matter. Refer to Notes 4, 24 and 35 to consolidated financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We obtained an understanding of the design and implementation of the internal controls and tested the operating effectiveness of controls related to the existence of sales revenue.
2. We tested the export sales details by selecting samples, including sales orders, shipping documents and cash collections, and we confirmed that the collections of counterparties were consistent with the record of transactions and the accuracy of revenue recognized.
3. We obtained subsequent details of sales returns and allowances of export sales and tested whether there is any unusual sales returns and allowances and confirmed that sales revenue existed before the balance sheet date.

Other Matter

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2022 and 2021 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2023

Notice to Readers

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

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,268,386	9	\$ 508,123	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	986,655	2	1,170,412	3
Financial assets for hedging - current (Notes 4 and 8)	700,188	2	-	-
Accounts receivable (Notes 4, 9 and 24)	231,840	1	930,578	2
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	57,510	-	47,355	-
Other receivables (Note 9)	11,156	-	9,051	-
Other receivables from related parties (Notes 9 and 30)	344,478	1	221,461	1
Current tax assets (Notes 4 and 26)	657	-	-	-
Inventories (Notes 4, 5 and 10)	9,761,983	26	12,717,439	34
Prepayments (Note 11)	255,767	1	443,128	1
Other financial assets - current (Notes 12 and 31)	1,101,100	3	1,002,800	3
Other current assets	45	-	2,597	-
Total current assets	<u>16,719,765</u>	<u>45</u>	<u>17,052,944</u>	<u>45</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	71,082	-	97,530	-
Investments accounted for using equity method (Notes 4 and 13)	3,701,899	10	4,042,778	11
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,801,656	27	10,164,924	28
Right-of-use assets (Notes 4 and 15)	48,092	-	62,920	-
Investment properties (Notes 4 and 16)	5,981,409	17	5,982,297	16
Deferred tax assets (Notes 4, 5 and 26)	373,292	1	-	-
Prepayments for equipment (Note 32)	56,285	-	70,290	-
Refundable deposits	9,337	-	5,651	-
Net defined benefit assets (Notes 4, 5 and 22)	2,060	-	-	-
Total noncurrent assets	<u>20,045,112</u>	<u>55</u>	<u>20,426,390</u>	<u>55</u>
TOTAL	<u>\$ 36,764,877</u>	<u>100</u>	<u>\$ 37,479,334</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ 7,561,516	21	\$ 4,562,252	12
Short-term bills payable (Note 17)	-	-	999,641	3
Financial liabilities for hedging - current (Notes 4 and 8)	2,166	-	-	-
Contract liabilities - current (Note 24)	102,146	-	95,155	-
Accounts payable (Note 19)	534,403	2	1,360,732	3
Accounts payable to related parties (Notes 19 and 30)	289,098	1	469,577	1
Other payables (Notes 20 and 30)	542,590	2	1,175,704	3
Current tax liabilities (Notes 4 and 26)	89,378	-	654,769	2
Provisions - current (Notes 4 and 21)	133,700	-	206,850	1
Lease liabilities - current (Notes 4 and 15)	12,877	-	15,408	-
Current portion of long-term borrowings (Note 17)	2,340,000	6	-	-
Refund liabilities	57,815	-	265,047	1
Other current liabilities	16,244	-	23,317	-
Total current liabilities	<u>11,681,933</u>	<u>32</u>	<u>9,828,452</u>	<u>26</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	2,997,309	8	2,996,174	8
Long-term bank borrowings (Note 17)	2,260,000	6	1,200,000	3
Long-term bills payable (Note 17)	2,498,441	7	239,792	1
Deferred tax liabilities (Notes 4 and 26)	193,481	1	182,222	1
Lease liabilities - noncurrent (Notes 4 and 15)	36,276	-	48,519	-
Net defined benefit liabilities (Notes 4, 5 and 22)	-	-	387,777	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>8,020,507</u>	<u>22</u>	<u>5,089,484</u>	<u>14</u>
Total liabilities	<u>19,702,440</u>	<u>54</u>	<u>14,917,936</u>	<u>40</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Ordinary shares	14,355,444	39	14,355,444	38
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	764,806	2	144,632	-
Special reserve	-	-	425,839	1
Unappropriated earnings	1,651,062	5	6,503,369	18
Total retained earnings	2,415,868	7	7,073,840	19
Other equity	290,222	-	1,131,211	3
Total equity	<u>17,062,437</u>	<u>46</u>	<u>22,561,398</u>	<u>60</u>
TOTAL	<u>\$ 36,764,877</u>	<u>100</u>	<u>\$ 37,479,334</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 (Loss) Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)				
Sales	\$ 43,675,748	98	\$ 53,019,056	99
Investment revenue	3,112	-	301	-
Service revenue	744,377	2	634,947	1
Other operating revenue	<u>80,257</u>	<u>-</u>	<u>89,708</u>	<u>-</u>
Total operating revenue	44,503,494	100	53,744,012	100
OPERATING COSTS (Notes 10, 14, 25 and 30)	<u>45,629,434</u>	<u>103</u>	<u>46,197,610</u>	<u>86</u>
GROSS PROFIT (LOSS)	<u>(1,125,940)</u>	<u>(3)</u>	<u>7,546,402</u>	<u>14</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	376,864	1	577,505	1
General and administrative expenses	<u>257,893</u>	<u>-</u>	<u>445,247</u>	<u>1</u>
Total operating expenses	<u>634,757</u>	<u>1</u>	<u>1,022,752</u>	<u>2</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(1,760,697)</u>	<u>(4)</u>	<u>6,523,650</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	47,626	-	825	-
Other income	283,258	-	131,343	-
Other gains and losses	29,000	-	370,938	1
Finance costs	(130,575)	-	(45,715)	-
Share of profit of associates	<u>346,865</u>	<u>1</u>	<u>32,035</u>	<u>-</u>
Total non-operating income and expenses	<u>576,174</u>	<u>1</u>	<u>489,426</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	(1,184,523)	(3)	7,013,076	13
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 26)	<u>(194,594)</u>	<u>-</u>	<u>662,665</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(989,929)</u>	<u>(3)</u>	<u>6,350,411</u>	<u>12</u>

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 ,23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 294,407	1	\$ (157,217)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(201,638)	-	380,295	1
Gains and losses on hedging instruments	(11,068)	-	-	-
Share of the other comprehensive income (loss) of associates	(631,251)	(1)	1,185,440	2
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	80,176	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of associates	<u>528</u>	<u>-</u>	<u>(142)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(468,846)</u>	<u>-</u>	<u>1,408,376</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (1,458,775)</u>	<u>(3)</u>	<u>\$ 7,758,787</u>	<u>15</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ (989,929)</u>	<u>(3)</u>	<u>\$ 6,350,411</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ (1,458,775)</u>	<u>(3)</u>	<u>\$ 7,758,787</u>	<u>15</u>
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	<u>\$ (0.69)</u>		<u>\$ 4.42</u>	
Diluted	<u>\$ (0.69)</u>		<u>\$ 4.40</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			Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	
BALANCE AT JANUARY 1, 2021	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 662,620	\$ -	\$ (425,839)	\$ -	\$ 15,233,274
Appropriation of 2020 earning (Note 23)									
Legal reserve	-	-	54,064	-	(54,064)	-	-	-	-
Cash dividends	-	-	-	-	(430,663)	-	-	-	(430,663)
Reversal of special reserve	-	-	-	(123,739)	123,739	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	6,350,411	-	-	-	6,350,411
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	(157,217)	(142)	1,565,735	-	1,408,376
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	6,193,194	(142)	1,565,735	-	7,758,787
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	8,543	-	(8,543)	-	-
BALANCE AT DECEMBER 31, 2021	14,355,444	903	144,632	425,839	6,503,369	(142)	1,131,353	-	22,561,398
Appropriation of 2021 earning (Note 23)									
Legal reserve	-	-	620,174	-	(620,174)	-	-	-	-
Cash dividends	-	-	-	-	(4,019,524)	-	-	-	(4,019,524)
Reversal of special reserve	-	-	-	(425,839)	425,839	-	-	-	-
Net loss for the year ended December 31, 2022	-	-	-	-	(989,929)	-	-	-	(989,929)
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-	-	-	-	372,362	528	(832,882)	(8,854)	(468,846)
Total comprehensive loss for the year ended December 31, 2022	-	-	-	-	(617,567)	528	(832,882)	(8,854)	(1,458,775)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(219)	-	219	-	-
Adjustment from changes in equity of associates	-	-	-	-	(20,662)	-	-	-	(20,662)
BALANCE AT DECEMBER 31, 2022	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,651,062	\$ 386	\$ 298,690	\$ (8,854)	\$ 17,062,437

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	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ (1,184,523)	\$ 7,013,076
Adjustments for:		
Depreciation expense	717,892	753,729
Net gain on financial assets at fair value through profit or loss	(2,774)	(318,331)
Finance costs	130,575	45,715
Interest income	(47,626)	(825)
Dividend income	(108,042)	(10,684)
Share of profit of associates	(346,865)	(32,035)
Write-downs of inventories	1,466,930	4,859
Recognition of impairment loss	-	646,025
Recognition (reversal) of provisions	(73,150)	206,850
Others	1,135	1,097
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,774	560,741
Financial assets for hedging	(462,011)	-
Accounts receivable	698,738	(100,491)
Accounts receivable from related parties	(10,155)	69,883
Other receivables	1,777	10,297
Other receivables from related parties	176,983	(194,789)
Inventories	1,488,526	(8,485,878)
Prepayments	187,361	(292,167)
Other current assets	2,552	1,364
Contract liabilities	6,991	37,872
Accounts payable	(826,329)	1,333,232
Accounts payable to related parties	(180,479)	156,353
Other payables	(649,706)	589,808
Other current liabilities	(7,073)	7,553
Net defined benefit liabilities	(95,429)	(83,157)
Refund liabilities	(207,232)	111,291
Cash generated from operations	680,840	2,031,388
Income taxes paid	(653,311)	(7,387)
Net cash generated from operating activities	<u>27,529</u>	<u>2,024,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	325	-
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	8,242	-
Purchase of Financial assets for hedging	(247,079)	-
Purchase of investments accounted for using the equity method	-	(200,000)

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2022	2021
Acquisition of property, plant and equipment	\$ (322,740)	\$ (353,847)
Decrease (increase) in refundable deposits	(3,686)	569
Increase in other receivables from related parties	(300,000)	-
Increase in other financial assets	(98,300)	(701,100)
Interest received	43,744	798
Dividends received from others	<u>144,402</u>	<u>54,955</u>
Net cash used in investing activities	<u>(775,092)</u>	<u>(1,198,625)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	120,525,034	117,158,161
Repayments of short-term borrowings	(117,525,770)	(113,000,539)
Increase in short-term bills payable	4,900,359	8,200,064
Decrease in short-term bills payable	(5,900,000)	(10,800,000)
Proceeds from long-term borrowings	3,900,000	300,000
Repayments of long-term borrowings	(500,000)	(1,100,000)
Proceeds from long-term bills payable	2,498,649	240,118
Repayments of long-term bills payable	(240,000)	(1,110,000)
Repayments of principal of lease liabilities	(15,489)	(15,232)
Dividends paid to owner of the Corporation	(4,019,524)	(430,663)
Interest paid	<u>(115,433)</u>	<u>(46,535)</u>
Net cash generated from (used in) financing activities	<u>3,507,826</u>	<u>(604,626)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,760,263	220,750
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>508,123</u>	<u>287,373</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,268,386</u>	<u>\$ 508,123</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, 2022 AND 2021 (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.

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

As of December 31, 2022, and 2021, China Steel Corporation (CSC), the Corporation's parent and major shareholder (40.58%), 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 23, 2023.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

- 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)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

4. SUMMARY OF 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 (assets) which are measured at present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, 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 Non-current 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 and cash equivalents 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 non-current.

