

2023

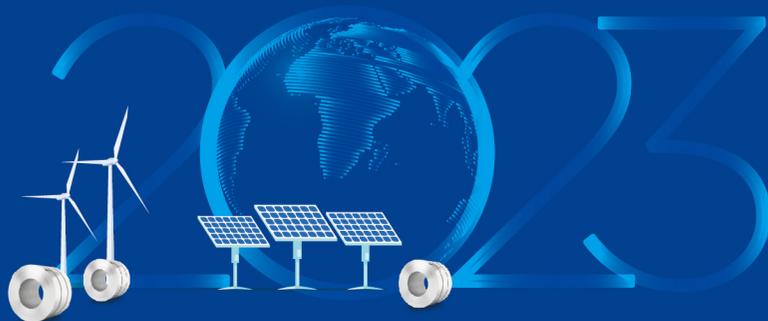
Annual Report

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>

Printed on March 31, 2024

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Acting Spokesperson : Chun-Ting Lin
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II. Addresses and telephone numbers of the head office, branch offices, and factories.

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Cold Rolling Department : No. 317, Yuliao Road, Ciaotou Dist., Kaohsiung City
Tel: (07)611-7171
Hot Rolling Department : No. 576, Xinglong St., Gangshan Dist., Kaohsiung City
Tel: (07)623-4141
Pickling & Galvanizing Department : No. 24, Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City
Tel: (07)871-6886
Dafa Steel Pipe Plant : No. 18, Huazhong Rd., Daliao Dist., Kaohsiung City
Tel: (07)787-2551
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Name : KGI Securities Co., Ltd.
Address : 5F, No. 2, Sec. 1, Chongqing S. Rd., Taipei City
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V. Name of exchange house where overseas eligible securities are traded and method of inquiry on mentioned securities

N/A

VI. Company website

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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,

In 2023, the global economic environment was buffeted by high inflation, global interest rate hikes, and liquidity risks among European and American banks. National economies and demand from end industries were both weaker than expected. The steel industry was forced to operate in a climate of high costs and low demand. The second half of the year saw a gradual improvement in the gap between market supply and demand with major steel mills in Europe and the United States undergoing annual maintenance or shutting down their blast furnaces. The international economic situation also positive developments. Significant improvements in global inflation, the cycle of interest rate hikes coming to an end in Europe and the United States, and downstream industries beginning phased replenishment of stocks all helped drive a gradual recovery in the steel market.

In 2024, continued supply shortages and delivery delays in the European and American steel markets meant their high-priced markets became the main sales targets of various countries. This indirectly reduced the proliferation of low-priced steel products in the Asian market also triggered a rebound the international steel prices. At the same time, the prices of coking coal and iron ore as well as well as steel mill cost pressures continued to remain at high. Prices issued by major steel mills in the United States, Europe, Asia and other countries remained even as well, indicating that the steel market was still developing in a positive direction.

In China, additional government bonds were issued in October last year to inject new fiscal stimulus into the economy. The Central Economic Work Conference also issues positive news such as that it would work actively to resolve real estate risks and promote the stable development of the housing market. The government also maintained a loose monetary policy. At the end of January this year, the People's Bank of China announced a cut to the reserve requirement ratio which will release about RMB 1 trillion (NT\$4.43 trillion). These along with accelerated construction of "three major projects" such as affordable housing should support a steady recovery of steel demand.

In Taiwan, according to the forecast of the Directorate General of Budget, Accounting and Statistics (DBGAS) of the Executive Yuan forecasted in November 2023 that Taiwan's annual GDP growth rate in 2024 will be 3.35%, an increase of 1.93% from 2023. Growth momentum will be transferred from consumption to exports, and annual growth of private investment will turn positive as well. In addition, the Executive Yuan's public construction budget for 2024 increased by 0.3% from 2023 to NT\$588.6 billion, another record high, and this should help drive demand from construction. Domestic steel demand is therefore expected to maintain moderate growth in 2024.

Looking to the future, significant improvements in global inflation as well the cycle of interest rate hikes coming to an end should see governments around the world will focus more on economic development. This will hopefully bring about a rebound in global consumption and investment demand. Countries are now also continuing to move towards the goal of "carbon neutrality". The European Union plans to formally impose carbon tariffs in 2026, and Taiwan's Legislative Yuan passed the Climate Change Response Act in January 2023 to establish a legal basis for of collection of carbon fees. The world is gradually entering the era of carbon pricing and keeping steel prices low will not be easy in the future.

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 item is to fully integrate upstream and downstream resources to maximize their synergies in order to combat imported materials and help improve downstream competitiveness; The last step is to strengthen the service relationship with customers and adapt to the market in order to optimize the ratio of domestic sales to 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.2023 Business and Financial Report

(I)Business Plan Implementation Results

1.Production plan implementation status:

Steel production (excluding miscellaneous grade products) in 2023 amounted to 1.989 million tons, a decrease of 37,000 tons (2%) compared to 2.026 million tons in 2022.

2.Sales plan implementation status:

Steel product sales in 2023 amounted to 1.853 million tons, an increase of 36,000 tons (2%) from 1.817 million tons in 2022.

(II)Analysis of operating income/expenses and profitability

Net profit in 2023 was NT\$160 million. Operating revenue/expenses and profitability were as follow:

1.Revenue:

Consolidated operating revenue amounted to NT\$37.76 billion in 2023, a decline of NT\$6.74 billion (15.1%) compared to NT\$44.5 billion in 2022.

2.Expenditures:

Consolidated operating costs and consolidated operating expenses totaled NT\$37.79 billion in 2023, a decrease of NT\$8.47 billion (18.3%) compared to NT\$46.26 billion in 2022.

3. Profitability:

Since the decrease in steel product costs was greater than the decrease in steel product revenue, pre-tax net profit amounted to NT\$160 million, an increase of NT\$1.35 billion compared to 2022.

(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 talent required for AI development and facilitate the smooth introduction of AI, the Company not only actively participates in external training courses but also constantly seeking help from professional talent, the industry, and academia.

Major R&D achievements in 2023 included the development of PO EDD11 five-foot board with a thickness of 6.0 mm; Quality improvements including remediation of rinsing mark defect for cold-rolled products. In terms of process research, the Company has established tail-board auto-leveling control technology for finishing rolling, manufacturing technology for hot-rolled S1018M hard sheet (width \leq 3.5 feet, thickness \leq 2.0 mm), and optimized the pre-annealing process for cold-rolled medium carbon steel (S35C~S55C). The key points in the development of artificial intelligence are as follows:

1. Establishment of an intelligent monitoring system for the No. 4 pipe milling and cutting machine in the Lukang Steel Pipe Plant: A cutter vibration monitoring system and intelligent tool change prediction module were added in collaboration with EZTouch Cloud Co., Ltd. to predict wear on saw blades and help operators accurately determine the timing of saw blade replacements.
2. Establishment of a power demand prediction model for Hot Rolling Department: Predictive analysis for power demand was conducted using the Prophet algorithm. The demand prediction model is used to determine a reasonable range when contract capacity is decided

and ensure reasonable power consumption. Benefits included reduction of basic electricity bills and additional production costs from over-contract surcharges.

II.Summary of 2024 Business Plan

Manufacturing demand in early 2023 was weak due to the impact of rising inflation and interest rate hikes by global central banks. Strong supply and demand due to China's lack of control over crude steel production also led to continued delays in the recovery of the steel market. Once global inflation slowed down and the interest rate hike cycle came to an end in the second half of the year, downstream steel demand in Europe and the United States recovered. This led to a rebound in the Asian steel market and the global steel market began gathering steam once more.

In addition, after China officially issued an additional 1 trillion RMB in government bonds in October 2023, the People's Bank of China announced another 2-digit RRR cut in January 2024. The government's maintenance of a loose monetary policy is expected to give the economy a boost. Strong demand from infrastructure investment and domestic demand in India and the ASEAN region means steel demand will continue to grow at a steady pace. Global steel demand will continue to grow in 2024 and should produce a steady upward trends in the steel market.

Chung Hung will respond to changes in the global steel industry by maintaining a high degree of flexibility in our production and sales, streamlining our production, and storage logistics, strengthening our commitment to customer service, and maintaining robust sales in steel products. The Company's consolidated sales target for all products in 2024 is 1.85 million tons.

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

According to the "World Economic Outlook" report released by the International Monetary Fund (IMF) in January 2024, the risks facing global growth are roughly balanced in an environment of slowing inflation and stable growth. Global economic growth in 2024 is forecasted to be 3.1%, an increase of 0.2% from the previous forecast, and will continue rising to reach 3.2% in 2025. In addition, according to the World Steel Association's forecast in October 2023, the continued recovery of the European and American automobile industries, aggressive infrastructure development in many countries, and the culmination of the manufacturing destocking cycle should see global steel demand continue to grow by 1.9% in 2024. As of December 2023, global crude steel production has been in decline for nine consecutive months. Global steel supply and demand is therefore expected to continue

developing in a positive direction. At the same time, China's Baowu Steel Plant prices remained high in February 2024 and its wholesale price has been rising steadily for eight consecutive months. Mainstream steel plants in Europe, the United States and Ha Tinh, Vietnam, have also raised their prices to different degrees, indicating that the overall steel market is now rising steadily.

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. Among them, the EU began trialling its Carbon Border Adjustment Mechanism (CBAM) in October 2023. There are free quotas in the initial phase but these quotas are expected to revert zero by 2035. Carbon pricing and control may become more stringent by that time; In the United States, the Clean Competition Act (CCA) carbon tariff will be implemented as early as 2024. In Taiwan, the government passed the Climate Change Response Act in 2023. Related carbon fees and carbon tariffs are expected to gradually increase costs for steel plants. The effective reduction of carbon emissions amidst the global push towards carbon neutrality will become a major challenge for the sustainable development of the steel industry in the future.

Net zero is now not just a problem 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 tariff.

Faced with a rapidly-changing business environment, the Company's vision is to maintain ethical business operations and strive to become a sustainable, reliable, and approachable steel company. We monitor trends in domestic and international steel markets, steel technology development, as well as international environmental protection and carbon reduction trends in order to formulate future business development strategies and attain our sustainable development goals. Our efforts are directed towards the following areas:

- (I) Promote digital transformation, strengthen information security, and improve risk management and control

To improve productivity and competitiveness, Chung Hung has adopted a "user-centric" approach to promoting a digital working environment, continued optimization and enrichment of digital platforms, cultivation of AI expertise, and foster the DNA of smart technology. An Information Security Committee was also established to regularly review and improve the Company's information security protection measures; Risk Management Policy and Procedures were also formulated to establish a sound risk management mechanism.

(II)Continue to reduce costs and increase profits, strive to save energy and reduce carbon emissions, and practice sustainable development

To progress towards the goal of achieving carbon neutrality by 2050, Chung Hung has completed carbon reduction path planning and product carbon footprint inventory, and established a carbon reduction and carbon neutrality team to coordinate and promote energy saving and carbon reduction projects. We are also continuing to operate the energy management system to improve energy efficiency and assess the deployment of renewable energy systems; To reduce the impact on the environment, Chung Hung is also demonstrating our determination to promote a circular economy by reducing energy consumption and recycling waste.

(III)Implement production management, obtain low-carbon raw materials, and develop green steel products

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 are also expanding our cooperation with suppliers of low-carbon raw materials to develop customers and markets for green steel products.

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

Lastly, We 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. Main 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. The Hot Rolling Department, Cold Rolling Department, Dafa Steel Pipe Plant, and the Pickling & Galvanizing Department are located in Kaohsiung City; and the Lukang Steel Pipe Plant in Changhua Coastal Industrial Park in Changhua County.

II. Company Profile

September, 1983	Yelong Enterprise Co., Ltd. was established with a capital of NT\$500,000.
March, 1986	Commencement of the construction of Kaohsiung Plant.
April, 1986	Dafa 1st Plant was established in the Dafa Industrial Park in Daliao Township, Kaohsiung County.
February, 1987	Kaohsiung Plant was completed and production began.
May, 1987	Dafa 1st Plant was completed and production began.
March, 1989	Dafa 1st Plant was awarded Japanese Industrial Standards certification by the Ministry of Economy, Trade and Industry (METI) of Japan and it was the first steel manufacturer in Taiwan to pass the JIS review. Official commissioning and production of the hydrogen annealing furnace in Kaohsiung Plant.
February, 1992	Common stocks officially listed on the Taiwan Stock Exchange Corporation.
May, 1995	Commencement of the construction of Kaohsiung Hot Rolling Department.
April, 1997	Kaohsiung Hot Rolling Department was completed and production began.
December, 1999	Entered strategic alliance with China Steel Corporation.
May, 2003	The Company entered a slab steel supply agreement with Sumitomo Metal Industries in Wakayama, Japan.
June, 2004	The shareholders' meeting passed the proposal for renaming the Company “Chung Hung Steel Corporation”.
July, 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"
March, 2009	The Company organized a NT\$4 billion capital cash increase in 2009 and increased its paid-in capital to NT\$16.85 billion.
September, 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.
August, 2011	The Company established the Remuneration Committee.
November, 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.
June, 2015	The Company established an Audit Committee.
June, 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 & Galvanizing Department".
May, 2019	The heating furnace fuel conversion project of the Hot Rolling Department for replacing GHG emissions received certification for 52,506 tons of CO _{2e} in the first year.
July, 2019	Passed ISO 45001: 2018 Management System certification.
July, 2019	Passed CNS 45001: 2018 Management System certification.
August, 2019	Passed ISO 50001: 2018 Management System certification.
September, 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.
October, 2019	The Pickling & Galvanizing Department passed IATF 16949: 2016 certification.
October, 2019	Received the 2018 Award for International Trade (Best Trade Contribution Award).

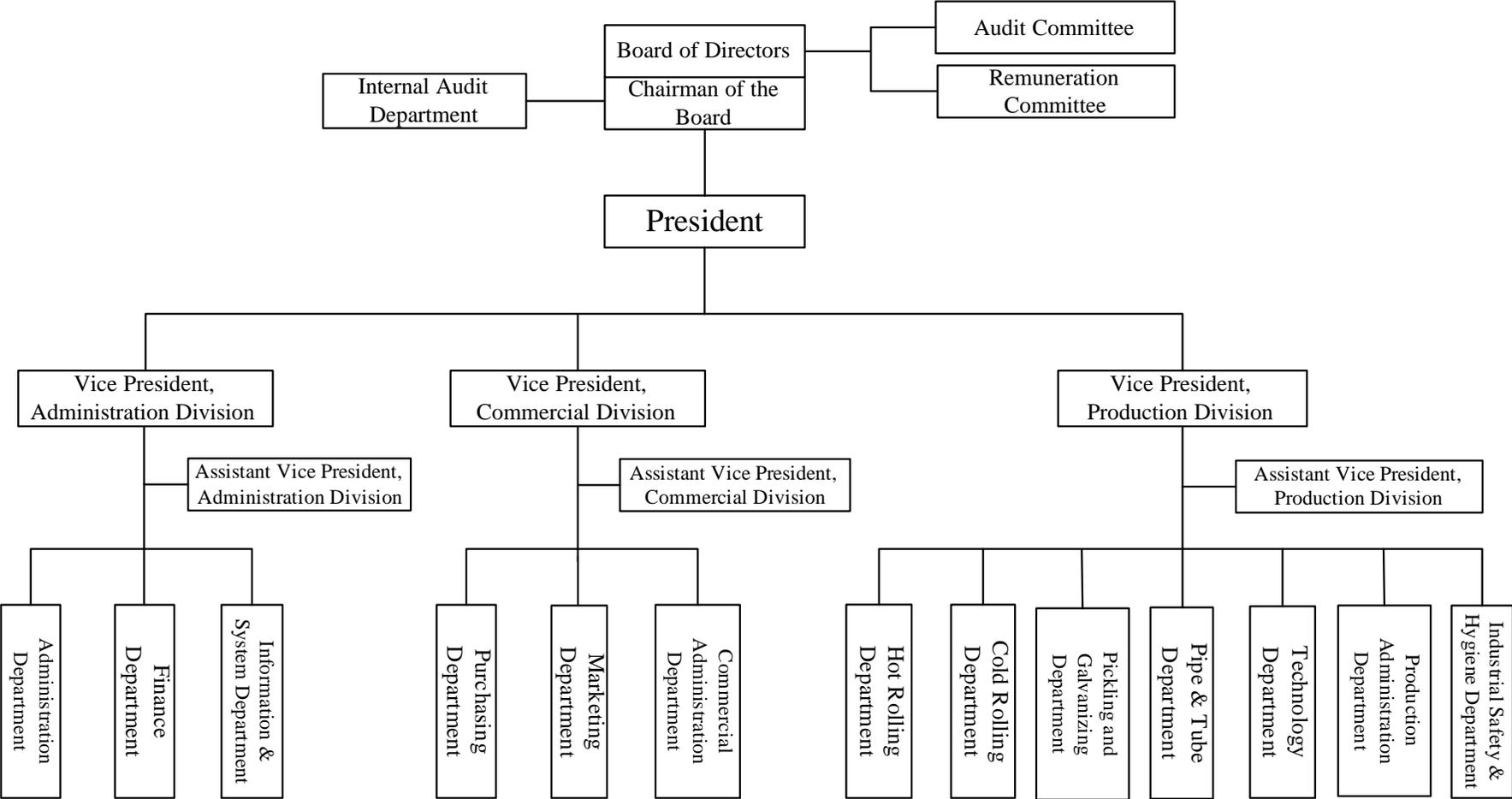
November, 2019	Received the Corporate Sustainability Report Award and Top 50 Corporate Sustainability Award in the 2019 Taiwan Corporate Sustainability Awards.
December, 2019	Passed ISO/IEC 17025: 2017 revision verification and inspections.
September, 2020	The heating furnace fuel conversion project of the Hot Rolling Department for replacing GHG emissions received the second certification (second to third year) for 102,606 tons of CO ₂ e.
September, 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.
November, 2020	Steel pipe products passed FPC certification in New Zealand.
November, 2020	Awarded the silver medal certification in the Talent Quality-management System (TTQS) of the Ministry of Labor for the 4th time.
May, 2021	The Pickling & Galvanizing Department passed ISO 14001: 2015 Management System certification.
July, 2021	The Pickling & Galvanizing Department passed ISO 50001: 2018 Management System certification.
October, 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.
November, 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.
November, 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.
November, 2021	Received the Silver Corporate Sustainability Report Award at the 2021 Taiwan Corporate Sustainability Awards.

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 tons of CO ₂ e.
August, 2022	Hot Rolling product passed UKCA certification.
November, 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.
November, 2022	Recognized as a “Kaohsiung Happy Enterprise” (Large Enterprise Division) by Kaohsiung City Government.
March, 2023	Dafa Steel Pipe Plant obtained the Certificate of the Registration of Product Certification (CNS4626, CNS6445) from the Bureau of Standards and Inspection of the Ministry of Economic Affairs
April, 2023	The Company was rated among the top 6% to 20% of companies in the Corporate Governance Evaluation of the Securities & Futures Institute for the fifth times.
August, 2023	The Lukang Steel Pipe Plant was awarded the "Excellent Unit for Promoting Occupational Safety and Health in 2023" by the Changhua County Government.
October, 2023	Received the Gold Corporate Sustainability Report Award at the Taiwan Corporate Sustainability Awards for the 4th time
November, 2023	Recognized as Outstanding Enterprise in the 2023 "Voluntary Evaluation on Disclosure of Occupational Health and Safety Indicators in Corporate Sustainability Reports" by the Occupational Safety and Health Administration of the Ministry of Labor.
December, 2023	The Pickling & Galvanizing Department received the “2023 Excellent Unit for Promoting Occupational Safety and Health” from the Ministry of Labor and Kaohsiung City Government.

C. Corporate Governance Report

I. Organization

(I) Organization Chart



(II) Responsibilities and functions major departments

Unit		Responsibilities
Internal Auditing 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 planning, development, establishment, and maintenance of information systems and hardware, as well as the rationalization, standardization, and institutionalization of the Company's overall information and cybersecurity operations.
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 and manufacturing, quality control, inventory management, equipment maintenance, environmental safety and sanitation management, etc. of hot-rolled products.
	Cold Rolling Department	Production and manufacturing, quality control, inventory management, equipment maintenance, environmental safety and sanitation management, etc. of cold-rolled products.
	Pickling & Galvanizing Department	Production and manufacturing, quality control, inventory management, equipment maintenance, and environmental safety and health management, etc. of acid cleaning products.
	Steel Pipe Plant	Production and manufacturing, quality control, inventory management, equipment maintenance, environmental safety and sanitation management, etc. of pipe and tube products.
	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 Management Department	Production plans, production and sales coordination, and coordination, cooperation, and integration of resources of different departments of the Production Division.
	Industrial Safety & Hygiene Department	Planning, and supervision of labor safety, health, environmental protection, and energy. Establishment, integration, and advancement of ISO 14001, ISO 45001, and ISO 50001 management systems and the ISO 14064 greenhouse gas inventory and reduction.

II. Profile of Directors and Managerial Officers

(I) Director Information

Title	Nationality or place of registration	Name	Gender/ Age	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding by spouse and underage children	
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
Chairperson of the Board	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 2)	582,673,153	40.59	N/A	N/A
	Republic of China	Representative: Kuei-Sung Tseng	Male 63	2021.8.25	3 years	2021.1.31	0	0	0	0	0	0
Director	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 2)	582,673,153	40.59	N/A	N/A
	Republic of China	Representative: Chao-Tung Wong	Male 70	2021.8.25	3 years	2016.11.15	0	0	0	0	0	0
Director	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 2)	582,673,153	40.59	N/A	N/A
	Republic of China	Representative: Wen-Chou Li	Male 63	2022.3.1	3 years	2022.3.1	0	0	0	0	0	0
Director	Republic of China	China Steel Corporation	-	2021.8.25	3 years	2006.6.29	582,673,153	40.59 (Note 2)	582,673,153	40.59	N/A	N/A
	Republic of China	Representative: Kun-Pin Huang (Note 3)	Male 51	2024.1.31	3 years	2024.1.31	0	0	0	0	0	0
Independent Director	Republic of China	Juh-Shan Chiou	Male 72	2021.8.25	3 years	2015.6.26	0	0	0	0	0	0
Independent Director	Republic of China	Hsien-Tang Tsai	Male 68	2021.8.25	3 years	2015.6.26	0	0	0	0	0	0
Independent Director	Republic of China	Lin-Lin Lee	Female 56	2021.8.25	3 years	2015.6.26	0	0	0	0	0	0

Note 1: 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).

March 31, 2024

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 1)
Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
N/A	N/A	N/A	N/A	N/A			None
0	0	Systems and Naval Mechatronic Engineering, National Cheng Kung University Assistant Vice President, Production Division of China Steel Corporation.	Supervisor of Pacific Harbor Stevedoring Corporation	None	None	None	
N/A	N/A	N/A	N/A	N/A			
0	0	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	None	None	None	
N/A	N/A	N/A	N/A	N/A			
0	0	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 Chairman of CSGT (Shanghai) Co., Ltd. Chairman of CSGT (Shenzhen) Co., Ltd. Director, Wabo Global Trading Corporation	None	None	None	
N/A	N/A	N/A	N/A	N/A			
0	0	Master of Industrial Engineering and Management, Yuan Ze University Deputy Director of Production Planning Department, China Steel Corporation	Does not hold positions in the Company Director of Production Planning Department, China Steel Corporation Director of CSCI Steel Corporation India Pvt. Ltd.	None	None	None	
0	0	MBA, National Sun Yat-sen University CPA Partner, Chung Sun Certified Public Accountants	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. Honorary CPA, Chungsun Prime Certified Public Accountants	None	None	None	
0	0	Ph.D. in Business Administration, Purdue University Dean, College of Management, National Sun Yat-sen University	Does not hold positions in the Company Independent Director, Audit Committee Member, and Remuneration Committee Convener, Logah Technology Corporation Independent Director, Audit Committee Member, and Remuneration Committee Member, Fulin Plastic Industry (Cayman) Holding Co., Ltd. Independent Director, Fulin Plastic Industry (Vietnam) Co., Ltd. (wholly-owned subsidiary of Fulin 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	
0	0	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	

Note 2: 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 3: Legal shareholder China Steel Corporation assigned Mr. Kun-Pin Huang to replace Mr. Min-Hsiung Liu as its representative on January 31, 2024.

Table 1: Major shareholders of institutional shareholders

December 31, 2023

Name of institutional shareholder	Major shareholders of institutional 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. (2.42%), Transglory Investment Corporation (1.63%), Cathay Sustainability High Dividend ETF under the custody of Taishin International Bank (1.38%), Fubon Life Insurance Co., Ltd. (1.36%), Chunghwa Post Co., Ltd. (1.16%), Labor Retirement Fund (1.11%), Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.08%), Vanguard Total International Stock Index Fund (1.05%), Labor Pension Fund (1.03%)

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

December 31, 2023

Name of institutional shareholders	Major Shareholders of Institutional Shareholders
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Transglory Investment Corporation	China Steel Express Corporation (48.28%) Chung Hung Steel Corporation (39.59%), China Steel Chemical Corporation (8.90%), and United Steel Engineering & Construction Corporation (3.23%).
Chunghwa Post Co., Ltd.	Ministry of Transportation (100%)

(II) Directors and Independent Directors

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

Criteria Name	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	<p>Highest level of education: Bachelor of Systems and Naval Mechatronic Engineering, National Cheng Kung University</p> <p>Job Title: Chairman of the Company, Supervisor of Pacific Harbor Stevedoring Corporation</p> <p>Past experience: Assistant Vice President of Production Division, China Steel Corporation; Chairperson of CSCI Steel Corporation India Pvt. Ltd.</p> <p>Professional qualifications and experience: Relevant industry experience (steel), leadership and decision-making, engineering.</p>	<p>1. Not a spouse or a relative within two degrees of kinship with any other director.</p> <p>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.</p>	0
Corporate Director Representative: Chao-Tung Wong	<p>Highest level of education: PhD in Resources Engineering, National Cheng Kung University</p> <p>Job Title: Chairman of China Steel Corporation, Director of Dragon Steel Corporation, and Director of and China Steel Chemical Corporation etc.</p> <p>Past experience: President of China Steel Corporation</p> <p>Professional qualifications and experience: Relevant industry experience (steel), marketing, leadership and decision-making, engineering.</p>	<p>1. Not a spouse or a relative within two degrees of kinship with any other director.</p> <p>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.</p>	0
Corporate Director Representative: Wen-Chou Li	<p>Highest level of education: Master of Business Administration, National Cheng Kung University</p> <p>Job Title: Assistant Vice President of Commercial Division, China Steel Corporation</p> <p>Past experience: Director of Marketing Department, China Steel Corporation.</p> <p>Professional qualifications and experience: Relevant industry experience (steel), business management.</p>	<p>1. Not a spouse or a relative within two degrees of kinship with any other director.</p> <p>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.</p>	0

Criteria Name	Professional qualifications and experience (Note 1)	Compliance with independence criteria	Number of companies the person serves as an independent director
Corporate Director Representative: Kun-Pin Huang	<p>Highest level of education: Master of Industrial Engineering and Management, Yuan Ze University</p> <p>Job Title: Director of Production Planning Department, China Steel Corporation, Director of CSCI Steel Corporation India Pvt. Ltd.</p> <p>Past experience: Deputy Director of Production Planning Department, China Steel Corporation</p> <p>Professional qualifications and experience: Relevant industrial experience (steel), engineering.</p>	<p>1. Not a spouse or a relative within two degrees of kinship with any other director.</p> <p>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.</p>	0
Independent Director Juh-Shan Chiou	<p>Highest level of education: MBA, National Sun Yat-sen University.</p> <p>Job Title: Independent director and audit committee member of King Point Enterprise Co., Ltd., independent director, audit committee member and remuneration committee member of Jufan Industrial Co., Ltd., Honorary CPA of Chungsun Prime Certified Public Accountants.</p> <p>Past experience: Partner CPA of Chung Sun Certified Public Accountants, as well as adjunct lecturer at Deloitte Taiwan and National Sun Yat-sen University.</p> <p>Professional qualifications and experience: Passed the CPA certification exam of R.O.C, expertise in financial accounting.</p>	<p>The three Independent Directors meet the following conditions during the two years before being elected or during the term of office:</p> <p>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.</p> <p>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.</p> <p>3. The individual is not a director, supervisor, or employee of a company that has special relations with the Company.</p> <p>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.</p> <p>5. Has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p> <p>6. The individual's shareholding in the Company along with</p>	2
Independent Director Hsien-Tang Tsai	<p>Highest level of education: Ph.D. in Business Administration, Purdue University.</p> <p>Job Title: Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Logah Technology Corporation, Independent Director, Member of Audit Committee and Member of Remuneration Committee of Fulin Plastic Industry (Cayman) Holding Co., Ltd., Independent Director, Member of the Audit Committee and Remuneration Committee Convener of Revivegen Co., Ltd.,</p> <p>Past experience: Dean of College of Management and Professor of Business</p>	<p>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.</p> <p>5. Has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p> <p>6. The individual's shareholding in the Company along with</p>	3

Name \ Criteria	Professional qualifications and experience (Note 1)	Compliance with independence criteria	Number of companies the person serves as an independent director
	Administration at National Sun Yat-sen University, Director of the Public Television Foundation, etc. Professional qualifications and experience: Commerce, business administration	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.	
Independent Director Lin-Lin Lee	Highest level of education: Master of Law, National Taiwan University. Job Title: Managing Attorney of Ling Yun Attorneys-at-Law, Director of the Legal Aid Foundation, Standing Supervisor of the All-China Lawyers Federation, Independent Director, Audit Committee Member, and Remuneration Committee Member of Sentien Printing Factory Co., Ltd. Past experience: Vice Chairman of Taiwan Bar Association, Chairman of Bar Association of Kaohsiung, Chairman of Warm Life Association for Women (Kaohsiung), Member of the Attorney Disciplinary Re-Examination Committee, Member of the Prosecutors' Selection Committee of the Ministry of Justice, Member of the Prosecutor Evaluation Committee, and Member of the Professional Judges' Selection Committee of the Ministry of Justice. Professional qualifications and experience: Passed the R.O.C. Bar Examination, expertise in legal affairs.		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.

The Company's development is focused on legal compliance, material acquisition, and integration and transformation. Therefore, the Directors were selected based on academic records and experience, age, areas of expertise, and gender balance, and were selected from the industry and academia while taking into account the Company's business development strategy and goals. Independent Directors include one attorney (female) who provide guidance for legal compliance; an accountant who maintains the quality of Financial Reports and provides advice on compliance with accounting standards; a professor of a national university with expertise in business management who provides advice on business management and risk control. Other Directors include Director Chao-Tung Wong who is well-versed in steel industry trends, specializes in integrating upstream and downstream steel industries and focuses on environmental protection issues and social care; Director Wen-Chou Li who specializes in sales and provides the Company's future sales strategy; as well as Director Kuei-Sung Tseng and Director Kun-Pin Huang who have the engineering and steel production expertise to assist the Company during the current phase of replacement of old 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. 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 9 years of experience in

their current role. There was 1 director aged 71 ~ 75, 4 directors aged 61 ~ 70, and 2 directors aged 51 ~ 60. The implementation status is listed in the table below:

Core diversification 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 of the Board Kuei-Sung Tseng	Male	Republic of China		✓					✓	✓	✓				✓			
Director Chao-Tung Wong	Male	Republic of China		✓					✓	✓	✓		✓		✓			
Director Wen-Chou Li	Male	Republic of China		✓					✓	✓	✓			✓				
Director Kun-Pin Huang	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

Title	Nationality	Name	Gender	Date of appointment	Current shareholding (Note 1)		Shareholding by spouse and underage children		Shareholding by nominee arrangement	
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
President and Chief Information Security Officer	Republic of China	Min Chu	Male	2022.11.01	0	0	0	0	0	0
Vice President Administration Division and Corporate Governance Officer	Republic of China	Chien-Hui Lee (Appointed on Feb. 1, 2023)	Male	2023.02.01 (Note 3)	0	0	0	0	0	0
Vice President, Commercial Division	Republic of China	Chun-Ting Lin (Appointed on Nov. 5, 2023)	Male	2023.11.05 (Note 4)	0	0	0	0	0	0
Vice President, Production Division	Republic of China	Jui-Tsai Huang (Appointed on Nov. 3, 2023)	Male	2023.11.03 (Note 5)	0	0	2,000	0	0	0
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

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

Note 4: On November 2, 2023, the Board of Directors approved that Mr. Chun-Ting Lin will take over from Mr. Bo-Han Chen as the Vice President of Commercial Division starting from November 5, 2023.

Note 5: On November 2, 2023, the Board of Directors approved the appointment of Mr. Jui-Tsai Huang, the former Assistant President of Production Division, as the Vice President of Production Division.

March 31, 2023

Education and work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers			Remarks (Note 2)
		Title	Name	Relationship	
Ph.D. in Environmental Engineering, University of Southern California, US Vice President of Commercial Division, China Steel and Nippon Steel Vietnam Joint Stock Company	None	None	None	None	N/A
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	
Master of Electronic Engineering, University of California, Irvine, USA Manager of No.5 Sales Section, China Steel Corporation	Supervisor of Pacific Harbor Stevedoring Corporation	None	None	None	
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	
Master, Department of Finance, National Sun Yat-sen University Section Manager, Accounting Department, China Steel Corporation	None	None	None	None	

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

(I) Remuneration Paid to Directors and Independent Directors:

Unit: NT\$ thousand, Dec. 31, 2023

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)				Bonuses 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		This Company	All companies in the financial report			
Chairperson of the Board	Kuei-Sung Tseng Representative of China Steel Corporation																					
Director	China Steel Corporation	3,811	3,811	419	419	802	802	532	532	5,564 3.49%	5,564 3.49%	0	0	0	0	0	0	0	0	5,564 3.49%	5,564 3.49%	16,677
	Chao-Tung Wong Representative of China Steel Corporation																					
	Min-Hsiung Liu Representative of China Steel Corporation																					
	Wen-Chou Li Representative of China Steel Corporation																					
Independent Director	Juh-Shan Chiou	1,517	1,517	0	0	0	0	540	540	2,057 1.29%	2,057 1.29%	0	0	0	0	0	0	0	0	2,057 1.29%	2,057 1.29%	0
	Lin-Lin Lee																					
	Hsien-Tang Tsai																					
<p>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:</p> <p>(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\$26,390 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.</p> <p>(2) Independent Directors are required to attend meetings of the Board of Directors with transportation allowances paid by the Company.</p> <p>(3) Where Independent Directors serve as members of the functional committees of the Board, they shall attend the meetings of the functional committees and the Company shall pay attendance fees based on their actual attendance.</p> <p>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.</p>																						

Remuneration Range Table

December 31, 2023

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 (H)	This Company	The parent company and all investees (I)
Less than NT\$ 1,000,000	Chao-Tung Wong, Min-Hsiung Liu, Wen-Chou Li, Juh-Shan Chiou, Lin-Lin Lee, Hsien-Tang Tsai	Chao-Tung Wong, Min-Hsiung Liu, Wen-Chou Li, Juh-Shan Chiou, Lin-Lin Lee, Hsien-Tang Tsai	Chao-Tung Wong, Min-Hsiung Liu, Wen-Chou Li, 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)	China Steel Corporation	China Steel Corporation	China Steel Corporation	China Steel Corporation
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	None	None	None	None
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	Kuei-Sung Tseng	Kuei-Sung Tseng	Kuei-Sung Tseng	Kuei-Sung Tseng, Wen-Chou Li
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000 (exclusive)	None	None	None	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	8	8	8	8

Note 1: The parent company and all investees including the Company.

(II) Remunerations to President and Vice President

Unit: NT\$ thousand, Dec. 31, 2023

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	Min Chu													
Vice President, Administration Division	Chia-Wen Luo (Dismissed on Feb. 1, 2023)													
	Chien-Hui Lee (Appointed on Feb. 1, 2023)													
Vice President, Commercial Division	Po-Han Chen (Dismissed on Nov. 5, 2023)	7,196	7,196	587	587	2,208	2,208	123	0	123	0	10,114	10,114	513
	Chun-Ting Lin (Appointed on Nov. 5, 2023)											6.35%	6.35%	
Vice President, Production Division	Chih-Ho Chiu (Dismissed on Mar. 30, 2023)													
	Jui-Tsai Huang (Appointed on Nov. 3, 2023)													

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

Note 2: The remuneration of the President and Vice President will only be calculated for the period they held that position for during 2023.

Remuneration Range Table

December 31, 2023

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	Chia-Wen Luo, Chun-Ting Lin, Chih-Ho Chiu, Jui-Tsai Huang	Chia-Wen Luo, Chun-Ting Lin, Chih-Ho Chiu, Jui-Tsai Huang
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000 (exclusive)	Po-Han Chen	Po-Han Chen
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000 (exclusive)	Min Chu, Chien-Hui Lee	Min Chu, Chien-Hui Lee
NT\$ 3,500,000 (inclusive) to NT\$ 5,000,000 (exclusive)	None	None
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	7	7

Note 1: The range of remuneration of the aforementioned managerial officers in all companies mentioned in the consolidated financial report.

Note 2: The parent company and all investees including the Company.

Names of managerial officers who received employee remuneration and the status of distribution

Unit: NT\$ thousand, Dec. 31, 2023

Title		Name	Stock amount	Cash amount	Total	Ratio accounted compared to the total net income (%)
Managerial Officer	President	Min Chu	0	137	137	0.09%
	Vice President, Administration Division	Chia-Wen Luo (Dismissed on Feb. 1, 2023)				
		Chien-Hui Lee (Appointed on Feb. 1, 2023)				
	Vice President, Commercial Division	Po-Han Chen (Dismissed on Nov. 5, 2023)				
		Chun-Ting Lin (Appointed on Nov. 5, 2023)				
	Vice President, Production Division	Chih-Ho Chiu (Dismissed on Mar. 30, 2023)				
		Jui-Tsai Huang (Appointed on Nov. 3, 2023)				
	Chief Accounting Officer	Wen-Ping Huang				

(III) 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.

1. The Company's remuneration for Directors (including Independent Directors), President, and Vice Presidents in 2023 accounted for 11.13 % of the after-tax net profit. The remuneration for Directors (including Independent Directors), President, and Vice Presidents in 2022 accounted for 3.31% of the after-tax net profit.

2. (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. The Chairperson shall be applicable to related regulations regarding employee salary payment and provided with other allowances. 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 if the Company's cumulative losses have been covered. Directors' remuneration shall be determined by the Board of Directors and reported to the Shareholders' Meeting.

(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.

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 6 (A) meetings of the Board of Directors were held in 2023. The attendance of Directors was as follows:

2023.01.01~2023.12.31

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	6	0	100	None
Director	Representative of China Steel Corporation Chao-Tung Wong	6	0	100	None
Director	Representative of China Steel Corporation Min-Hsiung Liu	6	0	100	None
Director	Representative of China Steel Corporation Wen-Chou Li	6	0	100	None
Independent Director	Juh-Shan Chiou	6	0	100	None
Independent Director	Hsien-Tang Tsai	6	0	100	None
Independent Director	Lin-Lin Lee	6	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. 15th meeting of the 15th Board of Directors on May 4, 2023: Approval of the non-compete clause for Mr. Min-Hsiung Liu, and Mr. Wen-Chou Li. Director Min-Hsiung Liu and Director Wen-Chou Li recused themselves in accordance with the law.
 2. 18th meeting of the 15th Board of Directors on Dec. 28, 2023: Proposed adjustment to the basic salary of the Company Chairperson, President, and Vice President of Administrative Division, and former Vice President of Commercial Division for the 2023 financial year backdated to April 1, 2023. 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 2023 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. 31, Feb. 23, May 4, Aug. 3, and Nov. 2 in 2023. 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 2023: The Company convened four meetings of the Remuneration Committee on Feb. 23, Aug. 5, Nov. 2, and Dec. 28 in 2023 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 3, 2023, and posted to the Market Observation Post System in accordance with regulations.

2. The Board of Directors evaluation status in 2023 was as follows:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
Board internal performance self-evaluation: Once every year	January 1, 2023 to December 31, 2023	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 17th meeting of the 15th Board of Directors on November 2, 2023, 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 February 27, 2024, 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 2023 consisted of 4 categories with 20 self-evaluation indicators in each category. The maximum score for each self-evaluation indicator was 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: 97.86 points.
 - (B) Total average indicator score: 4.89 points
- B. Results of the performance self-evaluation of the Directors:
- (A) Total average score of the questionnaire: 98.43 points
 - (B) Total average indicator score: 4.92 points
- C. Results of the performance self-evaluation of the Audit Committee:
- (A) Total average score of the questionnaire: 99.33 points.
 - (B) Total average indicator score: 4.97 points
- D. Results of the performance self-evaluation of the Remuneration Committee:
- (A) Total average score of the questionnaire: 98.33 points.
 - (B) Total average indicator score: 4.92 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 2023. 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)Operational Status of the Audit Committee:

1.Audit Committee member profiles:

March 31, 2024

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 audit committee
Independent Director/Audit Committee Convener	Juh-Shan Chiou	<p>Highest level of education: MBA, National Sun Yat-sen University.</p> <p>Job Title: Independent director and audit committee member of King Point Enterprise Co., Ltd., independent director, audit committee member and remuneration committee member of Jufan Industrial Co., Ltd., Honorary CPA of Chungsun Prime Certified Public Accountants.</p> <p>Past experience: Partner CPA of Chung Sun Certified Public Accountants, as well as adjunct lecturer at Deloitte Taiwan and National Sun Yat-sen University.</p> <p>Professional qualifications and experience: Passed the CPA certification exam of R.O.C, expertise in financial accounting.</p>	<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 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. 	2	
Independent Director	Hsien-Tang Tsai	<p>Highest level of education: Ph.D. in Business Administration, Purdue University.</p> <p>Job Title: Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Logah Technology Corporation, Independent Director, Member of Audit Committee and Member of Remuneration Committee of Fulin Plastic Industry (Cayman) Holding Co., Ltd., Independent Director, Member of the Audit Committee and Remuneration Committee Convener of Revivegen Co., Ltd.,</p> <p>Past experience: Dean of College of Management and Professor of Business Administration at National Sun Yat-sen University, Director of the Public Television Foundation, etc.</p>	<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 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	

Role	Criteria 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
		Professional qualifications and experience: Commerce, business administration		
Independent Director	Lin-Lin Lee	Highest level of education: Master of Law, National Taiwan University. Job Title: Managing Attorney of Ling Yun Attorneys-at-Law, Director of the Legal Aid Foundation, Standing Supervisor of the All-China Lawyers Federation, Independent Director, Audit Committee Member, and Remuneration Committee Member of Sentien Printing Factory Co., Ltd. Past experience: Vice Chairman of Taiwan Bar Association, Chairman of Bar Association of Kaohsiung, Chairman of Warm Life Association for Women (Kaohsiung), Member of the Attorney Disciplinary Re-Examination Committee, Member of the Prosecutors' Selection Committee of the Ministry of Justice, Member of the Prosecutor Evaluation Committee, and Member of the Professional Judges' Selection Committee of the Ministry of Justice. Professional qualifications and experience: Passed the R.O.C. Bar Examination, expertise in legal affairs.		1

2. A total of 5 (A) meetings of the audit committee in 2023. The attendance of Independent Directors was as follows:

2023.01.01~2023.12.31

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 2023

1. 7th meeting of 15th Board of Directors on January 31, 2023:
 - (1) Motion for change of the Company's Chief Finance Officer.
2. 8th meeting of 15th Board of Directors on February 23, 2023:
 - (1) 2022 annual audit and business reports.
 - (2) Proposed provision of non-assurance services by the CPA in 2023 and assessment of their independence.
 - (1) The Company's 2022 Business Report and Financial Report.
 - (2) The Company's 2022 earnings distribution proposal.
 - (3) The 2022 Internal Control Self-Assessment Report and Internal Control System Statement.
3. 9th meeting of 15th Board of Directors on May 4, 2023:
 - (1) The Company's 2023 Q1 consolidated financial statements.
 - (2) Amendment of the Company "Internal Control System Regulations."
 - (3) Approval for lifting of non-compete clause for Director Min-Hsiung Liu and Director Wen-Chou Li.
4. 10th meeting of 15th Board of Directors on August 3, 2023:
 - (1) The Company's 2023 Q2 consolidated financial statements.
5. 11th meeting of 15th Board of Directors on November 2, 2022:
 - (1) 2023 Risk management operation report.

(2)The Company's 2023 Q3 consolidated financial statements.

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 2022 financial report conclusion meeting on Feb. 23, 2023. 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 2022 and discussions of plans for 2023. 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.Updates of laws and regulations.

(II) The Company convened the exclusive communication meeting between the Independent Directors and Chief Internal Auditor on Nov. 2, 2023. 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. Certification and assurance of greenhouse gas inventory and certification was conducted by a third-party.

3.Risk management of the sustainability report preparation process to validate the quality of ESG information.

(III)The 2023 communication meeting (audit planning phase) with the governance unit was convened by the Company on December 28, 2023. 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 2023 Financial Report. Material items discussed in the meeting are as follows:

1.Check scope, method and time.

2.Identification of significant risks and assessment of key audit items.

3.IFRS Sustainable Disclosure Standards.

4.Deloitte Taiwan Quality Management system

5.Deloitte Taiwan - Transparency Report.

6.Non-audit services performed by Deloitte Taiwan.

7.Audit quality indicators (AQI).

8.Responsibilities of the governance unit.

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

- (I) 8th meeting of 15th Board of Directors on February 23, 2023: Motion to evaluate the independence, competency, and performance of the CPAs.

Opinions of the Audit Committee: Is AQI required by the competent authority?

The Company's explanation and measures taken: AQI was handled in accordance with the corporate governance evaluation indicators.

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

- (II) 9th meeting of 15th Board of Directors on May 4, 2023: The Company's 2023 Q1 consolidated financial statements.

Opinions of the Audit Committee: What is the reason for the significant increase in the difference in net profit before tax and after tax in this period compared with the same period last year?

The Company's explanation and measures taken: The reason for the large difference in net profit before tax and after tax for the current period was mainly due to the consolidated impact of depreciation losses on inventory impairment, losses on purchase contracts, and recognition of losses in the current year.

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

- (III) 10th meeting of 15th Board of Directors on August 3, 2023: The Company's 2023 Q2 consolidated financial statements.

Opinions of the Audit Committee: What is the reason for the increase of NT\$500 million in other payables?

The Company's explanation and measures taken: The increase was mainly due to the fact that the shareholders' meeting in June 2023 approved the payment of cash dividends of NT\$502 million. The money was transferred from retained earnings to other payables.

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

- (IV) 11th meeting of 15th Board of Directors on Nov. 2, 2023: 2023 Risk management operation report.

Opinions of the Audit Committee: Only interest rate and exchange rate risks are currently recorded as financial risks. Do raw material prices also need to be recorded in financial risks? How does the company do risk assessment?

The Company's explanation and measures taken: Raw material risks have been recorded in material source risk management and control. Risk identification includes economic, social, environmental and other related risks, The response detailed the Company's practices in greater detail. Each unit independently assesses the relevant risks and responses; The main ways to reduce risk are insurance, equipment improvement and monitoring.

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

11th meeting of 15th Board of Directors on Nov. 2, 2023: The Company's 2023 Q3 consolidated financial statements.

Opinions of the Audit Committee: Cash and cash equivalents decreased by MT\$1.6 billion compared with December last year. Is this related to the NT\$1.7 billion decrease in long-term borrowings? Is the decrease in short-term borrowings by NT\$3 billion related to the increase in short-term borrowings by NT\$3 billion?

The Company's explanation and measures taken: Changes in cash and borrowings, as well as adjustments to the company's capital planning.

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		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
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?	✓		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?	✓		(I) The Company has appointed a spokesperson, acting spokesperson, and other dedicated personnel and emails to process shareholder suggestions and other issues.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		(II) The Company retained KGI Securities to assist with the organizing of share service A list of the Company's main shareholders and their ultimate owners are also compiled periodically.	
(III) Does the company establish and execute risk control mechanism for affiliates, and firewall methods?	✓		(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) Does the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	✓		(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. Directors are also explicitly barred from trading in Company shares during the closed period 30 days before the publication of yearly financial reports, and 15 days before the publication of quarterly financial reports. Directors are notified of this restriction prior to the closed period as well.	
III. Board compositions and responsibilities				

Assessed item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(I) Did the Board of Directors formulate a diversity policy, set specific management objectives, and implement it?	✓		(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 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".	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	Summary	
(II) Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee?		✓	(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.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies but no other functional committees are currently established.
(III) Has the company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	✓		(III) 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 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. 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 Board of Directors performance evaluations for the past three years have been disclosed on the Company's website and the Market Observation Post System.	No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company regularly implement assessments on the independence of CPA?	✓		(IV) The Company's Audit Committee periodically evaluates the independence of certifying CPAs each year and reports the evaluation results to the Board of Directors. The Company's Audit Committee evaluates the independence and competence of its certifying CPAs every year. In addition	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	Summary	
			<p>to requiring the CPAs to provide a Declaration of Total Independence and Audit Quality Indicators (AQIs), the AQI disclosure framework and template announced by the Financial Supervisory Commission of Executive Yuan are used as objective indicators by the Audit Committee for its assessment of the CPAs.</p> <p>The Company confirmed that our CPAs did not serve other roles in the Company or have any direct or indirect interest in the Company's other business transactions. There were no violations of independence and high levels of professionalism were maintained in the providing taxation, auditing, and consulting services. The Company assessed the performance of the CPAs as satisfactory. With the exception of expenses for auditing and taxation cases, the certifying CPAs and the Company have no other common financial interests or business relations. The certifying CPAs' spouses and underage children also do not violate requirements for independence. In addition, the Company used the 13 AQIs encompassing the five dimensions of "Professionalism, Quality Control, Independence, Supervision, and Innovation" to confirm that the audit experience and training hours of the certifying CPAs and their accounting firm were both better than the industry average, and that have also continued to improve audit quality through the introduction of digital audit tools over the past 3 years. Describe as note 1. The most recent evaluation results were discussed and approved by the Audit Committee on February 23, 2023 and reported to the Board of Directors on the same day. The report for 2024 is expected to be submitted to the Audit Committee and Board of Directors on May 5.</p>	
IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Chief	✓		The Company established the position of the "Corporate Governance Officer" in the 7th meeting of the 14th Board of Directors on Mar. 19, 2019. The role is filled by the	No deviation from the Corporate Governance Best Practice Principles

Assessed item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
Corporate Governance Officer to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, assisting Directors and Supervisors with legal compliance matters, processing company matters related to board meetings and shareholders' meetings according to laws, and preparing minutes of the board meetings and shareholders' meetings)?			<p>Vice President of the Administration Division. The Director of the Finance Department serves concurrently as corporate governance personnel. The Company also established the "Shareholders Affairs & 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), 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 2023 were as follows:</p> <ol style="list-style-type: none"> 1. The Company convened a total of 6 meetings of the Board of Directors in 2023. 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 4, 2023, the Board of Directors reported on the Company's promotion and implementation of ethical corporate management, communication with stakeholders, 2022 implementation outcomes in sustainable development, and the 2023 sustainable development implementation plan. 3. The Company convened a annual shareholders' meeting on June 28, 2023 and uploaded related information within the period required by laws. 4. The continuing education courses taken by Directors in 2023 have been disclosed on the Market Observation Post System. 	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	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?	✓		(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?	✓		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?	✓		(I) The Company has established an official website in Chinese and English. URL: http://www.chsteel.com.tw to provide related financial and business information. The Administration Department was assigned to take charge of updating information.	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	✓		(II) The Company organizes investor seminars in accordance with laws and it uploads related information to the Market Observation Post System and the Company's website. The Company has assigned dedicated personnel to take	

Assessed item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>spokesperson system, upload the investor conference processes to the company's website, etc.)?)</p> <p>(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?</p>	✓		<p>charge of the collection of related information and disclosure of material information. A spokesperson is assigned to manage all external announcements.</p> <p>(III) The Company's 2023 financial report was filed within two months after the end of the fiscal year. The 2024 quarterly reports and monthly operation status will also be published before the prescribed deadlines.</p>	
<p>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)?</p>	✓		<p>(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.</p> <p>(II) Care for employees:</p> <ol style="list-style-type: none"> 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. Except when there is an epidemic, the Company organizes periodic large-scale family events for employees each year. Each unit also organizes independent activities to allow all employees to relax and have fun and strengthen the cohesion of all employees. The Company organizes 	<p>No deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Assessed item	Operating status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>regular employee seminars each year for management units to communicate with employees directly. The Employee Welfare Committee also provides benefits such as group insurance, education subsidies, and scholarships.</p> <p>(III)Investor relations: The Company has appointed the stock transfer agency to process affairs related to communication with shareholders. The Company also established a spokesperson system and provides appropriate responses to comments from shareholders' calls or letters. The Company also established an Investor Relations section on the Company's website to communicate with investors. The Company also discloses related information on the Market Observation Post System in accordance with regulations for general investors.</p> <p>(IV)Supplier relations: The Company maintains good relations with suppliers of raw materials and requires each unit to complete purchasing and acceptance in accordance with the specified schedule. It also follows up on the performance of the units in each quarter to expedite payment procedures. In response, the suppliers are able to offer more reasonable prices to achieve mutual trust and mutual prosperity. The Company also established the "Contractor and Supplier Assessment Regulations" to improve the quality of supplies and obtain raw materials at reasonable prices.</p> <p>(V) Rights of stakeholders: The Company performs all due obligations to banks, customers, suppliers, and communities. The Company repays bank loans and interest in a timely manner and it also pays suppliers in a timely manner in accordance with internal regulations. It delivers products to customers in accordance with contracts and facilitate good interactions with the communities by sponsoring events and giving back to the community. The Company has established a dedicated stakeholders'</p>	

Assessed item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>section on its website for communication.</p> <p>(VI)Continuing education of directors and managerial officers: Please refer to Appendix 1.</p> <p>(VII)Implementation of risk management policy and risk measurement standards: The risk management policy and procedures passed by the Board of Directors on December 29, 2022, provided disclosure on the scope, organizational structure, and operating status of risk management at the Company. A report on risk management operations is also made to the Board of Meetings every year. 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.”</p> <p>(VIII) Implementation of customer policies: Implemented in accordance with the law and internal rules.</p> <p>(IX)Liability insurance purchased by the Company for directors and supervisors: The Company has purchased liability insurance for Directors (including Independent Directors) and reported to the Board of Directors in the 16th meeting of the 15th Board of Directors on Aug. 3, 2023.</p> <p>(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.</p> <p>(XI)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</p>	

Assessed item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			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 2023: The top 6%-20% of Corporate Governance Evaluation in 2023. In response to the results of the Corporate Governance Evaluation, focus in 2023 was on the formulation of an Intellectual Property Management Plan that is linked to business goals, disclosure of its implementation status on the Company website, and the briefing of the Board of Directors. (II) Priorities for improvements in 2024: The submission of the Sustainability Report to the Board of Directors for approval, and the Company linking to audio and video information that provides full disclosure from at least two complete investor conferences.	

Note1: The CPA's independence evaluation was conducted at the Board meeting on February 23, 2022. The CPA's independence and suitability evaluation was conducted at the Board meeting on February 23, 2022. The results of the most recent annual assessment will be discussed and approved by the Audit Committee on May 02, 2024 and reported to the Board of Directors for approval of the assessment of the independence and of the CPAs; The item of evaluation is detailed in the table below:

Item of Evaluation	Evaluation Results	Compliance with Independence
1. Does the CPAs have a direct or indirect significant relationship of financial interests with the company.	No	Yes
2. Does the CPAs have a business relationship with the Company that affects its independence.	No	Yes
3. Do the CPAs and the members of its audit team hold positions as a Director, manager, or other positions with significant effects on the audit work of the Company at present or in the past two years.	No	Yes
4. Did the CPAs provide any non-audit service item to the Company that may directly affect the audit work.	No	Yes
5. Has the CPAs served as an agent for the stock or other securities issued by the Company.	No	Yes
6. Does the CPAs hold the position of the Company's defender or coordinate on behalf of the Company regarding conflicts with other third parties.	No	Yes

Item of Evaluation	Evaluation Results	Compliance with Independence
7. Is the CPAs a lineal relative by blood, a lineal relative by marriage, or a relative within the second degree of kinship of the Company's Director or manager.	No	Yes
8. Has the CPAs accepted any gift or present with a significant value from the Company.	No	Yes

Appendix 1. Continuing education of Directors and Independent Directors:

As of Dec. 31, 2023

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	2023/07/04	2023/07/04	Taiwan Stock Exchange Corporation	2023 Cathay Sustainable Finance and Climate Change Summit	3.0
			2023/08/11	2023/08/11	Taiwan Investor Relations Institute	Insights into corporate fraud risks and preventive countermeasures from actual cases	3.0
Representative of Corporate Director	Min-Hsiung Liu	2018/03/31	2023/08/11	2023/08/11	Taiwan Investor Relations Institute	Insights into corporate fraud risks and preventive countermeasures from actual cases	3.0
			2023/10/20	2023/10/20	Securities & Futures Institute	2023 Insider Trading Prevention Seminar	3.0
			2023/11/27	2023/11/27	Taiwan Investor Relations Institute	Cross-domain management practices for net-zero carbon emissions	3.0
Representative of Corporate Director	Chao-Tung Wong	2016/11/15	2023/08/11	2023/08/11	Taiwan Investor Relations Institute	Insights into corporate fraud risks and preventive countermeasures from actual cases	3.0
			2023/11/27	2023/11/27	Taiwan Investor Relations Institute	Cross-domain management practices for net-zero carbon emissions	3.0
Representative of Corporate Director	Wen-Chou Li	2022/03/01	2023/07/18	2023/07/18	Accounting Research and Development Foundation	Transformational finance and sustainability disclosure seminar	3.0
			2023/08/11	2023/08/11	Taiwan Investor Relations Institute	Insights into corporate fraud risks and preventive countermeasures from actual cases	3.0
			2023/11/27	2023/11/27	Taiwan Investor Relations Institute	Cross-domain management practices for net-zero carbon emissions	3.0

Title	Name	Date of Appointment	Date of Studies		Organizer	Course Title	Duration of the Course
			Starting Date	Ending Date			
Independent Director	Juh-Shan Chiou	2015/06/26	2023/07/04	2023/07/04	Taiwan Stock Exchange Corporation	Cathay Financial Holdings (video conference) - 2023 Cathay Sustainable Finance and Climate Change Summit	3.0
			2023/08/11	2023/08/11	Taiwan Investor Relations Institute	Insights into corporate fraud risks and preventive countermeasures from actual cases	3.0
			2023/08/24	2023/08/24	Taiwan Stock Exchange and Taipei Exchange	Information session on insider equity of Main Board/Emerging Stock Board companies	3.0
Independent Director	Hsien-Tang Tsai	2015/06/26	2023/05/22	2023/05/22	Taiwan Stock Exchange Corporation	Information session on sustainable development action plans for TWSE/TPEX-listed companies	3.0
			2023/06/09	2023/06/09	Securities & Futures Institute	2023 Insider Trading Prevention Seminar	3.0
			2023/12/13	2023/12/13	Taiwan Corporate Governance Association	Carbon inventory, assurance principles and key points	3.0
Independent Director	Lin-Lin Lee	2015/06/26	2023/09/04	2023/09/04	Financial Supervisory Commission	14th Taipei Corporate Governance Forum	6.0

Status of continuing education of managerial officers

As of Dec. 31, 2023

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	2023/03/20	2023/03/20	China Steel Corporation	China Steel Lectures - Sustainable Management - Innovations in Management of Trade Secrets	2.0
			2023/04/14	2023/04/14	Occupational Safety and Health Administration, Ministry of Labor	Steel Industry Occupational Safety and Health Summit	2.0
			2023/05/03	2023/05/03	Chung Hung Steel Corporation	Corporate Sustainability Volunteer Service Program Training	12.0
			2023/05/11	2023/05/11	Chung Hung Steel Corporation	Industrial Safety Responsibility for Supervisors Course (supervisors responsible for management, command, and supervision at every level)	3.0
Vice President, Administration Division (Chief Corporate Governance Officer)	Chien-Hui Lee	2023/02/01	2023/05/19	2023/05/19	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and laws and common deficiencies	3.0
			2023/05/22	2023/05/22	Taiwan Stock Exchange Corporation	Information session on sustainable development action plans for TWSE/TPEX-listed companies	3.0
			2023/05/31	2023/05/31	Accounting Research and Development Foundation	Establish ESG sustainability strategies to enhance competitiveness	3.0
			2023/07/04	2023/07/04	Taiwan Stock Exchange Corporation	2023 Cathay Sustainable Finance and Climate Change Summit	6.0
			2023/08/11	2023/08/11	Taiwan Investor Relations Institute	Insights into corporate fraud risks and preventive countermeasures from actual cases	3.0

Title	Name	Date of Appointment	Date of Studies		Organizer	Course Title	Duration of the Course
			Starting Date	Ending Date			
			2023/12/05	2023/12/05	Chung Hung Steel Corporation	Elite lecturers - Strategic innovative thinking	3.0
Vice President, Commercial Division	Chun-Ting Lin	2023/11/05	2023/11/16	2023/11/16	China Steel Corporation	China Steel Lectures - "Leadership and Organizational Re-engineering"	2.5
			2023/11/27	2023/11/27	Taiwan Investor Relations Institute	Cross-domain management practices for net-zero carbon emissions	3.0
			2023/12/05	2023/12/05	Chung Hung Steel Corporation	Elite lecturers - Strategic innovative thinking	3.0
Vice President, Production Division	Jui-Tsai Huang	2023/11/03	2023/05/11	2023/05/11	Chung Hung Steel Corporation	Industrial Safety Responsibility for Supervisors Course (supervisors responsible for management, command, and supervision at every level)	2.0
			2023/08/11	2023/08/11	Taiwan Investor Relations Institute	Insights into corporate fraud risks and preventive countermeasures from actual cases	3.0
			2023/09/08	2023/09/08	China Steel Corporation	Education and training on "EU CBAM Regulations and Reporting Methods"	2.5
			2023/11/08	2023/11/08	China Steel Corporation	China Steel Special Lecture - Digital Driven Decision-making	2.5
			2023/11/27	2023/11/27	Taiwan Investor Relations Institute	Cross-domain management practices for net-zero carbon emissions	3.0
			2023/12/05	2023/12/05	China Steel Corporation	Elite lecturers - Strategic innovative thinking	3.0

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> <p>(1) Themselves, their spouse, parents, children, or relatives within the second degree of kinship;</p> <p>(2) Companies in which the individuals in the subparagraph above directly or indirectly enjoy significant financial benefits;</p> <p>(3) Companies in which they serve as the Chairperson, executive director, or senior managerial officers;</p> <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> <p>(1) Seeking opportunities to pursue personal gain for themselves or others by using company property or information or taking advantage of their positions;</p> <p>(2) Obtaining personal gain for themselves or others by using company property or 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</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>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> <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: Where a supervisor violates the regulations on ethical conduct specified in the Code, gross violations shall be reported to the Board of Directors and violators shall be disciplined in accordance with the Company's "Regulations on Reward and Punishment". Where the disciplined employee believes that the Company failed to process the matter correctly and causes damage to his/her legal rights, the employee may file a complaint in accordance with the "Employee Grievance Processing Regulations" for remedial measures.</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> <ul 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> <ul 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> <p>5.6 Where a Director conducts actions that compete against the Company, he/she shall report</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>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> <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, 2024

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	<p>Highest level of education: Ph.D. in Business Administration, Purdue University.</p> <p>Job Title: Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Logah Technology Corporation, Independent Director, Member of Audit Committee and Member of Remuneration Committee of Fulin Plastic Industry (Cayman) Holding Co., Ltd., Independent Director, Member of the Audit Committee and Remuneration Committee Convener of Revivegen Co., Ltd.,</p> <p>Past experience: Dean of College of Management and Professor of Business Administration at National Sun Yat-sen University, Director of the Public Television Foundation, etc.</p> <p>Professional qualifications and experience: Commerce, business administration</p>	<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 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. 	3	
Independent Director	Juh-Shan Chiou	<p>Highest level of education: MBA, National Sun Yat-sen University.</p> <p>Job Title: Independent director and audit committee member of King Point Enterprise Co., Ltd., independent director, audit committee member and remuneration committee member of Jufan Industrial Co., Ltd., Honorary CPA of Chungsun Prime Certified Public Accountants.</p> <p>Past experience: Partner CPA of Chung Sun Certified Public Accountants, as well as adjunct lecturer at Deloitte Taiwan and National Sun Yat-sen University.</p> <p>Professional qualifications and experience: Passed the CPA certification exam of R.O.C, expertise in financial accounting.</p>	<ol style="list-style-type: none"> 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	

Role	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
Name				
Independent Director	Lin-Lin Lee	<p>Highest level of education: Master of Law, National Taiwan University.</p> <p>Job Title: Managing Attorney of Ling Yun Attorneys-at-Law, Director of the Legal Aid Foundation, Standing Supervisor of the All-China Lawyers Federation, Independent Director, Audit Committee Member, and Remuneration Committee Member of Sentien Printing Factory Co., Ltd.</p> <p>Past experience: Vice Chairman of Taiwan Bar Association, Chairman of Bar Association of Kaohsiung, Chairman of Warm Life Association for Women (Kaohsiung), Member of the Attorney Disciplinary Re-Examination Committee, Member of the Prosecutors' Selection Committee of the Ministry of Justice, Member of the Prosecutor Evaluation Committee, and Member of the Professional Judges' Selection Committee of the Ministry of Justice.</p> <p>Professional qualifications and experience: Passed the R.O.C. Bar Examination, expertise in legal affairs.</p>		1

2.Operational Status 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 2023. 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	Juh-Shan Chiou	4	0	100%	
Member	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) 7th meeting of 15th Board of Directors on Feb. 23, 2023:

1.Request for recommendation on the salary for Mr. Chien-Hui Lee, the newly-appointed Vice President of Administration Division.
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 2022.
Resolution: Passed by all members of the Committee in attendance.

(II) 8th meeting of 15th Board of Directors on Aug. 3, 2023:

1.Request for recommendation on the results from evaluation of the President's performance in 2022.
Resolution: Passed by all members of the Committee in attendance.

(III)9th meeting of 15th Remuneration Committee on Nov. 2, 2023:

1.Request for recommendations on proposed amendments to the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors."
Resolution: Passed by all members of the Committee in attendance.

(IV) 10th meeting of 15th Board of Directors on Dec. 28, 2023:

1.Request for recommendations on proposed adjustment to the base salary of the Company Chairperson, President, Vice President of Administrative Division, and Vice President of Commercial Division for the 2023 fiscal year backdated to April 1, 2023.
Resolution: Passed by all members of the Committee in attendance.

2.Request for recommendations on the salary of Mr. Chun-Ting Lin, the newly-appointed Vice President, Commercial Division, backdated to November 5, 2023.
Resolution: Passed by all members of the Committee in attendance.

3.Request for recommendations on the proposed promotion and salary adjustment for Mr. Jui-Tsai Huang, Vice President, Production Division, backdated to November 3, 2023.
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 for deviation:

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
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?	✓		<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 Engagement Teams were established to deal with economic, environmental and social 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 gathered the degree of concern and indicators for related issues to compile their corresponding 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 (at least once a year) and adjustments are made based on any guidances issued by directors 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?	✓		<p>A materiality analysis process was established by the Company in accordance with the GRI Universal Standards 2021 and Stakeholder Engagement Standard. The material topics in sustainable development are identified through the compilation, inspection, sorting, identification and confirmation processes. Corresponding management strategies are also</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	
		<p>devised.</p> <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: The company uses the Climate-related Financial Disclosure Proposal (TCFD) framework to inventory the risks brought by climate change. Climate change-related response measures are also evaluated such as formulating water consumption per unit of production, construction of water storage equipment, as well as timely revision of emergency response measures and operating standards relating to typhoon and flood prevention to protect against physical risks such as water shortages and factory flooding due to extreme rainfall. In addition, in response to transformation risks such as changes in energy resource prices, tightening of carbon management regulations and carbon pricing, customer requirements to provide carbon footprints, and difficulties in industry transformation, we have formulated a energy saving shutdown standard to avoid wasting electricity. The Carbon Reduction and Neutrality Team is continuing to collect and analyze issues such as carbon fees and carbon traiff while also working to improve/streamline production processes and develop low-carbon products to realize continued reduction in carbon emissions and environmental impact.</p> <p>2.Material social issues: In the social aspect, improving occupational safety and health management will be prioritized. The adoption of a two-cycle approach to collective defense in industrial safety led to the discovery of 646 potential hazards during the course of 2023 with a completion rate of 100%. We conducted inspections of the Vice President of the Production Division (10 rounds) to implement constant safety observations by supervisors in 1,934 cases (execution frequency: 1,533 cases/year for team leaders, 80 cases for plant industrial safety & hygiene engineers, 277 cases/year for (deputy) section chiefs, and 44</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		
			<p>cases/year for (deputy) plant managers. 98.6% of operations complied with SJP while unsafe behavior/environments amounted to 1.4%. All unsafe behaviors/environments were rectified. We conducted occupational safety audits (36 times) and reported 101 near miss incidents and improvements.</p> <p>3. Material corporate governance issues: A compliance system was established by the Company to prevent non-compliance risks due to internal company regulations not being kept up to date with external regulatory changes. Company regulations are periodically checked against external regulations to ensure that all company regulations comply with regulatory requirements.</p>	
<p>V. 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>	✓		<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. According to the "Procedures for the Environment and Energy Management Committee", the Environment and Energy Management Committee is chaired by the Vice President of Production and it operates in functional teams. The Committee is organized as follows:</p>	No deviation.

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
			<pre> graph TD CC[Committee Chairman] --> DCC[Deputy Committee Chairman] DCC --> C[Committee] DCC --> HT[Heat Technology] DCC --> ET[Electricity Technology] DCC --> EES[Environmental Energy System] DCC --> EG[Education Group] DCC --> CS[Consultant] DCC --> ESE[Executive Secretary for Energy] DCC --> ESEn[Executive Secretary for Environment] </pre> <p>3.All company plants (Hot Rolling Department, Cold-Rolling Department, Pickling & Galvanizing Department, Dafa Steel Pipe Plant, Lukang Steel Pipe Plant, Qiaotou Administration Building) have established environmental management systems (ISO 14001) and energy management systems (ISO 50001). The systems have been verified by "DNV Business Assurance Co., Ltd. (DNV)" as well. To maintain the effectiveness of the system, regular audits are conducted every year and certificate renewal audits are conducted every three years.</p>	
(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?	✓		<p>(II) 1.We continue to implement the following items every year to improve energy efficiency:</p> <p>(1)Establishment of energy management systems (ISO 50001:2018): The PDCA management model was adopted to effectively manage major energy consumption facilities for continued improvements to energy efficiency and management performance.</p> <p>(2)Energy-saving improvement projects are proposed by each factory every year to reduce energy loss. The actual energy-saving implementation performance of each factory in 2023 (Energy Saving Rate - calculated using the Energy Administration methodology) was as follows: A.Hot Rolling Department: 5.46% B.Cold Rolling Department: 1.49% C.Pickling & Galvanizing Department: 5.17% D.Dafa Steel Pipe Plant: 2.77% Lukang Steel Pipe Plant: 1.87%</p> <p>2.At the end of 2023, the Hot Rolling Department began trial</p>	No deviation.

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
			<p>production of steel blanks using more than 92% scrap steel. The quality of the hot-rolled steel coils produced in this manner satisfied customer requirements. The success of this trial production will help reduce greenhouse gases, promote a circular economy, and reduce impact on the environment.</p> <p>3.The Company uses comprehensive waste planning and management to recycle and reuse bulk quantities of industrial waste (e.g. scrap iron, rusty sheet, waste acid, hot rolling sludge, inorganic sludge, waste timber, waste active carbon, waste lubricant oil, waste fireproof materials, waste swarf, non-hazardous fly ash etc.). The waste recycling rate in 2023 was 99.26% and recycled waste was reused for the following purposes:</p> <p>(1)Scrap iron and rusty sheets: Recycled to the furnace for reuse.</p> <p>(2)Waste acid: Recycle waste acid for processing and production of recycled acid and returned to the production process.</p> <p>(3)Hot rolling sludge/inorganic sludge: Materials for cement factories or use in road gradation or production of interlocking bricks.</p> <p>(4)Waste wood: Used as boiler fuel in other factories.</p>	
(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?	✓		(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 their response management are shown in Table 1.) A detailed analysis of the Company's climate change risks and opportunities is disclosed in section 5.2.1 of this Sustainability Report.	No deviation.
(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?	✓		(IV)The results, management policies, and action plans for the Company's greenhouse gas (GHG) emissions, water consumption, and total waste output in the past two years are described below: 1.Greenhouse gas emissions The Company has conducted annual greenhouse gas inventories since 2005. Inventory Statement on emissions was also obtained through third-party verification. Our GHG emissions in the past two years were	No deviation.