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, 2022	December 31, 2021
Chung Hung Steel Corporation Ltd.	Hung Kao Investment Corporation	General investment	100	100

Foreign Currencies

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

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Except for exchange differences arising from hedging transactions to hedge part of the exchange rate risk, 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 and accumulated impairment loss.

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. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches

its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets 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 for depreciation of the rollers (spare parts) that belong to the cold rolling department, the hot rolling department and pickling & galvanizing mill department is calculated based on their level of wear and other depreciation is recognized so as to write off the cost of assets less their residual value 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, Right-of-use Asset and Investment Properties

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and investment properties 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 estimate 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, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

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 29.

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 and cash equivalents, accounts receivable at amortized cost, other receivables, 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.

Cash equivalents include time deposits and commercial papers with repurchase agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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 receivable).

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivable. 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 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.

d. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate including risks and uncertainties of the expenditure required to settle the obligation on the balance sheet date.

When the Group expects that the unavoidable costs of the performance of contractual obligations to exceed the expected economic benefits that may be gained from the contract, the Group recognizes provisions for the performance of its obligations in the onerous contract. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

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.

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 (asset) are recognized as employee benefits expense in the period they occur. Rereasurement, 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. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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 Act, 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flows projections, growth rate, discount rate, profitability, etc. 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. In cases where the actual future profit generated is less (greater) than expected, a material reversal (recognition) of deferred tax assets may arise, which would be recognized in the period in which such a reversal (recognition) takes place.

Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the pension cost of defined benefit plan under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 640	\$ 640
Checking accounts and demand deposits	224,231	507,483

(Continued)

	December 31	
	2022	2021
Cash equivalents (investments with original maturities within three months)		
Time deposits	\$ 994,133	\$ -
Commercial papers with repurchase agreements	1,839,382	-
Bonds with repurchase agreements	<u>210,000</u>	<u>-</u>
	<u>\$ 3,268,386</u>	<u>\$ 508,123</u>
		(Concluded)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Current</u>		
Domestic listed shares	<u>\$ 986,655</u>	<u>\$ 1,170,412</u>
<u>Non-current</u>		
Domestic listed shares	\$ 29,919	\$ 35,490
Domestic unlisted shares	<u>41,163</u>	<u>62,040</u>
	<u>\$ 71,082</u>	<u>\$ 97,530</u>

8. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2022	2021
<u>Financial assets for hedging - current</u>		
Foreign-currency deposits	<u>\$ 700,188</u>	<u>\$ -</u>
<u>Financial liabilities for hedging - current</u>		
Foreign exchange forward contracts	<u>\$ 2,166</u>	<u>\$ -</u>

For the purpose of managing cash flow risk from exchange rate fluctuations due to the purchase of imported raw materials and equipment, the Group purchased foreign-currency deposits and entered into foreign exchange forward contracts. Refer to Note 29 for information relating to financial instruments for hedging.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Accounts receivable</u>		
Accounts receivable - non-related parties		
At amortized cost	<u>\$ 231,840</u>	<u>\$ 930,578</u>
Accounts receivable - related parties		
At amortized cost	<u>\$ 57,510</u>	<u>\$ 47,355</u>
<u>Other receivables (including related parties)</u>		
Other receivables - related parties' loans	\$ 300,000	\$ -
Receivables from disposal of scrap	31,720	49,662
Receivables from price settlement	16,039	170,204
Others	<u>7,875</u>	<u>10,646</u>
	<u>\$ 355,634</u>	<u>\$ 230,512</u>

a. Accounts receivable at amortized cost

Refer to Note 29 (d) for credit risk management policies. The expected credit losses on accounts receivable are estimated using a provision matrix approach considering the 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.

December 31, 2022

	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	\$ 289,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,350
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-
Amortized cost	<u>\$ 289,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,350</u>

December 31, 2021

	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	\$ 977,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 977,933
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-
Amortized cost	<u>\$ 977,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,933</u>

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

	December 31	
	2022	2021
A company	\$ 89,771	\$ -
B company	41,915	33,745
C company	10,944	169,772
D company	1,502	108,898
E company	-	121,226
F company	-	<u>244,817</u>
	<u>\$ 144,132</u>	<u>\$ 678,458</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 years ended December 31, 2022 and 2021 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, 2022</u>						
Mega Bank	\$ 453,536	\$ 1,051,545	\$ 1,280,699	\$ 224,382	1.38	NT\$533.3 million
Bank of Taiwan	46,016	141,425	177,148	10,293	1.37	NT\$200 million
Bank of Taiwan	22,479	40,239	53,610	9,108	3.50	USD\$20 million
	<u>\$ 522,031</u>	<u>\$ 1,233,209</u>	<u>\$ 1,511,457</u>	<u>\$ 243,783</u>		
<u>For the year ended December 31, 2021</u>						
Mega Bank	\$ 601,245	\$ 1,614,825	\$ 1,762,534	\$ 453,536	1.03	NT\$841.2 million
Bank of Taiwan	67,274	183,448	204,706	46,016	1.03	NT\$200 million
Bank of Taiwan	14,577	60,977	53,075	22,479	1.44	USD\$20 million
	<u>\$ 683,096</u>	<u>\$ 1,859,250</u>	<u>\$ 2,020,315</u>	<u>\$ 522,031</u>		

The above credit lines are revolving.

b. Other receivables

The expected credit losses on other receivables are estimated using expected credit loss rate based on the other receivables overdue days. As of December 31, 2022 and 2021, there was no allowance for doubtful accounts.

10. INVENTORIES

	<u>December 31</u>	
	2022	2021
Raw materials	\$ 5,774,808	\$ 6,207,596
Supplies	375,065	309,073
Work in progress	619,397	730,616
Finished goods	2,580,831	4,262,064
Others	6,148	6,418
Raw materials and supplies in transit	<u>405,734</u>	<u>1,201,672</u>
	<u>\$ 9,761,983</u>	<u>\$ 12,717,439</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 was NT\$45,099,826 thousand and NT\$45,058,843 thousand, respectively, including write-down of inventory of NT\$1,466,930 thousand and NT\$4,859 thousand, respectively.

11. PREPAYMENTS

	<u>December 31</u>	
	2022	2021
Input tax	\$ 183,016	\$ 312,282
Tax overpaid retained for offsetting future tax payable	31,948	102,533
Prepayments for purchases	27,207	24,036
Others	<u>13,596</u>	<u>4,277</u>
	<u>\$ 255,767</u>	<u>\$ 443,128</u>

12. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Pledged time deposits (Note 31)	\$ 800,000	\$ 700,000
Pledged demand deposits (Note 31)	300,000	300,000
One-year time deposits	<u>1,100</u>	<u>2,800</u>
	<u>\$ 1,101,100</u>	<u>\$ 1,002,800</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	2022	2021
Material associate		
Transglory Investment Corp. (TIC)	\$ 3,508,558	\$ 3,829,875
Associates that are not individually material	<u>193,341</u>	<u>212,903</u>
	<u>\$ 3,701,899</u>	<u>\$ 4,042,778</u>

a. Material associate

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			December 31 2022	December 31 2021
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, 2022 and 2021 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	
	2022	2021
Current assets	\$ 533,139	\$ 1,052
Non-current assets	8,049,395	9,470,285
Current liabilities	<u>(6,645)</u>	<u>(110,059)</u>
Equity	<u>\$ 8,575,889</u>	<u>\$ 9,361,278</u>
Proportion of the Group's ownership (%)	40.91	40.91
Equity attributable to the Group	<u>\$ 3,508,558</u>	<u>\$ 3,829,875</u>
Carrying amount	<u>\$ 3,508,558</u>	<u>\$ 3,829,875</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 841,415</u>	<u>\$ 79,856</u>
Net profit for the year	\$ 832,427	\$ 69,510
Other comprehensive income (loss)	<u>(1,504,690)</u>	<u>2,874,151</u>
Total comprehensive income (loss) for the year	<u>\$ (672,263)</u>	<u>\$ 2,943,661</u>
Comprehensive income (loss) attributable to the Group	<u>\$ (275,035)</u>	<u>\$ 1,204,430</u>

b. Information about associates that are not individually material was as follows:

	For the Year Ended December 31	
	2022	2021
The Group's share of		
Net profit for the year	\$ 6,304	\$ 3,448
Other comprehensive income (loss)	<u>(15,126)</u>	<u>9,455</u>
Total comprehensive income (loss)	<u>\$ (8,822)</u>	<u>\$ 12,903</u>

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

Refer to Table 5 "Information on Investees" for the nature of main business, principal place of business and countries of incorporation of associates that are not individually material.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2022

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2022	\$ 3,988,983	\$ 5,012,081	\$ 23,066,828	\$ 4,530,559	\$ 1,330,770	\$ 67,071	\$ 37,996,292
Additions	19,298	2,429	157,987	57,939	119,828	(19,288)	338,193
Disposals	-	-	-	(8,145)	(220,180)	-	(228,325)
Balance at December 31, 2022	<u>\$ 4,008,281</u>	<u>\$ 5,014,510</u>	<u>\$ 23,224,815</u>	<u>\$ 4,580,353</u>	<u>\$ 1,230,418</u>	<u>\$ 47,783</u>	<u>\$ 38,106,160</u>
Accumulated depreciation							
Balance at January 1, 2022	\$ -	\$ 2,141,699	\$ 19,554,344	4,138,570	\$ 774,413	\$ -	\$ 26,609,026
Depreciation expense	-	133,518	337,229	100,203	130,511	-	701,461
Disposals	-	-	-	(8,145)	(220,180)	-	(228,325)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 2,275,217</u>	<u>\$ 19,891,573</u>	<u>\$ 4,230,628</u>	<u>\$ 684,744</u>	<u>\$ -</u>	<u>\$ 27,082,162</u>
Accumulated impairment							
Balance at January 1 and December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at December 31, 2022	<u>\$ 4,008,281</u>	<u>\$ 2,739,293</u>	<u>\$ 2,264,056</u>	<u>\$ 349,725</u>	<u>\$ 392,518</u>	<u>\$ 47,783</u>	<u>\$ 9,801,656</u>

For the year ended December 31, 2021

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2021	\$ 3,988,983	\$ 5,001,703	\$ 22,862,804	\$ 4,483,434	\$ 1,291,199	\$ 125,357	\$ 37,753,480
Additions	-	10,378	210,281	57,033	166,262	(58,286)	385,668
Disposals	-	-	(6,257)	(9,908)	(126,691)	-	(142,856)
Balance at December 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 5,012,081</u>	<u>\$ 23,066,828</u>	<u>\$ 4,530,559</u>	<u>\$ 1,330,770</u>	<u>\$ 67,071</u>	<u>\$ 37,996,292</u>
Accumulated depreciation							
Balance at January 1, 2022	\$ -	\$ 2,008,941	\$ 19,214,045	\$ 4,050,064	\$ 741,470	\$ -	\$ 26,014,520
Depreciation expense	-	132,758	346,556	98,414	159,634	-	737,362
Disposals	-	-	(6,257)	(9,908)	(126,691)	-	(142,856)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 2,141,699</u>	<u>\$ 19,554,344</u>	<u>\$ 4,138,570</u>	<u>\$ 774,413</u>	<u>\$ -</u>	<u>\$ 26,609,026</u>
Accumulated impairment							
Balance at January 1, 2021	\$ -	\$ -	\$ 423,161	\$ -	\$ 153,156	\$ -	\$ 576,317
Impairment loss	-	-	646,025	-	-	-	646,025
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at December 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 2,870,382</u>	<u>\$ 2,443,298</u>	<u>\$ 391,989</u>	<u>\$ 403,201</u>	<u>\$ 67,071</u>	<u>\$ 10,164,924</u>

Depreciation of the rollers 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	3-20 years
Tank	10 years

The Corporation bought farmlands for warehousing at the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the Corporation's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in freely changing the land title to the Corporation or to other name under the Corporation's instructions. Meanwhile, the land has been pledged to the Corporation as collateral. In May 2022, a portion of the land was classified under land category and registered under the Corporation's sole ownership. As of December 31, 2022 and 2021, the carrying amount of the farmlands recognized as land was NT\$19,354 thousand and NT\$55,433 thousand, respectively.