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
			<p>as follows:</p> <p>(1) 2022: Scope 1 and Scope 2 emissions amounted to 142,063.953 tons of carbon dioxide equivalent and 136,398.277 tons of carbon dioxide equivalent respectively. Total emissions were 278,462.23 tons of carbon dioxide equivalent.</p> <p>(2) 2023: Scope 1 and Scope 2 emissions amounted to 146,862.6829 metric tons of carbon dioxide equivalent and 130,659.6212 metric tons of carbon dioxide equivalent respectively. Total emissions were 277,522.304 metric tons of carbon dioxide equivalent. (Emissions data are from the preliminary inventory. Third-party verification is scheduled for May 2024).</p> <p>(3) In response to the national target of net-zero greenhouse gas emissions by 2050, short, medium and long-term carbon reduction targets were set as follow: Short-term: Reduce carbon emissions by 25% in 2030 compared to 2018 Medium-term: Reduce carbon emissions by 50% in 2040 compared to 2018 Long-term: Achieve carbon neutrality by 2050</p> <p>(4) To achieve the carbon reduction targets for each stage, we actively promote various energy-saving and carbon-reduction measures and practices, including: Improving the efficiency of combustion facilities, improving the efficiency of power facilities, continued operation of the ISO 50001 energy management system, use renewable energy, and so on. We also use ISO 14064 greenhouse gas inventory and product carbon footprint inventor to identify emission hot spots and effectively manage the accomplishment of carbon reductions. Steady progress is now being made on achieving the target of achieving carbon neutrality by 2050.</p> <p>2. Tap water consumption (excluding water consumption of Ciaotou Administration Building) (1)2022: 1,193,022 cubic meters (2)2023: 976,747 cubic meters (3)The Company has set short-term, medium-term, and long-term</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		
			<p>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%.</p> <p>(4) 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 seas at the common pumping devices of each plant, and the use of water-saving taps.</p> <p>3.Total weight of waste</p> <p>(1)2022: 105,091.28 tons, including 87,346.81 tons (83.12%) of general industrial waste, and 17,744.47 tons (16.88%) (16.84% from recycling of waste acid) of hazardous industrial waste.</p> <p>(2)2023: 103,206.12 tons, including 85,965.24 tons (83.29%) of general industrial waste, and 17,240.88 tons (16.71%) (16.70% from recycling of waste acid) of hazardous industrial waste.</p> <p>(3)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%.</p> <p>(4)The Company now recycles all bulk 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 and disposal of waste through licensed waste processing contractors each year mean that there is no material environmental impact on water bodies and land.</p> <p>4.Environment, safety, health, and energy policy Chung Hung's environment, safety, health, and energy policy was</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														
			<p>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"> <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> <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>	1	Improving employees' health.	2	Mitigating potential hazards and risks.	3	Upholding environmental protection.	4	Continuing energy conservation and carbon emissions reduction.	5	Strengthening participation in consultation services.	6	Improving management performance.	
1	Improving employees' health.															
2	Mitigating potential hazards and risks.															
3	Upholding environmental protection.															
4	Continuing energy conservation and carbon emissions reduction.															
5	Strengthening participation in consultation services.															
6	Improving management performance.															
<p>IV. Social issues</p> <p>(I) Has the company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?</p>	✓		<p>(I) The Company implements humanistic management and provides a fair and reasonable working environment. We support and adhere to principles and spirit in the "United Nations Universal Declaration of Human Rights", "United Nations Global Compact", and other international human rights standards. Our labor conditions comply with the relevant government labor laws and regulations, and all employees are protected by the Labor Standards Act. We also established the "Employee Work Rules" in accordance with laws to regulate the employment, compensation, attendance, leave, rewards and punishments, performance evaluations, transfers, compensation for occupational hazards and family support for victims, termination of employment, retirement, sexual harassment prevention, welfare, and insurance of employees. The Employee Work Rules have been approved by the competent authority and cover 100% of employees. To promote human rights topics, a total of 2,425.5 hours of human rights-related training were conducted for 1,142 people in 2023. The</p>	No deviation.												

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
			<p>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.</p> <p>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 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>	
(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?	✓		<p>(II) The main components in the Company's employee compensation are the base salary, meal allowance, work allowance, supervisor's bonus, attendance bonus and non-vacation bonus, production and sales surplus bonus and annual bonus. We also make mandatory contributions to labor and national health insurance and pension funds (including the 6% contribution required under the new system) in accordance with the law. 6%). The Regulations on the Distribution of Employee Remuneration were also formulated so that the company's operating performance and results for the current year are reflected in employee salaries and remuneration. Employee compensation is also linked to their personal performance evaluation results to provide a basis for salary adjustments and payment of bonuses. The company's compensation system supports gender equality at the basic level. The starting salary (base salary + meal allowance) for new employees is 1:1 for men and women. The Company is continuing to strive to build diversified workplace, and the proportion of female employees is on an upward trend increasing from 8.9% in 2022 to 9.4% in 2023. The ratio of female supervisors to women is also on the rise, reaching 5.9% in 2022 and 6.8% in 2023. This shows that the Company provides gender equal promotion opportunities at work without discriminating between men and women. In order to provide favorable working conditions and meet employee welfare needs, an Employee Welfare Committee was established by the Company. Employee welfare measures (such as birthday gifts, annual holidays, unit-based travel</p>	No deviation.

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
			subsidies, club subsidies, work injury and hospitalization condolence payments, funeral subsidies, death and emergency condolence payments, marriage and childbirth subsidies, children's education subsidies, children (employee) scholarships, hosting of large-scale outdoor company events, employee emergency loans, Welfare Committee employee group insurance (including spouses, children and parents) and partner stores, etc.).	
(III)Has the company provided a safe and healthy working environment and provided employees with regular safety and health training?	✓		<p>(III)1. Safe working environment: (2,287 cases in total)</p> <p>(1)Industrial safety zone defense and inspections by senior executives are employed to identify and correct potential hazards in the working environment. A total of 646 falling, tripping, collision, crushing, and cutting (slicing) (scratching) hazards were identified in 2023 with a remediation rate of 100%.</p> <p>(2)569 cases of improvements to hardware facilities.</p> <p>(3)1,072 cases of industrial safety improvement proposals.</p> <p>2. 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 32 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: The Company continued to organize various types of safety and health education and training 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 Ton.” required by law. Training for “Aerial Work Platform Operators” and “Risk Assessment Cadre Personnel” were also added. A total of 23 training courses and meetings with occupational safety personnel of contractors were conducted to improve safety and health awareness as well as professional skills of employees and contractors.</p>	No deviation.

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
			<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”, “Oral Screening”, and “Weight Loss Class” were organized. Employees were 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. Certifications were renewed in May 2024.</p> <p>6. The frequency of incapacitating injuries in 2023 was 0.90, which fell short of the target of 0; There were 2 incidents of occupational injury and involved 2 people (representing 0.18% of all 1,094 employees at the end of 2023).</p> <p>Industrial safety improvement initiatives are proposed at the plant-level to combat occupational injury within the Company. Key SJP tasks (hazards in the operating environment, work procedures) are reviewed before the start of work. Inspections are also carried out while work is in progress. Integrity of SJP contents are then checked at the end of work.</p> <p>7. The company experienced no fires, and no fatalities or injuries in 2023. The fatality and injury ratio was 0.</p>	
(IV)Has the company set up effective career development and training programs for its employees?	✓		(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. For 2023, 17,472 hours of training were carried out in total for an average of 16 hours per person. The Company also holds regular annual employee meetings to review and provide feedback on employee performance and assist employees in their career development.	No deviation.
(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	✓		(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	No deviation.

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
services and set up relevant consumer or customer protection policies and complaint procedures?			<p>of equipment and training of qualified inspection technical personnel to establish rigorous and effective operating procedures for radiation detection. The procedures were certified and approved by the competent authority — Atomic Energy Council, Executive Yuan and the Company obtained the “Steel and Iron Industry Radiation Detection Operations Certification”. No radioactive substances are found in slabs used by Chung Hung as materials or any of the Company's products.</p> <p>2.All Company products are regularly analyzed by SGS for compliance with RoHS 2.0 and REACH - SVHC. The results of the analyses found all products to be in compliance.</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> <p>(3)The Company uses Internet technologies to prevent the intrusion of hackers and prevent the theft of customer data. Anti-virus software is installed in all computer equipment to prevent the intrusion of computer viruses or trojans.</p>	

Implementation Item	Implementation status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No		
			<p>(4) Operators are provided with their own unique accounts and passwords in the personal computer system based on their duties. The system regularly requires changes of passwords and management of excessive standby time to prevent theft of personal accounts and passwords. The system also automatically manages the system access for inquiries and operations. Personnel not related to operations are unable to conduct operations or obtain data.</p> <p>(5) The electronic business systems used by the customers and suppliers require individual network connection accounts and passwords.</p> <p>5. Complaint procedures: Please visit the Procedure of Customer Complaints on Chung Hung's website. (http://www.chsteel.com.tw/cs/cs.html#cs_e)</p>	
(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?	✓		<p>(VI) 1. A comprehensive Supplier Management Policy has been formulated by the Company and is disclosed in the Corporate Sustainability Report and on the Company's website (http://www.chsteel.com.tw/csr/sc/sc_sel.html).</p> <p>2. Related specifications can also be downloaded by suppliers. (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 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).</p>	
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	✓		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	

Implementation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for deviation:
	Yes	No	Summary	
certification of the aforementioned reports from a third-party accreditation institution?			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 Afnor Asia for compliance with GRI Standards and Type 1 Moderate level assurance in AA1000 v3.	
<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 has already established the Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and disclosed the Principles on the Market Observation Post System and the company website. Our operations all satisfy the requirements of the "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. The Company upholds the core values "respect for life", "care for the environment", and "energy conservation and waste reduction" in environment, health and safety. We are committed to improving employee health, mitigating potential hazards and risks, environmental protection, continued energy conservation and waste reduction, strengthening consultation and engagement, and continued improvements to management performance. The Company (Hot Rolling Department, Cold Rolling Department, Pickling & Galvanizing Department, Dafa Steel Pipe Plant, and Lukang Steel Pipe Plant) has obtained certification for the environmental management system (ISO 14001), safety and health management system (ISO 45001 and CNS 45001) and energy management system (ISO 50001) to strengthen environment, health, safety and energy management. We also actively promote energy conservation and waste reduction to fulfill our corporate social responsibilities.</p> <p>2. Implementation outcomes and related accolades received in 2023:</p> <p>(1) Lukang Steel Pipe Plant received the “2023 Excellent Unit for Promoting Occupational Safety and Health” from the Ministry of Labor and Changhua County Government.</p> <p>(2) The Pickling & Galvanizing Department received the “2023 Excellent Unit Award for Promoting Occupational Safety and Health” from the Ministry of Labor and Kaohsiung City Government.</p> <p>(3) The company won the title of Outstanding Enterprise in the 2023 "Corporate Sustainability Report Disclosure of Occupational Health and Safety Indicators Initiative" presented by the Ministry of Labor.</p> <p>(4) The Cold Rolling Department received the “Gold Safety Award in the Rolling Category” in the 2022 Industrial Safety and Health Performance Assessment hosted by the Taiwan Steel & Iron Industries Association. Dafa Steel Pipe Plant and Lukang Steel Pipe Plant also won the "Gold Safety Award - Other Category." The Pickling & Galvanizing Department won the "Excellence Award - Other Category".</p> <p>(5) The Pickling & Galvanizing Department won the "Outstanding Group" award from Kaohsiung City's "2023 Kaohsiung City Workplace Employee Health Service Promotion Plan."</p> <p>(6) Received a certificate of “appreciation for inter-department greenhouse gas reduction and cooperation program in 2023” from the Environmental Protection Bureau of Kaohsiung City Government.</p> <p>(7) Received recognition for “outstanding performance as company responsible for air quality improvements in Kaohsiung Clean Air Quality Region in 2023” from the Environmental Protection Bureau of Kaohsiung City Government.</p> <p>(8) The Hot Rolling Department won the "Outstanding Manufacturer Award for Best Demonstration of Product Environmental Footprint" from the Industrial Development Administration of the Ministry of Economic Affairs.</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		
<p>3.Social welfare:</p> <p>(1)Chung Hung adheres to the two main axes of "life" and "education" by using our limited resources to sponsor and participate in social welfare activities; In community care, Chung Hung participates in local activities as a member of the community by supporting local development, cooperating with local events, subsidizing community schools. We continue to take an active interest in the development of communities near our plants and take part in local activities. Key events and sponsorships in 2023 were as follow. Total investment amounted to NT\$2.958 million.</p> <ul style="list-style-type: none"> a. Sponsored Kaohsiung City’s “Poverty Alleviation and Self-Reliance Plan” (20 years so far) b. Sponsored suicide prevention and treatment projects of the Greater Kaohsiung Lifeline Association (20 years so far) c. Sponsored school lunches for students from financially-challenged families at Gangshan Senior High School (14 years so far) d. Sponsored the publication of illustrated student diaries at Xingtang Elementary School in Qiaotou District (16 years so far) e. Sponsored scholarships for outstanding students within the Ziguan District (for 20 years) f. Sponsorship of the 2023 Gangshan Regional Festival events organized by Gangshan District Office g. Sponsored the replacement of classroom ceiling fans with wall fans at Ziguan Elementary School (in conjunction with Kaohsiung City Environmental Protection Bureau’s interdepartmental greenhouse gas reduction initiative) h. Sponsored project for partial replacement of lighting equipment at Jiaxing Junior High School (in conjunction with Kaohsiung City Environmental Protection Bureau’s inter-departmental greenhouse gas reduction initiative) i. Sponsored campus landscaping for Heping Elementary School in Gangshan District and Qiaotou Elementary School in Qiaotou District (in conjunction with Kaohsiung City Air Purification Zone Adoption initiative) j. Donated residential fire alarms to No. 3 Brigade. of Kaohsiung City Government Fire Department. k. We organize public education and networking events at nearby communities every year on a rotating basis. In 2023, we organized 6 sessions (2 in Qiaotou, 3 in Gangshan, and 1 in Ziguan) on the theme of "health promotion." All events were a success and led to positive engagement with the community. <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> <ul style="list-style-type: none"> a. The Company has been visiting Ren-ai Citizens’ Homes of the Bureau of Social Affairs, Kaohsiung City Government to conduct clean-ups each month since Jul. 2013. Colleagues as well as their friends and relatives are invited to volunteer their services. A total of 279 participants were recorded in 2023 (average of 27.9 participants/month; services suspended in August and September due to other Company volunteering activities). b. The Company cleaned and organized the outdoor environment with Ciaotou District Office at Jing Zhong Village in Baishu Community since 2015 and 31 employees and relatives participated in the activity in 2023. c. The Company has organized "volunteer training" each year since 2008 and 29 participants completed training in 2023. A total of 339 employees have obtained the "volunteer service record book" as of 2023. <p>(3)Other activities: The Company has held second-hand item donation activities each year since 2012 for employees to show their compassion. The donated items were given to the Syin-Lu Social Welfare Foundation's Nanzi Syin-Lu workshop. A total of 59 90cm postal boxes in donated items were collected in 2023 and passed on in December. The model father commendation and marine environmental education - beach clean-up event was held in conjunction with Ziguan District Office. A total of 37 colleagues as well as their friends and relatives took part in 2023.</p>				

(VI) Climate-related information of TWSE/TPEX listed company

1. Implementation of climate-related disclosure

Item	Implementation status
<p>(1) Describe the board of directors' oversight and governance of climate-related risks and opportunities</p>	<p>1.Board of Directors The board of directors convened to supervise risk management and climate-related strategies and the fulfillment of targets every year.</p> <p>2.Management (1)Risk Management Team Conducts annual risk identification, and the outcomes of the identification process, including the assessment results based on the TCFD framework by the Sustainability Core Team, are reported to the Board of Directors by the convener (President).</p> <p>(2) Sustainability Core Team Coordinates the overall sustainability goals and initiatives of the company, and assists various units in assessing climate-related risks and opportunities, developing response strategies, and analyzing the impact based on the TCFD framework. The outcomes of these assessments are reported annually to the Risk Management Team, which is then presented to the Board of Directors.</p>
<p>(2) Describe how the identified climate risks and opportunities impact the company's business, strategy and finances (short-term, medium-term, long-term).</p>	<p>1. The Company conduct research on national regulations and policies, international net-zero trends in the industry, and research reports. Based on CHS's operational experience, 13 climate risks and 6 climate opportunities have been identified. CHS conduct a survey through questionnaires among the management department and first-line supervisors to assess and rank the 7 climate risks and 5 climate opportunities based on their impact severity, probability of occurrence, and vulnerability.</p> <p>2.For risks, short-term risks include 3 transition risk -regulatory policy(Energy and resource price fluctuation, Stricter carbon management regulations and carbon valuation, regulations for energy saving target stipulated by energy users) and 2 physical risks(water scarcity and extreme rainfall lead to flooding in the plants). The mid-term risk of rising raw material costs will cause market transition risk. The long-term risk of industry transformation difficulties will cause technology transition risk.</p> <p>3. For opportunities, the types span markets, products and services, and resilience. The short-term opportunities contain Border tariff for carbon, replacement of old equipment and capital acquisition. The mid-term opportunities contain low-carbon technologies leading to strong steel demand and carbon rights and the carbon market.</p> <p>4. For detailed of high-level risks and opportunities, refer to 2023 Sustainability Report Chapter 5.</p>
<p>(3) Describe the financial impact of extreme climate events and transition actions.</p>	<p>1. According to ultimate climate incident (like shortage of water, excessive rainfall, etc.),the capacity of the drainage system can cause flooding in the mill premises, resulting in property damage and even operational disruptions, leading to a loss in revenue(including material, product and equipment).</p>

Item	Implementation status
	<p>2. CHS faced the transition risks included regulatory policy, markets and technology (risk item refers to item 2 description).Due to the measure of adjusted and alleviated or explore low carbon business opportunities, the operation cost will increase.</p> <p>3. For detailed extreme climate and transition activities of financial impacts, refer to 2023 Sustainability Report Chapter 5.</p>
(4) Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Climate change is one of the issues of the risk management for the company. Sustainability Core Team assist various units in assessing climate-related risks and opportunities based on TCFD framework and managing the process yearly through analyzed, measured, supervised, reported and response.
(5) If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be described.	The company refers to various scenarios and frameworks proposed by international organizations to assess the financial impacts of water scarcity. These include the RCP2.6 for mitigation of warming and RCP8.5 for high greenhouse gas emissions. And The company refers to the Stated Policies Scenario (STEPS) and Net Zero Emissions (NZE) scenario proposed by International Energy Agency (IEA) to assess the financial impacts of Stricter carbon management regulations and carbon valuation. For detailed operations, refer to 2023 Sustainability Report Chapter 5.
(6) If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	<p>1. The Company is conducted to track and calculate the emissions intensity of greenhouse gas and the emissions intensity per unit product. As well as equipment renewing, green electricity using, reclaimed material using, improve and streamline production processes, recycling and reuse of processing, to reduce emissions and strengthen resilience of climate-related risk.</p> <p>2. The Company has managed the risk of climate change by set up the goal of greenhouse gas emissions, rate of saving electricity, amount of using renewable energy, rate of recycling wastewater, amount of using water of unit product.</p> <p>3. For detailed operations of managed the risk of climate change, refer to 2023 Sustainability Report Chapter 5.</p>
(7)If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The internal carbon pricing is being planned.
(8) If climate-related goals are set, information such as the activities covered, the scope of greenhouse gas emissions, the planning period, and annual achievement progress should be explained; If carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the source and quantity of the carbon offset credits or the number of RECs should be specified.	The entire company has set the baseline for total Scope 1 and Scope 2 greenhouse gas (GHG) emissions as 379,254 metric tons CO2e in 2018.The target is to achieve a 7% reduction by 2025, a 22% reduction by 2030,a 50% reduction by 2040, and reach net-zero emissions by 2050.

Item	Implementation status
(9) Greenhouse gas inventory and assurance, reduction goals, strategies and specific action plans.	Fill out separately in 2. and 3.

2.The Company’s GHG inventory and assurance for the past two years

(1)Greenhouse gas inventory

Describe the emission volume (tons CO₂e), intensity (tons CO₂e/million NTD) and data coverage of greenhouse gases in the past two years.

Year	Direct Emissions. (Scope 1)	Intensity	Energy indirect emissions (Scope 2)	Intensity	Total Emissions.	Intensity	Data coverage
2022 (verified)	142,063.9532	3.19	136,398.2775	3.07	278,462.230	6.26	All emission sources within the company's organizational boundaries (including Administrative Building)
2023 (not verified)	146,862.6829	3.89	130,659.6212	3.46	277,522.304	7.35	All emission sources within the company's organizational boundaries (including Administrative Building)

Note 1: Direct emissions (Scope 1- directly from emission sources owned or controlled by the company), energy indirect emissions (Scope 2 - indirect greenhouse gas emissions from the input of electricity, heat or steam) and other indirect emissions (Scope 3 - emissions generated by company activities that are not indirect energy emissions, but come from emission sources owned or controlled by other companies).

Note 2: Greenhouse gas inventory standard: ISO 14064-1.

Note 3: The intensity of greenhouse gas emissions is calculated as emissions (tons of CO₂e)/operating revenue (NT\$ million).

(2)Greenhouse Gas assurance

Describe the assurance status in the last two years as of the publication date of the annual report, including the scope of assurance, the assurance body, the assurance standard, and assurance opinion.

Year	Scope of assurance	Assurance body	Assurance standard	Assurance opinion
2022	All emission sources within the company's organizational boundaries (including Administrative Building)	DNV Business Assurance Co., Ltd. (DNV)	The Climate Change Response Act, the Management Regulations Governing Greenhouse Gas Emission Inventories and related laws and regulations, the Environmental Protection Agency’s Guidelines for Greenhouse Gas Emission Inventory, and relevant provisions of the Mandatory Greenhouse Gas Reporting System.	Unqualified opinion

Year	Scope of assurance	Assurance body	Assurance standard	Assurance opinion
2023	All emission sources within the company's organizational boundaries (including Administrative Building)	To be implemented by DNV Business Assurance Co., Ltd. in May 2024.	The Climate Change Response Act, the Management Regulations Governing Greenhouse Gas Emission Inventories and related laws and regulations, the Environmental Protection Agency's Guidelines for Greenhouse Gas Emission Inventory, and relevant provisions of the Mandatory Greenhouse Gas Reporting System.	To be implemented in May 2024. Assurance information will be disclosed in Sustainability Report.

3. Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

(1)The greenhouse gas reduction base year : greenhouse gas emissions of 2018 was 379,254 (metric ton CO₂e).

(2)The greenhouse gas reduction targets of the company :

- A. short-term : Carbon reduction will be 7% in 2025 compared to 2018.
- B. short-term : Carbon reduction will be 25% in 2030 compared to 2018.
- C. mid-term : Carbon reduction will be 50% in 2040 compared to 2018.
- D. long-term : Achieved carbon neutrality in 2050.

(3) Greenhouse gas reduction strategy, and concrete action plan of the company

- A. Improvement of combustion facilities efficiency: Improve fuel usage efficiency, improve production equipment (ex: regenerative heating furnaces, once through steam boilers, introduce electric boilers), develop hydrogen (mixed combustion) combustion technology, and use full hydrogen combustion in heating furnaces. Among them, the hot rolling mill heating furnace renovation project (direct-fired type to regenerative type) is expected to reduce fuel consumption by approximately 5.9% to 9.6%, effectively reducing greenhouse gas emissions generated by fuel combustion.
- B.Improvement of power facility efficiency: Continue to promote energy efficiency improvement plans (ex: replacing old energy-consuming equipment, improving the efficiency of high energy-consuming equipment), and set up renewable energy power generation equipment (ex: installing solar power generation facilities on factory roofs)
- C.The energy management system: We continue to operate the ISO 50001 energy management system to control major energy-consuming equipment and energy-saving facilities, and through the company's "Environmental and Energy Management Committee" and cycle of PDCA operations, we use energy more efficiently and reduce greenhouse gas emissions.
- D. Cooperate with the Energy Conservation Policy of the Energy Administration: The Energy Administration requires energy-heavy Industries (contracted capacity of more than 800 kW) to achieve an average power saving rate of more than 1% from 2015 to 2024. The actual average power saving rate of each

factory of the company from 2015 to 2023 was more than 1%, which complied with the legal requirements. 2024 will continue to promote various energy conservation measures.

E. Using renewable energy: Net-zero emissions in 2050 is the national goal. Energy transformation and renewable energy development are important national milestones. The Energy Administration announced on December 31, 2020 that "Regulations for the Management of Setting up Renewable Energy Power Generation Equipment of Power Users above a Certain Contract Capacity." Renewable energy Compulsory users must complete the compulsory installation capacity setting within 5 years starting from 2021. The company completed the obligatory installation capacity setting in 2023 (fulfilling the obligation by purchasing renewable energy power and certificates) and began to use renewable energy power, which complies with legal requirements. In order to achieve the carbon neutrality goal in 2050, the company plans to increase the use of renewable energy year by year. It is expected that the use of renewable energy will reach 100% in 2043.

F. Greenhouse Gas Inventory: To effectively control future greenhouse gas emissions through greenhouse gas inventory history data, the company has conducted greenhouse gas emissions inventories every year since 2004 and passed third-party external verification. It is expected that third-party verification of greenhouse gas emissions in 2023 will be conducted in 2024.

G. Conduct carbon footprint inventories of products: To understand the greenhouse gas emissions and emission hot spots at each stage of the company's product life cycle. In 2022 and 2023, the company focused on core products: hot-rolled coils, hot-rolled temper grade coils, cold-rolled fully hard steel coils, cold-rolled temper grade coils, pickled & oiled hot rolled steel coils, and carbon steel pipes and tubes. And conduct carbon footprint inventory and third-party external verification. Through product carbon footprint inventory, we can understand the hot spots of greenhouse gas emissions, formulate carbon reduction strategies for hot spots, promote various carbon reduction plans, continue to reduce product carbon emissions, and fulfill social responsibilities.

(4) The status of achievement of the reduction targets.

Year	Targets	status of achievement
2022	Carbon reduction will be 4% compared to 2018. (\leq 364,084 metric ton CO ₂ e)	Greenhouse gas emissions in 2022 were 278,462.23 (metric ton CO ₂ e). Goal achieved.
2023	Carbon reduction will be 5% compared to 2018. (\leq 360,291 metric ton CO ₂ e)	Greenhouse gas emissions in 2023 (Inventory) were 277,502.722 (metric ton CO ₂ e). Goal achieved. External verification is expected in May.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. Since the law has not been applied yet, the company uses the Environmental Protection Administration's net-zero carbon reduction path as the base year of 2018 for disclosure.

(VII) 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>	✓		<p>(I) The Company's Board of Directors passed the "Ethical Corporate Management Best Practice Principles" and the "Ethical Corporate Operating Procedures and Code of Conduct" based on the Principles to govern the matters to be noted by all employees of the Company in business execution.</p> <p>The Company regularly uses the ERP system or assigns supervisors to use internal meetings to promote the Company's ethical management business philosophy and emphasize the importance of ethical conduct. The Company requires employees to maintain discipline and abide by related regulations of the Company. Fraudulent activities are not tolerated and employees are encouraged to conduct careful business operations and establish a culture of ethical business practices.</p> <p>The Company publishes the Ethical Corporate Management Policy on the company's website and activities involving external parties so that the Company's managers, employees, suppliers, customers, or other related institutions and personnel are fully aware of the Company's principles and rules with respect to ethical corporate management.</p>	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 Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p>	✓		<p>(II) The Company plans the internal organization, structure, and allocation of responsibilities and sets up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>The Company has established the "Operating Standards for Processing Gifts, Banquets, and Requests" to achieve a high-quality corporate culture, protect the Company's image, and provide a basis for employees to process gifts, banquets, and requests. Unless otherwise specified, gifts from</p>	

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 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>interested parties with conflicts of interests in the employee's position shall be refused or returned. Where the gifts cannot be returned, the recipient shall fill out the gift report form, submit the form to a supervisor of the plant or department or above, and deliver the gifts to the 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 651 people for a total of 2,427.5 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 cooperation agreements. The Company has set up the Complaint Response Committee to implement the complaint system and penalties for violations.</p> <p>The Internal Auditing 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</p>	

Item	Operating status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
			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.	
II. Implementation of ethical corporate management				
(I) Has the company evaluated the integrity records of parties it does business with and stipulated ethical conduct clauses in business contracts?	✓		(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.	No deviation.
(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?	✓		(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.	
(III) Has the company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	✓		(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.	
(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?	✓		(IV) The Company has established effective accounting systems to implement ethical management. The procedures for processing accounting matters have been implemented in accordance with regulations of the system and filed to the responsible supervisors for approval. In addition, the Company has established the "Internal Control System Regulations" to establish an effective internal control system. The Regulations were passed by the Board of Directors and adopted as the basis for the implementation of internal controls by related units and personnel of the Company. The Company established the "Instruction for Self-Evaluation of Internal	

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
(V) Has the company held internal and external educational trainings on operational integrity regularly?	✓		<p>Control Systems" which is used to implement self-evaluation of internal controls before the end of Dec. each year. Each level 1 unit conducts a self-assessment on the management status of the current year and files a plant management evaluation report to the Administration Department for compilation of the overall company evaluation report. The report is filed to the authorized supervisor for approval and delivered to the Finance Department which produces the Internal Control System Statement.</p> <p>The Company's 2023 audit plan was passed by the Board of Directors in 2022 and internal audits were carried out according to plan. Each part of the transaction cycle was audited during 2023 and audit reports completed for 44 cases. A total of 38 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.</p> <p>(V) The Company has established the "Employee Code of Ethics" and requires all new employees to attend anti-corruption training after reporting for duties. Supervisors use internal meetings to promote the Company's ethical management philosophy and emphasize the importance of ethical conduct. There is zero tolerance for corruption and fraud.</p>	
<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>	✓		<p>(I) According to the Company's Ethical Corporate Management Best Practice Principles, the Company established the Regulations on Violation of Ethical Conduct Reports and established hotlines, emails, and reporting system on the Company's website as reporting channels to protect the</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		
(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>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 Auditing Department. The Regulations on Violation of Ethical Conduct Reports stipulate that once reported incidents are proven true in investigations, whistleblowers may be given appropriate rewards based on the severity of the case. If the whistleblower is an employee of the Company, the reward shall be processed in accordance with the Company's "Rewards and Penalties Regulations".</p> <p>(II) The Company has established the Regulations on Violation of Ethical Conduct Reports which expressly provided the reporting channels, reporting items, unit responsible for processing reports, incident investigation and processing procedures, protection of personal information and whistleblowers, regulations on rewards and penalties, confidentiality of reported information, and record retention periods. Unless otherwise specified in laws, personal information provided by whistleblowers shall be kept confidential by the Company and the Company shall adopt appropriate protection measures in accordance with laws to protect the personal information and privacy of whistleblowers. In 2023, the company had one case of disciplinary action and complaint for violation of the ethical management regulations. A thorough investigation was conducted and the matter dealt with by the relevant units. Audits found no serious corruption or other violations of operating regulations.</p>	
(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?	✓		(III) The Regulations on Violation of Ethical Conduct Reports stipulate that the Company shall take measures to protect whistleblowers from inappropriate disciplinary actions due to their whistleblowing.	
IV. Strengthen information disclosure Does the company disclose the content and effectiveness of its	✓		The Company's "Code of Ethical Conduct", "Ethical Corporate Management	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		
Ethical Corporate Management Principles on the company's website and the Market Observation Post System?			<p>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 Company's Vice President of the Administration Division reports the operation and implementation status of ethical corporate management to the Board of Directors on a regular basis. Information on the operating status is disclosed on the Company website under "Corporate Sustainability -> Corporate Governance -> Ethical Management." The Internal Auditing Department is responsible for supervision and auditing. The results are also periodically reported to the Board of Directors. Related disclosures can be found on the Company website under "Investor Relations -> Corporate Governance -> Internal Auditing."</p>	
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.				
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): <ol style="list-style-type: none"> 1.Establishment of general penal provisions for subcontractors: <ol style="list-style-type: none"> (1)Establishment of the Company's general safety and environmental regulations for construction, operations, and machinery: Where the Company's 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. Violations are fined between NT\$3,000 to NT\$60,000 under the "Contractor Safety and Health Management Regulations" covering financial penalties for contractor breaches of safety and health requirements. (2)Establishment of the Company's general safety and environmental regulations for construction, operations, machinery, safety and environmental/materials repairs, supplies, and transportation suppliers: Penalties shall be imposed on suppliers that provide bribes, gifts, commissions, compensation, interest in exchange for benefits, or other illegitimate benefits to the Company's managerial officers, employees, or part-time employees, their spouses, direct blood relatives, consultants, or design and planning companies. Once such violations are verified, Party A's contract execution unit shall file a report depending on the severity of the violation and consult with the Purchasing 				

Item	Operating status		Summary	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No		
<p>Department or Commercial Administration Department. Once the matter has been referred to the President and a decision made, the Purchasing Department or Commercial Administration Department shall modify the contract to suspend part or all of the supplier's remaining contract, impose a temporary ban, or blacklist them permanently.</p> <p>2. Establishment of the Company's procurement contracts: Where the contractor (or seller) bribes, provides gifts, or threatens Company personnel, in addition to legal action the bribe or gift shall also be regarded as discounts for the Company based on the price established in the contract. The Company shall request compensation or deduct the bribe or gift from payments to the contractor (seller). The Company may revoke or terminate the contract, request default penalties, and blacklist the contractor (seller) permanently. In addition, the Company may unconditionally revoke or terminate other procurement contracts signed with the contractor (seller) without further notice.</p>				

(VIII) 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: Articles of Incorporation, Procedures for Asset Acquisition and Disposal, Procedures for Endorsements and Guarantees, Procedures for Loaning of Funds, Rules of Procedure for Board of Directors Meetings, 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, Risk Management Policy and Procedures, Regulations Governing the Evaluation of the Performance of the Board of Directors.

2. Query Method:

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

(IX) 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.

(X)Implementation of Internal Control System

1.Statement of Internal Control

Chung Hung Steel Corporation Internal Control System Statement

Date: February 27, 2024

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2023.

- I. The Company takes recognition 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 assurance that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the effectiveness of the internal control system may vary due to changes in the environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 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 internal control system (including those adopted for supervision and management of subsidiary branches) on Dec. 31, 2023 were 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 could reasonably ensure that the aforementioned goals were achieved.
- 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. 27, 2024 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)

- 2. If the internal control system review is conducted by commissioned accountants, the said accountant's review report shall be disclosed:** None.
- (XI) 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.
- (XII) Critical resolutions made during shareholders and Board of Directors' meetings in 2023 and up to the publication date of this annual report:**
- **Shareholder's meeting**
 - 1. Critical resolutions adopted at the 2023 annual shareholders' meeting:**
 - (1) Approval of the Company's 2022 Business Report and Financial Report.
 - (2) Approval of the Company's 2022 earnings distribution proposal.
 - (3) Passed the amendment of the Company's Articles of Incorporation.
 - (4) Passed the lifting of non-compete clauses for directors Min-Hsiung Liu and Wen-Chou Li.
 - 2. Execution of resolutions adopted at the 2023 annual shareholders' meeting:**
 - (1) Approval of the Company's 2022 Business Report and Financial Report: Passed as proposed.
 - (2) Approval of the Company's 2022 earnings distribution proposal: Distribution of the 2022 surplus was approved as proposed with a cash dividend of NT\$502,440,556 (NT\$0.35 per share) distributed to shareholders. The ex dividend date was set as August 1, 2023, and the distribution date was set as August 25, 2023. All dividends have been distributed.
 - (3) Passed amendments to the Company's Articles of Incorporation.: Passed as proposed and announced on the company website.
 - (4) 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. 28, 2023.
 - **Important resolutions of the Board of Directors in 2023 and 2024:**
 - 1. 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) Approved the Company's appointment of the first Chief Corporate Governance Officer.
 - 2. 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.

3. Important resolutions of the Board of Directors passed in the 15th meeting of the 15th Board of Directors on May 4, 2023:

- (1) Report on the Company's promotion and implementation of ethical management.
- (2) Report on the Company's communication with stakeholders.
- (3) Report on the Company's 2022 implementation outcomes in sustainable development, and the 2023 sustainable development promotion plan.
- (4) Update on the Company's implementation of the "Sustainable Development Roadmap."
- (5) Approval of the Company's 2023 Q1 Financial Report.
- (6) Approved amendments to the Company's "Articles of Incorporation."
- (7) Approval of the amendment of the Company "Internal Control System Regulations."
- (8) Approval of the revisions of the agenda for the Company's 2023 annual shareholders' meeting.

4. Important resolutions of the Board of Directors passed in the 16th meeting of the 15th Board of Directors on Aug. 3, 2023:

- (1) Update on the Company's implementation of the "Sustainable Development Roadmap."
- (2) Approval of the Company's 2023 Q2 Financial Report.
- (3) Approval of the Company's amended 2023 audit plan.

5. Important resolutions of the Board of Directors passed in the 17th meeting of the 15th Board of Directors on Nov. 2, 2023:

- (1) The Company's 2023 Risk management operation report.
- (2) Summary report on the Company's Intellectual Property Rights (IPR) management plan and implementation status.
- (3) Update on the Company's implementation of the "Sustainable Development Roadmap."
- (4) Approval of the Company's 2023 Q3 Financial Report.
- (5) Approval of the Company's amended 2023 audit plan.
- (6) Approval of the Company's 2024 audit plan.
- (7) Approval of amendments to the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors."
- (8) Approved on promotion of Jui-Tsai Huang, Assistant Vice President, Production Division.
- (9) Approval of proposal on appointment of Vice President, Commercial Division.

6. Important resolutions of the Board of Directors passed in the 18th meeting of the 15th Board of Directors on Dec. 28, 2023:

- (1) 2023 Information security implementation report.
- (2) Approval of the Company's 2024 budget.

7.Important resolutions of the Board of Directors passed in the 19th meeting of the 15th Board of Directors on Feb. 27, 2024:

- (1)Reported the results of the 2023 board performance evaluation.
- (2)Approval of the Company's 2023 Business Report and Financial Report.
- (3)Approval of the report on the 2023 distribution of remuneration to employees and Directors.
- (4)Approval of the Company's 2023 earnings distribution proposal.
- (5)Approval of the appointment of the Company's certifying CPA.
- (6)Approval of the 2023 Internal Control Self-Assessment Report and Internal Control System Statement.
- (7)Approval of the election of seven 16th-term Directors (including 3 Independent Directors).
- (8)Approval of the proposal for convening the Company's 2024 annual shareholders' meeting.

(XIII) 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.

(XIV) 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 Finance Officer, Chief Internal Auditor, Corporate Governance Officer, and Chief Research and Development Officer:

January 1, 2023 to March 31, 2024

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
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\$ thousand

Name of the accounting firm	CPA name	Audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte, Taiwan	Li-Yuan Kuo	2023.01.01~2023.12.31	5,510	530	6,040	Non-audit fees refer to the fees for transfer pricing services and tax certification.
	Chia-Ling Chiang	2023.01.01~2023.12.31				

(I) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor 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 Feb. 23, 2023			Approved by the 19th Meeting of the 15th Board of Directors on Feb. 27, 2024				
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.			Due to internal adjustments at Deloitte Taiwan, CPAs Li-Yuan Kuo and Chia-Ling Chiang will no longer be responsible for certifying the Company's financial reports. Li-Yuan Kuo and Chao-Chin Yang became the new CPAs from 2024 Q1 onwards.				
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Contracting Party		Accountants	Appointer	Contracting Party		Accountants	Appointer
	Scenario		N/A		Scenario		N/A	
	Termination initiated by client				Termination initiated by client			
CPA declined to accept (continue) the appointment				CPA declined to accept (continue) the appointment				
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the two most recent years, specify the opinion and the reasons	N/A			N/A				
Different opinions from the issuer	Yes		Accounting principles or practices	Yes		Accounting principles or practices		
			Disclosure of financial statements			Disclosure of financial statements		
			Audit scope or procedures			Audit scope or procedures		
			Others			Others		
	None				None			
Description	N/A			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	None
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(II) The successor CPAs:

Name of CPA Firm	Deloitte, Taiwan	Deloitte, Taiwan
CPA name	Li-Yuan Kuo	Chao-Chin Yang,
Date of Appointment	Approved by the 14th Meeting of the 15th Board of Directors on Feb. 23, 2023	Approved by the 19th Meeting of the 15th Board of Directors on Feb. 27, 2024
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	N/A
The succeeding accountant's opinions in written form in response to the former accountant's opinions	N/A	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	2023		2024 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: Kun-Pin Huang	N/A	N/A	0	0	Appointed on January 31, 2024
	Representative: Kuei-Sung Tseng	0	0	0	0	
	Representative: Wen-Chou Li	0	0	0	0	
Independent Director	Juh-Shan Chiou	0	0	0	0	
	Hsien-Tang Tsai	0	0	0	0	
	Lin-Lin Lee	0	0	0	0	
Chairperson of the Board	Kuei-Sung Tseng	0	0	0	0	
President	Min Chu	0	0	0	0	

Title	Name	2023		2024 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)	
Vice President, Administration Division	Chien-Hui Lee	0	0	0	0	Appointed on February 1, 2023
Vice President, Commercial Division	Guan-Ting Lin	0	0	0	0	Appointed on November 5, 2023
Vice President, Production Division	Jui-Tsai Huang	0	0	0	0	Became Vice President, Production Division, on November 3, 2023
Chief Accounting Officer	Wen-Ping Huang	0	0	0	0	
Director	Representative: Min-Hsiung Liu	0	0	0	0	Dismissed on January 31, 2024
Vice President, Administration Division	Chia-Wen Luo	0	0	N/A	N/A	Dismissed on February 1, 2023
Vice President, Commercial Division	Po-Han Chen	0	0	N/A	N/A	Dismissed on November 5, 2023
Vice President, Production Division	Chih-Ho Chiu	0	0	N/A	N/A	Dismissed on March 31, 2023
Assistant Vice President, Administration Division	Shu-Cheng Yen	0	0	N/A	N/A	Dismissed on December 31, 2023
Assistant Vice President, Commercial Division	Chao-Chin Lin	0	0	N/A	N/A	Dismissed on December 31, 2023
Assistant Vice President, Production Division	Ming-Ju Yang	0	0	N/A	N/A	Dismissed on December 31, 2023
	Chin-Ming Hsu	0	0	N/A	N/A	Dismissed on February 28, 2023
	Hsi-I Chen	0	0	N/A	N/A	Dismissed on December 31, 2023

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

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

Mutual relationship information among shareholders with the top 10 shareholding ratios (information from the period after the book closure date in August 2023)

Unit: shares; %; August 1, 2023

Name	Personal Shareholding		Shareholding 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	None
Legal representative: Chao-Tung Wong	0	0	0	0	0	0	None	None	
2.Vanguard Emerging Stock Market Index Fund investment account under the custody of JPMorgan Chase	10,037,000	0.7	0	0	0	0	None	None	
3.DFA Emerging Stock Market Index Fund investment account under the custody of Citi Bank Taiwan Limited	6,243,926	0.43	0	0	0	0	None	None	
4.Norges Bank Investment Account under the custody of Citibank	6,241,000	0.43	0	0	0	0	None	None	
5.Investment Account of Goldman Sachs International Corporation under the custody of HSBC (Taiwan)	6,045,252	0.42	0	0	0	0	None	None	
6.Vanguard Total International Stock Index Fund under the custody of JPMorgan Chase	5,400,000	0.38	0	0	0	0	None	None	
7.Vanguard Trust Equity Index II investment account under the custody of JPMorgan Chase	5,154,000	0.36	0	0	0	0	None	None	
8.Investment Account of Merrill Lynch International Corporation under the custody of HSBC (Taiwan)	4,078,000	0.28	0	0	0	0	None	None	
9.UBS Europe SE investment fund under the custody of Citibank(Taiwan) Limited	3,905,086	0.27	0	0	0	0	None	None	
10.Investment account of Berkeley Capital Corporation under the custody of Citi Bank Taiwan Limited	3,740,729	0.26	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, 2024

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	329,802,616	39.59%	0	0	329,802,616	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, 2024

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

* All shares issued by the Company are listed stocks.

Year Month	Issuing price	Authorized Capital		Paid-Up Capital		Remarks		
		Number of shares (thousand shares)	Amount (NT\$ thousand)	Number of shares (thousand shares)	Amount (NT\$ thousand)	Source of Capital	Subscriptions paid with property other than cash	Others
85.06	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		
86.06	16	1,143,160	11,431,600	750,000	7,500,000	Cash capital increase of NT\$1,500,000,000	None	Note 2
86.12	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
87.02	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
87.06	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
89.06	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
93.09	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
94.10	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

98.04	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
99.09	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
100.07	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 2023)

Date: August 1, 2023

Shareholders Quantity	Government agencies	Financial institutions	Other institutions	Individual investors	Foreign institutions and foreigners	Total
Number of people	1	6	306	174,362	253	174,928
Number of shares held	47,513	4,566,815	600,250,538	738,932,187	91,747,393	1,435,544,446
Shareholding percentage	0.01%	0.32%	41.81%	51.47%	6.39%	100%

(III) Dispersion of equity ownership:

(information from the period after the book closure date in August 2023)

Date: April 1, 2023; the nominal value is NT\$10 per share

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 ~ 999	46,348	8,481,268	0.59
1,000 ~ 5,000	99,330	214,885,764	14.97
5,001 ~ 10,000	16,572	132,654,755	9.24
10,001 ~ 15,000	4,429	56,929,108	3.97
15,001 ~ 20,000	3,020	56,420,248	3.93
20,001 ~ 30,000	2,253	58,323,698	4.06
30,001 ~ 40,000	956	34,625,579	2.41
40,001 ~ 50,000	638	29,986,540	2.09
50,001 ~ 100,000	895	64,748,522	4.51
100,001 ~ 200,000	309	43,650,926	3.04
200,001 ~ 400,000	93	26,519,336	1.85
400,001 ~ 600,000	29	13,930,464	0.97
600,001 ~ 800,000	10	7,506,920	0.52
800,001 ~ 1,000,000	10	8,743,720	0.61
Over 1,000,001	36	678,137,598	47.24
Total:	174,928	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 2023)

Date: August 1, 2023

Name of the Main Shareholder	Shares	Number of shares held	Shareholding percentage (%)
China Steel Corporation		582,673,153	40.59
Vanguard Emerging Stock Market Index Fund investment account under the custody of JPMorgan Chase		10,037,000	0.7
DFA Emerging Stock Market Index Fund investment account under the custody of Citi Bank Taiwan Limited		6,243,926	0.43
Norges Bank Investment Account under the custody of Citibank		6,241,000	0.43
Investment Account of Goldman Sachs International Corporation under the custody of HSBC (Taiwan)		6,045,252	0.42
Vanguard Total International Stock Index Fund under the custody of JPMorgan Chase		5,400,000	0.38
Vanguard Trust Equity Index II investment account under the custody of JPMorgan Chase		5,154,000	0.36
Investment Account of Merrill Lynch International Corporation under the custody of HSBC (Taiwan)		4,078,000	0.28
UBS Europe SE investment fund under the custody of Citibank(Taiwan) Limited		3,905,086	0.27
Investment account of Berkeley Capital Corporation under the custody of Citi Bank Taiwan Limited		3,740,729	0.26

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

Item		Year	2022	2023	Current year up to March 31, 2024 (Note 8)
Market value per share (Note 1)	Highest		49.15	30.20	26.50
	Lowest		19.35	20.30	21.75
	Average		31.12	24.69	23.74
Net value per share (Note 2)	Before distribution		11.89	11.33	11.06
	After distribution		11.54	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		(0.69)	0.11	0.04
Dividends per share	Cash dividends		0.35	0.1	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)		(45.10)	224.45	N/A
	Price-dividend ratio (Note 6)		88.91	246.9	N/A
	Cash dividend yield (Note 7)		0.0112	0.0041	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 surplus earnings after closing of annual accounts, after taxes are paid in accordance with the law, and losses incurred in previous years shall be compensated. Upon completion of the preceding actions, the remainder surplus shall be allocated as statutory reserve. However, in the event that the accumulated statutory reserve is equivalent to or exceeds the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. The remaining profit, if any, shall be included in the accumulated undistributed earnings for the previous year, and the shareholder's meeting shall determine whether to distribute dividends or retain the earnings.

When the dividend distribution proposal is being formulated by the Board of Directors, the dividends for ordinary shares should be at least 30% of the aforementioned distributable earnings except when there is a need for 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. The proportion of 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\$0.1 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

2023

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	1,148,621,923
After-tax income for the year	159,280,703
Remeasurement of defined benefit plan converted into retained earnings	(77,356,771)
Changes in long-term investments	(19,804,090)
The net profit after tax of this period plus items other than net income of this period are included in the undistributed earnings of the current year	62,119,842
Appropriation for statutory surplus reserves	(6,211,984)
Appropriation for special surplus reserve	(72,913,824)
Distributable earnings	1,131,615,957
Common stock bonus available for distribution - 1,435,544,446 common stocks at NT\$0.1 per share (NT\$0.1 in cash)	(143,554,445)
Undistributed earnings at the end of the period	988,061,512

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. The remuneration for employees and directors estimated for the 2023 fiscal year were estimated based on this principle. 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:

(1) Employee remuneration: NT\$4,007,745.

(2) Directors' remuneration: NT\$801,549.

(3) The aforementioned amounts shall be distributed in cash and there is no discrepancy has found the amounts and the estimates in 2023.

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 2022 fiscal year, the amount, causes and treatment of such discrepancies shall be stated: There was no discrepancy as the Company did not distribute rewards to employees and directors in 2022.

(IX) Status of company share buyback

March 31, 2024

Times of buyback	1st Buyback in 2000	Remarks
Objective of share buyback	Transfer to employees	None
Buyback Period	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. Description of the business

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

1. Major business activities

- (1) Manufacturing and domestic/overseas sales of hot-rolled steel coils (plates).
- (2) Manufacturing and domestic/overseas sales of cold-rolled steel coils (plates).
- (3) Manufacturing and domestic/overseas sales of galvanized steel coils (plates).
- (4) Manufacturing and domestic/overseas sales of carbon steel pipes.
- (5) Manufacturing and domestic/overseas sales of steel strapping.
- (6) Domestic/overseas sales of iron oxide powder and rust scale.
- (7) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Current product categories and new products planned for development

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.

3. Revenue breakdown:

The planned sales volume percentages of main products in 2024 are as follows:

<u>Primary Product</u>	<u>Ratio (%)</u>
Hot-rolled steel coils	86
Cold-rolled and Galvanized steel coils	12
Steel pipes	2
<u>Total</u>	<u>100</u>

(II) Industry overview

1. Current status and development

At the start of 2023 a warm winter in Europe eased pressure on energy costs. China also ended its lockdown policy in January so market fears of a global economic recession lessened, leading to inventory replenishment by downstream customers. These coupled with the earlier production cuts of global steel mills improved supply and demand so there was a steady rise in global steel prices in Q1 of 2023. High interest rates and inflation slowed the recovery in end demand and market confidence. Lower-than-expected post-pandemic demand in China and the impact of seasonal factors put the Asian steel market under pressure again in Q2 ~ Q3. The high-value European and US markets also entered a period of adjustment due to lack of significant recovery in demand and competition on import

prices. The situation finally improved in Q4, the U.S. automotive worker strike fortunately did not cause a reduction in steel demand. Cautious downstream purchasing and low inventories earlier on resulted in a downstream push to replenish their inventories that drove a sharp increase in steel prices from the lows of September; European steel mills also shut down their blast furnaces one after another due to earlier losses and started raising prices to reflect costs. Steel prices began to recover as well once the production cuts took effect. In China, market confidence rebounded after announcements that new government bonds will be issued in October. Solid downstream demand and restrictions on supply in winter due to air quality factors led to more balanced supply and demand in the steel market that helped stabilize steel prices.

In terms of steel supply and demand, data announced by World Steel Association (worldsteel) on January 25, 2024, placed global raw steel production in 2023 at 1.8882 billion tons. In December this year, global raw steel production amounted to 135.7 million tons. Supply has therefore been in decline for 9 consecutive months so the supply side may continue contracting in the future. On the demand side, the worldsteel report from October 2023 forecasted that due to slowing inflation, the recovery of the automobile industry and the stable development of government infrastructure, steel demand will increase by 1.8% in 2023 to reach 1.8145 billion tons, and continue growing by 1.9% to reach 1.8491 billion tons in 2024. According to the international market research firm J.D. Power, global automobile production will further increase by 4% to 90.2 million units in 2024, and this will also help increase demand for steel in related industries.

Looking forward to 2024, the "World Economic Outlook" report released by the International Monetary Fund (IMF) in January 2024 suggested that strong economic performance in the US and a loose monetary policy in China is expected to produce a global economic growth rate of 3.1% in 2024, an increase of 0.2% from the October 2023 report. At the same time, inflation is decreasing at a faster rate than anticipated due to alleviation of supply-side problems and tightening of monetary policies. Central banks are therefore more likely to cut rates and ease restrictions on financing, which should in turn stimulate greater investment and manufacturing demand. Steel markets should see a progressive unlocking of pent-up demand. The global "carbon neutrality" trend is continuing to suppress the overall output of steel mills across the world so supply and demand in the global steel market is now developing in a healthy direction.

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 2024 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 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 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 2023 were as follows.

1. Product development

- (1) Development of PO EDD11 5ft sheet 6.0mm thickness product.

2. Product quality improvements

- (1) Improvement of the rinsing mark defect for cold-rolled products.

3. Process research

- (1) Establishment of tail-board auto-leveling control technology for finishing rolling.
- (2) Establishment of manufacturing technology for hot-rolled S1018M hard sheets (width ≤ 3.5 feet, thickness ≤ 2.0 mm).
- (3) Optimization of the pre-annealing process for cold-rolled medium carbon steel (S35C~S55C).

4. Equipment technology establishment

- (1) Completed the replacement of the F1 and F4 main motor for Hot Rolling Department.
- (2) Completion of No.3 grinder revamping project in Hot Rolling Department.

(3)Completion of Down Coiler width meter replacement in Hot Rolling Department.

(4)Completion of entry/exit width gauge replacement in Hot Rolling Department.

5.Artificial intelligence (AI)

(1)Establishment of an intelligent monitoring system for the No. 4 pipe milling and cutting machine in the Lukang Steel Pipe Plant: A cutter vibration monitoring system and intelligent tool change prediction module were added in collaboration with EZTouch to predict wear on saw blades and help operators accurately determine the timing of saw blade replacements.

(2)Establishment of a power demand prediction model for Hot Rolling Department:” The project was developed completely in-house by employees. Predictive analysis for power demand was conducted using the Prophet algorithm. The demand prediction model is used to determine a reasonable range when contract capacity is decided and ensure reasonable power consumption. Benefits included reduction of basic electricity bills. and additional production costs from over-contract surcharges.

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

1.Short-term plans

Making full use of resources and strengthening production, sales, transportation, and storage; Gaining information on market trends and creating win-win with clients. Preparing equipment conversion and strengthening production management. Enhance digital management and ensuring the passing down of knowledge through human resources. Fully implement safety and health policies and carbon reduction and fulfilling social responsibilities.

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 2023 included domestic sales which accounted for 62.41% of the total sales volume of 1.853 million tons (55.5% in 2022). Exports accounted for 37.59% and export regions include China, Japan, Korea, Southeast Asia, South Asia, Middle East, Australia, Europe and the Americas. Distribution was as follows: Southeast Asia (12.52%), North America (1.32%), Europe (10.69%), Japan and South Korea (4.64%), Hong Kong and China (0.19%), Australia and New Zealand (0.08%), Middle-East (2.03%), and Other (6.12%).

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

(1) Hot-rolled products (including imports): 23.8%.

(2) Cold-rolled products (including imports): 12.0%.

(3) Galvanized products (including imports): 2.3%.

(4) Steel pipe products (including imports): 3.5%.

3. Future market supply/demand and growth:

The continued slowdown of core inflation in the US will help the Federal Reserve start a new round of interest rate cuts. The global manufacturing industry is slowly recovering, and the supply chain has released the demand for inventory replenishment. The OECD predicts that global GDP growth rate this year will reach 2.7% in a continued demonstration of economic resilience.

In terms of steel demand, the North American market benefited from infrastructure policies that led to a recovery in construction demand. The stabilization of automobile production and sales is now supporting increased demand for automotive steel. The Chinese government is maintaining a loose monetary policy and accelerating the construction of "three major projects" such as affordable housing, urban village renovation and public infrastructure, supporting demand for construction steel. China's automobile production exceeded 30 million units last year and is stimulating the recovery of the manufacturing industry. J.D. Power, a well-known international research organization, predicts that global automobile production will grow by 4% this year. The recent Red Sea shipping crisis has disrupted global trade and supply chains. End customers are now preparing materials in advance to cope with extended shipping schedules and this has resulted in the release of demand for inventory replenishment.

In terms of steel supply, China's winter production restrictions and raw steel suppression policies have led to decreases in both production and inventory. Social

inventories of steel experienced a significant of 24% from its peak of 12.21 million tons in mid-August to 9.23 million tons at the end of December 2023. According to worldsteel statistics, global raw steel production in November 2023 amounted to 150 million tons and has been in decline for nine consecutive months. The continued contraction in global steel supply is supporting a steady upward trend in the steel market.

On the whole, supply and demand in the steel market is continuing to improve. The global manufacturing industry has gradually entered a stock replenishment cycle and the end consumer market is recovering at a steady pace as well.

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

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

The performance of the steel market is determined by supply and demand. Prices go down if supply is greater than demand, and prices go up if demand is greater than supply. Domestic and foreign steel markets are now finally seeing the light at the end of the tunnel after a generally weak 2023. 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.

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. The Company is sparing no effort when it comes to low-carbon transformation through the development of low-carbon production processes, improvement of energy efficiency, and the implementation of 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.

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 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

The global economy is expected to grow at a slower rate in 2024 than 2023. The overall environment remains very challenging. High inflation and interest rates are now beginning to subside but the lagging effect of interest rate hikes has resulted in weak economic recovery in various countries. Competition between the United States and China, extreme weather, and turbulent global geopolitical relations have all led to greater uncertainty in the economy. In addition, the ongoing Russia-Ukraine war and the Red Sea crisis triggered by the Israel-Hamas conflict are continuing to impact on the stability of the global supply chain. As end-user demand and trade momentum will still take time to recover, the manufacturing PMI of major countries such as Europe, the United States, China, Japan, and South Korea is also consolidating at a low level. According to the latest forecast from the international forecasting agency S&P Global on January 15, they estimated that global economic growth in 2024 will be 2.3% and lower than last year's 2.7%. The future development of the steel market may still face serious challenges.

The Company must therefore constantly adjust our sales strategy based on the state of the industry and optimize our sales combinations to keep our business 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.

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.

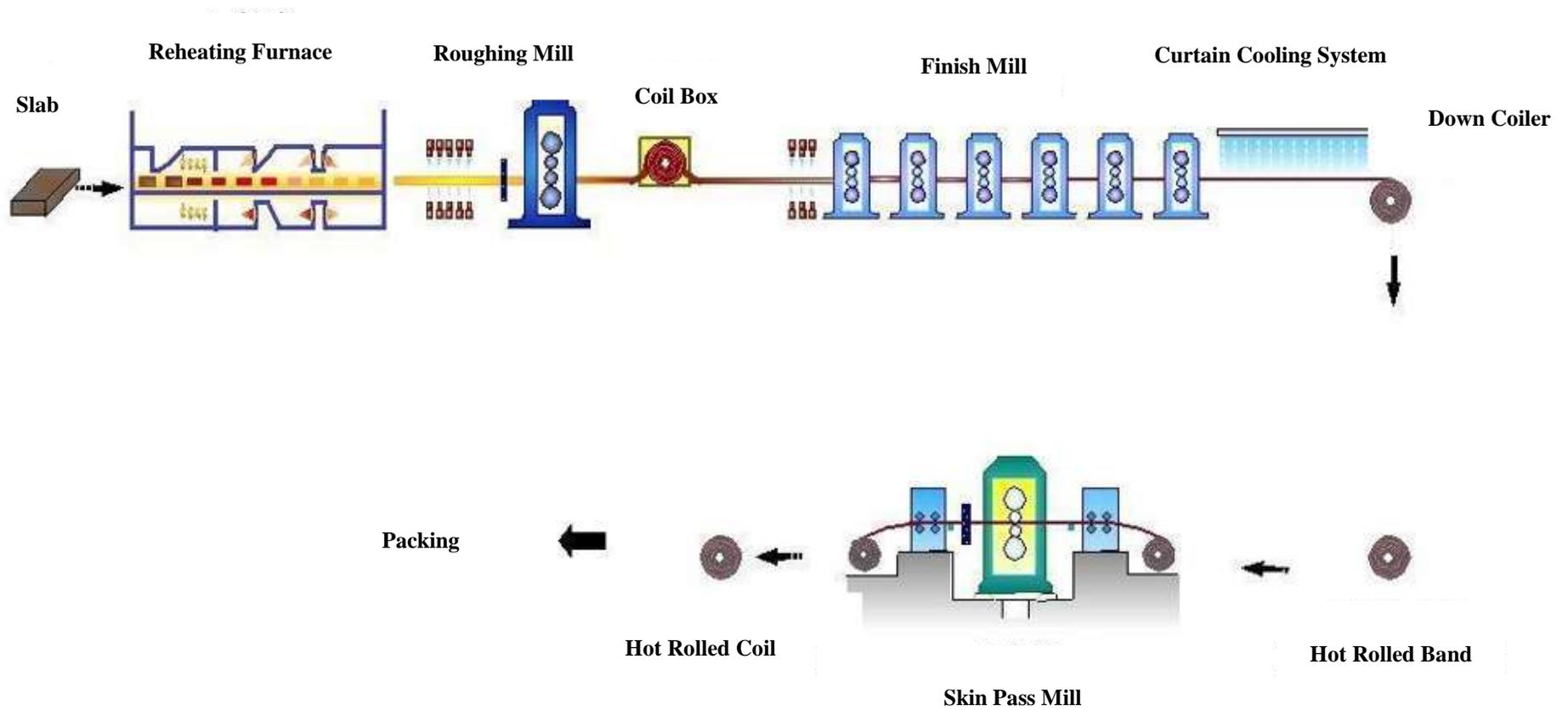
(II)Major product manufacturing processes

1.Applications main products

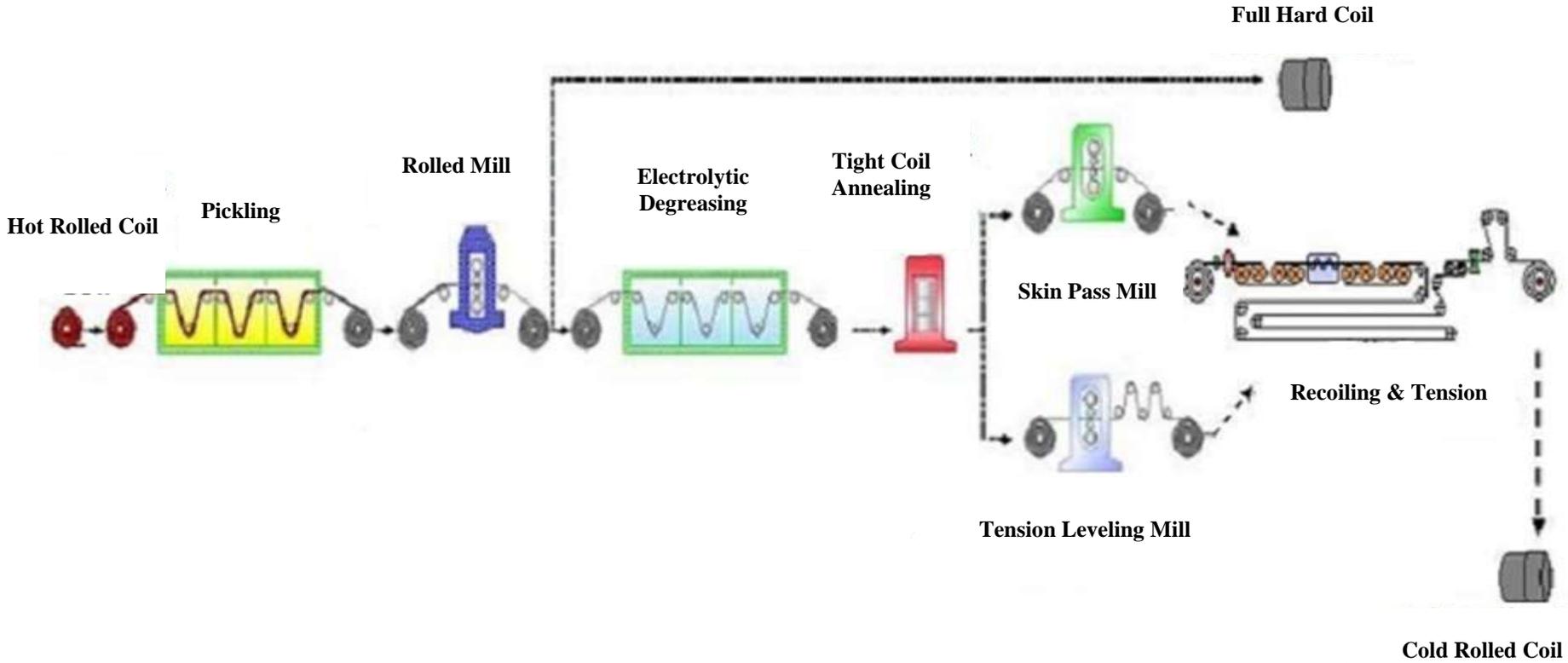
Product	Applications
Hot-rolled steel coils	<ul style="list-style-type: none">• Re-rolling steel coils such as processing into cold-rolled steel plates and galvanized (coated) steel plates.• Soft steel for processing into products such as containers, tools, and agricultural machinery.• Structural steel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

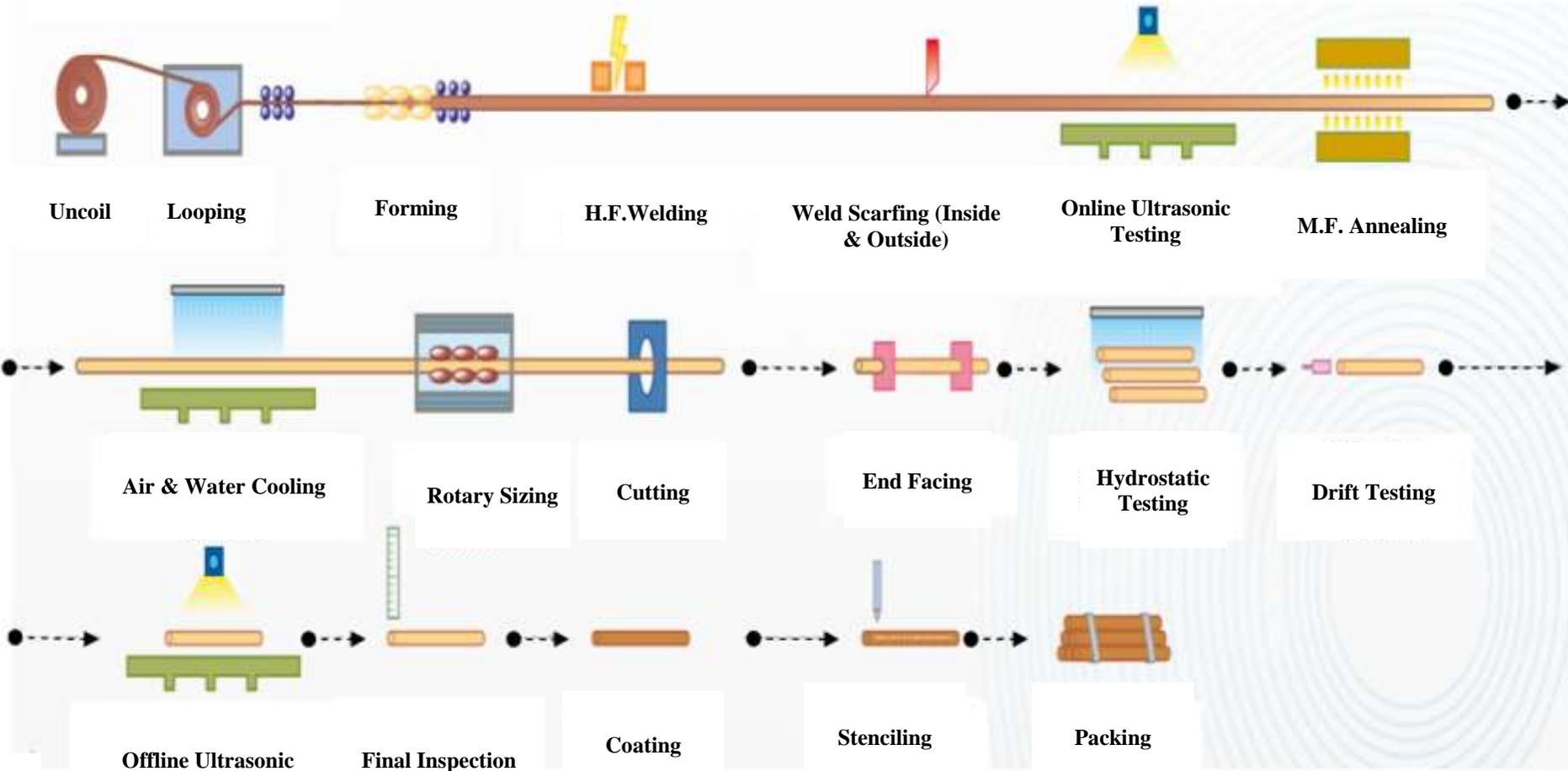
(1) Hot-rolled steel coils



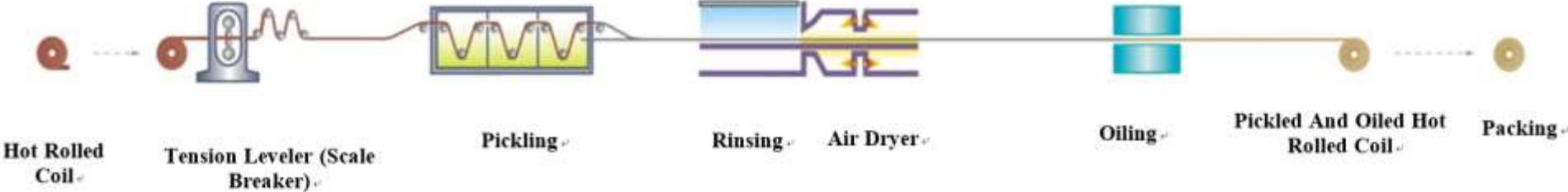
(2) Cold-rolled Steel Coil



(3) Steel pipe products



(4) Acid Cleaning Products



(III) State of supply of chief Major materials

Hot-rolled steel coils produced by the Company are mainly for its internal use and external sales. The main materials are slabs sourced mainly from Japan, Vietnam, and Taiwan. Material suppliers and quality are all stable; The materials used for cold-rolling and steel pipes are hot-rolled steel coils. Some are sourced from Taiwan and the supply of raw materials 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\$ thousand

Item	2023				2022				2024 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	14,386,545	44	Related party	Dragon Steel	15,307,063	38	Related party	Information at the end of the quarter before the publication date of the 2024 Annual Report is information from 2023. Therefore, the information is the same as the information on the left.
2	Sumitomo	10,749,751	34	Supplier	Sumitomo	14,414,158	36	Supplier	
3	China Steel	7,242,475	22	Related party	China Steel	7,402,133	18	Related party	
4	Others	83,430	0	N/A	Others	3,277,329	8	N/A	
	Net amount for purchases	32,462,201	100	N/A	Net amount for purchases	40,400,683	100	N/A	

Description of changes: Mainly due to a reduction in purchases in 2023 compared to 2022.

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

Unit: NT\$ thousand

Item	2023				2022				2024 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	Customer A	5,444,048	15	Customer	Customer B	5,387,210	12	Customer	Information at the end of the quarter before the publication date of the 2024 Annual Report is information from 2023. Therefore, the information is the same as the information on the left.
2	Customer B	5,081,121	14	Customer	Customer A	4,884,798	11	Customer	
3	Customer C	4,920,050	13	Customer	Customer C	3,902,054	9	Customer	
4	Others	21,803,120	58	N/A	Others	29,501,686	68	N/A	
	Net sales	37,248,339	100		Net sales	43,675,748	100		

Description of changes: Decrease in unit selling price of steel products in 2023.