Based on the market conditions and the evaluated capacity, the Corporation assessed that the recoverable amount of a portion of the plant and equipment in the steel pipe plant was estimated to be less than its carrying amount; therefore, recognized an impairment loss of NT\$646,025 thousand under operating costs for the year ended December 31, 2021. The Corporation performs evaluation of impairment by reviewing the recoverable amounts based on value in use. In assessing value in use, the estimated future cash flow is discounted to its present value using annual discount rate at 7.19%.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Land	\$ 43,521	\$ 55,852
Transportation equipment	<u>4,571</u>	<u>7,068</u>
	<u>\$ 48,092</u>	<u>\$ 62,920</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 1,076</u>	<u>\$ 69</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Depreciation charge for right-of-use assets		
Land	\$ 12,443	\$ 12,450
Transportation equipment	<u>3,100</u>	<u>3,029</u>
	<u>\$ 15,543</u>	<u>\$ 15,479</u>
		(Concluded)

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 years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 12,877</u>	<u>\$ 15,408</u>
Non-current	<u>\$ 36,276</u>	<u>\$ 48,519</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land (%)	0.65-1.31	0.65-1.31
Transportation equipment (%)	0.75-0.76	0.76

c. Material lease activities and terms

The Corporation leases several pieces of land to store steel products, with the lease terms of 3 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	
	2022	2021
Expenses relating to short-term leases	<u>\$ 16,395</u>	<u>\$ 12,728</u>
Expenses relating to low-value asset leases	<u>\$ 1,296</u>	<u>\$ 1,353</u>
Total cash outflow for leases	<u>\$ (33,860)</u>	<u>\$ (30,167)</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, 2022

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2022 and December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 17,844	\$ 17,844
Depreciation expense	<u>-</u>	<u>888</u>	<u>888</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 18,732</u>	<u>\$ 18,732</u>
Carrying amount at December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 22,335</u>	<u>\$ 5,981,409</u>

For the year ended December 31, 2021

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2021 and December 31, 2021	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ -	\$ 16,956	\$ 16,956
Depreciation expense	<u>-</u>	<u>888</u>	<u>888</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 17,844</u>	<u>\$ 17,844</u>
Carrying amount at December 31, 2021	<u>\$ 5,959,074</u>	<u>\$ 23,223</u>	<u>\$ 5,982,297</u>

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 amounts of rental revenue for the years ended December 31, 2022 and 2021 were NT\$85,109 thousand and NT\$83,446 thousand, respectively, and were included in other income. As of December 31, 2022 and 2021, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2022 and 2021, notes receivable and advance rental were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes receivable	\$ 52,630	\$ 51,598
Less: Advance rental	<u>52,630</u>	<u>51,598</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	
	2022	2021
1st year	\$ 98,074	\$ 94,793
2nd year	88,232	86,618
3rd year	89,996	88,232
4th year	91,796	89,996
5th year	93,632	91,796
Later than 5 years	<u>359,396</u>	<u>453,028</u>
	<u>\$ 821,126</u>	<u>\$ 904,463</u>

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

The fair value of the investment properties was arrived at on the basis of valuations carried out in December 2021 by real estate appraiser. 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	
	2022	2021
Fair value	<u>\$ 13,667,266</u>	<u>\$ 13,667,266</u>
Expense rate (%)	27.52	27.52
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	
	2022	2021
Unsecured loans	\$ 4,780,000	\$ 2,700,000
Bank overdrafts (Note 31)	980,171	666,391
Letters of credit	<u>1,801,345</u>	<u>1,195,861</u>
	<u>\$ 7,561,516</u>	<u>\$ 4,562,252</u>
Interest rate (%)	0.67-1.84	0.21-0.75

b. Short-term bills payable

	December 31	
	2022	2021
Short-term bills payable	\$ -	\$ 1,000,000
	<u>-</u>	<u>359</u>
Less: Unamortized discounts	<u>\$ -</u>	<u>\$ 999,641</u>
Interest rate (%)	-	0.56

As of December 31, 2021, all short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

	December 31	
	2022	2021
Credit bank loans		
Due on various dates through October 2025	\$ 4,600,000	\$ 1,200,000
Less : Current potion	<u>2,340,000</u>	<u>-</u>
	<u>\$ 2,260,000</u>	<u>\$ 1,200,000</u>
Interest rate (%)	1.35-1.71	0.79

d. Long-term bills payable

	December 31	
	2022	2021
Long-term bills payable	\$ 2,500,000	\$ 240,000
Less: Unamortized discount	<u>1,559</u>	<u>208</u>
	<u>\$ 2,498,441</u>	<u>\$ 239,792</u>
Interest rate (%)	0.64-1.54	0.62

Long-term bills payables have revolving credit lines within the payment terms according to the contracts, and need to be utilized to some extent. As of December 31, 2022 and 2021, all long-term bills payables were non-guarantee commercial paper.

18. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>2,691</u>	<u>3,826</u>
	<u>\$ 2,997,309</u>	<u>\$ 2,996,174</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	
	2022	2021
<u>Accounts payable</u>		
Operating - non-related parties	<u>\$ 534,403</u>	<u>\$ 1,360,732</u>
Operating - related parties	<u>\$ 289,098</u>	<u>\$ 469,577</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	
	2022	2021
Salaries and incentive bonus	\$ 213,075	\$ 487,058
Utilities	56,846	55,505
Export fees	51,516	57,829
Outsourced repair and construction	42,176	32,317
Interest payable	30,739	14,528
Compensation of employees and remuneration of directors	1,569	371,560
Others	<u>146,669</u>	<u>156,907</u>
	<u>\$ 542,590</u>	<u>\$ 1,175,704</u>

21. PROVISIONS - CURRENT

	December 31	
	2022	2021
Onerous contracts	<u>\$ 133,700</u>	<u>\$ 206,850</u>

	For the Year Ended December 31	
	2022	2021
Balance at beginning of the year	\$ 206,850	\$ -
Recognized (Reversal)	<u>(73,150)</u>	<u>206,850</u>
Balance at end of the year	<u>\$ 133,700</u>	<u>\$ 206,850</u>

The provision for onerous contracts comes from the non-cancellable purchase contracts with suppliers, and the provision amounts are measured using the difference of the unavoidable costs of meeting the contractual obligations less the economic benefits expected to be received from the contracts.

22. 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 Act, 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	
	2022	2021
Present value of defined benefit obligation	\$ 1,381,697	\$ 1,601,663
Fair value of plan assets	<u>(1,383,757)</u>	<u>(1,213,886)</u>
Net defined benefit liabilities (assets)	<u>\$ (2,060)</u>	<u>\$ 387,777</u>

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 1,601,663</u>	<u>\$ (1,213,886)</u>	<u>\$ 387,777</u>
Service cost			
Current service cost	18,640	-	18,640
Interest expense (income)	<u>7,969</u>	<u>(6,379)</u>	<u>1,590</u>
Recognized in profit or loss	<u>26,609</u>	<u>(6,379)</u>	<u>20,230</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(94,776)	(94,776)
Actuarial gain - changes in financial assumptions	(123,541)	-	(123,541)
Actuarial gain - experience adjustments	<u>(76,090)</u>	<u>-</u>	<u>(76,090)</u>
Recognized in other comprehensive income	<u>(199,631)</u>	<u>(94,776)</u>	<u>(294,407)</u>
Contributions from the employer	<u>-</u>	<u>(111,556)</u>	<u>(111,556)</u>
Benefits paid	<u>(46,944)</u>	<u>42,840</u>	<u>(4,104)</u>
Balance at December 31, 2022	<u>\$ 1,381,697</u>	<u>\$ (1,383,757)</u>	<u>\$ (2,060)</u>
Balance at January 1, 2021	<u>\$ 1,475,529</u>	<u>\$ (1,161,812)</u>	<u>\$ 313,717</u>
Service cost			
Current service cost	18,626	-	18,626
Interest expense (income)	<u>7,372</u>	<u>(6,001)</u>	<u>1,371</u>
Recognized in profit or loss	<u>25,998</u>	<u>(6,001)</u>	<u>19,997</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(14,600)	(14,600)
Actuarial loss - changes in demographic assumptions	33,010	-	33,010
Actuarial loss - changes in financial assumptions	52,523	-	52,523
Actuarial loss - experience adjustments	<u>86,284</u>	<u>-</u>	<u>86,284</u>
Recognized in other comprehensive income	<u>171,817</u>	<u>(14,600)</u>	<u>157,217</u>
Contributions from the employer	<u>-</u>	<u>(95,550)</u>	<u>(95,550)</u>
Benefits paid	<u>(71,681)</u>	<u>64,077</u>	<u>(7,604)</u>
Balance at December 31, 2021	<u>\$ 1,601,663</u>	<u>\$ (1,213,886)</u>	<u>\$ 387,777</u>

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	
	2022	2021
Operating costs	\$ 16,957	\$ 16,845
Operating expenses	<u>3,273</u>	<u>3,152</u>
	<u>\$ 20,230</u>	<u>\$ 19,997</u>

Through the defined benefit plans under the Labor Standards Act, 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	
	2022	2021
Discount rate (%)	1.5	0.5
Expected rate of salary increase (%)	2.5	2.5
Turnover rate (%)	0-4.5	0-4.5

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (28,527)</u>	<u>\$ (36,735)</u>
0.25% decrease	<u>\$ 29,434</u>	<u>\$ 37,995</u>

(Continued)

	December 31	
	2022	2021
Expected rate of salary increase		
0.25% increase	<u>\$ 28,617</u>	<u>\$ 36,597</u>
0.25% decrease	<u>\$ (27,878)</u>	<u>\$ (35,578)</u>
		(Concluded)

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

	December 31	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ 82,850</u>	<u>\$ 139,466</u>
The average duration of the defined benefit obligation	8.5 years	9.4 years

23. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
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. The number of authorized shares approved by the Department of Commerce, Ministry of Economic Affairs is 2,043,160 thousand shares.

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	
	2022	2021
Additional paid-in capital	<u>\$ 903</u>	<u>\$ 903</u>

In 2009, CSC had transferred its treasury shares 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 shares 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 deficit.

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. The allocation of no less than 30% of the distributable surplus every year to distribute dividends was resolved and approved. 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 shares 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.

The appropriations of earnings for 2021 and 2020 were approved by shareholders' meeting in June 2022 and August 2021, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 620,174	\$ 54,064		
Reversal of special reserve	(425,839)	(123,739)		
Cash dividends	4,019,524	430,663	\$ 2.8	\$ 0.3

The appropriations of earnings for 2022 were proposed by the Corporation's board of directors on February, 2023 as follows:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Cash dividends	\$ 502,441	\$ 0.35

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held in June 2023.