(V) Consolidated production volume in the two most recent years

Unit: NT\$ thousand; tons

Output Volume Primary Product	Year	2023			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Hot-rolled steel products		2,400,000	1,780,261	34,575,818	2,400,000	1,756,416	38,523,184
Cold-rolled steel products		360,000	184,427	4,347,348	360,000	189,129	5,243,408
Steel pipes		90,667	24,095	718,708	90,667	80,074	2,480,139
Total		2,850,667	1,988,783	39,641,874	2,850,667	2,025,619	46,246,731

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\$ thousand; tons

Volume Value Primary Product	Year	2023				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Hot-rolled steel products		1,008,226	19,799,289	600,462	11,581,248	805,717	18,595,922	661,489	14,462,868
Cold-rolled steel products		115,423	2,609,619	75,667	1,749,744	145,748	3,950,880	63,270	1,815,945
Steel pipes		5,319	154,806	20,476	677,448	9,067	310,548	78,237	2,965,905
Galvanized steel products		27,556	676,185	0	0	48,223	1,378,991	5,594	194,689
Total		1,156,524	23,239,899	696,605	14,008,440	1,008,755	24,236,341	808,590	19,439,407

III. Human resources

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

March 31, 2024

The Company and subsidiaries of the Company		Year	End of 2023	End of 2022	2024 up to March 31
Number of employees			1,092	1,140	1,081
Average Age			48.49	48.02	48.68
Average years of services			19.85	19.25	19.96
Academic qualification %	Doctorate		0.27	0.26	0.19
	Master's		12.18	11.67	12.40
	College		54.58	54.03	54.67
	High school (vocational high school)		31.32	32.11	31.17
	High School and below		1.65	1.93	1.57

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 engaging in 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.

The “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 working actively to meet 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 implementation of energy conservation and carbon reduction.

Carbon credits is another coming trend. Chung Hung's "Conversion of Reheating Furnace from Heavy Oil to Natural Gas Offset Program" has already obtained 253,696 tons of carbon dioxide equivalent in carbon credits. The Company carried out external verification of the carbon credits from the 6th and 7th year of the offset program in 2023. External verification was completed in December 2023 and produced 73,495 tons CO₂e in carbon credits for years 6 ~ 7. An application for recognition of the carbon credits was submitted to the Ministry of Environment in February 2024). Total carbon credits from the offset program amounted to 327,191 tons CO₂e, which is equal to the carbon absorption of 1,349 Da'an Forest Parks.

The Company is also actively promoting energy conservation and carbon reduction measures/practices to realize our carbon reduction targets at each stage, including: Improving the efficiency of combustion facilities, improving the efficiency of power facilities, continuing to operate the ISO 50001 energy management system, and using renewable energy, etc. ISO 14064 greenhouse gas inventory and product carbon footprint inventory are also used to identify greenhouse gas emission hot spots, effectively manage and control progress on carbon reductions, and effectively manage the accomplishment of carbon reductions. Steady progress is now being made on achieving the target of achieving carbon neutrality by 2050.

In terms of greenhouse gas inventory, the Company's organization boundaries for the inventory was set based on the operational control method in accordance with the requirements of the Greenhouse Gas Inventory Guidelines of the Environmental Protection Administration. Greenhouse gas emissions in 2022 amounted to 278,462.23 tons CO₂e. External verification by a third party (DNV) was achieved in May 2023 and ISO 14064-1 verification statement obtained; External verification of greenhouse gas emissions in 2023 is planned for May 2024.

In conclusion, steel is an energy-intensive and carbon-intensive industry that is coming under pressure from growing environmental awareness both domestically and overseas. To alleviate the environmental and GHG problems associated with our industry, the Company is actively implementing 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 fulfill corporate social

responsibility by evaluating and identifying opportunities for further reductions and improvements.

(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:

No losses or penalties due to environmental pollution were recorded from January 2023 to March 2024.

(II) Future response strategies and potential expenditures

1. Expenses for pollution prevention (remediation), changes in permits, detection of polluting emissions, appointment of qualified contractors for proper waste removal and disposal, land restoration, greenhouse gas emissions reduction (energy conservation investments), personnel training, third-party certification (audits) of management systems, special assistance projects, and regulatory fees for environmental protection (air pollution fees, soil pollution fees, water consumption fee... etc.).

2. Environmental protection expenditures in 2023 amounted to NT\$58,392 thousand.

Item	Amount (NT\$ thousand)
1. Air pollution prevention costs	10,998
2. Water pollution prevention costs	5,327
3. Industrial waste disposal expenses	25,857
4. Soil pollutant expenses, land restoration, and soil and groundwater inspections	143
5. Toxic chemical (statuary expenses, review, and certification expenses)	1
6. Drinking water inspection expenses (including the cost of repairs)	411
7. Greenhouse gas reduction (including investments in energy-efficiency improvements, counseling, and verification fees)	15,655
Total	58,392

3. Total estimated environmental protection expenditures in 2024 is approximately NT\$69,246 thousand.

Item	Amount (NT\$ thousand)
1. Air pollution prevention costs	16,700
2. Water pollution prevention costs	7,051
3. Industrial waste disposal expenses	30,942
4. Soil pollutant expenses, land restoration, and soil and groundwater inspections	130
5. Toxic chemical (statuary expenses, review, and certification expenses)	2
6. Drinking water inspection expenses (including the cost of repairs)	272
7. Reduction of greenhouse gas emissions (including investment in energy-efficiency improvements, counseling, and verification fees)	14,149
Total	69,246

(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 Environment, Safety and Health Policy. In terms of occupational safety and health, the Company implements operations based on the five dimensions of "facility improvements, supervisory inspection, education and training, health management, and contractor management". We also implement the annual occupational safety and health management plan as well as internal and external audits for ISO 45001 and CNS 45001. The PDCA system cycle is enforced to improve 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 its 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 zone defense to continue identifying and making improvements to potential hazards in the working environment. In terms of zone 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 zone defense identified 646 potential hazards during 2023 and the completion rate for improvements was 100%.
2. In 2023, the three-tiered construction safety review meeting was convened for 6 cases involving (annual) maintenance or major engineering projects of NT\$2 million or more, or jointly executed operations in confined spaces, lifting operations, and rooftop operations. The relevant units were convened by the contract execution units (contract execution unit → plant unit → assistant vice president-grade unit) 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. The “Three-Zero” goal of zero disabling injuries, zero occupational injuries, and zero fines could then be achieved.

3. The focus in 2023 was on each plant’s emergency response to fire. The outcomes of the risk assessments were used to conduct an inventory of areas with high fire risk (incl. fuel rooms, power rooms, natural gas metering stations, extra high voltage substations, oil storage area, steel pipe UV coating area, reheating furnace, rolling machines, welding area of acid cleaning zone, as well as statutory firefighting, reporting and evacuation drills) and response facilities/equipment. Emergency response drills were then developed and conducted. The drills were assessed and reviewed on the process, outcomes, and targets accomplished to ensure the effectiveness of emergency response from plant employees.

(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 1,934 cases were conducted in 2023, including 1,533 cases by team leaders, 80 cases by plant safety engineering, 277 cases by (deputy) section leaders, and 44 cases by (deputy) plant managers. Total completion rate was 103%. The enforcement of dynamic safety observations by supervisors reduced the incidence of unsafe behavior by workers from 2.2% to 1.4%.
2. Occupational safety audits: Audits were conducted through on-site walk-about management and monthly industrial safety audits. Audit topics were (1) dynamic safety observation by supervisors at each plant, (2) general safety observation by supervisors, (3) on-site inspection of operations, (4) hazard identification and preventive safety awareness (provide all hazard identification related pictures for random on-site testing on the day, awareness and implementation of Articles 26~27 of the Occupational Safety Law), (5) On-site inspection of contractors, random inspection of contractors’ daily zero-accident activities, and the five questions of industrial safety. The five questions of industrial safety include: A. Personnel health care, B. Each step of daily operation items, C. How they are to be performed, D. Hazards of each operation (any hazards in the operation must be raised, publicized and recorded), E. Methods for prevention and inspection, and use of related protective equipment, etc. A total of 311 items were inspected in 2023 resulting in 278 compliant items (89.4%) and 33 non-compliant items/recommendations (10.6%) were not compliant/recommended related to process safety facilities and integrity of records. All were subsequently recorded in the maintenance system for follow-up and improvement completed.

(III) Training

1. Risk assessment cadre training: Risk assessment data for scheduled (annual) maintenance and anomaly handling operations were discussed with each factory to strengthen awareness and skills on hazard identification and risk/opportunity assessment. A total 83 people took part in 13 discussion groups (each group lasting for 3 hours). At the same time, ISO 45001 risk assessment data for scheduled (annual) maintenance and anomaly handling operations were discussed and drills conducted. One-to-one discussion was conducted at the team level for two-way communication and feedback during risk and opportunity assessment.
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 147 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 2023 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 driving skills, “Defensive Driving Traffic Safety Training and VR Hazard Perception Experience” was relocated to the Chung Hung Industrial Safety Training Building this year. The fusion of defensive driving training with VR technology was used to simulate potential hazard scenarios on the road to create an immersive experience that enhanced the traffic safety knowledge and defensive driving skills of employees. A total of 6 sessions were held in 2023, with 85 people participating in the training. Participants reported that the course content was very practical and they learned many traffic safety precautions.
4. The Company continued to organize various types of safety and health education and training including “Radiation Protection Training”, “In-service Training for Working in Confined Spaces”, “In-service Education and Training for Forklift Operators rated for over 1 Ton”, and “Refresher Training for Operators of Fixed Cranes rated for over 3 tons.” Training for “Risk Assessment Cadre Personnel” and “Aerial Work Platform Operators” and were also added to conform with ISO 45001 management system requirements and comply with regulatory changes. A total of 23 training courses attended by 1,293 people were conducted over 89 sessions to improve safety and health awareness as well as professional skills of employees and contractors.
5. Hosting of the "Industrial Safety Responsibility for Supervisors Course": Lecturers from the Labor Inspection Office were retained give face-to-face lectures at factories. Participants included team leaders, section chiefs, factory (department) directors, (assistant) vice presidents, the president and chairman of the board representing the heads of management, command and supervision in health and safety at every level. The lectures helped to continue strengthening the safety and health awareness of supervisors at all levels and understand safety and health regulations as well as related work safety responsibilities. A total of 4

sessions attended by 190 people were held in 2023. Safety and health culture was enhanced through the introduction of related regulations and real-world examples, as well as practical approaches for better health and safety management.

(IV) Health management

1. Working environment monitoring: To improve environmental quality at work and ensure the safety and health of employees, hazards in the workplace and environment must be checked and assessed to keep track of the actual working conditions and evaluate the level of exposure for workers. Qualified working environment monitoring bodies are commissioned to carry out workplace environmental 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, comprehensive thermal index, local exhaust wind speed... etc.). A total of 32 items are sampled twice a year. In 2023 all monitor outcomes were normal.

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. The number of individual with high health-risk in 2023 declined by from 278 to 137, a reduction of 49%.

(2) Health promotion: The Company organizes weight loss events, health seminars and oral screen events 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 > 24 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 110 people took part in the voluntary weight loss activity during 2023 and lost 146.4kg in total. First place winner in individual weight loss managed to shed 15.7kg.

B. Health seminars: In 2023, a total 5 seminars were held with a total attendance of 163. 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.

C. Oral Screening: Kaohsiung Medical University was commissioned to conduct 4 oral screening sessions in the Kaohsiung region. Lukang Plant commissioned the local health office to conduct 1 oral screening session. A total of 176 people took part and the results were all normal.

3. Computerized health system management: A health management system became fully operation in 2023. Occupational health nurses could not systematically track and analyze the health data from all employees. Each employee could also query their own personal health risk indicator - trend analysis radar map as well trends based on their past health exams. The system allowed the occupational nurse and employees to check on health progress at any time.

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 was a total of 1 complaint case during the year relating to lower back pain. After the doctor's interview, personal health guidance and medical improvement were provided, and the situation has been resolved. There were 2 cases of ergonomic improvement both of which were caused by manual labor (adjustment of pipe cart; Steel strip packaging, etc.) being converted to automated operations.

(2) Abnormal workload: A comprehensive risk assessment for occupational cerebral and cardiovascular diseases revealed that a total of 73 people were at moderate risk. Interviews and consultations with physicians were arranged to prevent over work and stress as well as ensure the occupational safety and physical/mental well-being of workers. Occupational physicians assessed that 72 people had no need to adjust their working hours or change jobs. The occupational physician recommended against overtime, shift work as well as solo and physically demanding operations for 1 person due to disease.

(3) Unlawful infringement:

A. 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 risk assessments for each plant (department) showed 0 high risk cases, 5 medium risk cases, and 236 low risk cases. 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).

B. Employee awareness training: Promotional materials were read by all employees. Another 66 people (supervisors and personnel designated by supervisors) participated in the physical courses.

(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 four pregnant female workers in 2023. 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: Epidemic prevention meetings were held every two weeks from January 2023 through to May 2023 to review epidemic prevention measures on a rolling basis; The government announce a downgrade in epidemic prevention measures from May 1 onwards., Epidemic prevention team operations and frequency of meetings were changed from on a rolling basis to convening as necessary.

(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: The "Chung Hung Safety and Health Family" was established in 2011 to enforce contractor management and provide opportunities for contractors to learn from each other. Contractors were encouraged to participate with the Company serving as the core enterprise. We invited contractors, business owners and industrial safety personnel from each plant join in this event. In addition to providing education and training on occupational health and safety management, the "Contractor and Safety & Health Family Conference" is also held every year. 28 contractors took part in 4 sessions during 2023. 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 practice 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." Awards and certificates for outstanding performance as a group or individual during the year were offered to contractors and contractors' industrial safety personnel. Recipients were personally recognized by the President during company-level safety committee meetings.
3. Special-purpose fund funded by safety and health breach of contract fines: To boost contractors' willingness to manage safety and health as well as provide contractors with subsidies for safety and health events, NT\$120,656 in contractor bonuses were distributed in 2023. Subsidized items included education and training, excellence in annual evaluation, excellence during annual conferences, and achieving the Three-Zero goal (Zero disabling injuries, zero occupational injuries, zero fines) in 2023; this represented an increased of 23.7% compared to the NT\$97,566 in bonuses for 2022.
4. Deployment of contractor management system: A basic contractor profile database was completed in 2023 to improve contractor coordination and management, and computerize the process for managing contractor access to factories. Work will continue in 2024 on a contractor management system that incorporates access control management, professional qualifications, operating standards, on-site inspections, audits, and more.

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

The Company has established the “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 16 hours of internal/external training. Total expenditures amounted to NT\$2,417 thousand.

3. Employee retirement system

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

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

4. Employees' code of conduct and ethics policy

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

5. Employees-employer 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:

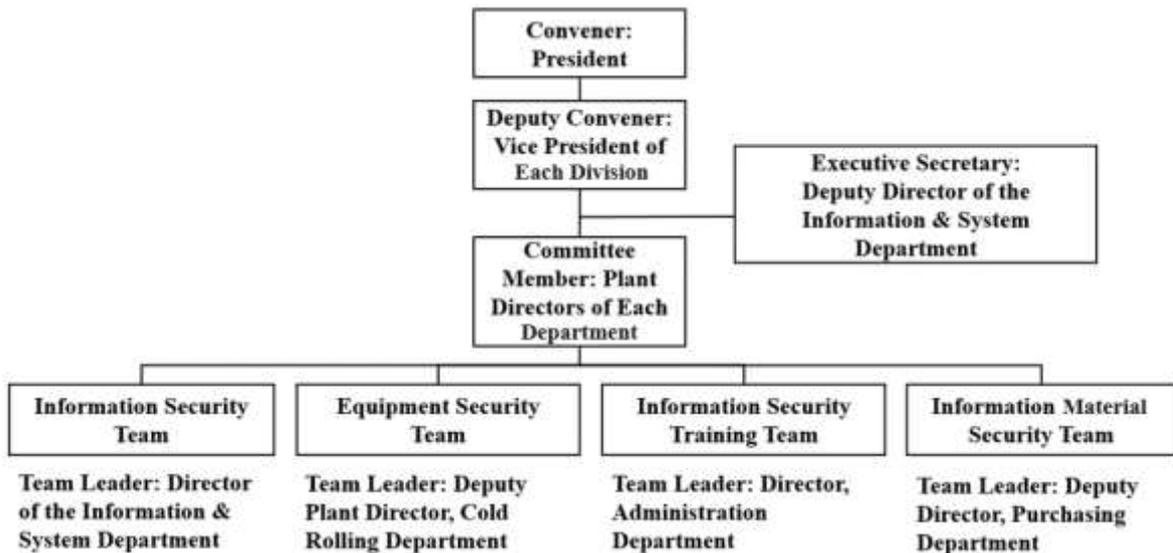
Employees-employer relations have remained harmonious. Officers of all levels work hard to take care of employees and resolve issues as quickly as possible. Internal management regulations are also processed in accordance with the Labor Standards Act. The Company organizes regular employee seminars and employees-employer meetings to maintain open channels of communication between employees and the management, ensuring that employee feedback are heard and properly taken care of.

VII.Information security management

(I) Describe the information security risk management framework, information security policy, specific management plans, and resources invested for information security management

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 Training Team, and Information 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:

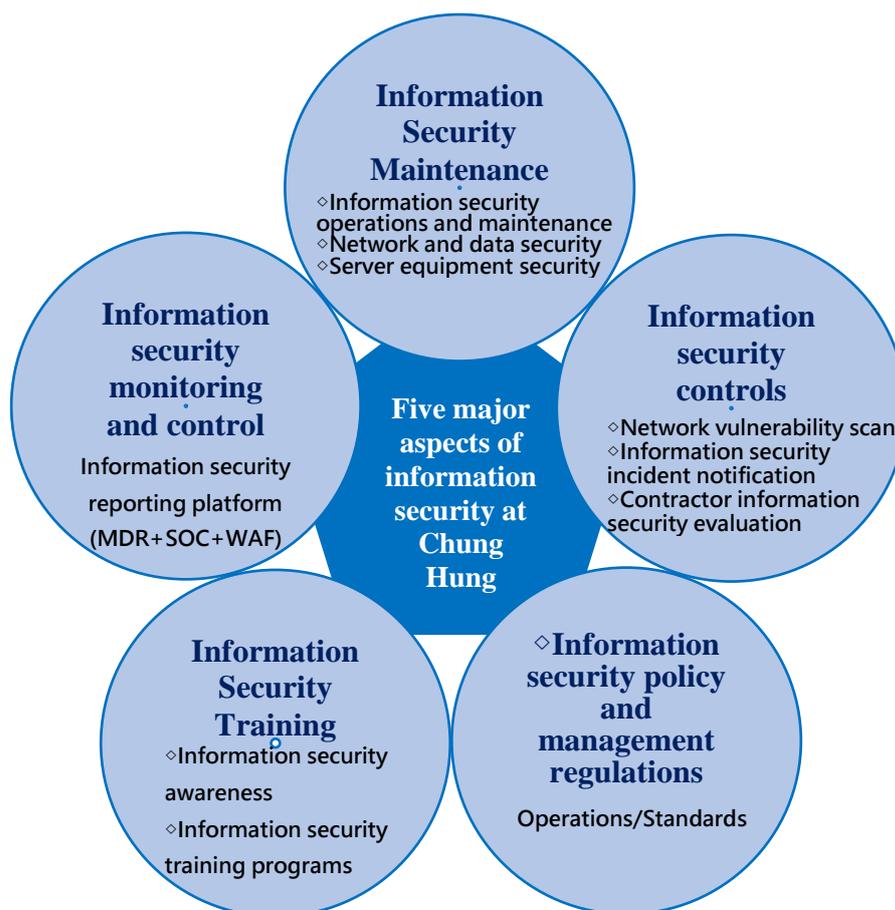


2.Information Security Policy

(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 Division. 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 that do not belong to the Company are strictly prohibited.

Management plan	Description
	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 Division. 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	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 2023:

A.The Company's Information Security Management Committee was convened 4 times during 2023 (March 10, June 16, September 13, and December 15) to review the implementation of the Information Security Policy at each unit.

B.Purchased information security products to enhance information security protection capacity

(a)An information security services contract with Managed Detection and Response (MDR) and Security Operations Center (SOC) was signed with CHT Security. Monitoring and real-time reporting of information security incidents help the Company handle information security incidents, shorten response times, and control the scope of damage from information security incidents. Monthly and quarterly reports are also provided to identify hidden information security crises.

(b)HiNet WAF (Website Application Firewall) information security service was deployed in July 2023. Telecommunications-grade website protection equipment is used to analyze website traffic content and block known attacks. It can also respond to and block zero-day attacks in real time. Daily and monthly reports are provided for review.

C.The 2023 vulnerability scan of the corporate website and servers (corporate website, e-commerce platform, mobile application platform) not only verified the patching of vulnerabilities detected during retesting in 2022 but also checked for new risks. The

scan was completed by CHT Security on December 14 and a report of the findings delivered. Initial testing found no information security risks classified as high risk, one classified as moderate risk, and seven classified as low-risk. Improvements will be carried out in accordance with the recommendations of the report. A vulnerability scan and retest is scheduled to be conducted in March 2024 to verify the outcome for risk correction.

D. The domain host (AD Server) was partitioned from the internal network by a firewall in the existing corporate network structure to strengthen information security control.

E. Actual implementation of information security audit and protection in 2023:

- (a) The 2023 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.
- (e) Quarterly inspections of installed software conducted on PCs with the authority to install software.
- (f) The use of personal computer cloud drives for paperwork must be re-applied for every year.
- (g) The connecting of mobile phone devices to the USB port of the personal computer must be re-applied for every year.
- (h) A graphical verification function was added to the e-commerce system to prevent brute force cracking by robots and strengthen login security.
- (i) The e-commerce and EZoMe platforms have been upgraded with jQuery to fix website vulnerabilities and improve information security.

F. Implementation of information security training and education in 2023:

- (a) Information security education was conducted through the Company ERP bulletin board a total of 12 times during the year.
- (b) Two classes of the "Information Security Protection and Case Study" course were conducted in accordance with the 2023 education and training plan. The classes held on April 20 (89 people) and July 20 (70 people) were attended by 159 people in total.
- (c) The Company participated in the "ECIH Information Security Crisis Manager Course" held by Chunghwa Telecom between June 26 and June 28. The training

was undertaken by the Chief Information Security Officer and information security specialists from the Company.

- (d) On September 19, personnel were sent to participate in the "Detection Engineering Practical Exercise" hosted by Taiwan Computer Network Crisis Management and Coordination Center (TWCERT/CC.) The training was undertaken by information security specialists from the Company.
- (e) On September 27, the "China Steel Group Social Engineering Education and Training for the Second Half of 2023" was conducted as an online course. A total of 26 people completed the training and passed the exam.
- (f) The Company participated in the Group's 2023 information security education training on October 19. Online lecture was given by the information security instructor from CHT Security on the following topic: "Information security trends and news cases, social engineering risks and prevention." The course was attended by a total of 32 colleagues.
- (g) The "Information Security Awareness Sheet for New Employees" was compiled to incorporate information security awareness (including information security policies) in orientation training for new employees.

(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	Supply of 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	Supply of 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	Supply of fuel required for ARP production in the Pickling & Galvanizing Department	None.
Long-term steam supply contract	China Steel Corporation	2024.01.01~ 2028.12.31	Steam is used for heating on the production line of the Pickling & 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	<p>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.</p> <p>2. The lessee may terminate the Contract at any time after a period of ten years from the first day of the lease for any reason, provided</p>

Nature of the Contract	Contracting Party	Commencement Date/Expiration Date	Main Content	Restrictive provisions
				<p>that it shall be required to issue a written notice to the lessor no less than six months in advance to explain the reason for its failure to continue the lease (hereinafter referred to as the “termination notice period”) and it shall be required to obtain the lessor’s written approval. The lessor may not refuse the request without a legitimate reason. However, where the lessee suffers more than two years (inclusive) of consecutive losses in the operations on the base/building and cannot continue the lease, it shall not be required to obtain the lessor’s written approval (however, it shall be required to provide certification documents from an accountant).</p>
Hot Rolling Department - F1/F4/F5/F6 main motor replacement project	TMEIC (Japan) / Shihlin Electric (Taiwan)	2022.08.08~2026.07.31	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\$ thousand

Item		Year	Financial data for the recent 5 years (Note 1)				
			2023 (Note 2)	2022	2021	2020	2019
Current assets			13,469,846	16,719,765	17,052,944	7,036,111	9,209,104
Property, plant and equipment			9,409,727	9,801,656	10,164,924	11,162,643	12,552,287
Intangible assets			0	0	0	0	0
Other assets			10,113,089	10,243,456	10,261,466	8,901,303	8,702,215
Total assets			32,992,662	36,764,877	37,479,334	27,100,057	30,463,606
Current liabilities	Before distribution		8,922,639	11,681,933	9,828,452	5,167,233	8,502,445
	After distribution		Note 3	12,184,374	13,847,976	5,597,896	8,502,445
Non-current liabilities			7,811,042	8,020,507	5,089,484	6,699,550	7,392,264
Total liabilities	Before distribution		16,733,681	19,702,440	14,917,936	11,866,783	15,894,709
	After distribution		Note 3	20,204,881	18,937,460	12,297,446	15,894,709
Equity attributed to the owners of the Corporation			16,258,981	17,062,437	22,561,398	15,233,274	14,568,897
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		1,975,548	2,415,868	7,073,840	1,302,766	762,128
	After distribution		Note 3	1,913,427	3,054,316	872,103	762,128
Other equity			(72,914)	290,222	1,131,211	(425,839)	(549,578)
Treasury stock			0	0	0	0	0
Non-controlling equity			0	0	0	0	0
Total equity	Before distribution		16,258,981	17,062,437	22,561,398	15,233,274	14,568,897
	After distribution		Note 3	16,559,996	18,541,874	14,802,611	14,568,897

Note 1: The financial data from 2019 to 2023 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2024. Therefore, the information at the end of the quarter before the publication date is the information from 2023.

Note 3: The proposal of the Company's 2023 earnings allocation remains to be approved by the resolution of the shareholders' meeting.

2. Standalone condensed balance sheet – International Financial Reporting Standards

Unit: NT\$ thousand

Item \ Year		Financial data for the last 5 years (Note 1)				
		2023 (Note 2)	2022	2021	2020	2019
Current assets		13,464,429	16,712,186	17,039,020	7,032,476	9,204,726
Property, plant and equipment		9,409,727	9,801,656	10,164,924	11,162,643	12,552,287
Intangible assets		0	0	0	0	0
Other assets		10,118,174	10,249,782	10,272,296	8,904,784	8,705,393
Total assets		32,992,330	36,763,624	37,476,240	27,099,903	30,462,406
Current liabilities	Before distribution	8,922,307	11,680,680	9,825,358	5,167,079	8,501,245
	After distribution	Note 3	12,183,121	13,844,882	5,597,742	8,501,245
Non-current liabilities		7,811,042	8,020,507	5,089,484	6,699,550	7,392,264
Total liabilities	Before distribution	16,733,349	19,701,187	14,914,842	11,866,629	15,893,509
	After distribution	Note 3	20,203,628	18,934,366	12,297,292	15,893,509
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	1,975,548	2,415,868	7,073,840	1,302,766	762,128
	After distribution	Note 3	1,913,427	3,054,316	872,103	762,128
Other equity		(72,914)	290,222	1,131,211	(425,839)	(549,578)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	16,258,981	17,062,437	22,561,398	15,233,274	14,568,897
	After distribution	Note 3	16,559,996	18,541,874	14,802,611	14,568,897

Note 1: The financial data from 2019 to 2023 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2024. Therefore, the information at the end of the quarter before the publication date is the information from 2023.

Note 3: The proposal of the Company's 2023 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\$ thousand

Item \ Year	Financial data for the recent 5 years (Note 1)				
	2023 (Note 2)	2022	2021	2020	2019
Operating revenue	37,764,208	44,503,494	53,744,012	36,790,154	40,470,129
Operating margin (loss)	512,310	(1,125,940)	7,546,402	1,454,500	1,244,928
Operating profit (loss)	(29,156)	(1,760,697)	6,523,650	338,212	(217,589)
Non-operating income and expenses	191,554	576,174	489,426	190,053	228,474
Pre-tax profit	162,398	(1,184,523)	7,013,076	528,265	10,885
Net profit (loss) from continuing operations	159,281	(989,929)	6,350,411	528,260	10,791
Loss from discontinued operations	0	0	0	0	0
Net profit (loss)	159,281	(989,929)	6,350,411	528,260	10,791
Profit (loss) from discontinued operations	0	0	0	0	0
Other comprehensive income (loss) for the period	(428,263)	(468,846)	1,408,376	136,117	(61,585)
net income after tax					
Total comprehensive income (loss) for the period	(268,982)	(1,458,775)	7,758,787	664,377	(50,794)
Net profit (loss) attributable to owners of the parent company	159,281	(989,929)	6,350,411	528,260	10,791
Net profit attributable to non-controlling equity	0	0	0	0	0
Total comprehensive income (loss) attributed to the owners of the Corporation	(268,982)	(1,458,775)	7,758,787	664,377	(50,794)
Total comprehensive income (loss) attributed to non-controlling equity	0	0	0	0	0
Basic earnings (loss) per share (NT\$) (Note 3)	0.11	(0.69)	4.42	0.37	0.01

Note 1: The financial data from 2019 to 2023 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2024. Therefore, the information at the end of the quarter before the publication date is the information from 2023.

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

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

Unit: NT\$ thousand

Item	Year	Financial data for the last 5 years (Note 1)				
		2023 (Note 2)	2022	2021	2020	2019
Operating revenue		37,762,916	44,497,278	53,733,214	36,789,518	40,467,516
Operating margin (loss)		511,018	(1,132,156)	7,535,604	1,453,864	1,242,315
Operating profit (loss)		(30,095)	(1,763,346)	6,514,174	337,801	(217,532)
Non-operating income and expenses		192,450	578,573	497,078	190,459	228,417
Net profit (loss) before tax		162,355	(1,184,773)	7,011,252	528,260	10,885
Net profit (loss) from continuing operations		159,281	(989,929)	6,350,411	528,260	10,885
Loss from discontinued operations		0	0	0	0	0
Net profit (loss)		159,281	(989,929)	6,350,411	528,260	10,791
Profit (loss) from discontinued operations		0	0	0	0	0
Other comprehensive income (loss) for the period (net income after tax)		(428,263)	(468,846)	1,408,376	136,117	(61,585)
Total comprehensive income (loss) for the period		(268,982)	(1,458,775)	7,758,787	664,377	(50,794)
Basic earnings (loss) per share (NT\$) (Note 3)		0.11	(0.69)	4.42	0.37	0.01

Note 1: The financial data from 2019 to 2023 have been audited by CPAs.

Note 2: The Company's Annual Report is published on March 31, 2024. Therefore, the information at the end of the quarter before the publication date is the information from 2023.

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
2023	Deloitte, Taiwan	Li-Yuan Kuo and Chia-Ling Chiang	Unqualified 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

II. Financial analysis for the last 5 years

(I) Financial analysis

1. Consolidated financial analysis — International Financial Reporting Standards

Analysis Item (Note 4)		Financial analysis for the last 5 years (Note 1)					
		Year	2023 (Note 3)	2022	2021	2020	2019
Financial structure	Debt-to-assets ratio (%)		50.72	53.59	39.80	43.79	52.17
	Long-term fund to property, plant and equipment (%)		255.80	255.91	272.02	196.48	174.95
Solvency	Current ratio (%)		150.96	143.12	173.51	136.17	108.31
	Quick ratio (%)		43.85	47.94	29.37	45.34	24.69
	Interest coverage ratio		1.80	(8.07)	154.41	7.13	1.08
Operating performance	Accounts receivable turnover (times)		73.05	70.23	55.83	50.43	49.23
	Average collection days		4.99	5.19	6.53	7.23	7.41
	Inventory turnover (times)		4.02	4.01	5.38	6.36	5.23
	Accounts payable turnover (times)		50.67	34.39	42.56	162.09	106.54
	Average inventory turnover days		90.79	91.02	67.84	57.38	69.78
	Property, plant, and equipment turnover (times)		3.93	4.46	5.04	3.10	3.13
	Total assets turnover (times)		1.08	1.20	1.66	1.28	1.26
Profitability	Return on assets (%)		0.92	(2.39)	19.78	2.08	0.34
	Return on equity (%)		0.96	(5.00)	33.60	3.55	0.07
	Pre-tax income to paid-in capital ratio (%)		1.13	(8.25)	48.85	3.68	0.07
	Net margin (%)		0.42	(2.22)	11.82	1.44	0.02
	Earnings per share (NT\$) (Note 2)		0.11	(0.69)	4.42	0.37	0.01
Cash flow	Cash flow ratio (%)		19.74	0.24	20.59	91.76	29.55
	Cash flow adequacy ratio (%)		71.14	53.50	84.74	201.99	167.45
	Cash reinvestment ratio (%)		2.41	(7.53)	2.87	9.77	5.03
Leverage	Operating leverage		-	0.59	1.12	4.44	-
	Financial leverage		0.13	0.93	1.01	1.34	0.63

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

- Interest coverage ratio rose by 122% from the previous year mainly due to an increase in pre-tax profit.
- The accounts payables turnover increased by 47% from the previous year mainly due to a decrease in the average accounts payable.
- Return on assets ratio increased by 138% and return on equity increased by 119% compared to the previous year mainly due to the increase in net profit after tax.
- The net profit before tax to paid-in capital ratio before tax increased by 114% over the previous year mainly due to an increase in net profit before tax.
- The net profit ratio and earnings per share increased by 119% and 116% over the previous year respectively mainly due to an increase in net profit after tax for the year.
- The cash flow ratio and cash reinvestment ratio decreased by 8,125% and 132% from the previous respectively year mainly due to a decrease in net cash inflow from operating activities.
- The cash flow adequacy ratio increased by 33% over the previous year mainly due to an increase in net cash inflow from operating activities and distribution of dividends in the five preceding years.
- The degree of financial leverage declined by 86% from the previous year mainly due to a decrease in interest expenses this year.

2. Standalone financial analysis – International Financial Reporting Standards

Analysis Item (Note 4)		Financial analysis for the last 5 years (Note 1)					
		Year	2023 (Note 3)	2022	2021	2020	2019
Financial structure	Debt-to-assets ratio (%)		50.72	53.59	39.80	43.79	52.17
	Long-term fund to property, plant and equipment (%)		255.80	255.91	272.02	196.48	174.95
Solvency	Current ratio (%)		150.91	143.08	173.42	136.10	108.27
	Quick ratio (%)		43.82	47.89	29.27	45.31	24.66
	Interest coverage ratio		1.80	(8.07)	154.37	7.13	1.08
Operating performance	Accounts receivable turnover (times)		73.05	70.22	55.82	50.43	49.22
	Average collection days		4.99	5.19	6.53	7.23	7.41
	Inventory turnover (times)		4.02	4.01	5.38	6.36	5.23
	Accounts payable turnover (times)		50.67	34.39	42.56	162.09	106.54
	Average inventory turnover days		90.79	91.02	67.84	57.38	69.78
	Property, plant, and equipment turnover (times)		3.93	4.46	5.04	3.10	3.13
	Total assets turnover (times)		1.08	1.20	1.66	1.28	1.26
Profitability	Return on assets (%)		0.92	(2.39)	19.78	2.08	0.34
	Return on equity (%)		0.96	(5.00)	33.60	3.55	0.07
	Pre-tax income to paid-in capital ratio (%)		1.13	(8.25)	48.84	3.68	0.07
	Net margin (%)		0.42	(2.22)	11.82	1.44	0.02
	Earnings Per Share (NT\$) (Note 2)		0.11	(0.69)	4.42	0.37	0.01
Cash flow	Cash flow ratio (%)		19.72	0.20	20.60	91.77	29.57
	Cash flow adequacy ratio (%)		71.11	53.47	84.73	192.73	154.18
	Cash reinvestment ratio (%)		2.40	(7.54)	2.87	9.77	5.03
Leverage	Operating leverage		-	0.59	1.12	4.44	-
	Financial leverage		0.13	0.93	1.01	1.34	0.63
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. Interest coverage ratio rose by 122% from the previous year mainly due to an increase in pre-tax profit.							
2. The accounts payables turnover increased by 47% from the previous year mainly due to a decrease in the average accounts payable.							
3. Return on assets ratio increased by 138% and return on equity increased by 119% compared to the previous year mainly due to the increase in net profit after tax.							
4. The net profit before tax to paid-in capital ratio before tax increased by 114% over the previous year mainly due to an increase in net profit before tax.							
5. The net profit ratio and earnings per share increased by 119% and 116% over the previous year respectively mainly due to an increase in net profit after tax for the year.							
6. The cash flow ratio and cash reinvestment ratio decreased by 9,760% and 132% from the previous respectively year mainly due to a decrease in net cash inflow from operating activities.							
7. The cash flow adequacy ratio increased by 33% over the previous year mainly due to an increase in net cash inflow from operating activities and distribution of dividends in the five preceding years.							
8. The degree of financial leverage declined by 86% from the previous year mainly due to a decrease in interest expenses this year.							

Note 1: The financial data from 2019 to 2023 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, 2024. Therefore, the information at the end of the quarter before the publication date is the information from 2023.

Note 4: The end of Annual Report should include the following formulas:

1. Financial structure

Debt-to-assets ratio = total liabilities / total assets.

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

2. Solvency

Current ratio = current assets / current liabilities.

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

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

3. Operating performance

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.

Average collection days = 365 / receivables turnover.

Inventory turnover = cost of goods sold / average inventory.

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.

Average days of sales = 365 / inventory turnover.

Property, plant, and equipment turnover = net sales / average net for property, plant, and equipment.

Total assets turnover = net sales / average total assets.

4. Profitability

Return on assets = (net income + interest expenses × (1 - tax rate)) / average total assets.

Return on shareholder's equity = net income / average shareholders' equity.

Net profit margin = net income / net sales.

Earnings per share = (profit or loss attributable to owners of the Corporation - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

Cash flow ratio = net cash flow from operating activities / current liabilities.

Net cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / most recent five years (capital expenditure + inventory + cash dividend).

Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross profit for property, plant, and equipment + long-term investments + other non-current assets + working capital)

6. Leverage:

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

Financial leverage = operating income / (operating income - interest expenses).

III. Audit Committee's Audit Report for 2023

Chung Hung Steel Corporation
Audit Committee's Audit Report

Hereby approves

The Company's 2023 Standalone Financial Report and Consolidated Financial Report (audited and certified by CPAs Li-Yuan Kuo 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 2024 Annual Shareholders Meeting

Audit Committee, Chung Hung Steel Corporation

Convener: Juh-Shan Chiou

February 27, 2024

IV. 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, 2023, 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 27, 2024

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, 2023 and 2022, 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 material accounting policy information (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, 2023. 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, 2023 are stated as follows:

Inventory Valuation

As of December 31, 2023, the carrying amount of inventories held by the Group was NT\$8,572,083 thousand, which accounted for 26% of the consolidated total assets. Due to the fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involves material accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and material accounting estimates and judgments on inventories, refer to Notes 4, 5 and 10 to the consolidated financial statements, respectively.

The audit procedures we performed included the following:

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

The Cut-off of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2023 was NT\$14,042,296 thousand, which represented 37% of the sales revenue. The recognition of export revenue involved checking the external documents, and the export revenue was considered to have a significant effect on the financial statements. Thus, we considered the cut-off of sales revenue from export sales as a key audit matter. Refer to Notes 4 and 24 to the 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 cut-off of sales revenue.
2. We obtained the export sales details for a specific period before year end and tested the export sales details on a sample basis to confirm the timing of revenue recognition by examining the shipping documents, customs declarations and shipping bills of lading.

Other Matter

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2023 and 2022 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, 2023 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 Lee-Yuan Kuo and Jia-Ling, Jiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

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, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,866,832	6	\$ 3,268,386	9
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	927,699	3	986,655	3
Financial assets for hedging - current (Notes 4 and 8)	140,442	-	700,188	2
Accounts receivable (Notes 4, 9 and 24)	638,335	2	231,840	-
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	106,208	-	57,510	-
Other receivables (Note 9)	17,171	-	11,156	-
Other receivables from related parties (Notes 9 and 30)	210,586	1	344,478	1
Current tax assets (Notes 4 and 26)	4,907	-	657	-
Inventories (Notes 4, 5 and 10)	8,572,083	26	9,761,983	26
Prepayments (Note 11)	182,119	1	255,767	1
Other financial assets - current (Notes 12 and 31)	803,300	2	1,101,100	3
Other current assets	164	-	45	-
Total current assets	<u>13,469,846</u>	<u>41</u>	<u>16,719,765</u>	<u>45</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	72,696	-	71,082	-
Investments accounted for using the equity method (Notes 4 and 13)	3,461,769	11	3,701,899	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,409,727	29	9,801,656	27
Right-of-use assets (Notes 4 and 15)	68,543	-	48,092	-
Investment properties (Notes 4 and 16)	5,993,610	18	5,981,409	17
Deferred tax assets (Notes 4, 5 and 26)	344,829	1	373,292	1
Prepayments for equipment (Note 32)	161,861	-	56,285	-
Refundable deposits	9,781	-	9,337	-
Net defined benefit assets (Notes 4, 5 and 22)	-	-	2,060	-
Total noncurrent assets	<u>19,522,816</u>	<u>59</u>	<u>20,045,112</u>	<u>55</u>
TOTAL	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 36,764,877</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ 4,784,715	14	\$ 7,561,516	21
Short-term bills payable (Note 17)	2,495,674	8	-	-
Financial liabilities for hedging - current (Notes 4 and 8)	-	-	2,166	-
Contract liabilities - current (Note 24)	40,310	-	102,146	-
Accounts payable (Note 19)	68,322	-	534,403	2
Accounts payable to related parties (Notes 19 and 30)	578,527	2	289,098	1
Other payables (Notes 20 and 30)	614,463	2	542,590	2
Current tax liabilities (Notes 4 and 26)	-	-	89,378	-
Provisions - current (Notes 4 and 21)	137,900	-	133,700	-
Lease liabilities - current (Notes 4 and 15)	13,626	-	12,877	-
Current portion of long-term borrowings (Note 17)	-	-	2,340,000	6
Refund liabilities	171,619	1	57,815	-
Other current liabilities	17,483	-	16,244	-
Total current liabilities	<u>8,922,639</u>	<u>27</u>	<u>11,681,933</u>	<u>32</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	2,998,444	9	2,997,309	8
Long-term bank borrowings (Note 17)	2,600,000	8	2,260,000	6
Long-term bills payable (Note 17)	1,899,364	6	2,498,441	7
Deferred tax liabilities (Notes 4 and 26)	183,607	1	193,481	1
Lease liabilities - noncurrent (Notes 4 and 15)	56,092	-	36,276	-
Net defined benefit liabilities (Notes 4, 5 and 22)	38,535	-	-	-
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>7,811,042</u>	<u>24</u>	<u>8,020,507</u>	<u>22</u>
Total liabilities	<u>16,733,681</u>	<u>51</u>	<u>19,702,440</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Ordinary shares	14,355,444	43	14,355,444	39
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	764,806	2	764,806	2
Unappropriated earnings	1,210,742	4	1,651,062	4
Total retained earnings	1,975,548	6	2,415,868	6
Other equity	(72,914)	-	290,222	1
Total equity	<u>16,258,981</u>	<u>49</u>	<u>17,062,437</u>	<u>46</u>
TOTAL	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 36,764,877</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			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)	\$ 37,764,208	100	\$ 44,503,494	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>37,251,898</u>	<u>99</u>	<u>45,629,434</u>	<u>103</u>
GROSS PROFIT (LOSS)	<u>512,310</u>	<u>1</u>	<u>(1,125,940)</u>	<u>(3)</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	307,028	1	376,864	1
General and administrative expenses	<u>234,438</u>	<u>-</u>	<u>257,893</u>	<u>-</u>
Total operating expenses	<u>541,466</u>	<u>1</u>	<u>634,757</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(29,156)</u>	<u>-</u>	<u>(1,760,697)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	40,812	-	47,626	-
Other income	171,179	-	283,258	-
Other gains and losses	63,515	-	29,000	-
Finance costs	(203,979)	-	(130,575)	-
Share of profit of associates	<u>120,027</u>	<u>-</u>	<u>346,865</u>	<u>1</u>
Total non-operating income and expenses	<u>191,554</u>	<u>-</u>	<u>576,174</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	162,398	-	(1,184,523)	(3)
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 26)	<u>3,117</u>	<u>-</u>	<u>(194,594)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>159,281</u>	<u>-</u>	<u>(989,929)</u>	<u>(2)</u>
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	(96,696)	-	294,407	1
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(88,882)	-	(201,638)	(1)
Gains and losses on hedging instruments	15,059	-	(11,068)	-

(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			
	2023		2022	
	Amount	%	Amount	%
Share of the other comprehensive income of associates	\$ (274,002)	(1)	\$ (631,251)	(1)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	16,327	-	80,176	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of associates	<u>(69)</u>	<u>-</u>	<u>528</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(428,263)</u>	<u>(1)</u>	<u>(468,846)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (268,982)</u>	<u>(1)</u>	<u>\$ (1,458,775)</u>	<u>(3)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 159,281</u>	<u>-</u>	<u>\$ (989,929)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ (268,982)</u>	<u>(1)</u>	<u>\$ (1,458,775)</u>	<u>(3)</u>
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	<u>\$ 0.11</u>		<u>\$ (0.69)</u>	
Diluted	<u>\$ 0.11</u>		<u>\$ (0.69)</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	Total Other Equity	
BALANCE AT JANUARY 1, 2022	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ -	\$ 1,131,211	\$ 22,561,398
Appropriation of 2021 earning (Note 23)										
Legal reserve	-	-	620,174	-	(620,174)	-	-	-	-	-
Reversal of special reserve	-	-	-	(425,839)	425,839	-	-	-	-	-
Cash dividends	-	-	-	-	(4,019,524)	-	-	-	-	(4,019,524)
Net loss for the year ended December 31, 2022	-	-	-	-	(989,929)	-	-	-	-	(989,929)
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	372,362	528	(832,882)	(8,854)	(841,208)	(468,846)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	(617,567)	528	(832,882)	(8,854)	(841,208)	(1,458,775)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(219)	-	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)	290,222	17,062,437
Appropriation of 2022 earning (Note 23)										
Cash dividends	-	-	-	-	(502,441)	-	-	-	-	(502,441)
Net profit for the year ended December 31, 2023	-	-	-	-	159,281	-	-	-	-	159,281
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(77,343)	(69)	(362,898)	12,047	(350,920)	(428,263)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	81,938	(69)	(362,898)	12,047	(350,920)	(268,982)
Changes in equity of associates accounted for using the equity method (Notes 13 and 23)	-	-	-	-	(26,528)	-	(5,505)	-	(5,505)	(32,033)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,711	-	(6,711)	-	(6,711)	-
BALANCE AT DECEMBER 31, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,210,742	\$ 317	\$ (76,424)	\$ 3,193	\$ (72,914)	\$ 16,258,981

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	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 162,398	\$ (1,184,523)
Adjustments for:		
Depreciation expense	695,919	717,892
Net gain on financial assets at fair value through profit or loss	-	(2,774)
Finance costs	203,979	130,575
Interest income	(40,812)	(47,626)
Dividend income	(36,155)	(108,042)
Share of profit of associates	(120,027)	(346,865)
Gain on disposal of property, plant and equipment	(37,010)	-
Write-downs (reversal) of inventories	(1,212,121)	1,466,930
Recognition (reversal) of provisions	4,200	(73,150)
Others	1,094	1,135
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	2,774
Financial assets for hedging	462,011	(462,011)
Accounts receivable	(406,495)	698,738
Accounts receivable from related parties	(48,698)	(10,155)
Other receivables	(7,592)	1,777
Other receivables from related parties	(166,108)	176,983
Inventories	2,402,021	1,488,526
Prepayments	73,648	187,361
Other current assets	(119)	2,552
Contract liabilities	(61,836)	6,991
Accounts payable	(466,081)	(826,329)
Accounts payable to related parties	289,429	(180,479)
Other payables	72,435	(649,706)
Other current liabilities	1,239	(7,073)
Net defined benefit liabilities	(56,100)	(95,429)
Refund liabilities	113,804	(207,232)
Cash generated from operations	1,823,023	680,840
Income taxes paid	(61,885)	(653,311)
Net cash generated from operating activities	<u>1,761,138</u>	<u>27,529</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(31,540)	-
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

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2023	2022
Purchase of financial assets for hedging	\$ (5,469)	\$ (247,079)
Proceeds from disposal of financial assets for hedging	116,097	-
Acquisition of property, plant and equipment	(392,786)	(322,740)
Proceeds from disposal of property, plant and equipment	37,010	-
Increase in refundable deposits	(444)	(3,686)
Decrease (increase) in other receivables from related parties	300,000	(300,000)
Decrease (increase) in other financial assets	297,800	(98,300)
Interest received	42,443	43,744
Dividends received from others	<u>90,207</u>	<u>144,402</u>
Net cash generated from (used in) investing activities	<u>453,318</u>	<u>(775,092)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	97,671,254	120,211,254
Repayments of short-term borrowings	(100,237,355)	(117,525,770)
Increase in short-term bills payable	10,945,674	4,900,359
Decrease in short-term bills payable	(8,450,000)	(5,900,000)
Proceeds from long-term borrowings	4,200,000	3,900,000
Repayments of long-term borrowings	(6,200,000)	(500,000)
Proceeds from long-term bills payable	-	2,498,649
Repayments of long-term bills payable	(599,077)	(240,000)
Repayments of principal of lease liabilities	(15,877)	(15,489)
Dividends paid to owner of the Corporation	(502,441)	(4,019,524)
Interest paid	<u>(217,488)</u>	<u>(115,433)</u>
Net cash generated from (used in) financing activities	<u>(3,405,310)</u>	<u>3,194,046</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,190,854)	2,446,483
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,288,215</u>	<u>(158,268)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,097,361</u>	<u>\$ 2,288,215</u>

Reconciliation of year-end cash and cash equivalents

	December 31	
	2023	2022
Cash and cash equivalents in the consolidated balance sheets	\$ 1,866,832	\$ 3,268,386
Bank overdraft	<u>(769,471)</u>	<u>(980,171)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 1,097,361</u>	<u>\$ 2,288,215</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, 2023 AND 2022 (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, 2023, and 2022, 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 27, 2024.

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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group 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 IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

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

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

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

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

4. SUMMARY OF 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 IFRS Accounting Standards 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, 2023	December 31, 2022
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 the 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 amortized cost and investments in equity instruments at FVTOCI.

a) 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.

b) 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 (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.

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 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. MATERIAL 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.

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

	<u>December 31</u>	
	2023	2022
Cash on hand	\$ 640	\$ 640
Checking accounts and demand deposits	329,359	224,231
Cash equivalents (investments with original maturities within three months)		
Time deposits	967,232	994,133
Commercial papers with repurchase agreements	569,601	1,839,382
Bonds with repurchase agreements	<u>-</u>	<u>210,000</u>
	<u>\$ 1,866,832</u>	<u>\$ 3,268,386</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Domestic listed shares	<u>\$ 927,699</u>	<u>\$ 986,655</u>
<u>Non-current</u>		
Domestic listed shares	\$ 27,108	\$ 29,919
Domestic unlisted shares	<u>45,588</u>	<u>41,163</u>
	<u>\$ 72,696</u>	<u>\$ 71,082</u>

8. FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets for hedging - current</u>		
Foreign-currency deposits	<u>\$ 140,442</u>	<u>\$ 700,188</u>
<u>Financial liabilities for hedging - current</u>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,166</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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Accounts receivable</u>		
Accounts receivable - non-related parties		
At amortized cost	<u>\$ 638,335</u>	<u>\$ 231,840</u>
Accounts receivable - related parties		
At amortized cost	<u>\$ 106,208</u>	<u>\$ 57,510</u>
<u>Other receivables (including related parties)</u>		
Receivables from price settlement	\$ 173,777	\$ 16,039
Other receivables - related parties' loans	-	300,000
Receivables from disposal of scrap	47,893	31,720
Others	<u>6,087</u>	<u>7,875</u>
	<u>\$ 227,757</u>	<u>\$ 355,634</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, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is 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, 2023

	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	\$ 744,543	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 744,543
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 744,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,543</u>

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>

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

	<u>December 31</u>	
	2023	2022
A company	\$ 170,970	\$ -
B company	97,072	10,944
C company	77,116	20,329
D company	30,105	41,915
E company	<u>-</u>	<u>89,771</u>
	<u>\$ 375,263</u>	<u>\$ 162,959</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, 2023 and 2022 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
For the year ended December 31, 2023						
Mega Bank	\$ 224,382	\$ 365,240	\$ 503,900	\$ 85,722	2.03	NT\$485 million
Bank of Taiwan	10,293	2,562	11,064	1,791	1.83	-
Bank of Taiwan	9,108	-	9,108	-	-	-
	<u>\$ 243,783</u>	<u>\$ 367,802</u>	<u>\$ 524,072</u>	<u>\$ 87,513</u>		

(Continued)

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
For the year ended December 31, 2022						
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>		

(Concluded)

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, 2023 and 2022, there was no allowance for doubtful accounts.

10. INVENTORIES

	December 31	
	2023	2022
Raw materials	\$ 5,474,468	\$ 5,774,808
Finished goods	2,112,065	2,580,831
Work in progress	627,325	619,397
Supplies	350,978	375,065
Others	6,770	6,148
Raw materials and supplies in transit	<u>477</u>	<u>405,734</u>
	<u>\$ 8,572,083</u>	<u>\$ 9,761,983</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2023 and 2022 was NT\$36,891,289 thousand and NT\$45,099,826 thousand, respectively, including a reversal of loss of NT\$1,212,121 thousand and a loss on inventory of NT\$1,466,930 thousand, respectively. The reversal of loss on inventory was mainly due to the net realizable value being lower than the cost that has disappeared.

11. PREPAYMENTS

	December 31	
	2023	2022
Input tax	\$ 85,623	\$ 183,016
Tax overpaid retained for offsetting future tax payable	45,762	31,948
Prepayments for purchases	25,374	27,207
Others	<u>25,360</u>	<u>13,596</u>
	<u>\$ 182,119</u>	<u>\$ 255,767</u>

12. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Pledged time deposits (Note 31)	\$ 500,000	\$ 800,000
Pledged demand deposits (Note 31)	300,000	300,000
One-year time deposits	<u>3,300</u>	<u>1,100</u>
	<u>\$ 803,300</u>	<u>\$ 1,101,100</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	2023	2022
Material associate		
Transglory Investment Corp. (TIC)	\$ 3,237,182	\$ 3,508,558
Associates that are not individually material	<u>224,587</u>	<u>193,341</u>
	<u>\$ 3,461,769</u>	<u>\$ 3,701,899</u>

a. Material associate

Name of Associate	Nature of Activities	Principal Place of Business	<u>Proportion of Ownership and Voting Rights (%)</u>	
			<u>December 31 2023</u>	<u>2022</u>
TIC	General investment	Taiwan	39.59	40.91

TIC handles the cash capital increase in February 2023. The Corporation did not participate in cash capital increase; therefore, the Corporation's shareholding ratio of TIC was reduced from 40.91% to 39.59%. The Corporation reduced retained earnings by NT\$5,122 thousand due to the decrease in the equity value of the associated companies the Corporation owns. Additionally, the Corporation increased its retained earnings by NT\$5,505 thousand based on the reduced shareholding proportion of the other comprehensive income recognized under the equity method.

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, 2023 and 2022 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 IFRS Accounting Standards adjusted by the Group for equity accounting purposes.

TIC

	December 31	
	2023	2022
Current assets	\$ 611,196	\$ 533,139
Non-current assets	7,565,260	8,049,395
Current liabilities	<u>(120)</u>	<u>(6,645)</u>
Equity	<u>\$ 8,176,336</u>	<u>\$ 8,575,889</u>
Proportion of the Group's ownership (%)	39.59	40.91
Equity attributable to the Group	<u>\$ 3,237,182</u>	<u>\$ 3,508,558</u>
Carrying amount	<u>\$ 3,237,182</u>	<u>\$ 3,508,558</u>
	For the Year Ended December 31	
	2023	2022
Operating revenue	<u>\$ 294,700</u>	<u>\$ 841,415</u>
Net profit for the year	\$ 285,475	\$ 832,427
Other comprehensive loss	<u>(781,201)</u>	<u>(1,504,690)</u>
Total comprehensive loss for the year	<u>\$ (495,726)</u>	<u>\$ (672,263)</u>
Comprehensive loss attributable to the Group	<u>\$ (190,504)</u>	<u>\$ (275,035)</u>

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

	For the Year Ended December 31	
	2023	2022
The Group's share of		
Net profit for the year	\$ 7,010	\$ 6,304
Other comprehensive income (loss)	<u>29,450</u>	<u>(15,126)</u>
Total comprehensive income (loss)	<u>\$ 36,460</u>	<u>\$ (8,822)</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, 2023

	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, 2023	\$ 4,008,281	\$ 5,014,510	\$ 23,224,815	\$ 4,580,353	\$ 1,230,418	\$ 47,783	\$ 38,106,160
Additions	-	29,204	116,110	24,266	104,940	25,638	300,158
Disposals	-	-	(329,763)	(6,281)	(71,734)	-	(407,778)
Reclassification	(12,166)	(1,643)	-	-	-	-	(13,809)
Balance at December 31, 2023	<u>\$ 3,996,115</u>	<u>\$ 5,042,071</u>	<u>\$ 23,011,162</u>	<u>\$ 4,598,338</u>	<u>\$ 1,263,624</u>	<u>\$ 73,421</u>	<u>\$ 37,984,731</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 2,275,217	\$ 19,891,573	\$ 4,230,628	\$ 684,744	\$ -	\$ 27,082,162
Depreciation expense	-	134,712	327,130	101,830	115,305	-	678,977
Disposals	-	-	(302,794)	(6,281)	(71,734)	-	(380,809)
Reclassification	-	(699)	-	-	-	-	(699)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 2,409,230</u>	<u>\$ 19,915,909</u>	<u>\$ 4,326,177</u>	<u>\$ 728,315</u>	<u>\$ -</u>	<u>\$ 27,379,631</u>
<u>Accumulated impairment</u>							
Balance at January 1 and December 31, 2023	\$ -	\$ -	\$ 1,069,186	\$ -	\$ 153,156	\$ -	\$ 1,222,342
Disposals	-	-	(26,969)	-	-	-	(26,969)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,217</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,195,373</u>
Carrying amount at December 31, 2023	<u>\$ 3,996,115</u>	<u>\$ 2,632,841</u>	<u>\$ 2,053,036</u>	<u>\$ 272,161</u>	<u>\$ 382,153</u>	<u>\$ 73,421</u>	<u>\$ 9,409,727</u>

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>

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	3-18 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. As of December 31, 2023 and 2022, the carrying amount of the farmlands recognized as land was NT\$19,354 thousand.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 67,295	\$ 43,521
Transportation equipment	<u>1,248</u>	<u>4,571</u>
	<u>\$ 68,543</u>	<u>\$ 48,092</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 36,484</u>	<u>\$ 1,076</u>
Depreciation charge for right-of-use assets		
Land	\$ 12,710	\$ 12,443
Transportation equipment	<u>3,323</u>	<u>3,100</u>
	<u>\$ 16,033</u>	<u>\$ 15,543</u>

Except for the addition and recognition of depreciation expenses listed above, the Group's right-of-use assets did not undergo significant sub-lease and impairment for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 13,626</u>	<u>\$ 12,877</u>
Non-current	<u>\$ 56,092</u>	<u>\$ 36,276</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land (%)	0.65-1.50	0.65-1.31
Transportation equipment (%)	0.75-0.76	0.75-0.76

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	
	2023	2022
Expenses relating to short-term leases	<u>\$ 15,829</u>	<u>\$ 16,395</u>
Expenses relating to low-value asset leases	<u>\$ 1,093</u>	<u>\$ 1,296</u>
Total cash outflow for leases	<u>\$ 33,738</u>	<u>\$ 33,860</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, 2023

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 5,959,074	\$ 41,067	\$ 6,000,141
Reclassification	<u>12,166</u>	<u>1,643</u>	<u>13,809</u>
Balance at December 31, 2023	<u>\$ 5,971,240</u>	<u>\$ 42,710</u>	<u>\$ 6,013,950</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 18,732	\$ 18,732
Depreciation expense	-	909	909
Reclassification	-	<u>699</u>	<u>699</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 20,340</u>	<u>\$ 20,340</u>
Carrying amount at December 31, 2023	<u>\$ 5,971,240</u>	<u>\$ 22,370</u>	<u>\$ 5,993,610</u>

For the year ended December 31, 2022

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>

(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance at January 1, 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> (Concluded)

The Corporation as lessor leased land in Longdong section in Kaohsiung on June 30, 2010 for 20 years under an operating lease agreement; the Corporation collects rental monthly. The amounts of rental revenue for the years ended December 31, 2023 and 2022 were NT\$87,025 thousand and NT\$85,109 thousand, respectively, and were included in other income. As of December 31, 2023 and 2022, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2023 and 2022, notes receivable and advance rental were as follows:

	<u>December 31</u>	
	2023	2022
Notes receivable	\$ 53,683	\$ 52,630
Less: Advance rental	<u>53,683</u>	<u>52,630</u>
	<u>\$ -</u>	<u>\$ -</u>

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

	<u>December 31</u>	
	2023	2022
1st year	\$ 100,765	\$ 98,074
2nd year	89,996	88,232
3rd year	91,796	89,996
4th year	93,632	91,796
5th year	95,504	93,632
Later than 5 years	<u>263,892</u>	<u>359,396</u>
	<u>\$ 735,585</u>	<u>\$ 821,126</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 and 2023 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	
	2023	2022
Fair value	<u>\$ 14,882,964</u>	<u>\$ 13,667,266</u>
Expense rate (%)	28.86	27.52
Depreciation rate (%)	1.90-2.71	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	
	2023	2022
Letters of credit	\$ 2,485,244	\$ 1,801,345
Unsecured loans	1,530,000	4,780,000
Bank overdrafts (Note 31)	<u>769,471</u>	<u>980,171</u>
	<u>\$ 4,784,715</u>	<u>\$ 7,561,516</u>
Interest rate (%)	0.79-1.65	0.67-1.84

b. Short-term bills payable

	December 31	
	2023	2022
Short-term bills payable	\$ 2,500,000	\$ -
Less: Unamortized discounts	<u>4,326</u>	<u>-</u>
	<u>\$ 2,495,674</u>	<u>\$ -</u>
Interest rate (%)	1.58-1.65	-

As of December 31, 2023, all short-term bills payable were non-guarantee commercial papers, and promissory institutions included Taching Bills, CBF Bills, Mega Bills and Union Bank.

c. Long-term borrowings

	December 31	
	2023	2022
Credit bank loans		
Due on various dates through October 2028	\$ 2,600,000	\$ 4,600,000
Less : Current portion	<u>-</u>	<u>2,340,000</u>
	<u>\$ 2,600,000</u>	<u>\$ 2,260,000</u>
Interest rate (%)	1.62-1.76	1.35-1.71

The Corporation entered into a syndicated credit facility agreement with nine financial institutions, including Yushan Bank, for a credit line of NT\$6 billion in September 2023. Under the agreement, the Corporation should meet certain financial ratios and criteria based on its audited consolidated annual financial statements. As of December 31, 2023, the credit line has not been utilized.

d. Long-term bills payable

	December 31	
	2023	2022
Long-term bills payable	\$ 1,900,000	\$ 2,500,000
Less: Unamortized discount	<u>636</u>	<u>1,559</u>
	<u>\$ 1,899,364</u>	<u>\$ 2,498,441</u>
Interest rate (%)	1.67	0.64-1.54

The Corporation entered into commercial paper contracts with bank. The duration of the contracts is three to four years, during which the Corporation only has to pay service fees and interest. As of December 31, 2023 and 2022, all long-term bills payable were non-guarantee commercial papers.

18. BONDS PAYABLE

	December 31	
	2023	2022
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>1,556</u>	<u>2,691</u>
	<u>\$ 2,998,444</u>	<u>\$ 2,997,309</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	
	2023	2022
<u>Accounts payable</u>		
Operating - non-related parties	<u>\$ 68,322</u>	<u>\$ 534,403</u>
Operating - related parties	<u>\$ 578,527</u>	<u>\$ 289,098</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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Salaries and incentive bonus	\$ 221,594	\$ 213,075
Outsourced repair and construction	129,406	88,603
Utilities	75,085	56,846
Freight expense	65,860	70,701
Interest payable	19,330	30,739
Others	<u>103,188</u>	<u>82,626</u>
	<u>\$ 614,463</u>	<u>\$ 542,590</u>

21. PROVISIONS - CURRENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Onerous contracts	<u>\$ 137,900</u>	<u>\$ 133,700</u>
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 133,700	\$ 206,850
Recognized (Reversal)	<u>4,200</u>	<u>(73,150)</u>
Balance at end of the year	<u>\$ 137,900</u>	<u>\$ 133,700</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 (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	
	2023	2022
Present value of defined benefit obligation	\$ 1,394,110	\$ 1,381,697
Fair value of plan assets	<u>(1,355,575)</u>	<u>(1,383,757)</u>
Net defined benefit liabilities (assets)	<u>\$ 38,535</u>	<u>\$ (2,060)</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, 2023	<u>\$ 1,381,697</u>	<u>\$ (1,383,757)</u>	<u>\$ (2,060)</u>
Service cost			
Current service cost	15,416	-	15,416
Interest expense (income)	<u>20,367</u>	<u>(21,019)</u>	<u>(652)</u>
Recognized in profit or loss	<u>35,783</u>	<u>(21,019)</u>	<u>14,764</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,670)	(7,670)
Actuarial loss - changes in financial assumptions	28,421	-	28,421
Actuarial loss - experience adjustments	<u>75,945</u>	<u>-</u>	<u>75,945</u>
Recognized in other comprehensive income	<u>104,366</u>	<u>(7,670)</u>	<u>96,696</u>
Contributions from the employer	<u>-</u>	<u>(62,773)</u>	<u>(62,773)</u>
Benefits paid	<u>(127,736)</u>	<u>119,644</u>	<u>(8,092)</u>
Balance at December 31, 2023	<u>\$ 1,394,110</u>	<u>\$ (1,355,575)</u>	<u>\$ 38,535</u>
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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Benefits paid	\$ (46,944)	\$ 42,840	\$ (4,104)
Balance at December 31, 2022	<u>\$ 1,381,697</u>	<u>\$ (1,383,757)</u>	<u>\$ (2,060)</u> (Concluded)

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

	For the Year Ended December 31	
	2023	2022
Operating costs	\$ 12,301	\$ 16,957
Operating expenses	<u>2,463</u>	<u>3,273</u>
	<u>\$ 14,764</u>	<u>\$ 20,230</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	
	2023	2022
Discount rate (%)	1.25	1.5
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	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (28,422)</u>	<u>\$ (28,527)</u>
0.25% decrease	<u>\$ 29,299</u>	<u>\$ 29,434</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 28,432</u>	<u>\$ 28,617</u>
0.25% decrease	<u>\$ (27,726)</u>	<u>\$ (27,878)</u>

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

	December 31	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ 59,985</u>	<u>\$ 82,850</u>
The average duration of the defined benefit obligation	8.4 years	8.5 years

23. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
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	
	2023	2022
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 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 amendments to the Corporation's Articles of Incorporation were approved by the shareholders' meeting on June 28, 2023. According to the amendments, the earnings distributed each year shall account for more than 30 percent of the distributable earnings, unless the Corporation has capital needs. 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.

In accordance with the retained earnings and dividend policy before the amendments, 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 2022 and 2021 were approved by shareholders' meeting in June 2023 and 2022, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ -	\$ 620,174		
Reversal of special reserve	-	(425,839)		
Cash dividends	502,441	4,019,524	\$ 0.35	\$ 2.8

The appropriations of earnings for 2023 were proposed by the Corporation's board of directors on February, 2024 as follows:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 6,212	
Special reserve	72,914	
Cash dividends	143,554	\$ 0.1

The appropriations of earnings for 2023 are subject to the resolution of the shareholders' meeting to be held in June 2024.

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	
	2023	2022
Balance at beginning of the year	\$ 386	\$ (142)
Recognized for the year		
Share from associates accounted for using the equity method	<u>(69)</u>	<u>528</u>
Balance at end of the year	<u>\$ 317</u>	<u>\$ 386</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at beginning of the year	\$ <u>298,690</u>	\$ <u>1,131,353</u>
Recognized for the year		
Unrealized gains and losses - equity instruments	(88,882)	(201,638)
Share from associates accounted for using the equity method	<u>(274,016)</u>	<u>(631,244)</u>
Other comprehensive income recognized for the year	<u>(362,898)</u>	<u>(832,882)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(6,711)</u>	<u>219</u>
Changes in equity of associates accounted for using the equity method	<u>(5,505)</u>	<u>-</u>
Balance at end of the year	<u>\$ (76,424)</u>	<u>\$ 298,690</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at beginning of the year	\$ <u>(8,854)</u>	\$ <u>-</u>
Recognized for the year		
Foreign currency risk-foreign currency deposits	12,893	(8,902)
Foreign currency risk-foreign exchange forward contracts	2,166	(2,166)
Income tax effect	<u>(3,012)</u>	<u>2,214</u>
Other comprehensive income (loss) recognized for the year	<u>12,047</u>	<u>(8,854)</u>
Balance at end of the year	<u>\$ 3,193</u>	<u>\$ (8,854)</u>

24. OPERATING REVENUE

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	<u>\$ 744,543</u>	<u>\$ 289,350</u>	<u>\$ 977,933</u>

(Continued)

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities			
Sale of goods	<u>\$ 40,310</u>	<u>\$ 102,146</u>	<u>\$ 95,155</u> (Concluded)

b. Disaggregation of revenue

For the year ended December 31, 2023

<u>Type of goods or services</u>	Reportable Segments		
	Chung Hung	Others	Total
Sale of goods	\$ 37,248,339	\$ -	\$ 37,248,339
Rendering of services	450,513	288	450,801
Others	<u>64,064</u>	<u>1,004</u>	<u>65,068</u>
	<u>\$ 37,762,916</u>	<u>\$ 1,292</u>	<u>\$ 37,764,208</u>

For the year ended December 31, 2022

<u>Type of goods or services</u>	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>

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	
	2023	2022
Rental income	\$ 90,979	\$ 89,331
Dividend income	35,151	104,930
Others	<u>45,049</u>	<u>88,997</u>
	<u>\$ 171,179</u>	<u>\$ 283,258</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on financial assets at fair value through profit or loss	\$ -	\$ 2,774
Net foreign exchange gain	39,285	38,682
Gain on disposal of property, plant and equipment	37,010	-
Service charge	(8,985)	(5,452)
Others	<u>(3,795)</u>	<u>(7,004)</u>
	<u>\$ 63,515</u>	<u>\$ 29,000</u>

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

	For the Year Ended December 31	
	2023	2022
Foreign exchange gain	\$ 152,758	\$ 366,780
Foreign exchange loss	<u>(113,473)</u>	<u>(328,098)</u>
Net exchange gain (loss)	<u>\$ 39,285</u>	<u>\$ 38,682</u>

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank overdrafts and loans	\$ 205,141	\$ 130,964
Interest on lease liabilities	<u>939</u>	<u>680</u>
Total interest expense financial liabilities measured at amortized cost	206,080	131,644
Less: Amounts included in the cost of qualifying assets	<u>2,101</u>	<u>1,069</u>
	<u>\$ 203,979</u>	<u>\$ 130,575</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized amounts	\$ 2,101	\$ 1,069
Capitalized annual rates (%)	1.34-1.41	0.59-1.32

d. Depreciation

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 678,977	\$ 701,461
Investment properties	909	888
Right-of-use assets	<u>16,033</u>	<u>15,543</u>
	<u>\$ 695,919</u>	<u>\$ 717,892</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
Analysis of depreciation by function		
Operating costs	\$ 683,722	\$ 707,678
Operating expenses	11,288	9,326
Deduction of other income	<u>909</u>	<u>888</u>
	<u>\$ 695,919</u>	<u>\$ 717,892</u>
		(Concluded)

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct operating expenses of investment properties that generated rental income	\$ 13,955	\$ 11,296
Direct operating expenses of investment properties that did not generate rental income	<u>9,530</u>	<u>9,934</u>
	<u>\$ 23,485</u>	<u>\$ 21,230</u>

f. Employee benefits

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salaries	\$ 940,936	\$ 967,833
Labor and health insurance	92,117	104,127
Others	<u>159,659</u>	<u>185,302</u>
	<u>1,192,712</u>	<u>1,257,262</u>
Post-employment benefits		
Defined contribution plans	28,284	27,201
Defined benefit plans (Note 22)	<u>14,764</u>	<u>20,230</u>
	<u>43,048</u>	<u>47,431</u>
	<u>\$ 1,235,760</u>	<u>\$ 1,304,693</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 1,025,884	\$ 1,082,941
Operating expenses	<u>209,876</u>	<u>221,752</u>
	<u>\$ 1,235,760</u>	<u>\$ 1,304,693</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, 2023, which were approved by the Corporation's board of directors in February 2024 were as follows:

Amount	For the Year Ended December 31, 2023
Compensation of employees	\$ 4,008
Remuneration of directors	802

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 and the amounts recognized in the consolidated financial statement for the years ended December 31, 2021.