Information about the appropriation of earnings and offsetting deficit, 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. Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at beginning of the year	\$ (142)	\$ -
Recognized for the year		
Share from associates accounted for using the equity method	<u>528</u>	<u>(142)</u>
Balance at end of the year	<u>\$ 386</u>	<u>\$ (142)</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at beginning of the year	\$ <u>1,131,353</u>	\$ <u>(425,839)</u>
Recognized for the year		
Unrealized gains and losses - equity instruments	(201,638)	380,295
Share from associates accounted for using the equity method	<u>(631,244)</u>	<u>1,185,440</u>
Other comprehensive income recognized for the year	<u>(832,882)</u>	<u>1,565,735</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>219</u>	<u>(8,543)</u>
Balance at end of the year	\$ <u><u>298,690</u></u>	\$ <u><u>1,131,353</u></u>

- f. Gains and losses on hedging instruments- Cash flow hedges

	For the Year Ended December 31	
	2022	2021
Balance at beginning of the year	\$ <u>-</u>	\$ <u>-</u>
Recognized for the year		
Foreign currency risk-foreign currency deposits	(8,902)	-
Foreign currency risk-foreign exchange forward contracts	(2,166)	-
Income tax effect	<u>2,214</u>	<u>-</u>
Other comprehensive income recognized for the year	<u>(8,854)</u>	<u>-</u>
Balance at end of the year	\$ <u><u>(8,854)</u></u>	\$ <u><u>-</u></u>

24. OPERATING REVENUE

- a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable	\$ <u>289,350</u>	\$ <u>977,933</u>	\$ <u>947,325</u>
Contract liabilities			
Sale of goods	\$ <u>102,146</u>	\$ <u>95,155</u>	\$ <u>57,283</u>

b. Disaggregation of revenue

For the year ended December 31, 2022

Type of goods or services	Reportable Segments		
	Chung Hung	Others	Total
Sale of goods	\$ 43,675,748	\$ -	\$ 43,675,748
Rendering of services	741,273	3,104	744,377
Others	<u>80,257</u>	<u>3,112</u>	<u>83,369</u>
	<u>\$ 44,497,278</u>	<u>\$ 6,216</u>	<u>\$ 44,503,494</u>

For the year ended December 31, 2021

Type of goods or services	Reportable Segments		
	Chung Hung	Others	Total
Sale of goods	\$ 53,019,056	\$ -	\$ 53,019,056
Rendering of services	624,450	10,497	634,947
Others	<u>89,708</u>	<u>301</u>	<u>90,009</u>
	<u>\$ 53,733,214</u>	<u>\$ 10,798</u>	<u>\$ 53,744,012</u>

25. NET PROFIT (LOSS) FOR THE YEAR

Net profit (loss) for the year consisted of following items:

a. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 89,331	\$ 86,876
Grant income	8	24,207
Dividend income	104,930	10,383
Others	<u>88,989</u>	<u>9,877</u>
	<u>\$ 283,258</u>	<u>\$ 131,343</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on financial assets at fair value through profit or loss	\$ 2,774	\$ 318,331
Net foreign exchange gain	38,682	64,415
Service charge	(5,452)	(7,554)
Others	<u>(7,004)</u>	<u>(4,254)</u>
	<u>\$ 29,000</u>	<u>\$ 370,938</u>

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

	For the Year Ended December 31	
	2022	2021
Foreign exchange gain	\$ 366,780	\$ 128,405
Foreign exchange loss	<u>(328,098)</u>	<u>(63,990)</u>
Net exchange gain (loss)	<u>\$ 38,682</u>	<u>\$ 64,415</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank overdrafts and loans	\$ 130,964	\$ 45,534
Interest on lease liabilities	<u>680</u>	<u>854</u>
Total interest expense financial liabilities measured at amortized cost	131,644	46,388
Less: Amounts included in the cost of qualifying assets	<u>1,069</u>	<u>673</u>
	<u>\$ 130,575</u>	<u>\$ 45,715</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized amounts	\$ 1,069	\$ 673
Capitalized annual rates (%)	0.59-1.32	0.56-0.72

d. Depreciation

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 701,461	\$ 737,362
Investment properties	888	888
Right-of-use assets	<u>15,543</u>	<u>15,479</u>
	<u>\$ 717,892</u>	<u>\$ 753,729</u>
Analysis of depreciation by function		
Operating costs	\$ 707,678	\$ 745,529
Operating expenses	9,326	7,312
Deduction of other income	<u>888</u>	<u>888</u>
	<u>\$ 717,892</u>	<u>\$ 753,729</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2022	2021
Direct operating expenses of investment properties that generated rental income	\$ 11,296	\$ 11,401
Direct operating expenses of investment properties that did not generate rental income	<u>9,934</u>	<u>7,265</u>
	<u>\$ 21,230</u>	<u>\$ 18,666</u>

f. Employee benefits

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 967,833	\$ 1,850,603
Labor and health insurance	104,127	98,075
Others	<u>185,302</u>	<u>214,994</u>
	<u>1,257,262</u>	<u>2,163,672</u>
Post-employment benefits		
Defined contribution plans	27,201	26,275
Defined benefit plans (Note 22)	<u>20,230</u>	<u>19,997</u>
	<u>47,431</u>	<u>46,272</u>
	<u>\$ 1,304,693</u>	<u>\$ 2,209,944</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 1,082,941	\$ 1,785,946
Operating expenses	<u>221,752</u>	<u>423,998</u>
	<u>\$ 1,304,693</u>	<u>\$ 2,209,944</u>

g. Compensation of employees and remuneration of directors

In accordance with the Corporation's Articles of Incorporation, the Corporation distributes compensation of employees 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, compensation of employees, and remuneration of directors. The Company did not accrue compensation of employees and remuneration of directors for the year ended December 31, 2022 due to losses incurred.

The compensation of employees and remuneration of directors for the year ended December 31, 2021, which were approved by the Corporation's board of directors in February 2022 were as follows:

Amount	For the Year Ended December 31, 2021
Compensation of employees	\$ 307,804
Remuneration of directors	61,561
	For the Year Ended December 31, 2021
Accrual rate	
Compensation of employees (%)	4.17
Remuneration of directors (%)	0.83

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 compensation of employees and remuneration of directors paid for the years ended December 31, 2021 and 2020.

Information on compensation of employees 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.

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 255	\$ 658,128
Income tax on unappropriated earnings	93,750	-
In respect of the prior years	(6,742)	4,537
Deferred tax		
In respect of the current year	<u>(281,857)</u>	<u>-</u>
	<u>\$ (194,594)</u>	<u>\$ 662,665</u>

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

	For the Year Ended December 31	
	2022	2021
Profit (Loss) before income tax	\$ (1,184,523)	\$ 7,013,076
Income tax expense (benefit) at the statutory rate	\$ (236,905)	\$ 1,402,615
Permanent differences		
Profit on investments under equity method	(69,373)	(6,407)
Others	(20,305)	(64,575)
Unrecognized deductible temporary differences	(125,637)	121,919
Income tax on unappropriated earnings	93,750	-
Loss carryforwards	-	(795,424)
Unrecognized loss carryforwards	170,618	-
In respect of the prior years	<u>(6,742)</u>	<u>4,537</u>
	<u>\$ (194,594)</u>	<u>\$ 662,665</u>

- b. No income tax was recognized directly in equity.
- c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
Remeasurement on defined benefit plans	\$ 77,962	\$ -
Gains and losses on hedging instruments	<u>2,214</u>	<u>-</u>
	<u>\$ 80,176</u>	<u>\$ -</u>

- d. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	\$ <u>657</u>	\$ <u>-</u>
Current tax liabilities		
Income tax payable	\$ <u>89,378</u>	\$ <u>654,769</u>

e. Deferred tax assets and liabilities

For the year ended December 31, 2022

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized other comprehensive income	Balance at End of the Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized write-down of inventories	\$ -	\$ 319,119	\$ -	\$ 319,119
Provisions	-	26,740	-	26,740
Others	-	25,219	2,214	27,433
	<u>\$ -</u>	<u>\$ 371,078</u>	<u>\$ 2,214</u>	<u>\$ 373,292</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ (182,222)	\$ -	\$ -	\$ (182,222)
Unrealized loss on sales	-	(10,847)	-	(10,847)
Defined benefit plans	-	(78,374)	77,962	(412)
	<u>\$ (182,222)</u>	<u>\$ (89,221)</u>	<u>\$ 77,962</u>	<u>\$ (193,481)</u>

For the year ended December 31, 2021

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

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Loss carryforwards		
Expired in 2032	<u>\$ 705,000</u>	<u>\$ -</u>
Deductible temporary differences		
Impairment loss on assets	\$ 818,339	\$ 1,024,967
Amortization of deferred credits	289,375	344,401
Net defined benefit liabilities	-	387,777

(Continued)

	December 31	
	2022	2021
Purchase contract loss	\$ -	\$ 206,850
Sales discount payable	-	200,042
Provision for inventory loss	-	128,663
Others	-	122,891
	<u>\$ 1,107,714</u>	<u>\$ 2,415,591</u>
		(Concluded)

g. Income tax assessments

The Group's income tax returns through 2020 have been assessed by the tax authorities.

27. EARNINGS (LOSSES) PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings (losses) per share	<u>\$(0.69)</u>	<u>\$ 4.42</u>
Diluted earnings (losses) per share	<u>\$(0.69)</u>	<u>\$ 4.40</u>

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

Net profit or loss for the year

	For the Year Ended December 31	
	2022	2021
Attributable to owners of the Corporation	<u>\$ (989,929)</u>	<u>\$ 6,350,411</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares in computation of basic earnings (losses) per share	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:		
Compensation of employees	<u>-</u>	<u>7,737</u>
Weighted average number of ordinary shares used in computation of diluted earnings (losses) per share	<u>1,435,544</u>	<u>1,443,281</u>

The Corporation may settle the compensation paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be 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. In consideration of the net loss for the year ended December 31, 2022, due to the dilutive effect, the potential shares attributed to the compensation of employees were excluded from the computation of diluted losses per share.

28. 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.

29. 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, 2022</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,016,574	\$ -	\$ -	\$ 1,016,574
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>41,163</u>	<u>41,163</u>
	<u>\$ 1,016,574</u>	<u>\$ -</u>	<u>\$ 41,163</u>	<u>\$ 1,057,737</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,166</u>	<u>\$ -</u>	<u>\$ 2,166</u>
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,205,902	\$ -	\$ -	\$ 1,205,902
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>62,040</u>	<u>62,040</u>
	<u>\$ 1,205,902</u>	<u>\$ -</u>	<u>\$ 62,040</u>	<u>\$ 1,267,942</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

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, 2022</u>			
Balance at beginning of the year	\$ -	\$ 62,420	\$ 62,420

(Continued)

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Total profit or loss			
Recognized in profit or loss	\$ 2,774	\$ -	\$ 2,774
Recognized in other comprehensive income	-	(12,310)	(12,310)
Capital reduction refunded	(2,774)	(8,242)	(11,016)
Disposal	<u>-</u>	<u>(325)</u>	<u>(325)</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 41,163</u>	<u>\$ 41,163</u>
<u>For the year ended December 31, 2021</u>			
Balance at beginning of the year	\$ 242,410	\$ 43,345	\$ 285,755
Total profit or loss			
Recognized in profit or loss	318,331	-	318,331
Recognized in other comprehensive income	-	18,695	18,695
Disposal	<u>(560,741)</u>	<u>-</u>	<u>(560,741)</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 62,040</u>	<u>\$ 62,040</u> (Concluded)

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivative instruments	Derivatives with quoted prices in active markets were measured at fair values based on their market prices. If market prices are not available, derivatives are measured at estimated value using valuation techniques. The estimates and assumptions used in the Corporation's valuation techniques are consistent with the information used by market participants in pricing financial instruments, which are available to the Corporation. The fair value of each foreign exchange forward contract was determined separately under forward exchange rates indicated by the bank quotation system.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

- a) The fair value of emerging shares was based on the closing price adjusted for liquidity risk premium.
- b) The fair value of unlisted shares was based on the current net value.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
<hr/>		
Financial assets for hedging	\$ 700,188	\$ -
Measured at amortized cost (see 1 below)	5,023,807	2,725,019
Financial assets at fair value through other comprehensive income		
Equity instruments	1,057,737	1,267,942
Financial liabilities		
<hr/>		
Financial liabilities for hedging	2,166	-
Measured at amortized cost (see 2 below)	19,116,172	13,303,919

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, 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 liabilities, 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 financial assets for hedging, accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable, long-term borrowings (including current portion), long-term bills payable and lease liabilities. The Group's financial department 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. The Group manages exposure to foreign exchange risk using foreign currency deposits and engages in foreign exchange forward contracts with firm commitment opposite to exchange rate fluctuations within the scope permitted by the policy.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposed foreign currency risk at the end of the reporting period are set out in Note 33.