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

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 42	\$ 255
Income tax on unappropriated earnings	-	93,750
In respect of the prior years	(31,841)	(6,742)
Deferred tax		
In respect of the current year	<u>34,916</u>	<u>(281,857)</u>
	<u>\$ 3,117</u>	<u>\$ (194,594)</u>

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

	For the Year Ended December 31	
	2023	2022
Profit (Loss) before income tax	<u>\$ 162,398</u>	<u>\$ (1,184,523)</u>
Income tax expense (benefit) at the statutory rate	\$ 32,480	\$ (236,905)
Permanent differences		
Profit on investments under equity method	(24,005)	(69,373)
Others	60,252	(20,305)
		(Continued)

	For the Year Ended December 31	
	2023	2022
Unrecognized deductible temporary differences	\$ (33,769)	\$ (125,637)
Income tax on unappropriated earnings	-	93,750
Unrecognized loss carryforwards	-	170,618
In respect of the prior years	<u>(31,841)</u>	<u>(6,742)</u>
	<u>\$ 3,117</u>	<u>\$ (194,594)</u>

(Concluded)

b. No income tax was recognized directly in equity.

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Remeasurement on defined benefit plans	\$ 19,339	\$ 77,962
Gains and losses on hedging instruments	<u>(3,012)</u>	<u>2,214</u>
	<u>\$ 16,327</u>	<u>\$ 80,176</u>

d. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 4,907</u>	<u>\$ 657</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 89,378</u>

e. Deferred tax assets and liabilities

For the year ended December 31, 2023

	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	\$ (242,424)	\$ -	\$ 76,695
Provisions	26,740	840	-	27,580
Defined benefit plans	-	(11,632)	19,339	7,707
Others	27,433	21,951	(2,214)	47,170
Loss carryforwards	<u>-</u>	<u>185,677</u>	<u>-</u>	<u>185,677</u>
	<u>\$ 373,292</u>	<u>\$ (45,588)</u>	<u>\$ 17,125</u>	<u>\$ 344,829</u>

(Continued)

	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	\$ (182,222)	\$ -	\$ -	\$ (182,222)
Unrealized loss on sales	(10,847)	10,847	-	-
Defined benefit plans	(412)	412	-	-
Others	-	(587)	(798)	(1,385)
	<u>\$ (193,481)</u>	<u>\$ 10,672</u>	<u>\$ (798)</u>	<u>\$ (183,607)</u>

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>

	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	\$ (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> (Concluded)

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

	<u>December 31</u>	
	2023	2022
Loss carryforwards		
Expired in 2032	<u>\$ 693,292</u>	<u>\$ 705,000</u>
Deductible temporary differences		
Impairment loss on assets	\$ 692,287	\$ 818,339
Amortization of deferred credits	<u>255,682</u>	<u>289,375</u>
	<u>\$ 947,969</u>	<u>\$ 1,107,714</u>

g. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

Unused Amount	Expire Year
\$693,292	2032
928,386	2033

h. Income tax assessments

The Group's income tax returns through 2021 have been assessed by the tax authorities.

27. EARNINGS (LOSSES) PER SHARE

	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earnings (losses) per share	<u>\$ 0.11</u>	<u>\$(0.69)</u>
Diluted earnings (losses) per share	<u>\$ 0.11</u>	<u>\$(0.69)</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 (loss) for the year

	<u>For the Year Ended December 31</u>	
	2023	2022
Attributable to owners of the Corporation	<u>\$ 159,281</u>	<u>\$(989,929)</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
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>154</u>	<u>-</u>
Weighted average number of ordinary shares used in computation of diluted earnings (losses) per share	<u>1,435,698</u>	<u>1,435,544</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, 2023</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$ 954,807	\$ -	\$ -	\$ 954,807
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>45,588</u>	<u>45,588</u>
	<u>\$ 954,807</u>	<u>\$ -</u>	<u>\$ 45,588</u>	<u>\$ 1,000,395</u>
<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>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

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, 2023</u>			
Balance at beginning of the year	\$ -	\$ 41,163	\$ 41,163 (Continued)

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Total profit or loss			
Recognized in other comprehensive income	\$ -	\$ 4,425	\$ 4,425
Balance at end of the year	<u>\$ -</u>	<u>\$ 45,588</u>	<u>\$ 45,588</u>
<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)
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> (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

The fair value of unlisted shares was based on the current net value.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets for hedging	\$ 140,442	\$ 700,188
Measured at amortized cost (see 1 below)	3,652,213	5,023,807

(Continued)

	December 31	
	2023	2022
Financial assets at fair value through other comprehensive income		
Equity instruments	\$ 1,000,395	\$ 1,057,737
Financial liabilities		
Financial liabilities for hedging	-	2,166
Measured at amortized cost (see 2 below)	16,246,128	19,116,172 (Concluded)

- 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 the 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	
	2023	2022
Profit before income tax (Note 1)	\$ 2,925	\$ 7,900
Equity (Note 2)	1,404	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	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 5,563,836	\$ 3,046,462
Cash flow interest rate risk		
Financial assets	1,431,559	1,319,232
Financial liabilities	9,284,079	14,659,957

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, 2023 and 2022 would have been lower/higher by NT\$19,631 thousand and NT\$33,352 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, 2023 and 2022 would have been lower by NT\$35,363 thousand and NT\$34,113 thousand, respectively.

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.

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, 2023, the unutilized credit facility of the Group was NT\$46.9 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
<u>December 31, 2023</u>				
Short-term borrowings	\$ 4,843,156	\$ -	\$ -	\$ 4,843,156
Short-term bills payable	2,500,000	-	-	2,500,000
Accounts payable (including related parties)	646,849	-	-	646,849
Other payables	595,133	-	-	595,133
Refund liabilities	171,619	-	-	171,619
Lease liabilities	14,484	42,922	15,419	72,825
Bonds payable	22,100	3,008,509	-	3,030,609
Long-term bank borrowings	43,246	2,691,006	-	2,734,252
Long-term bills payable	-	1,900,000	-	1,900,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,836,587</u>	<u>\$ 7,642,437</u>	<u>\$ 50,419</u>	<u>\$ 16,529,443</u>

(Continued)

	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	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
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>
				(Concluded)

4) Cash flow hedging

December 31, 2023

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	\$ 4,574	NA	NA	Financial assets for hedging	\$ 140,442	\$ -	\$ 12,893

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	\$ (12,893)	\$ 3,991	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	<u>(2,166)</u>	<u>-</u>	<u>-</u>
	<u>\$ (15,059)</u>	<u>\$ 3,991</u>	<u>\$ -</u>

For the year ended December 31, 2023

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	\$ 15,059	\$ -	-	\$ -	\$ -

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	2,166	(2,166)	-
	<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 Group and other related parties are disclosed below.

- a. The name of the company and its relationship with the Group

<u>Company</u>	<u>Relationship</u>
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow 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
CSC Solar Corporation	Fellow subsidiary
Kaohsiung Rapid Transit Corporation	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
CSGT Japan Co., Ltd.	Fellow subsidiary
Thintech Materials Technology Co., Ltd.	Fellow subsidiary
China Prosperity Development Corporation	Fellow subsidiary
ChinaSteel Management Consulting Corporation	Fellow subsidiary
Pro-Ascentek Investment Corporation	Associate
Pacific Harbour Stevedoring Corporation	Other related party

- b. Sale of goods

<u>Account Items</u>	<u>Related Party Type /Name</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Sales	Parent entity	\$ _____ -	\$ _____ 310
	Fellow subsidiaries related to others		
	CSSB	1,374,312	1,751,268
	Others	<u>18,852</u>	<u>89,335</u>
		<u>1,393,164</u>	<u>1,840,603</u>
		<u>\$ 1,393,164</u>	<u>\$ 1,840,913</u>

(Continued)

Account Items	Related Party Type /Name	For the Year Ended December 31	
		2023	2022
Service Revenue	Parent entity	\$ 423,184	\$ 725,151
	Fellow subsidiaries related to others	10	7
		<u>423,194</u>	<u>725,158</u>
			(Concluded)

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 the parent entity in which the Corporation has to do certain processing work and is charged based on the formula stated in the agreements. The Corporation bills the parent entity 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	
		2023	2022
Other operating revenue	Parent entity	\$ 1,000	\$ 3,460
	Fellow subsidiaries related to others		
	DSC	40,933	53,834
	HMC	<u>12,007</u>	<u>14,597</u>
		<u>52,940</u>	<u>68,431</u>
		\$ 53,940	\$ 71,891

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	
	2023	2022
Parent entity	\$ 7,242,475	\$ 7,402,133
Fellow subsidiaries related to others		
DSC	14,386,545	15,307,063
CSGT	516	3,262,928
Others	<u>36,876</u>	<u>73,707</u>
	<u>14,423,937</u>	<u>18,643,698</u>
	\$ 21,666,412	\$ 26,045,831

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, 2023 and 2022.

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

Account Items	Related Party Type /Name	December 31	
		2023	2022
Accounts receivable from related parties	Parent entity	\$ 30,105	\$ 41,915
	Fellow subsidiaries related to others	76,103	15,595
		<u> </u>	<u> </u>
		<u>\$ 106,208</u>	<u>\$ 57,510</u>
Other receivables from related parties	Parent entity	<u>\$ 174,052</u>	<u>\$ 19,190</u>
	Fellow subsidiaries related to others		
	CHC	36,530	25,288
	Others	4	-
		<u>36,534</u>	<u>25,288</u>
		<u>\$ 210,586</u>	<u>\$ 44,478</u>

No guarantees have been received for accounts receivable and other receivables from related parties. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for accounts receivable and other receivables from related parties.

e. Accounts payable to related parties

Account Items	Related Party Type	December 31	
		2023	2022
Accounts payable to related parties	Parent entity	\$ 569,720	\$ 285,669
	Fellow subsidiaries related to others	3,804	1,100
	Other related parties	<u>5,003</u>	<u>2,329</u>
		<u>\$ 578,527</u>	<u>\$ 289,098</u>
Other payables	Parent entity	\$ 2,215	\$ 1,353
	Fellow subsidiaries related to others	20,350	10,290
	Other related parties	<u>1,301</u>	<u>3,487</u>
		<u>\$ 23,866</u>	<u>\$ 15,130</u>

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

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

Related Party Types	December 31	
	2023	2022
Parent entity	<u>\$ -</u>	<u>\$ 300,000</u>

Interest income

Related Party Types	For the Year Ended December 31	
	2023	2022
Parent entity	\$ <u>2,150</u>	\$ <u>1,111</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\$58,277 thousand and NT\$52,832 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, authorization fees payable (included in payables to related parties) were NT\$9,636 thousand and NT\$7,150 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, 2023 and 2022 were NT\$6,055 thousand and NT\$4,304 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, 2023 and 2022 were NT\$5,928 thousand and NT\$5,310 thousand, respectively.

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	
	2023	2022
a) Other expenditures		
Parent entity	\$ 92,452	\$ 147,957
Fellow subsidiaries related to others	107,931	121,420
Other related parties	<u>115,199</u>	<u>118,350</u>
	<u>\$ 315,582</u>	<u>\$ 387,727</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
b) Capital expenditure		
Fellow subsidiaries related to others		
CSGT	\$ 38,270	\$ -
ICSC	5,520	13,940
CSMC	4,814	20,600
Others	<u>12,900</u>	<u>3,040</u>
	<u>\$ 61,504</u>	<u>\$ 37,580</u>
		(Concluded)

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

	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries related to others		
CHC	\$ 378,118	\$ 469,215
Others	<u>-</u>	<u>385</u>
	<u>\$ 378,118</u>	<u>\$ 469,600</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	
	2023	2022
Short-term employee benefits	\$ 26,114	\$ 30,919
Post-employment benefits	<u>1,753</u>	<u>1,475</u>
	<u>\$ 27,867</u>	<u>\$ 32,394</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	
	2023	2022
Time deposits (included in other financial assets - current)	\$ 500,000	\$ 800,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>
	<u>\$ 800,000</u>	<u>\$ 1,100,000</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, 2023 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$2,226,553 thousand.
- b. The Group had signed agreements to buy equipment for NT\$483,215 thousand, of which NT\$228,144 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credit for NT\$55,400 thousand guaranteed by financial institutions for purchase agreements and importing and exporting goods. Guarantee notes for NT\$174,500 thousand were provided for purchases of raw materials.

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)
<hr/> December 31, 2023 <hr/>				
Monetary financial assets USD	\$ 28,486	30.71	(USD:NTD)	\$ 874,649
Monetary financial liabilities USD	14,385	30.71	(USD:NTD)	441,694
<hr/> December 31, 2022 <hr/>				
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

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gain were NT\$39,285 thousand and NT\$38,682 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, 2023				
Revenue from external customers	<u>\$ 37,762,916</u>	<u>\$ 1,292</u>	<u>\$ -</u>	<u>\$ 37,764,208</u>

(Continued)

	The Corporation	Others	Adjustment and Elimination	Total
Segment profit (loss)	\$ (30,095)	\$ 819	\$ 120	\$ (29,156)
Interest income	40,762	50	-	40,812
Other income	171,299	-	(120)	171,179
Other gains and losses	63,515	-	-	63,515
Finance costs	(203,979)	-	-	(203,979)
Share of profit of subsidiaries and associates	<u>120,853</u>	<u>-</u>	<u>(826)</u>	<u>120,027</u>
Profit (loss) before income tax	162,355	869	(826)	162,398
Income tax expense (benefit)	<u>3,074</u>	<u>43</u>	<u>-</u>	<u>3,117</u>
Net profit (loss) for the year	<u>\$ 159,281</u>	<u>\$ 826</u>	<u>\$ (826)</u>	<u>\$ 159,281</u>
Identifiable assets	\$ 29,498,368	\$ 32,525	\$ -	\$ 29,530,893
Investments accounted for using the equity method	<u>3,493,962</u>	<u>-</u>	<u>(32,193)</u>	<u>3,461,769</u>
Total assets	<u>\$ 32,992,330</u>	<u>\$ 32,525</u>	<u>\$ (32,193)</u>	<u>\$ 32,992,662</u>
Total liabilities	<u>\$ 16,733,349</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 16,733,681</u>
For the year ended December 31, 2022				
Revenue from external customers	<u>\$ 44,497,278</u>	<u>\$ 6,216</u>	<u>\$ -</u>	<u>\$ 44,503,494</u>
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	<u>349,161</u>	<u>-</u>	<u>(2,296)</u>	<u>346,865</u>
Profit (loss) before income tax	(1,184,773)	2,546	(2,296)	(1,184,523)
Income tax expense (benefit)	<u>(194,844)</u>	<u>250</u>	<u>-</u>	<u>(194,594)</u>
Net profit (loss) for the year	<u>\$ (989,929)</u>	<u>\$ 2,296</u>	<u>\$ (2,296)</u>	<u>\$ (989,929)</u>
Identifiable assets	\$ 33,025,480	\$ 37,498	\$ -	\$ 33,062,978
Investments accounted for using the equity method	<u>3,738,144</u>	<u>-</u>	<u>(36,245)</u>	<u>3,701,899</u>
Total assets	<u>\$ 36,763,624</u>	<u>\$ 37,498</u>	<u>\$ (36,245)</u>	<u>\$ 36,764,877</u>
Total liabilities	<u>\$ 19,701,187</u>	<u>\$ 1,253</u>	<u>\$ -</u>	<u>\$ 19,702,440</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. 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	
	2023	2022
Sales		
Hot Rolled Steel	\$ 31,380,537	\$ 33,058,790
Cold Rolled Steel	4,359,363	5,766,825
Steel Pipe	832,254	3,276,453
Galvanized Steel	676,185	1,573,680
Service revenue	450,801	744,377
Investment revenue	1,004	3,112
Other operating revenue	<u>64,064</u>	<u>80,257</u>
	<u>\$ 37,764,208</u>	<u>\$ 44,503,494</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	
	2023	2022	2023	2022
Taiwan	\$ 23,755,768	\$ 25,064,087	\$ 15,633,741	\$ 15,887,442
Asia	7,629,911	13,650,576	-	-
America	1,743,455	3,203,494	-	-
Europe	4,586,738	1,970,932	-	-
Others	<u>48,336</u>	<u>614,405</u>	<u>-</u>	<u>-</u>
	<u>\$ 37,764,208</u>	<u>\$ 44,503,494</u>	<u>\$ 15,633,741</u>	<u>\$ 15,887,442</u>

Non-current assets excluded those classified as financial instruments, investments accounted for using the equity method, deferred tax assets, refundable deposits and defined benefit asset.

d. Information about major customers

	For the Year Ended December 31	
	2023	2022
Sales revenue		
A Company	\$ 5,444,048	\$ 4,884,798
B Company	5,081,121	5,387,210
C Company	<u>4,920,050</u>	<u>3,902,054</u>
	<u>\$ 15,445,219</u>	<u>\$ 14,174,062</u>

TABLE 1**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	\$ -	\$ -	1.43-1.53	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,625,898	\$ 6,503,592	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, 2023

(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, 2023				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	34,359,239	\$ <u>927,699</u>	-	\$ <u>927,699</u>	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	134,167	\$ 38,868	2	\$ 38,868	2023.11.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - non-current	250,000	6,720	5	6,720	2023.10.31 net value
					<u>\$ 45,588</u>		<u>\$ 45,588</u>	
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	\$ <u>27,108</u>	-	\$ <u>27,108</u>	

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, 2023
(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	\$ 7,242,475	22	Letter of credit at sight/Payment after final acceptance	\$ -		\$ (569,720)	(88)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	14,386,545	44	Letter of credit at sight	-		-	-	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,374,312)	(4)	T/T within 7 business days after lading date (not included)	-		71,984	10	
	China Steel Corporation	Parent company	Service revenue	(422,897)	(1)	T/T as the end of the month after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	30,105	4	

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, 2023
(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	\$ 173,780	(Note 1)	\$ -	-	\$ 3	\$ -

Note 1: Receivables from price settlement (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, 2023
(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, 2023	December 31, 2022						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 32,193	\$ 826	\$ 826	Subsidiaries (Note)
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	329,802,616	39.59	3,237,182	285,475	113,017	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	224,587	42,059	7,010	Associates

Note: Amount was eliminated in the consolidated financial statements.

TABLE 6**CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDERS' INFORMATION
DECEMBER 31, 2023**

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.

V. 2023 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, 2023 and 2022, 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 material accounting policy (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, 2023. 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, 2023 are stated as follows:

Inventory Valuation

As of December 31, 2023, the carrying amount of inventories held by the Corporation was NT\$8,572,083 thousand, which accounted for 26% of the standalone total assets. Due to the fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involves material accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and material accounting estimates and judgments on inventories, refer to Notes 4, 5 and 10 to the standalone financial statements, respectively.

The audit procedures we performed included the following:

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

The Cut-off of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2023 was NT\$14,042,296 thousand, which represented 37% of the sales revenue. The recognition of export revenue involved checking the external documents, and the export revenue was considered to have a significant effect on the financial statements. Thus, we considered the cut-off of sales revenue from export sales as a key audit matter. Refer to Notes 4 and 24 to the 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 cut-off of sales revenue.
2. We obtained the export sales details for a specific period before year end and tested the export sales details on a sample basis to confirm the timing of revenue recognition by examining the shipping documents, customs declarations and shipping bills of lading.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of Corporation's 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, 2023 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 Lee-Yuan Kuo and Jia-Ling, Jiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

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

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,865,739	6	\$ 3,265,526	9
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	927,699	3	986,655	3
Financial assets for hedging - current (Notes 4 and 8)	140,442	-	700,188	2
Accounts receivable (Notes 4, 9 and 24)	638,335	2	231,840	-
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	106,208	-	57,510	-
Other receivables (Note 9)	17,171	-	11,156	-
Other receivables from related parties (Notes 9 and 30)	210,314	1	341,528	1
Current tax assets (Notes 4 and 26)	4,167	-	-	-
Inventories (Notes 4, 5 and 10)	8,572,083	26	9,761,983	27
Prepayments (Note 11)	182,107	1	255,755	1
Other financial assets - current (Notes 12 and 31)	800,000	2	1,100,000	3
Other current assets	164	-	45	-
Total current assets	<u>13,464,429</u>	<u>41</u>	<u>16,712,186</u>	<u>46</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	45,588	-	41,163	-
Investments accounted for using equity method (Notes 4 and 13)	3,493,962	11	3,738,144	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,409,727	29	9,801,656	27
Right-of-use assets (Notes 4 and 15)	68,543	-	48,092	-
Investment properties (Notes 4 and 16)	5,993,610	18	5,981,409	16
Deferred tax assets (Notes 4, 5 and 26)	344,829	1	373,292	1
Prepayments for equipment (Note 32)	161,861	-	56,285	-
Refundable deposits	9,781	-	9,337	-
Net defined benefit assets (Notes 4, 5 and 22)	-	-	2,060	-
Total noncurrent assets	<u>19,527,901</u>	<u>59</u>	<u>20,051,438</u>	<u>54</u>
TOTAL	<u>\$ 32,992,330</u>	<u>100</u>	<u>\$ 36,763,624</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ 4,784,715	14	\$ 7,561,516	21
Short-term bills payable (Note 17)	2,495,674	8	-	-
Financial liabilities for hedging - current (Notes 4 and 8)	-	-	2,166	-
Contract liabilities - current (Note 24)	40,310	-	102,146	-
Accounts payable (Note 19)	68,322	-	534,403	2
Accounts payable to related parties (Notes 19 and 30)	578,527	2	289,098	1
Other payables (Notes 20 and 30)	614,131	2	541,337	2
Current tax liabilities (Notes 4 and 26)	-	-	89,378	-
Provisions - current (Notes 4 and 21)	137,900	-	133,700	-
Lease liabilities - current (Notes 4 and 15)	13,626	-	12,877	-
Current portion of long-term borrowings (Note 17)	-	-	2,340,000	6
Refund liabilities	171,619	1	57,815	-
Other current liabilities	17,483	-	16,244	-
Total current liabilities	<u>8,922,307</u>	<u>27</u>	<u>11,680,680</u>	<u>32</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	2,998,444	9	2,997,309	8
Long-term bank borrowings (Note 17)	2,600,000	8	2,260,000	6
Long-term bills payable (Note 17)	1,899,364	6	2,498,441	7
Deferred tax liabilities (Notes 4 and 26)	183,607	1	193,481	1
Lease liabilities - noncurrent (Notes 4 and 15)	56,092	-	36,276	-
Net defined benefit liabilities (Notes 4, 5, and 22)	38,535	-	-	-
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>7,811,042</u>	<u>24</u>	<u>8,020,507</u>	<u>22</u>
Total liabilities	<u>16,733,349</u>	<u>51</u>	<u>19,701,187</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Ordinary shares	<u>14,355,444</u>	<u>44</u>	<u>14,355,444</u>	<u>39</u>
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	764,806	2	764,806	2
Unappropriated earnings	1,210,742	3	1,651,062	4
Total retained earnings	<u>1,975,548</u>	<u>5</u>	<u>2,415,868</u>	<u>6</u>
Other equity	(72,914)	-	290,222	1
Total equity	<u>16,258,981</u>	<u>49</u>	<u>17,062,437</u>	<u>46</u>
TOTAL	<u>\$ 32,992,330</u>	<u>100</u>	<u>\$ 36,763,624</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			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)	\$ 37,762,916	100	\$ 44,497,278	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>37,251,898</u>	<u>99</u>	<u>45,629,434</u>	<u>103</u>
GROSS PROFIT (LOSS)	<u>511,018</u>	<u>1</u>	<u>(1,132,156)</u>	<u>(3)</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	307,028	1	376,864	1
General and administrative expenses	<u>234,085</u>	<u>-</u>	<u>254,326</u>	<u>-</u>
Total operating expenses	<u>541,113</u>	<u>1</u>	<u>631,190</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(30,095)</u>	<u>-</u>	<u>(1,763,346)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	40,762	-	47,609	-
Other income	171,299	-	283,378	-
Other gains and losses	63,515	-	29,000	-
Finance costs	(203,979)	-	(130,575)	-
Share of the profit of associates	<u>120,853</u>	<u>-</u>	<u>349,161</u>	<u>1</u>
Total non-operating income and expenses	<u>192,450</u>	<u>-</u>	<u>578,573</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	162,355	-	(1,184,773)	(3)
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 26)	<u>3,074</u>	<u>-</u>	<u>(194,844)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>159,281</u>	<u>-</u>	<u>(989,929)</u>	<u>(3)</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			
	2023		2022	
	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	\$ (96,696)	-	\$ 294,407	1
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(86,071)	-	(196,066)	-
Gains and losses on hedging instruments	15,059	-	(11,068)	-
Share of the other comprehensive income (loss) of associates	(276,813)	(1)	(636,823)	(1)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	16,327	-	80,176	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates	(69)	-	528	-
Other comprehensive income for the year, net of income tax	(428,263)	(1)	(468,846)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (268,982)	(1)	\$ (1,458,775)	(3)
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	\$ 0.11		\$ (0.69)	
Diluted	\$ 0.11		\$ (0.69)	

(Concluded)

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

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 Other Equity	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, 2022	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ -	\$ 1,131,211	\$ 22,561,398	
Appropriation of 2021 earning (Note 23)											
Legal reserve	-	-	620,174	-	(620,174)	-	-	-	-	-	
Reversal of special reserve	-	-	-	(425,839)	425,839	-	-	-	-	-	
Cash dividends	-	-	-	-	(4,019,524)	-	-	-	-	(4,019,524)	
Net loss for the year ended December 31, 2022	-	-	-	-	(989,929)	-	-	-	-	(989,929)	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	372,362	528	(832,882)	(8,854)	(841,208)	(468,846)	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	(617,567)	528	(832,882)	(8,854)	(841,208)	(1,458,775)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(219)	-	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)	290,222	17,062,437	
Appropriation of 2022 earning (Note 23)											
Cash dividends	-	-	-	-	(502,411)	-	-	-	-	(502,411)	
Net profit for the year ended December 31, 2023	-	-	-	-	159,281	-	-	-	-	159,281	
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(77,343)	(69)	(362,898)	12,047	(350,920)	(428,263)	
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	81,938	(69)	(362,898)	12,047	(350,920)	(268,982)	
Changes in equity of associates accounted for using the equity method (Notes 13 and 23)	-	-	-	-	(26,528)	-	(5,505)	-	(5,505)	(32,033)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,711	-	(6,711)	-	(6,711)	-	
BALANCE AT DECEMBER 31, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,210,742	\$ 317	\$ (76,424)	\$ 3,193	\$ (72,914)	\$ 16,258,981	

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	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 162,355	\$ (1,184,773)
Adjustments for:		
Depreciation expense	695,919	717,892
Net gain on financial assets at fair value through profit or loss	-	(2,774)
Finance costs	203,979	130,575
Interest income	(40,762)	(47,609)
Dividend income	(35,151)	(104,930)
Share of profit of associates	(120,853)	(349,161)
Net gain on disposal of property, plant and equipment	(37,010)	-
Write-downs (reversal) of inventories	(1,212,121)	1,466,930
Recognition (reversal) of provisions	4,200	(73,150)
Others	1,094	1,135
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	2,774
Financial assets for hedging	462,011	(462,011)
Accounts receivable	(406,495)	698,738
Accounts receivable from related parties	(48,698)	(10,155)
Other receivables	(7,592)	1,777
Other receivables from related parties	(168,786)	169,479
Inventories	2,402,021	1,488,526
Prepayments	73,648	187,361
Other current assets	(119)	2,552
Contract liabilities	(61,836)	6,991
Accounts payable	(466,081)	(826,329)
Accounts payable to related parties	289,429	(180,479)
Other payables	73,356	(649,691)
Other current liabilities	1,239	(7,073)
Net defined benefit liabilities	(56,100)	(95,429)
Refund liabilities	113,804	(207,232)
Cash generated from operations	1,821,451	673,934
Income taxes paid	(61,758)	(650,576)
Net cash generated from operating activities	<u>1,759,693</u>	<u>23,358</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(31,540)	-
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	(5,469)	(247,079)
Proceeds from disposal of financial assets for hedging	116,097	-

(Continued)

CHUNG HUNG STEEL CORPORATION

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

	For the Year Ended December 31	
	2023	2022
Acquisition of property, plant and equipment	\$ (392,786)	\$ (322,740)
Proceeds from disposal of property, plant and equipment	37,010	-
Increase in refundable deposits	(444)	(3,686)
Decrease (increase) in other receivables from related parties	300,000	(300,000)
Decrease (increase) in other financial assets	300,000	(100,000)
Interest received	42,392	43,727
Dividends received from others	<u>91,270</u>	<u>148,088</u>
Net cash generated from (used in) investing activities	<u>456,530</u>	<u>(773,123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	97,671,254	120,211,254
Repayments of short-term borrowings	(100,237,355)	(117,525,770)
Increase in short-term bills payable	10,945,674	4,900,359
Decrease in short-term bills payable	(8,450,000)	(5,900,000)
Proceeds from long-term borrowings	4,200,000	3,900,000
Repayments of long-term borrowings	(6,200,000)	(500,000)
Proceeds from long-term bills payable	-	2,498,649
Repayments of long-term bills payable	(599,077)	(240,000)
Repayments of principal of lease liabilities	(15,877)	(15,489)
Dividends paid to owner of the corporation	(502,441)	(4,019,524)
Interest paid	<u>(217,488)</u>	<u>(115,433)</u>
Net cash generated from (used in) financing activities	<u>(3,405,310)</u>	<u>3,194,046</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,189,087)	2,444,281
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,285,355</u>	<u>(158,926)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,096,268</u>	<u>\$ 2,285,355</u>
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2023 and 2022:		
Cash and cash equivalents in the standalone balance sheets	\$ 1,865,739	\$ 3,265,526
Bank overdraft	<u>(769,471)</u>	<u>(980,171)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 1,096,268</u>	<u>\$ 2,285,355</u> (Concluded)

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

CHUNG HUNG STEEL CORPORATION

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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, 2023, and 2022, 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 27, 2024.

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 "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Corporation's accounting policies.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

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

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

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

As of the date the 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 IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

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

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

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

As of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the possible impact of the application of other standards and interpretations 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. 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 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. Differences between the carrying amounts of the investment and the fair value of the consideration paid or received are directly recognized in equity.

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 amortized cost, and investments in equity instruments at FVTOCI.

a) 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.

b) 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 (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.

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. MATERIAL 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.

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>	
	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 640	\$ 640
Checking accounts and demand deposits	328,266	223,571
Cash equivalents (investments with original maturities within three months)		
Time deposits	967,232	991,933
Commercial papers with repurchase agreements	569,601	1,839,382
Bonds with repurchase agreements	<u>-</u>	<u>210,000</u>
	<u>\$1,865,739</u>	<u>\$3,265,526</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Domestic listed shares	<u>\$ 927,699</u>	<u>\$ 986,655</u>
<u>Non-current</u>		
Domestic unlisted shares	<u>\$ 45,588</u>	<u>\$ 41,163</u>

8. FINANCIAL INSTRUMENT FOR HEDGING

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets for hedging - current</u>		
Foreign-currency deposits	<u>\$ 140,442</u>	<u>\$ 700,188</u>
<u>Financial liabilities for hedging - current</u>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,166</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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Accounts receivable</u>		
Accounts receivable - non-related parties at amortized cost	<u>\$ 638,335</u>	<u>\$ 231,840</u>
Accounts receivable - related parties at amortized cost	<u>\$ 106,208</u>	<u>\$ 57,510</u>
<u>Other receivables (including related parties)</u>		
Receivables from price settlement	\$ 173,777	\$ 16,039
Other receivables - related parties' loans	-	300,000
Receivables from disposal of scrap	47,893	31,720
Others	<u>5,815</u>	<u>4,925</u>
	<u>\$ 227,485</u>	<u>\$ 352,684</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, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is 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, 2023

	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	\$ 744,543	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 744,543
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 744,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,543</u>

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>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
A company	\$ 170,970	\$ -
B company	97,072	10,944
C company	77,116	20,329
D company	30,105	41,915
E company	<u>-</u>	<u>89,771</u>
	<u>\$ 375,263</u>	<u>\$ 162,959</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, 2023 and 2022 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
For the year ended December 31, 2023						
Mega Bank	\$ 224,382	\$ 365,240	\$ 503,900	\$ 85,722	2.03	NT\$485 million
Bank of Taiwan	10,293	2,562	11,064	1,791	1.83	-
Bank of Taiwan	9,108	-	9,108	-	-	-
	<u>\$ 243,783</u>	<u>\$ 367,802</u>	<u>\$ 524,072</u>	<u>\$ 87,513</u>		

(Continued)

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
For the year ended December 31, 2022						
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>		

(Concluded)

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, 2023 and 2022, there was no allowance for doubtful accounts.

10. INVENTORIES

	December 31	
	2023	2022
Raw materials	\$ 5,474,468	\$ 5,774,808
Finished goods	2,112,065	2,580,831
Work in progress	627,325	619,397
Supplies	350,978	375,065
Others	6,770	6,148
Raw materials and supplies in transit	<u>477</u>	<u>405,734</u>
	<u>\$ 8,572,083</u>	<u>\$ 9,761,983</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2023 and 2022 was NT\$36,891,289 thousand and NT\$45,099,826 thousand, respectively, including a reversal of loss of NT\$1,212,121 thousand and a loss on inventory of NT\$1,466,930 thousand, respectively. The reversal of loss on inventory was mainly due to the net realizable value being lower than the cost that has disappeared.

11. PREPAYMENTS

	December 31	
	2023	2022
Input tax	\$ 85,623	\$ 183,016
Tax overpaid retained for offsetting future tax payable	45,762	31,948
Prepayments for purchases	25,374	27,207
Others	<u>25,348</u>	<u>13,584</u>
	<u>\$ 182,107</u>	<u>\$ 255,755</u>

12. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2023	2022
Current		
Pledged time deposits (Note 31)	\$ 500,000	\$ 800,000
Pledged demand deposits (Note 31)	<u>300,000</u>	<u>300,000</u>
	<u>\$ 800,000</u>	<u>\$1,100,000</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	2023	2022
Investments in subsidiaries	\$ 32,193	\$ 36,245
Investments in associates	<u>3,461,769</u>	<u>3,701,899</u>
	<u>\$ 3,493,962</u>	<u>\$ 3,738,144</u>

a. Investments in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Amount	Amount
Unlisted Companies		
Hong Kao Investment Corporation	<u>\$ 32,193</u>	<u>\$ 36,245</u>
Subsidiary Companies		
Name	<u>December 31, 2023</u>	<u>December 31, 2022</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, 2023 and 2022 was based on the audited financial statements for the same years.

b. Investments in associates

	<u>December 31</u>	
	2023	2022
Material associates		
Transglory Investment Corp. (TIC)	\$ 3,237,182	\$ 3,508,558
Associates that are not individually material	<u>224,587</u>	<u>193,341</u>
	<u>\$ 3,461,769</u>	<u>\$ 3,701,899</u>

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			<u>December 31</u>	<u>December 31</u>
			2023	2022
TIC	General investment	Taiwan	39.59	40.91

TIC handles the cash capital increase in February 2023. The Corporation did not participate in the cash capital increase; therefore, the Corporation's shareholding ratio of TIC was reduced from 40.91% to 39.59%. The corporation reduced retained earnings by NT\$5,122 thousand due to the decrease in the equity value of the associated companies the Corporation owns. Additionally, the Corporation increased our retained earnings by NT\$ 5,505 thousand based on the reduced shareholding proportion of the other comprehensive income recognized under the equity method.