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 33. The following table shows the impact on profit or equity of 1% decrease in NTD against USD.

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit (loss) before income tax (Note 1)	\$ 7,900	\$ (11,834)
Equity (Note 2)	7,002	-

Note 1: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and other payables, which were not hedged at the balance sheet date.

Note 2: These were attributable to financial assets for hedging that were designated as hedging instruments in cash flow hedges.

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	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 3,046,462	\$ 4,059,742
Cash flow interest rate risk		
Financial assets	1,319,232	1,431,290
Financial liabilities	14,659,957	6,002,044

Sensitivity analysis

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, 2022 and 2021 would have been lower/higher by NT\$33,352 thousand and NT\$11,427 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, 2022 and 2021 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, 2022, the unutilized credit facility of the Group was NT\$39.7 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 non-derivative financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<hr/>				
December 31, 2022				
Short-term borrowings	\$ 7,656,261	\$ -	\$ -	\$ 7,656,261
Accounts payable (including related parties)	823,501	-	-	823,501
Other payables	511,850	-	-	511,850
Refund liabilities	57,815	-	-	57,815
Lease liabilities	13,400	29,260	8,129	50,789
Bonds payable	22,100	3,044,200	-	3,066,300
Long-term bank borrowings	2,373,999	2,276,006	-	4,650,005
Long-term bills payable	-	2,500,000	-	2,500,000

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Guarantee deposits received	\$ -	\$ -	\$ 35,000	\$ 35,000
	<u>\$ 11,458,926</u>	<u>\$ 7,849,466</u>	<u>\$ 43,129</u>	<u>\$ 19,351,521</u>
<u>December 31, 2021</u>				
Short-term borrowings	\$ 4,584,062	\$ -	\$ -	\$ 4,584,062
Short-term bills payable	1,000,000	-	-	1,000,000
Accounts payable (including related parties)	1,830,309	-	-	1,830,309
Other payables	1,161,176	-	-	1,161,176
Refund liabilities	265,047	-	-	265,047
Lease liabilities	16,086	35,783	14,364	66,233
Bonds payable	22,100	3,066,300	-	3,088,400
Long-term bank borrowings	9,480	1,215,258	-	1,224,738
Long-term bills payable	-	240,000	-	240,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,888,260</u>	<u>\$ 4,557,341</u>	<u>\$ 49,364</u>	<u>\$ 13,494,965</u>
				(Concluded)

4) Cash flow hedging

December 31, 2022

Hedging Instruments	Currency	Contract Amount (in thousands)	Maturity	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Fair Value of Hedging Instrument Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Cash flow hedging								
Foreign currency deposit	USD	\$ 22,800	NA	NA	Financial assets for hedging	\$ 700,188	\$ -	\$ (8,902)
Foreign exchange forward contract	NTD/USD	USD 7,000/ TWD 217,116	112.01	30.9933- 31.0555	Financial liabilities for hedging	-	2,166	(2,166)

Hedging Instruments/Hedged Items	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
		Continuing Hedges	Discontinuing Hedges
Cash flow hedging			
Foreign currency deposit/Forecast purchases of raw materials and equipment	\$ 8,902	\$ (8,902)	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	<u>2,166</u>	<u>(2,166)</u>	<u>-</u>
	<u>\$ 11,068</u>	<u>\$ (11,068)</u>	<u>\$ -</u>

For the year ended December 31, 2022

Effect on Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging	\$ (11,068)	\$ -	-	\$ -	\$ -

30. 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

Company	Relationship
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow subsidiary
CHC Resources Corporation (CHC)	Fellow subsidiary
Info Champ Systems Corporation (ICSC)	Fellow subsidiary
CSC Steel Sdn. Bhd. (CSSB)	Fellow subsidiary
China Steel Global Trading Corporation (CSGT)	Fellow subsidiary
Himag Magnetic Corporation (HMC)	Fellow subsidiary
China Steel Machinery Corporation (CSMC)	Fellow subsidiary
China Ecotek Corporation	Fellow subsidiary
China Steel Security Corporation	Fellow subsidiary
Steel Castle Technology Corporation	Fellow subsidiary
China Steel Express Corporation	Fellow subsidiary
China Steel Structure Co., Ltd	Fellow subsidiary
Universal Exchange Inc.	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
Yu Cheng Lime Corporation	Fellow subsidiary
Wabo Global Trading Corporation	Fellow subsidiary
CSC Solar Corporation	Fellow subsidiary
Kaohsiung Rapid Transit Corporation	Fellow subsidiary
Sing Da Marine Structure	Fellow subsidiary
United Steel Engineering & Construction Corp	Fellow subsidiary
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiary
CSE Transport Corporation	Fellow subsidiary
CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary
Transglory Investment Corporation	Associate
Pro-Ascentek Investment Corporation	Associate
Pacific Harbour Stevedoring Corporation	Other related party

b. Sale of goods

Account Items	Related Party Type /Name	For the Year Ended December 31	
		2022	2021
Sales	Parent entity	\$ 310	\$ 1,399
	Fellow subsidiaries related to others		
	CSSB	\$ 1,751,268	\$ 2,211,117
	Others	89,335	78,095
		<u>1,840,603</u>	<u>2,289,212</u>
		<u>\$ 1,840,913</u>	<u>\$ 2,290,611</u>
Service Revenue	Parent entity	\$ 725,151	\$ 575,034
	Fellow subsidiaries related to others	7	38,137
		<u>725,158</u>	<u>613,171</u>

The payment terms and prices of other related parties were no different from those of unrelated parties.

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity and fellow subsidiaries related to others 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 and fellow subsidiaries related to others within one month after acceptance by T/T.

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 Party Type /Name	For the Year Ended December 31	
		2022	2021
Other operating revenue	Parent entity	\$ 3,460	\$ -
	Fellow subsidiaries related to others		
	DSC	53,834	62,930
	HMC	14,597	14,448
	Others	-	103
		<u>68,431</u>	<u>77,481</u>
		<u>\$ 71,891</u>	<u>\$ 77,481</u>

There is no significant profit or loss from the sale of supplies and oxidized iron powder of parent entity and the fellow subsidiaries related to others.

c. Purchase of goods

Related Party Type/Name	For the Year Ended December 31	
	2022	2021
Parent entity	\$ 7,402,133	\$ 8,085,884
Fellow subsidiaries related to others		
DSC	15,307,063	16,347,526
CSGT	3,262,928	6,402,704
Others	<u>73,707</u>	<u>70,111</u>
	<u>18,643,698</u>	<u>22,820,341</u>
	<u>\$ 26,045,831</u>	<u>\$ 30,906,225</u>

The purchases were mainly slabs and hot rolled coils. The payment terms and prices of other related parties were no different from those of unrelated parties for the years ended December 31, 2022 and 2021.

d. Accounts receivable from related parties (excluding loans to related parties)

Account Items	Related Party Type /Name	December 31	
		2022	2021
Accounts receivable from related parties	Parent entity	\$ 41,915	\$ 33,745
	Fellow subsidiaries related to others	15,595	13,610
		<u> </u>	<u> </u>
		<u>\$ 57,510</u>	<u>\$ 47,355</u>
Other receivable from related parties	Parent entity	\$ 19,190	\$ 180,658
	Fellow subsidiaries related to others		
	CHC	<u>25,288</u>	<u>40,803</u>
		<u>\$ 44,478</u>	<u>\$ 221,461</u>

No guarantees have been received for accounts receivable and other receivable from related parties. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for accounts receivable from related parties.

e. Accounts payable to related parties (excluding loans from related parties)

Account Items	Related Party Type /Name	December 31	
		2022	2021
Accounts payable to related parties	Parent entity	\$ 285,669	\$ 463,370
	Fellow subsidiaries related to others	1,100	1,554
	Other related parties	<u>2,329</u>	<u>4,653</u>
		<u>\$ 289,098</u>	<u>\$ 469,577</u>

(Continued)

Account Items	Related Party Type /Name	December 31	
		2022	2021
Other payable	Parent entity	\$ 1,353	\$ 64,317
	Fellow subsidiaries related to others	10,290	16,737
	Other related parties	<u>3,487</u>	<u>3,807</u>
		<u>\$ 15,130</u>	<u>\$ 84,861</u> (Concluded)

The outstanding accounts payable to related parties and other payable to related parties were unsecured.

- f. Loans to related parties (recognized under other receivables - related parties)

Related Party Types	December 31	
	2022	2021
Parent entity	<u>\$ 300,000</u>	<u>\$ -</u>

Interest income

Related Party Types	For the Year Ended December 31	
	2022	2021
Parent entity	<u>\$ 1,111</u>	<u>\$ -</u>

The Corporation provided unsecured loans to the parent entity, and the interest rate is similar to the market interest rate. These loans are expected to be repaid within one year, and there is no expected credit loss after assessment.

- 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\$52,832 thousand and NT\$67,640 thousand for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, authorization fees payable (included in payables to related parties) were NT\$7,150 thousand and NT\$13,104 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, 2022 and 2021 were NT\$4,304 thousand and NT\$3,995 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, 2022 and 2021 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.

	For the Year Ended December 31	
	2022	2021
a) Other expenditures		
Parent entity	\$ 147,957	\$ 190,696
Fellow subsidiaries related to others	121,420	162,401
Other related parties	<u>118,350</u>	<u>136,611</u>
	<u>\$ 387,727</u>	<u>\$ 489,708</u>
b) Capital expenditure		
Fellow subsidiaries related to others		
CSMC	\$ 20,600	\$ -
ICSC	13,940	38,021
Others	<u>3,040</u>	<u>-</u>
	<u>\$ 37,580</u>	<u>\$ 38,021</u>

4) Income from selling supplies and scrap (included in deductions of cost of goods sold)

	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries related to others		
CHC	\$ 469,215	\$ 479,895
Others	<u>385</u>	<u>3,018</u>
	<u>\$ 469,600</u>	<u>\$ 482,913</u>

h. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 30,919	\$ 108,073
Post-employment benefits	<u>1,475</u>	<u>1,410</u>
	<u>\$ 32,394</u>	<u>\$ 109,483</u>

31. 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	
	2022	2021
Time deposits (included in other financial assets - current)	\$ 800,000	\$ 700,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>
	<u>\$ 1,100,000</u>	<u>\$ 1,000,000</u>

32. 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, 2022 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$2,728,044 thousand.
- b. The Group had signed agreements to buy equipment for NT\$517,702 thousand, of which NT\$94,665 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credits for NT\$400 thousand guaranteed by financial institutions for purchase agreements. Guarantee notes for NT\$174,500 thousand were provided for purchases of raw material.

33. 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 Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2022</u>			
Monetary financial assets			
USD	\$ 65,492	30.71 (USD:NTD)	\$ 2,011,260
Monetary financial liabilities			
USD	16,967	30.71 (USD:NTD)	521,043
<u>December 31, 2021</u>			
Monetary financial assets			
USD	27,573	27.68 (USD:NTD)	763,213

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary financial liabilities			
USD	\$ 70,327	27.68 (USD:NTD)	\$ 1,946,640 (Concluded)

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gain were NT\$38,682 thousand and NT\$64,415 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.

34. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. investees:
 - 1) Financing provided to others (Table 1)
 - 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 2)
 - 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 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments (Note 29)
 - 10) Intercompany relationships and significant intercompany transactions (None)
 - 11) Information on investees (Table 5)
- c. Information on investments in mainland China (None)
- d. Major shareholders' information (Table 6)

35. 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 revenue and operating results

The following is an analysis of the Group's revenue and results of operations by reportable segment.

	The Corporation	Others	Adjustment and Elimination	Total
For the year ended December 31, 2022				
Revenue from external customers	\$ 44,497,278	\$ 6,216	\$ -	\$ 44,503,494
Segment profit (loss)	\$ (1,763,346)	\$ 2,529	\$ 120	\$ (1,760,697)
Interest income	47,609	17	-	47,626
Other income	283,378	-	(120)	283,258
Other gains and losses	29,000	-	-	29,000
Finance costs	(130,575)	-	-	(130,575)
Share of profit of subsidiaries and associates	349,161	-	(2,296)	346,865
Profit (loss) before income tax	(1,184,773)	2,546	(2,296)	(1,184,523)
Income tax expense (benefit)	(194,844)	250	-	(194,594)
Net profit (loss) for the year	\$ (989,929)	\$ 2,296	\$ (2,296)	\$ (989,929)
Identifiable assets	\$ 33,025,480	\$ 37,498	\$ -	\$ 33,062,978
Investments accounted for using equity method	3,738,144	-	(36,245)	3,701,899
Total assets	\$ 36,763,624	\$ 37,498	\$ (36,245)	\$ 36,764,877
Total liabilities	\$ 19,701,187	\$ 1,253	\$ -	\$ 19,702,440
For the year ended December 31, 2021				
Revenue from external customers	\$ 53,733,214	\$ 10,798	\$ -	\$ 53,744,012
Segment profit	\$ 6,514,174	\$ 9,356	\$ 120	\$ 6,523,650
Interest income	803	22	-	825
Other income	131,463	-	(120)	131,343
Other gains and losses	370,938	-	-	370,938

(Continued)

	The Corporation	Others	Adjustment and Elimination	Total
Finance costs	\$ (45,715)	\$ -	\$ -	\$ (45,715)
Share of profit of subsidiaries and associates	<u>39,589</u>	<u>-</u>	<u>(7,554)</u>	<u>32,035</u>
Profit before income tax	7,011,252	9,378	(7,554)	7,013,076
Income tax expense	<u>660,841</u>	<u>1,824</u>	<u>-</u>	<u>662,665</u>
Net profit for the year	<u>\$ 6,350,411</u>	<u>\$ 7,554</u>	<u>\$ (7,554)</u>	<u>\$ 6,350,411</u>
Identifiable assets	\$ 33,387,142	\$ 49,414	\$ -	\$ 33,436,556
Investments accounted for using equity method	<u>4,089,098</u>	<u>-</u>	<u>(46,320)</u>	<u>4,042,778</u>
Total assets	<u>\$ 37,476,240</u>	<u>\$ 49,414</u>	<u>\$ (46,320)</u>	<u>\$ 37,479,334</u>
Total liabilities	<u>\$ 14,914,842</u>	<u>\$ 3,094</u>	<u>\$ -</u>	<u>\$ 14,917,936</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. Revenue from major products and services

Revenue from major products and services of the Group were as follows:

	For the Year Ended December 31	
	2022	2021
Sales		
Hot Rolled Steel	\$ 33,058,790	\$ 41,674,879
Cold Rolled Steel	5,766,825	7,405,276
Steel Pipe	3,276,453	1,305,262
Galvanized Steel	1,573,680	2,633,639
Service revenue	744,377	634,947
Investment revenue	3,112	301
Other operating revenue	<u>80,257</u>	<u>89,708</u>
	<u>\$ 44,503,494</u>	<u>\$ 53,744,012</u>

c. Geographical information

The Group operates in Taiwan.

The Group's revenue from external customers and information about its non-current assets by geographical location were detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Taiwan	\$ 25,064,087	\$ 40,014,883	\$ 15,887,442	\$ 16,280,431
Asia	13,650,576	9,217,278	-	-
America	3,203,494	901,657	-	-
Europe	1,970,932	2,684,624	-	-
Others	<u>614,405</u>	<u>925,570</u>	<u>-</u>	<u>-</u>
	<u>\$ 44,503,494</u>	<u>\$ 53,744,012</u>	<u>\$ 15,887,442</u>	<u>\$ 16,280,431</u>

Non-current assets excluded those classified as financial instruments, investments accounted for using equity method , deferred tax assets, refundable deposits and defined benefit asset.

d. Information about major customers

	For the Year Ended December 31	
	2022	2021
Sales revenue		
A Company	\$ 5,387,210	\$ 7,752,757
B Company	4,884,798	6,807,648
C Company	<u>3,902,054</u>	<u>6,635,545</u>
	<u>\$ 14,174,062</u>	<u>\$ 21,195,950</u>

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorsement/ Guarantee Provider	Endorsee/ Guarantee	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Chung Hung Steel Corporation	China Steel Corporation	Other receivables	Yes	\$ 300,000	\$ 300,000	\$ 300,000	1.04-1.53	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,706,243	\$ 6,824,974	Note 2

Note 1: The nature for financing is as follows:

1. Business relationship.
2. The need for short-term financing.

Note 2: According to "The Process of Financing Others" established by the Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 10% of the net worth of the Corporation, respectively.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares Shouh Hwang Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss - current	730,000	\$ -	15	\$ -	Note
	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	33,109,239	\$ 986,655	-	\$ 986,655	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	134,167	\$ 34,733	2	\$ 34,733	2022.11.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - non-current	250,000	6,430	5	6,430	2022.08.31 net value
					\$ 41,163		\$ 41,163	
Hung Kao Investment Corporation	Ordinary Shares China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income - non-current	1,003,980	\$ 29,919	-	\$ 29,919	

Note : As of December 31, 2022, the impairment loss has been recognized that resulted in zero carrying amount, and the entity was dissolved on January 3, 2022.

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, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer (Seller)	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	\$ 7,402,133	18	Letter of credit at sight/Payment after final acceptance	\$ -		\$ (285,669)	(35)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	15,307,063	38	Letter of credit at sight	-		-	-	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	3,262,928	8	T/T within 7 business days after lading date (not included)	-		-	-	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,751,268)	(4)	T/T within 7 business days after lading date (not included)	-		-	-	
	China Steel Corporation	Parent company	Service revenue	(722,048)	(2)	T/T as the end of the month after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	41,915	14	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 316,240	(Note 1)	\$ -	-	\$ 13,716	\$ -

Note 1: Receivables from price settlement and loans to related parties (included in other receivables to related parties) which is not applicable to turnover rate.

Note 2: The amount has received at the report date.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022**

(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, 2022	December 31, 2021						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 36,245	\$ 2,296	\$ 2,296	Subsidiaries (Note)
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	306,824,279	40.91	3,508,558	832,427	340,561	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	193,341	37,820	6,304	Associates

Note: Amount was eliminated in the consolidated financial statements.

TABLE 6**CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDERS' INFORMATION
DECEMBER 31, 2022**

Major shareholders	Shares	
	Number of shares held	Shareholding (%)
China Steel Corporation	582,673,153	40.58

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Corporation's ordinary shares (only ones that have completed dematerialized registration and delivery, and round down to two decimal places) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. 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

(I) Comparative analysis of financial status - International Financial Reporting Standards (consolidated)

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	16,719,765	17,052,944	(333,179)	(1.95)
Property, plant and equipment	9,801,656	10,164,924	(363,268)	(3.57)
Other assets	10,243,456	10,261,466	(18,010)	(0.18)
Total assets	36,764,877	37,479,334	(714,457)	(1.91)
Current liabilities	11,681,933	9,828,452	1,853,481	18.86
Long-term liabilities	8,020,507	5,089,484	2,931,023	57.59
Total liabilities	19,702,440	14,917,936	4,784,504	32.07
Capital stock	14,355,444	14,355,444	-	-
Capital surplus	903	903	-	-
Retained earnings	2,415,868	7,073,840	(4,657,972)	(65.85)
Other equity	290,222	1,131,211	(840,989)	(74.34)
Total equity	17,062,437	22,561,398	(5,498,961)	(24.37)
Explanation: (changes of over 20%)				
1. Long-term liabilities and total liabilities increased from the previous mainly due to the increase in long-term bank borrowings and long-term bills payable.				
2. Retained earnings and total equity decreased from the previous mainly due to decrease in net profits and disbursement of cash dividend this year.				
3. Other equity decreased from the previous year mainly due to the decrease in the share of other comprehensive income (loss) of associates.				

**(II) Comparative analysis of financial status - International Financial Reporting Standards
(standalone)**

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	16,712,186	17,039,020	(326,834)	(1.92)
Property, plant and equipment	9,801,656	10,164,924	(363,268)	(3.57)
Other assets	10,249,782	10,272,296	(22,514)	(0.22)
Total assets	36,763,624	37,476,240	(712,616)	(1.90)
Current liabilities	11,680,680	9,825,358	1,855,322	18.88
Long-term liabilities	8,020,507	5,089,484	2,931,023	57.59
Total liabilities	19,701,187	14,914,842	4,786,345	32.09
Capital stock	14,355,444	14,355,444	0	0.00
Capital surplus	903	903	0	0.00
Retained earnings	2,415,868	7,073,840	(4,657,972)	(65.85)
Other equity	290,222	1,131,211	(840,989)	(74.34)
Total equity	17,062,437	22,561,398	(5,498,961)	(24.37)

Explanation: (changes of over 20%)

1. Long-term liabilities and total liabilities increased from the previous mainly due to the increase in long-term bank borrowings and long-term bills payable.
2. Retained earnings and total equity decreased from the previous mainly due to the decrease in net profits and disbursement of cash dividend this year.
3. Other equity decreased from the previous year mainly due to the decrease in the share of the other comprehensive income(loss) of associates.

II. Financial performance

(I) Comparative Analysis of Operational Performance

1. Comparative analysis of financial performance - International Financial Reporting Standards (consolidated)

Unit: NT\$1,000

Item \ Year	2022	2021	Increase (decrease) amount	Percentage of change (%)
Operating revenue	44,503,494	53,744,012	(9,240,518)	(17.19)
Operating costs	45,629,434	46,197,610	(568,176)	(1.23)
Gross profit (loss)	(1,125,940)	7,546,402	(8,672,342)	(114.92)
Operating expenses	634,757	1,022,752	(387,995)	(37.94)
Profit (loss) from operations	(1,760,697)	6,523,650	(8,284,347)	(126.99)
Non-operating income and expenses	576,174	489,426	86,748	17.72
Profit (loss) before income tax	(1,184,523)	7,013,076	(8,197,599)	(116.89)
Income tax expenses (benefit)	(194,594)	662,665	(857,259)	(129.37)
Net profit (loss) for the year	(989,929)	6,350,411	(7,340,340)	(115.59)
Other comprehensive income (loss)	(468,846)	1,408,376	(1,877,222)	(133.29)
Total comprehensive income (loss)	(1,458,775)	7,758,787	(9,217,562)	(118.80)

Analysis description for items with increase and decrease ratio: (changes of over 20%)

1. Gross profit (loss), Profit (loss) from operations, Profit (loss) before income tax, and Net profit (loss) for the year decreased from the previous year mainly due to the increase in unit selling cost and decrease in unit selling price of steel products.
2. Operating expenses decreased from the previous year mainly due to the decrease in compensation and bonuses.
3. Income tax expenses (benefit) decreased from the previous year mainly due to experiencing pre-tax loss this year and listing of deferred income tax assets.
4. Other comprehensive income decreased from the previous year mainly due to the decrease in the share of other comprehensive income(loss) of associates.

2. Comparative analysis of financial performance - International Financial Reporting Standards (standalone)

Unit: NT\$1,000

Item \ Year	2022	2021	Increase (decrease) amount	Percentage of change (%)
Operating revenue	44,497,278	53,733,214	(9,235,936)	(17.19)
Operating costs	45,629,434	46,197,610	(568,176)	(1.23)
Gross profit (loss)	(1,132,156)	7,535,604	(8,667,760)	(115.02)
Operating expenses	631,190	1,021,430	(390,240)	(38.21)
Profit (loss) from operations	(1,763,346)	6,514,174	(8,277,520)	(127.07)
Non-operating income and expenses	578,573	497,078	81,495	16.39
Profit (loss) before income tax	(1,184,773)	7,011,252	(8,196,025)	(116.90)
Income tax expenses (benefit)	(194,844)	660,841	(855,685)	(129.48)
Net profit (loss) for the year	(989,929)	6,350,411	(7,340,340)	(115.59)
Other comprehensive income (loss)	(468,846)	1,408,376	(1,877,222)	(133.29)
Total comprehensive income (loss)	(1,458,775)	7,758,787	(9,217,562)	(118.80)
Analysis description for items with increase and decrease ratio: (changes of over 20%)				
1. Gross profit (loss), Profit (loss) from operations, Profit (loss) before income tax, and Net profit (loss) for the year decreased from the previous year mainly due to the increase in unit selling cost and decreases in unit selling price of steel products.				
2. Operating expenses decreased from the previous year mainly due to the decrease in compensation and bonuses.				
3. Income tax expenses (benefit) decreased from the previous year mainly due to experiencing pre-tax losses this year and listing of deferred income tax assets.				
4. Other comprehensive income decreased from the previous year mainly due to the decrease in the share of other comprehensive income(loss) of associates.				

(II) The expected sales volume and its basis, and the possible impact on the company's future financial operations and response plans are detailed in page 4 of the Annual Report.

III. Cash flow

1. Analysis on the cash flow changes of the current year - International Financial Reporting Standards (consolidated):

Cash and cash equivalents increased by NT\$2,760,263 thousand in 2022 and cash flows changed as follows:

- (1) Operating activities: Net cash flow was NT\$27,529 thousand mainly due to net loss before income tax of NT\$1,184,523 thousand, the add-back of write-down of inventory of NT\$1,466,930, depreciation of NT\$717,892 thousand, the decreased in inventory of NT\$1,488,526, and decrease in accounts receivable of NT\$688,583. Also deducted NT\$34,865 thousand from share of profit of associates, NT\$462,011 thousand from financial assets for hedging, NT\$653,311 thousand from payment of income tax, and decrease of NT\$1,656,514 thousand in accounts payable.
- (2) Investing activities: Net cash outflow of NT\$775,092 thousand was mainly due to NT\$247,049 thousand to obtain financial assets for hedging, NT\$322,740 thousand for purchasing of fixed assets, and NT\$300,000 thousand in financing provided to other.
- (3) Financing activities: Net cash inflow of NT\$3,507,826 thousand was mainly due to net increase of NT\$3,400,000 thousand in long-term borrowings, net increase of NT\$2,999,264 thousand in short-term borrowings, net increase of NT\$2,258,649 thousand in long-term bills payable, and disbursement of NT\$4,019,524 thousand in cash dividend.

Cash flow analysis for the following year:

Unit: NT\$1,000

Cash balance at beginning of the period (1)	Estimated annual net cash flow from operating activities (2)	Expected annual cash outflow (3)	Estimated cash surplus (shortage) amount (4)=(1)+(2)-(3)	Estimated remedial measures for cash deficit	
				Investment plan	Financial plan
3,268,386	5,161,575	6,845,526	1,584,435	N/A	N/A
<p>1. Analysis of estimated annual cash flow changes in the 2023 fiscal year</p> <p>*Net cash flows from operating activities: Net cash inflow is mainly caused by changes in operating activities, accounts receivable, and inventory.</p> <p>*Cash outflow: Cash outflow is mainly caused by the procurement of fixed assets in investing activities and changes in long-term and short-term borrowings in financing activities.</p> <p>2. Expected cash deficit remedies and liquidity analysis: Not applicable.</p>					

2. Analysis on the cash flow changes of the current year - International Financial Reporting Standards (standalone):

Cash and cash equivalents increased by NT\$2,758,061 thousand in 2022 and cash flows changed as follows:

- (1) Operating activities: Net cash flow was NT\$23,358 thousand mainly due to net loss before tax of NT\$1,184,773 thousand, the add-back of write-down of inventory of NT\$1,466,930, depreciation of NT\$717,892 thousand, the decrease in inventory of NT\$1,488,526 thousand, and the decrease in accounts receivable of NT\$688,583 thousand. Also deducted NT\$349,161 thousand from share of profit of associates, NT\$462,011 thousand from financial assets for hedging, NT\$650,576 thousand for payment of income tax, and decrease of NT\$1,656,499 thousand in accounts payable.
- (2) Investing activities: Net cash outflow of NT\$773,123 thousand was mainly due to NT\$247,079 thousand to obtain financial assets for hedging, NT\$322,740 thousand for purchasing of fixed assets, and NT\$300,000 thousand in financing provided to other.
- (3) Financing activities: Net cash inflow of NT\$3,507,826 thousand was mainly due to net increase of NT\$3,400,000 thousand in long-term borrowings, net increase of NT\$2,999,264 thousand in short-term borrowings, net increase of NT\$2,258,649 thousand in long-term bills payable, and disbursement of NT\$4,019,524 thousand in cash dividend.

Cash flow analysis for the following year:

Unit: NT\$1,000

Cash balance at beginning of the period (1)	Estimated annual net cash flow from operating activities (2)	Expected annual cash outflow (3)	Estimated cash surplus (shortage) amount (4)=(1)+(2)-(3)	Estimated remedial measures for cash deficit	
				Investment plan	Financial plan
3,265,526	5,161,575	6,845,526	1,581,575	N/A	N/A
1. Analysis of estimated annual cash flow changes in the 2023 fiscal year *Net cash flows from operating activities: Net cash inflow is mainly caused by changes in operating activities, accounts receivable, and inventory. *Cash outflow: Cash outflow is mainly caused by the procurement of fixed assets in investing activities and changes in long-term and short-term borrowings in financing activities. 2. Expected cash deficit remedies and liquidity analysis: Not applicable.					

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	March 31, 2023 Investment amount	Policy	Main reasons for profit or loss	Improvement plan	Other Investment plan in the future
Hung Kao Investment Corporation	NT\$26 million	Investment	The main source of income in 2022 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 million	Investment	Recognized as profits from dividends from China Steel from investments.	None	None
Pro-Ascentek Investment Corporation	NT\$200 million	Investment	Recognized as profits from investments	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 main financial instruments of the Group included financial assets for hedging, other financial assets, short-term borrowings, short-term bills payable, bonds payable, long-term borrowings (including long-term borrowings due within 1 year), and long-term bills payable. The Finance Department of the Group 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 2022 were NT\$1,319,232 thousand and NT\$14,659,957 thousand respectively. If the interest rate had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit in 2022 would have been lower/higher by NT\$33,352 thousand.

(2) Exchange rate variation

The Group was exposed to foreign currency risks 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 and hedging were used to reduce exposure to foreign currency risk. The devaluation of NTD by 1% relative USD increased the Group's profit and equity by NT\$7,900 thousand and NT\$7,002 thousand respectively.

(3) Inflation

According to the statistics of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual growth rate of the Consumer Price Index (CPI) in Taiwan as of December 2022 increased by 2.71% and the annual average increase was 2.95%. Therefore, inflation will cause the increase in the Company's expenses.

2.Future response measures:

- (1) Short-term funds will be managed through overdraft accounts with money borrowed or repaid depending on funding status. Priority will be given to lowering the cost of loans. Capital expenditure and long-term investments will be met through medium and long-term funds where possible.
- (2) In response to changes in interest rate and exchange rate, as the Company has adopted natural hedging to offset foreign-currency positions derived from import/export businesses, the gaps in funding and exchange rate risks have been lowered. Capital expenditures of more than US\$2 million in a single transaction shall be hedged upon the signing of the contract to adopt pre-purchase or hedging methods during interest rate fluctuations to avoid risks of exchange rate fluctuations.
- (3) With regard to the impact of inflation, the Company pays close attention to changes in related economic environments and changes in market conditions. The Company also upholds the spirit of financial prudence and continues to implement plans to lower costs in response.

(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\$1,000

Item \ Year	2020	2021	2022
R&D and equipment improvement expenses	146,414	138,121	112,481

2. The R&D and equipment improvement projects in 2023 are as follows:

- (1) Hot rolling - Replacement of flatness sensor on hot rolling line.

(2) Pickling & galvanizing - Replacement of edge banding machine on packaging line.

In response to the rise of steel mills in China and other competition, Chung Hung shall improve our product quality and refining our production control technology, and also challenge high-grade products in niche segments in order to increase the added value of our products and achieve market differentiation. To strengthen the overall competitiveness of the Company, we will not only accelerate the pace of production equipment replacement, upgrade and modification, but also work closely with the parent company (China Steel) to set up technical assistance channels for production, equipment and project improvements. These will strengthen the technical foundations of the Company and enhance our overall competitiveness.

3. Expected expenditures for R&D and equipment improvement plans in 2023: The total is approximately NT\$26,300 thousand.

4. Current progress of uncompleted R&D and equipment improvement projects in 2022:

The uncompleted projects are as follows. The average progress is approximately 28% and they shall be continued in 2023.

(1) Hot rolling - replacement of the automatic surface inspection system (ASIS) of the hot rolling production line.

(2) Hot-rolling - No.3 grinder revamping project.

(3) Hot rolling - replacement of the down coiler width meter.

(4) Hot rolling - replacement of the roughing-down entry width meter.

(5) Hot rolling - purchase of spare gearbox for edge rolling machine by Hot Rolling Department.

(6) Hot rolling - replacement of the F1/F4/F5/F6 main motor.

(7) Pickling and galvanizing - Addition of FMOS n-line smart diagnostics system for the pickling and coating line.

(8) Steel pipes - addition of the inner bead cutter (IBC) smart monitoring and diagnosis system for No.4 pipe cut off.

5. Expected R&D and equipment improvement expenses for R&D projects not completed in 2022: The total is approximately NT\$144,453 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) Major changes in government policies and laws at home and broad and the impact on Company finance and business and response measures:

The “Sustainable Development Roadmap” issued by the Financial Supervisory Commission (FSC) required standalone companies with a paid-in capital of more than NT\$10 billion, or those in the steel and cement industries listed or traded on the TWSE/TPEX to complete an inventory of their direct GHG emissions (Scope 1) and indirect energy emissions (Scope 2) by 2023, and complete their verification by 2024. A plan to complete the GHG inventory and verification for the parent company and Group (including all subsidiaries) by the end of 2022 Q2 and end of 2023 Q1 respectively was drawn up and submitted to the Board of Directors. The planned timetable will be implemented and quarterly progress reports made to the Board of Directors. The Company conducts annual GHG and energy inventories with third-party verification every year. The GHG inventory and verification timetable was reported to the Board of Directors on May 5, 2022, and February 23, 2023. Quarterly progress reports will be made to the Board of Directors so we are already in compliance with the regulations.

The amended “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” advised companies to prohibit directors from trading their shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. The Company incorporated the aforementioned rule into our share transaction control measures in 2022.

(V) The impacts of technology changes (including cyber security risks) and industry changes on the Company’s finance and business, and the countermeasures:

1. Chung Hung has established comprehensive network and computer information security protective measures to manage and maintain the Company's production, operation, and accounting systems and protect computers with such important corporate functions from any third-party cyberattacks from paralyzing the system. It protects the Company from impact on its operations and damage to the Company's business reputation.

Management measures: Chung Hung continuously reviews and evaluates its information security regulations and procedures to ensure their appropriateness and effectiveness.

2. The Company ensures the security of trade secrets and other confidential information, including proprietary information of customers or other stakeholders and the personal data of Chung Hung employees. We block attempts of malicious hackers who seek to implant computer viruses, destructive software, or ransomware into Chung Hung's network system, and thereby affect the Company's operations, defraud or extort payments from Chung Hung, gain control of the computer system, or view confidential information.

Management measures: Chung Hung has implemented improvements and is continuing to make updates to our procedures to prevent and mitigate damage from attacks caused by the purchase and installation of equipment containing malware. These included virus scanning for new machines to prevent devices that contain malware from entering the Company; strengthening of network firewalls and network controls to prevent computer viruses spreading between computers and plants; introduction of end-point anti-virus measures depending on computer type; introduction of advanced solutions for detecting and dealing with malware; introduction of new technologies for improved data production; enhanced detection of phishing e-mails; establishment of an integrated automated information security DevOps platform; regular testing of employee awareness, and commissioning external experts to carry out information security evaluations.

3. Some of the services provided by third-party vendors require Chung Hung to share highly sensitive or confidential data. The internal network systems and external cloud-based computing networks (e.g., servers) maintained by the aforementioned service providers and/or their contractors may also incur network attack risks.

Management measures: Chung Hung or its service providers promptly must resolve the technical issues caused by the network attacks to ensure the integrity and availability of the data of Chung Hung (and data of the Company's customers or other third parties). They must also maintain control over the computer system of the Company or its service providers to reduce the impact on the Company's operations, financial conditions, prospects, and reputation.

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

The philosophy of “promote social welfare” at Chung Hung means that we not only strive to achieve business profitability but also actively give back to society. The Company has sponsored the city government’s poverty alleviation program, and helped fund the suicide prevention and life education program of the “Kaohsiung City Greater Kaohsiung Lifeline Association” for 19 years since 2004. 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:

No such occurrences as of the publication date of the Annual Report. The Company's capacity expansion has been subjected to comprehensive, careful, and professional assessments. Major investment projects must be reported 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 sources steel slabs from Taiwan, Japan and Vietnam. We have signed long-term supply contracts with suppliers in each region. Multiple sources of supply help to stabilize our supply of raw materials. A small minority of materials are purchased on the spot market to diversify risk. 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 percent 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 organization and operation:

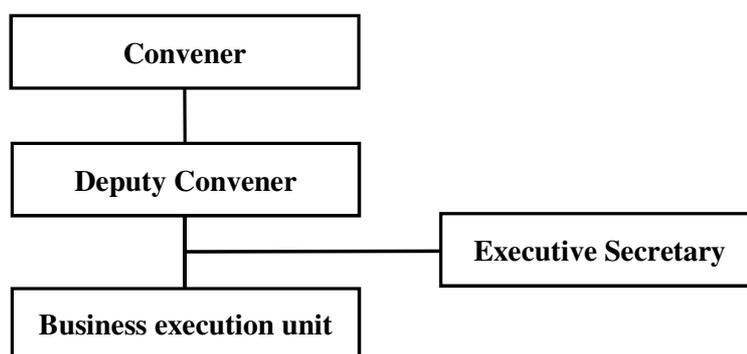
The Company is responding to changes in the global economic environment and sustainability risks by identifying and tracking risks that may impact on corporate sustainability in the four aspects of Economic, Society, Environment, and Other. Management strategies and response measures such as risk transfer, mitigation, and prevention are employed to minimize potential risks and boost positive business

opportunities. The Company's risk identification and mitigation measures as well as the status of our risk management operations can be viewed through the Corporate Sustainability section of our website.

1. Risk management policies

The "Risk Management Policy and Procedure" already been drawn up by the Company and passed by the Board of Directors. Different types of risk are defined based on the Company's overall business strategy to establish a risk management mechanism for early identification, accurate measurement, effective supervision, and strict control to prevent potential losses and keep risk to within an acceptable level. Risk management practices are continuously adjusted and optimized based on internal and external environmental changes. At the same time, we work to protect the interests of employees, shareholders, customers and other stakeholders in order to increase the Company's value and realize the principle of optimizing the Company's configuration of resources.

2. Risk management organizational structure



The Board of Directors is the top decision-making unit in the risk management organization and has ultimate responsibility for risk management at the Company. It is responsible for the review and approval of the Company's risk management policy as well as supervising risk management to ensure its effectiveness. The Risk Management Team is responsible for overseeing the overall implementation of risk management and coordination of operations. The President serves as the convener and the Vice President, Administration Division, serves as the deputy convener. One to two other people may also be appointed as the executive secretaries. Team members include tier-1 managers of each business execution unit. Annual reports are made to the Board of Directors on the outcomes of risk management.

The Risk Management Team should inspect the contents of the Company's risk management policy every year, pay attention to the latest international and domestic developments in risk management mechanisms, then review and make improvements to

the risk management policy to enhance the effectiveness of the Company's risk management, and ensure that the risk management policy approved by the Board of Directors is being enforced.

The Internal Auditing Department should examine the Company's risk management to inform the management of existing or potential risk topics when appropriate to ensure their compliance with existing regulations and control procedures.

The heads of each business unit is responsible for risk management as well. They are responsible for analyzing and monitoring all related risks within their unit to ensure the effective execution of the risk management mechanism and procedure.

3. Risk management process

Risk identification and analysis → Risk measurement → Risk monitoring → Risk reporting → Risk response

A business will encounter many variables that threaten its operations. To prevent losses due to risk, risk management policy and procedures were developed for economic, social, environmental and other risks. Response meetings are convened to develop strategies and response plans corresponding to different types of risk so that they can be dealt with and an after-action review conducted to prevent further recurrence. Responsibility for risk exists at every level in each unit. Any problems should immediately be reported up the chain of command so that a solution can be found and the potential impact to the Company reduced right away.

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

VII. Other critical matters: None.

H. Special Notes

I. Profile on affiliates

(I) 2022 Consolidated Business Report of Affiliates: Refer to Attachment 1.

(II) 2022 Affiliation Report: Refer to Attachment 2.

(III) 2022 Consolidated Financial Statement of Affiliates: Please refer to pages 248 to 316.

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.

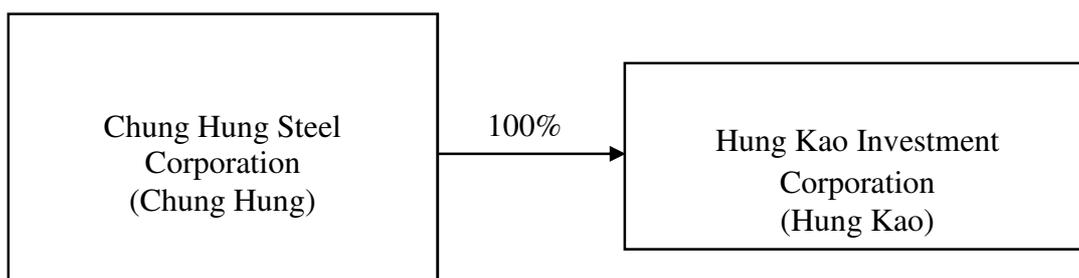
IV. Other necessary supplemental information: None.

IX. 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 Reports of Affiliated Enterprises
2022

I. Profiles and status of affiliated enterprises:

(I) Organization chart for the affiliated enterprises



(II) Basic information of the affiliated enterprises

Unit: NT\$1,000

Company name	Date of establishment	Address	Paid-in capital	Main Business or Product
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	Shareholding		Remarks
			Number of Shares	Shareholding percentage (%)	
Chung Hung	Chairperson of the Board	Representative of China Steel Corporation (Representative: Kuei-Sung Tseng)	582,673,153	40.59	
	Director	Representative of China Steel Corporation (Representative: Chao-Tung Wong)	582,673,153	40.59	
	Director	Representative of China Steel Corporation (Representative: Min-Hsiung Liu)	582,673,153	40.59	
	Director	Representative of China Steel Corporation (Representative: Wen-Chou Li)	582,673,153	40.59	
	Independent Director	Juh-Shan Chiou	0	0	
	Independent Director	Hsien-Tang Tsai	0	0	
	Independent Director	Lin-Lin Lee	0	0	
	President	Min Chu	0	0	
Hung Kao	Chairperson of the Board	Representative of Chung Hung Steel Corporation (Representative: Chien-Hui Lee)	2,600,000	100.00	

Note 1: The shareholding information is from the end of 2022 and it does not include retained decision-making trust shares.

Note 2: The status of representatives was as of March 31, 2023.

II. Status of operations of affiliated enterprises

(Except for the EPS which is in NTD)

Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Net operating revenue	Net income (loss) for the current year (after tax)	Basic earnings per share (after tax)
Chung Hung	14,355,444	36,763,624	19,701,187	17,062,437	44,497,278	(1,763,346)	(989,929)	(0.69)
Hung Kao	26,000	37,498	1,253	36,245	6,216	2,529	2,296	0.88

Affiliation Report Statement

The Company's 2022 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: Kuei-Sung Tseng

March 31, 2023

Chung Hung Steel Corporation Affiliation Report 2022

I. Relationship status between the controlling and subsidiary companies

Unit: shares; %

Name of controlling company	Reason for control	Status of the controlling company's share ownership and pledge			Status of director, supervisor, or manager designation or managerial officer (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	Chairperson of the Board	Kuei-Sung Tseng (Representative of China Steel Corporation)
					Director	Chao-Tung Wong (Representative of China Steel Corporation)
					Director	Min-Hsiung Liu (Representative of China Steel Corporation)
					Director	Wen-Chou Li (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, 2023.

II. Transaction status:

(I) Procurement and sales status

Unit: NT\$1,000; %

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 /tonne)	Credit period	Unit price (NT\$1,000 /tonne)	Credit period	
Sales	310	—	—	—	Payment after final acceptance	—	Cash advance received L/C	None

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 /tonne)	Credit period	Unit price (NT\$1,000 /tonne)	Credit period	
Purchase	7,402,133	18	—	—	Letter of credit at sight / Payment after final acceptance	—	Payment by L/C 7 days after shipping	None
Service revenue	722,048	2	—	—	T/T as the end of the month after final acceptance	—	—	No third party could be compared

Unit: NT\$1,000; %

Accounts receivable (payable) and notes		Overdue accounts receivable			Remarks
Balance	Ratio of total accounts receivable (payable) and notes	Amount	Processing method	Allowance for bad debts	
41,915	14	0	0	0	Note 1
(285,669)	(35)	0	0	0	Note 2

Note 1: Derived mainly from accounts receivable from income from labor (OEM contracts).

Note 2: Purchases from China Steel Corporation in 2022 consisted mainly of hot-rolled steel coils, slabs, and materials.

(II) Property transactions: None.

(III) Status of fund accommodation: NT\$300 million loaned to China Steel Corporation at the end of 2022.

(IV) Status of asset leasing: The Company leased certain land to the parent company and the lease shall expire in December 2022. 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 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 should pay authorization fees to China Steel in accordance with the agreement. The authorization fees in 2022 were NT\$52,832 thousand. The authorization fees payable as of the end of December 2022 were NT\$7,150 thousand. The calculation of slabs purchase prices was based on the formula stated in the agreement.

Chung Hung Steel Corporation

Chairperson Kuei-Sung Tseng



CHUNG HUNG STEEL

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