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, 2023 and 2022 was based on the audited financial statements for the same years.

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

TIC

	December 31	
	2023	2022
Current assets	\$ 611,196	\$ 533,139
Non-current assets	7,565,260	8,049,395
Current liabilities	<u>(120)</u>	<u>(6,645)</u>
Equity	<u>\$ 8,176,336</u>	<u>\$ 8,575,889</u>
Proportion of the Corporation's ownership (%)	39.59	40.91
Equity attributable to the Corporation	<u>\$ 3,237,182</u>	<u>\$ 3,508,558</u>
Carrying amount	<u>\$ 3,237,182</u>	<u>\$ 3,508,558</u>
	For the Year Ended December 31	
	2023	2022
Operating revenue	<u>\$ 294,700</u>	<u>\$ 841,415</u>
Net profit for the year	\$ 285,475	\$ 832,427
Other comprehensive loss	<u>(781,201)</u>	<u>(1,504,690)</u>
Total comprehensive loss for the year	<u>\$ (495,726)</u>	<u>\$ (672,263)</u>
Comprehensive loss attributable to the Corporation	<u>\$ (190,504)</u>	<u>\$ (275,035)</u>

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

	For the Year Ended December 31	
	2023	2022
The Corporation's subsidiaries' share of		
Net profit for the year	\$ 7,010	\$ 6,304
Other comprehensive income (loss)	<u>29,450</u>	<u>(15,126)</u>
Total comprehensive income (loss)	<u>\$ 36,460</u>	<u>\$ (8,822)</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, 2023

	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, 2023	\$ 4,008,281	\$ 5,014,510	\$ 23,224,815	\$ 4,580,353	\$ 1,230,418	\$ 47,783	\$ 38,106,160
Additions	-	29,204	116,110	24,266	104,940	25,638	300,158
Disposals	-	-	(329,763)	(6,281)	(71,734)	-	(407,778)
Reclassification	(12,166)	(1,643)	-	-	-	-	(13,809)
Balance at December 31, 2023	<u>\$ 3,996,115</u>	<u>\$ 5,042,071</u>	<u>\$ 23,011,162</u>	<u>\$ 4,598,338</u>	<u>\$ 1,263,624</u>	<u>\$ 73,421</u>	<u>\$ 37,984,731</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 2,275,217	\$ 19,891,573	\$ 4,230,628	\$ 684,744	\$ -	\$ 27,082,162
Depreciation expense	-	134,712	327,130	101,830	115,305	-	678,977
Disposals	-	-	(302,794)	(6,281)	(71,734)	-	(380,809)
Reclassification	-	(699)	-	-	-	-	(699)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 2,409,230</u>	<u>\$ 19,915,909</u>	<u>\$ 4,326,177</u>	<u>\$ 728,315</u>	<u>\$ -</u>	<u>\$ 27,379,631</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2023	\$ -	\$ -	\$ 1,069,186	\$ -	\$ 153,156	\$ -	\$ 1,222,342
Disposals	-	-	(26,969)	-	-	-	(26,969)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,217</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,195,373</u>
Carrying amount at December 31, 2023	<u>\$ 3,996,115</u>	<u>\$ 2,632,841</u>	<u>\$ 2,053,036</u>	<u>\$ 272,161</u>	<u>\$ 382,153</u>	<u>\$ 73,421</u>	<u>\$ 9,409,727</u>

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>

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	3-18 years

(Continued)

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
	(Concluded)

The Corporation bought farmlands for warehouse 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. As of December 31, 2023 and 2022, the carrying amount of the farmlands recognized as land was NT\$19,354 thousand.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 67,295	\$ 43,521
Transportation equipment	<u>1,248</u>	<u>4,571</u>
	<u>\$ 68,543</u>	<u>\$ 48,092</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 36,484</u>	<u>\$ 1,076</u>
Depreciation charge for right-of-use assets		
Land	\$ 12,710	\$ 12,443
Transportation equipment	<u>3,323</u>	<u>3,100</u>
	<u>\$ 16,033</u>	<u>\$ 15,543</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, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 13,626</u>	<u>\$ 12,877</u>
Non-current	<u>\$ 56,092</u>	<u>\$ 36,276</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land (%)	0.65-1.50	0.65-1.31
Transportation equipment (%)	0.75-0.76	0.75-0.76

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	
	2023	2022
Expenses relating to short-term leases	<u>\$ 15,829</u>	<u>\$ 16,395</u>
Expenses relating to low-value asset leases	<u>\$ 1,080</u>	<u>\$ 1,284</u>
Total cash outflow for leases	<u>\$ 33,725</u>	<u>\$ 33,848</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, 2023

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 5,959,074	\$ 41,067	\$ 6,000,141
Reclassification	<u>12,166</u>	<u>1,643</u>	<u>13,809</u>
Balance at December 31, 2023	<u>\$ 5,971,240</u>	<u>\$ 42,710</u>	<u>\$ 6,013,950</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 18,732	\$ 18,732
Depreciation expense	-	909	909
Reclassification	-	<u>699</u>	<u>699</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 20,340</u>	<u>\$ 20,340</u>
Carrying amount at December 31, 2023	<u>\$ 5,971,240</u>	<u>\$ 22,370</u>	<u>\$ 5,993,610</u>

For the year ended December 31, 2022

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 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>

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, 2023 and 2022 were NT\$87,025 thousand and NT\$85,109 thousand, respectively, and were included in other income. As of December 31, 2023 and 2022, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2023 and 2022, notes receivable and advance rental were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Notes receivable	\$ 53,683	\$ 52,630
Less: Advance rental	<u>53,683</u>	<u>52,630</u>
	<u>\$ -</u>	<u>\$ -</u>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
1st year	\$ 100,765	\$ 98,074
2nd year	89,996	88,232
3rd year	91,796	89,996
4th year	93,632	91,796
5th year	95,504	93,632
Later than 5 years	<u>263,892</u>	<u>359,396</u>
	<u>\$ 735,585</u>	<u>\$ 821,126</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 2023 and 2021 and by real estate appraiser. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, land development analysis approach. The important assumptions and fair value were as follows:

	December 31	
	2023	2022
Fair value	<u>\$ 14,882,964</u>	<u>\$ 13,667,266</u>
Expense rate (%)	28.86	27.52
Depreciation rate (%)	1.90-2.71	1.90-2.57

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

17. BORROWINGS

a. Short-term borrowings and bank overdrafts

	December 31	
	2023	2022
Letters of credit	\$ 2,485,244	\$ 1,801,345
Unsecured loans	1,530,000	4,780,000
Bank overdrafts (Note 31)	<u>769,471</u>	<u>980,171</u>
	<u>\$ 4,784,715</u>	<u>\$ 7,561,516</u>
Interest rate (%)	0.79-1.65	0.67-1.84

b. Short-term bills payable

	December 31	
	2023	2022
Short-term bills payable	\$ 2,500,000	\$ -
Less: Unamortized discounts	<u>4,326</u>	<u>-</u>
	<u>\$ 2,495,674</u>	<u>\$ -</u>
Interest rate (%)	1.58-1.65	-

As of December 31, 2023, all short-term bills payable were non-guarantee commercial paper, and promissory institutions included Taching Bills ,CBF Bills, Mega Bills and Union Bank.

c. Long-term borrowings

	December 31	
	2023	2022
Credit bank loans		
Due on various dates through December 2028	\$ 2,600,000	\$ 4,600,000
Less: Current portion	<u>-</u>	<u>2,340,000</u>
	<u>\$ 2,600,000</u>	<u>\$ 2,260,000</u>
Interest rate (%)	1.62-1.76	1.35-1.71

The Corporation entered into a syndicated credit facility agreement with nine financial institutions, including Yushan Bank, for a credit line of NT\$6 billion in September 2023. Under the agreement, the Corporation should meet certain financial ratios and criteria based on its audited consolidated annual financial statements. As of December 31, 2023, the credit line has not been utilized.

d. Long-term bills payable

	December 31	
	2023	2022
Long-term bills payable	\$ 1,900,000	\$ 2,500,000
Less: Unamortized discount	<u>636</u>	<u>1,559</u>
	<u>\$ 1,899,364</u>	<u>\$ 2,498,441</u>
Interest rate (%)	1.67	0.64-1.54

The Corporation entered into commercial paper contracts with bank. The duration of the contracts is three to four years, during which the Corporation only has to pay service fees and interest. As of December 31, 2023 and 2022, all long-term bills payable were non-guarantee commercial papers.

18. BONDS PAYABLE

	December 31	
	2023	2022
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>1,556</u>	<u>2,691</u>
	<u>\$ 2,998,444</u>	<u>\$ 2,997,309</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	
	2023	2022
Accounts payable		
Operating – non-related parties	<u>\$ 68,322</u>	<u>\$ 543,403</u>
Operating - related parties	<u>\$ 578,527</u>	<u>\$ 289,098</u>

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

20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Salaries and incentive bonus	\$ 221,594	\$ 213,075
Outsourced repair and construction	129,406	88,603
Utilities	75,085	56,846
Freight expense	65,860	70,701
Interest payable	19,330	30,739
Others	<u>102,856</u>	<u>81,373</u>
	<u>\$ 614,131</u>	<u>\$ 541,337</u>

21. PROVISIONS-CURRENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Onerous contracts	<u>\$ 137,900</u>	<u>\$ 133,700</u>

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 133,700	\$ 206,850
Recognized (Reversal)	<u>4,200</u>	<u>(73,150)</u>
Balance at end of the year	<u>\$ 137,900</u>	<u>\$ 133,700</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 (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:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 1,394,110	\$ 1,381,697
Fair value of plan assets	<u>(1,355,575)</u>	<u>(1,383,757)</u>
Net defined benefit liabilities (assets)	<u>\$ 38,535</u>	<u>\$ (2,060)</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, 2023	<u>\$ 1,381,697</u>	<u>\$ (1,383,757)</u>	<u>\$ (2,060)</u>
Service cost			
Current service cost	15,416	-	15,416
Interest expense (income)	<u>20,367</u>	<u>(21,019)</u>	<u>(652)</u>
Recognized in profit or loss	<u>35,783</u>	<u>(21,019)</u>	<u>14,764</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,670)	(7,670)
Actuarial loss - changes in financial assumptions	28,421	-	28,421
Actuarial loss - experience adjustments	<u>75,945</u>	<u>-</u>	<u>75,945</u>
Recognized in other comprehensive income	<u>104,366</u>	<u>(7,670)</u>	<u>96,696</u>
Contributions from the employer	<u>-</u>	<u>(62,773)</u>	<u>(62,773)</u>
Benefits paid	<u>(127,736)</u>	<u>119,644</u>	<u>(8,092)</u>
Balance at December 31, 2023	<u>\$ 1,394,110</u>	<u>\$ (1,355,575)</u>	<u>\$ 38,535</u>
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)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
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> (Concluded)

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Operating costs	\$ 12,301	\$ 16,957
Operating expenses	<u>2,463</u>	<u>3,273</u>
	<u>\$ 14,764</u>	<u>\$ 20,230</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:

	<u>December 31</u>	
	2023	2022
Discount rate (%)	1.25	1.5
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:

	<u>December 31</u>	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (28,422)</u>	<u>\$ (28,527)</u>
0.25% decrease	<u>\$ 29,299</u>	<u>\$ 29,434</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 28,432</u>	<u>\$ 28,617</u>
0.25% decrease	<u>\$ (27,726)</u>	<u>\$ (27,878)</u>

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

	<u>December 31</u>	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ 59,985</u>	<u>\$ 82,850</u>
The average duration of the defined benefit obligation	8.4 years	8.5 years

23. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2023	2022
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	
	2023	2022
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 amendments to the Corporation's Articles of Incorporation had been approved by the shareholders' meeting on June 28, 2023. According to the amendments, the earnings distributed each year shall account for more than 30 percent of the distributable earnings except when there is the need for capital. 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.

In accordance with the retained earnings and dividend policy before the amendments, 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 2022 and 2021 were approved by the shareholders' meeting in June 2023 and 2022, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ -	\$ 620,174		
Reversal of special reserve	-	(425,839)		
Cash dividends	502,441	4,019,524	\$ 0.35	\$ 2.8

The appropriations of earnings for 2023 had been proposed by the Corporation's board of directors on February 2024 as follows:

	Appropriations of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 6,212	
Special reserve	72,914	
Cash dividends	143,554	\$ 0.1

The appropriations of earnings for 2023 are subject to the resolution of the shareholders' meeting to be held in June 2024.

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	
	2023	2022
Balance at beginning of the year	\$ 386	\$ (142)
Recognized during the year		
Share from associates accounted for using the equity method	<u>(69)</u>	<u>528</u>
Balance at end of the year	<u>\$ 317</u>	<u>\$ 386</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at beginning of the year	<u>\$ 298,690</u>	<u>\$1,131,353</u>
Recognized during the year		
Unrealized gains and losses - equity instruments	(86,071)	(196,066)
Share from associates accounted for using the equity method	<u>(276,827)</u>	<u>(636,816)</u>
Other comprehensive income recognized in the year	<u>(362,898)</u>	<u>(832,882)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(6,711)</u>	<u>219</u>
Change in equity of associates accounted for using the equity method	<u>(5,505)</u>	<u>-</u>
Balance at end of the year	<u>\$ (76,424)</u>	<u>\$ 298,690</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at beginning of the year	\$ (8,854)	\$ -
Recognized during the year		
Foreign currency risk-hedging – foreign currency deposits	12,893	(8,902)
Foreign currency risk-hedging – foreign exchange forward contracts	2,166	(2,166)
Income tax effect	<u>(3,012)</u>	<u>2,214</u>
Other comprehensive income (loss) recognized in the year	<u>12,047</u>	<u>(8,854)</u>
Balance at end of the year	<u>\$ 3,193</u>	<u>\$ (8,854)</u>

24. OPERATING REVENUE

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	<u>\$ 744,543</u>	<u>\$ 289,350</u>	<u>\$ 977,933</u>
Contract liabilities			
Sale of goods	<u>\$ 40,310</u>	<u>\$ 102,146</u>	<u>\$ 95,155</u>

b. Disaggregation of revenue

Refer to Statement 16.

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	
	2023	2022
Dividend income	\$ 35,151	\$ 104,930
Rental income	90,979	89,331
Others	<u>45,169</u>	<u>89,117</u>
	<u>\$ 171,299</u>	<u>\$ 283,378</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on financial assets at fair value through profit or loss	\$ -	\$ 2,774
Net foreign exchange gain	39,285	38,682
Gain on disposal of property, plant and equipment	37,010	-
Service charge	(8,985)	(5,452)
Others	<u>(3,795)</u>	<u>(7,004)</u>
	<u>\$ 63,515</u>	<u>\$ 29,000</u>

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

	For the Year Ended December 31	
	2023	2022
Foreign exchange gain	\$ 152,758	\$ 366,780
Foreign exchange loss	<u>(113,473)</u>	<u>(328,098)</u>
Net exchange gain	<u>\$ 39,285</u>	<u>\$ 38,682</u>

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank overdrafts and loans	\$ 205,141	\$ 130,964
Interest on lease liabilities	<u>939</u>	<u>680</u>
Total interest expense financial liabilities measured at amortized cost	206,080	131,644
Less: Amounts included in the cost of qualifying assets	<u>2,101</u>	<u>1,069</u>
	<u>\$ 203,979</u>	<u>\$ 130,575</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized amounts	\$ 2,101	\$ 1,069
Capitalized annual rates (%)	1.34-1.41	0.59-1.32

d. Depreciation

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 678,977	\$ 701,461
Investment properties	909	888
Right-of-use assets	<u>16,033</u>	<u>15,543</u>
	<u>\$ 695,919</u>	<u>\$ 717,892</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
Analysis of depreciation by function		
Operating costs	\$ 683,722	\$ 707,678
Operating expenses	11,288	9,326
Deduction of other income	<u>909</u>	<u>888</u>
	<u>\$ 695,919</u>	<u>\$ 717,892</u>
		(Concluded)

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct operating expenses of investment properties that generated rental income	\$ 13,955	\$ 11,296
Direct operating expenses of investment properties that did not generate rental income	<u>9,530</u>	<u>9,934</u>
	<u>\$ 23,485</u>	<u>\$ 21,230</u>

f. Employee benefits

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salaries	\$ 940,936	\$ 967,833
Labor and health insurance	92,117	104,127
Others	<u>159,659</u>	<u>185,302</u>
	<u>1,192,712</u>	<u>1,257,262</u>
Post-employment benefits		
Defined contribution plans	28,284	27,201
Defined benefit plans (Note 22)	<u>14,764</u>	<u>20,230</u>
	<u>43,048</u>	<u>47,431</u>
	<u>\$ 1,235,760</u>	<u>\$ 1,304,693</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 1,025,884	\$ 1,082,941
Operating expenses	<u>209,876</u>	<u>221,752</u>
	<u>\$ 1,235,760</u>	<u>\$ 1,304,693</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 the losses incurred.

The compensation of employees and remuneration of directors for the years ended December 31, 2023, which were approved by the Corporation's board of directors in February 2024, were as follows:

Amount	For the Year Ended December 31, 2023
Compensation of employees	\$ 4,008
Remuneration of directors	802

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.

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

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ (1)	\$ -
Income tax on unappropriated earnings	-	93,750
In respect of prior years	(31,841)	(6,737)
Deferred tax		
In respect of the current year	<u>34,916</u>	<u>(281,857)</u>
	<u>\$ 3,074</u>	<u>\$(194,844)</u>

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

	For the Year Ended December 31	
	2023	2022
Profit (Loss) before income tax	<u>\$ 162,355</u>	<u>\$ (1,184,773)</u>
Income tax expense (benefit) at the statutory rate	\$ 32,471	\$ (236,955)
Permanent differences		
Profit on investments under equity method	(24,170)	(69,832)
Others	60,383	(20,051)
Unrecognized deductible temporary differences	(33,769)	(125,637)
Unrecognized loss carryforwards	-	170,618
Income tax on unappropriated earnings	-	93,750
In respect of the prior years	<u>(31,841)</u>	<u>(6,737)</u>
	<u>\$ 3,074</u>	<u>\$ (194,844)</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	
	2023	2022
Deferred tax		
Remeasurement on defined benefit plans	\$ 19,339	\$ 77,962
Gains and losses on hedging instruments	<u>(3,012)</u>	<u>2,214</u>
	<u>\$ 16,327</u>	<u>\$ 80,176</u>
d. Current tax liabilities		
	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 4,167</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 89,378</u>

- e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2023

	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	\$ (242,424)	\$ -	\$ 76,695
Provisions	26,740	840	-	27,580
Defined benefit plans	-	(11,632)	19,339	7,707
Others	27,433	21,951	(2,214)	47,170
Loss carryforwards	<u>-</u>	<u>185,677</u>	<u>-</u>	<u>185,677</u>
	<u>\$ 373,292</u>	<u>\$ (45,588)</u>	<u>\$ 17,125</u>	<u>\$ 344,829</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	(412)	412	-	-
Others	<u>-</u>	<u>(587)</u>	<u>(798)</u>	<u>(1,385)</u>
	<u>\$ (193,481)</u>	<u>\$ 10,672</u>	<u>\$ (798)</u>	<u>\$ (183,607)</u>

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>

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

	<u>December 31</u>	
	2023	2022
Loss carryforwards		
Expired in 2032	<u>\$ 693,292</u>	<u>\$ 705,000</u>
Deductible temporary differences		
Impairment loss on assets	\$ 692,287	\$ 818,339
Amortization of deferred credits	<u>255,682</u>	<u>289,375</u>
	<u>\$ 947,969</u>	<u>\$ 1,107,714</u>

g. Income tax assessments

Loss carryforwards as of December 31, 2023 comprised:

Unused Amount	Expire Year
\$693,292	2032
928,386	2033

h. Income tax assessments

The Corporation's income tax returns through 2021 have been assessed by the tax authorities.

27. EARNINGS (LOSSES) PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings (losses) per share	<u>\$ 0.11</u>	<u>\$ (0.69)</u>
Diluted earnings (losses) per share	<u>\$ 0.11</u>	<u>\$ (0.69)</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 (loss) for the year

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Attributable to owners of the Corporation	<u>\$ 159,281</u>	<u>\$ (989,929)</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
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>154</u>	<u>-</u>
Weighted average number of ordinary shares used in computation of diluted earnings (losses) per share	<u>1,435,698</u>	<u>1,435,544</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, 2023</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$ 927,699	\$ -	\$ -	\$ 927,699
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>45,588</u>	<u>45,588</u>
	<u>\$ 927,699</u>	<u>\$ -</u>	<u>\$ 45,588</u>	<u>\$ 973,287</u>
<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>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

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, 2023</u>			
Balance at beginning of the year	\$ -	\$ 41,163	\$ 41,163
Total profit or loss			
Recognized in other comprehensive income	<u>-</u>	<u>4,425</u>	<u>4,425</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 45,588</u>	<u>\$ 45,588</u>
<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)
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>

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

The fair value of unlisted shares was based on the current net value.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets for hedging	\$ 140,442	\$ 700,188
Measured at amortized cost (see 1 below)	3,647,548	5,016,897
Financial assets at fair value through other comprehensive income		
Equity instruments	973,287	1,027,818
<u>Financial liabilities</u>		
Financial liabilities for hedging	-	2,166
Measured at amortized cost (see 2 below)	16,245,796	19,114,919

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 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	
	2023	2022
Profit before income tax (Note 1)	\$ 2,925	\$ 7,900
Equity (Note 2)	1,404	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	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 5,563,836	\$ 3,046,462
Cash flow interest rate risk		
Financial assets	\$ 1,428,266	\$ 1,318,571
Financial liabilities	9,284,079	14,659,957

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, 2023 and 2022 would have been lower/ higher by NT\$19,640 thousand and NT\$33,353 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, 2023 and 2022 would both have been lower by NT\$34,359 thousand and NT\$33,109 thousand, respectively.

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.

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, 2023, the unutilized credit facility of the Corporation was NT\$46.9 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 non-derivative financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2023</u>				
Short-term borrowings	\$ 4,843,156	\$ -	\$ -	\$ 4,843,156
Short-term bills payable	2,500,000	-	-	2,500,000
Accounts payable (including related parties)	646,849	-	-	646,849
Other payables	594,801	-	-	594,801
Refund liabilities	171,619	-	-	171,619
Lease liabilities	14,484	42,922	15,419	72,825
Bonds payable	22,100	3,008,509	-	3,030,609
Long-term bank borrowings	43,246	2,691,006	-	2,734,252
Long-term bills payable	-	1,900,000	-	1,900,000
Guarantee deposits received	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>
	<u>\$ 8,836,255</u>	<u>\$ 7,642,437</u>	<u>\$ 50,419</u>	<u>\$ 16,529,111</u>
<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
Guarantee deposits received	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
	<u>\$ 11,457,674</u>	<u>\$ 7,849,466</u>	<u>\$ 43,129</u>	<u>\$ 19,350,269</u>

4) Cash flow hedging

December 31, 2023

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	\$ 4,574	NA	NA	Financial assets for hedging	\$ 140,442	\$ -	\$ 12,893

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	\$ (12,893)	\$ 3,991	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	<u>(2,166)</u>	<u>-</u>	<u>-</u>
	<u>\$ (15,059)</u>	<u>\$ 3,991</u>	<u>\$ -</u>

For the year ended December 31, 2023

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	<u>\$ 15,059</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

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	<u>\$ (11,068)</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

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
Hung Kao Investment Corporation	Subsidiaries
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

(Continued)

<u>Company</u>	<u>Relationship</u>
Yu Cheng Lime Corporation	Fellow subsidiary
CSC Solar Corporation	Fellow subsidiary
Kaohsiung Rapid Transit Corporation	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
CSGT Japan Co., Ltd.	Fellow subsidiary
Thintech Materials Technology Co., Ltd.	Fellow subsidiary
China Prosperity Development Corporation	Fellow subsidiary
ChinaSteel Management Consulting Corporation	Fellow subsidiary
Pro-Ascentek Investment Corporation	Associate
Pacific Harbour Stevedoring Corporation	Other related party

(Concluded)

b. Sale of goods

Account Items	Related Party Types /Name	<u>For the Year Ended December 31</u>	
		2023	2022
Sales	Parent entity	\$ _____	\$ _____ 310
	Fellow subsidiaries related to others		
	CSSB	1,374,312	1,751,268
	Others	<u>18,852</u>	<u>89,335</u>
		<u>1,393,164</u>	<u>1,840,603</u>
		<u>\$ 1,393,164</u>	<u>\$ 1,840,913</u>
Service Revenue	Parent entity	\$ 422,897	\$ 722,048
	Fellow subsidiaries related to others	<u>10</u>	<u>7</u>
		<u>\$ 422,907</u>	<u>\$ 722,055</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 in which the Corporation has to do certain processing work and is charged based on the formula stated in the agreements. The Corporation bills the parent entity 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	
		2023	2022
Other operating revenue	Parent entity	\$ 1,000	\$ 3,460
	Fellow subsidiaries related to others		
	DSC	40,933	53,834
	HMC	12,007	14,597
		<u>52,940</u>	<u>68,431</u>
		\$ 53,940	\$ 71,891

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

c. Purchase of goods

Related Party Types/Name	For the Year Ended December 31	
	2023	2022
Parent entity	\$ 7,242,475	\$ 7,402,133
Fellow subsidiaries related to others		
DSC	14,386,545	15,307,063
CSGT	516	3,262,928
Others	36,876	73,707
	<u>14,423,937</u>	<u>18,643,698</u>
	\$ 21,666,412	\$ 26,045,831

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, 2023 and 2022.

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

Account Items	Related Party Types /Name	December 31	
		2023	2022
Accounts receivable from related parties	Parent entity	\$ 30,105	\$ 41,915
	Fellow subsidiaries related to others	76,103	15,595
		<u>106,208</u>	<u>57,510</u>
Other receivables from related parties	Parent entity	\$ 173,780	\$ 16,240
	Fellow subsidiaries related to others		
	CHC	36,530	25,288
	Others	4	-
		<u>36,534</u>	<u>25,288</u>
		\$ 210,314	\$ 41,528

No guarantees have been received for accounts receivable and other receivables from related parties. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for accounts receivable and other receivables from related parties.

e. Accounts payable to related parties

Account Items	Related Party Types	December 31	
		2023	2022
Accounts payable to related parties	Parent entity	\$ 569,720	\$ 285,669
	Fellow subsidiaries related to others	3,804	1,100
	Other related parties	<u>5,003</u>	<u>2,329</u>
		<u>\$ 578,527</u>	<u>\$ 289,098</u>
Other payable to related parties	Parent entity	\$ 2,215	\$ 1,353
	Fellow subsidiaries related to others	20,350	10,290
	Other related parties	<u>1,301</u>	<u>3,487</u>
		<u>\$ 23,866</u>	<u>\$ 15,130</u>

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

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

Related Party Types	December 31	
	2023	2022
Parent entity	<u>\$ -</u>	<u>\$ 300,000</u>
<u>Interest income</u>		
Related Party Types	For the Year Ended December 31	
	2023	2022
Parent entity	<u>\$ 2,150</u>	<u>\$ 1,111</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\$58,277 thousand and NT\$52,832 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, authorization fees payable (included in payables to related parties) were NT\$9,636 thousand and NT\$7,150 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, 2023 and 2022 were NT\$6,055 thousand and NT\$4,304 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, 2023 and 2022 were NT\$5,928 thousand and NT\$5,310 thousand, respectively.

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	
	2023	2022
a) Other expenditures		
Parent entity	\$ 92,440	\$ 147,944
Fellow subsidiaries related to others	107,931	121,420
Other related parties	<u>115,199</u>	<u>118,350</u>
	<u>\$ 315,570</u>	<u>\$ 387,714</u>

	For the Year Ended December 31	
	2023	2022
b) Capital expenditure		
Fellow subsidiaries related to others		
CSGT	\$ 38,270	\$ -
ICSC	5,520	13,940
CSMC	4,814	20,600
Others	<u>12,900</u>	<u>3,040</u>
	<u>\$ 61,504</u>	<u>\$ 37,580</u>

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

	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries related to others		
CHC	\$ 378,118	\$ 469,215
Others	<u>-</u>	<u>385</u>
	<u>\$ 378,118</u>	<u>\$ 469,600</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	
	2023	2022
Short-term employee benefits	\$ 26,114	\$ 30,919
Post-employment benefits	<u>1,753</u>	<u>1,475</u>
	<u>\$ 27,867</u>	<u>\$ 32,394</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):

	December 31	
	2023	2022
Time deposits (included in other financial assets - current)	\$ 500,000	\$ 800,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>
	<u>\$ 800,000</u>	<u>\$1,100,000</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, 2023 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$2,226,553 thousand.
- b. The Corporation had signed agreements to buy equipment for NT\$483,215 thousand, of which NT\$228,144 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Corporation provided letters of credit for NT\$55,400 thousand guaranteed by financial institutions for purchase agreements and importing and exporting goods. Guarantee notes for NT\$174,500 thousand were provided for purchases of raw materials.

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, 2023</u>				
Monetary financial assets				
USD	\$ 28,486	30.71	(USD:NTD)	\$ 874,649
Monetary financial liabilities				
USD	14,385	30.71	(USD:NTD)	441,694
<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

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gain were NT\$39,285 thousand and NT\$38,682 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, 2023
(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	\$ -	\$ -	1.43-1.53	2	\$ -	Operating capital	\$-	None	\$ -	\$1,625,898	\$6,503,592	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, 2023

(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, 2023				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	34,359,239	\$ 927,699	-	\$ 927,699	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	134,167	\$ 38,868	2	\$ 38,868	2023.11.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income – non-current	250,000	6,720	5	6,720	2023.10.31 net value
					<u>\$ 45,588</u>		<u>\$ 45,588</u>	
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	\$ 27,108	-	\$ 27,108	

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, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer (Seller)	Related Party	Relationship	Relationship			Payment Terms	Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total		Unit Price	Payment Terms	Ending Balance	% of Total	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	\$ 7,242,475	22	Letter of credit at sight/Payment after final acceptance	\$ -		\$ (569,720)	(88)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	14,386,545	44	Letter of credit at sight	-		-	-	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,374,312)	(4)	T/T within 7 business days after lading date (not included)	-		71,984	10	
	China Steel Corporation	Parent company	Service revenue	(422,897)	(1)	T/T as the end of the month after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	30,105	4	

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, 2023
(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	\$ 173,780	(Note 1)	\$ -	-	\$ 3	\$ -

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, 2023

(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, 2023	December 31, 2022						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 32,193	\$ 826	\$ 826	Subsidiaries
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	329,802,616	39.59	3,237,182	285,475	113,017	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	224,587	42,059	7,010	Associates

TABLE 6**CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDERS' INFORMATION
DECEMBER 31, 2023**

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\$ thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	13,469,846	16,719,765	(3,249,919)	(19.44)
Property, plant and equipment	9,409,727	9,801,656	(391,929)	(4.00)
Other assets	10,113,089	10,243,456	(130,367)	(1.27)
Total assets	32,992,662	36,764,877	(3,772,215)	(10.26)
Current liabilities	8,922,639	11,681,933	(2,759,294)	(23.62)
Long-term liabilities	7,811,042	8,020,507	(209,465)	(2.61)
Total liabilities	16,733,681	19,702,440	(2,968,759)	(15.07)
Capital stock	14,355,444	14,355,444	-	-
Capital surplus	903	903	-	-
Retained earnings	1,975,548	2,415,868	(440,320)	(18.23)
Other equity	(72,914)	290,222	(363,136)	(125.12)
Total equity	16,258,981	17,062,437	(803,456)	(4.71)

Explanation: (changes of over 20%)

1. Current liabilities fell from the previous year mainly due to the decrease in long-term bills due within one year.
2. Decrease in other equity from the previous year was mainly due to a decrease in unrealized gains from financial assets at fair value through other comprehensive income in the current period.

**(II) Comparative analysis of financial status - International Financial Reporting Standards
(standalone)**

Unit: NT\$ thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	13,464,429	16,712,186	(3,247,757)	(19.43)
Property, plant and equipment	9,409,727	9,801,656	(391,929)	(4.00)
Other assets	10,118,174	10,249,782	(131,608)	(1.28)
Total assets	32,992,330	36,763,624	(3,771,294)	(10.26)
Current liabilities	8,922,307	11,680,680	(2,758,373)	(23.61)
Long-term liabilities	7,811,042	8,020,507	(209,465)	(2.61)
Total liabilities	16,733,349	19,701,187	(2,967,838)	(15.06)
Capital stock	14,355,444	14,355,444	-	-
Capital surplus	903	903	-	-
Retained earnings	1,975,548	2,415,868	(440,320)	(18.23)
Other equity	(72,914)	290,222	(363,136)	(125.12)
Total equity	16,258,981	17,062,437	(803,456)	(4.71)
Explanation: (changes of over 20%)				
1. Current liabilities fell from the previous year mainly due to the decrease in long-term bills due within one year.				
2. Decrease in other equity from the previous year was mainly due to a decrease in unrealized gains from financial assets at fair value through other comprehensive income in the current period.				

II. Financial performance

(I) Comparative Analysis of Operational Performance

1. Comparative analysis of financial performance - International Financial Reporting Standards (consolidated)

Unit: NT\$ thousand

Item \ Year	2023	2022	Increase (decrease) amount	Percentage of change (%)
Operating revenue	37,764,208	44,503,494	(6,739,286)	(15.14)
Operating costs	37,251,898	45,629,434	(8,377,536)	(18.36)
Operating margin (loss)	512,310	(1,125,940)	1,638,250	145.50
Operating expenses	541,466	634,757	(93,291)	(14.70)
Operating profit (loss)	(29,156)	(1,760,697)	1,731,541	98.34
Non-operating income and expenses	191,554	576,174	(384,620)	(66.75)
Profit (loss) before income tax	162,398	(1,184,523)	1,346,921	113.71
Income tax expenses (benefits)	3,117	(194,594)	197,711	101.60
Annual net profit (loss)	159,281	(989,929)	1,149,210	116.09
Other comprehensive income (loss)	(428,263)	(468,846)	40,583	8.66
Total comprehensive income (loss)	(268,982)	(1,458,775)	1,189,793	81.56

Analysis description for items with increase and decrease ratio: (changes of over 20%)

1. Operating gross profit (loss), operating profit (loss), pre-tax profit (loss) and net profit (loss) for this year increased compared with last year, mainly because the decrease in steel production costs this year was greater than the decrease in steel product revenue.
2. Non-operating income and expenditures decreased from the previous year mainly due to a reduction in benefits recognized using the equity method this year.
3. Income tax expenses (benefits) increased compared to the previous year mainly due income tax expenses generated by profit before income tax this year.
4. Total comprehensive income increased compared to the previous year mainly due to an increase in net profit this year.

2. Comparative analysis of financial performance - International Financial Reporting Standards (standalone)

Unit: NT\$ thousand

Item \ Year	2023	2022	Increase (decrease) amount	Percentage of change (%)
Operating revenue	37,762,916	44,497,278	(6,734,362)	(15.13)
Operating costs	37,251,898	45,629,434	(8,377,536)	(18.36)
Operating margin (loss)	511,018	(1,132,156)	1,643,174	145.14
Operating expenses	541,113	631,190	(90,077)	(14.27)
Operating profit (loss)	(30,095)	(1,763,346)	1,733,251	98.29
Non-operating income and expenses	192,450	578,573	(386,123)	(66.74)
Profit (loss) before income tax	162,355	(1,184,773)	1,347,128	113.70
Income tax expenses (benefits)	3,074	(194,844)	197,918	101.58
Annual net profit (loss)	159,281	(989,929)	1,149,210	116.09
Other comprehensive income (loss)	(428,263)	(468,846)	40,583	8.66
Total comprehensive income (loss)	(268,982)	(1,458,775)	1,189,793	81.56

Analysis description for items with increase and decrease ratio: (changes of over 20%)

1. Operating gross profit (loss), operating profit (loss), pre-tax profit (loss) and net profit (loss) for this year increased compared with last year, mainly because the decrease in steel production costs this year was greater than the decrease in steel product revenue.
2. Non-operating income and expenditures decreased from the previous year mainly due to a reduction in benefits recognized using the equity method this year.
3. Income tax expenses (benefits) increased compared to the previous year mainly due income tax expenses generated by profit before income tax this year.
4. Total comprehensive income increased compared to the previous year mainly due to an increase in net profit this year.

(II) The expected sales 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 decreased by NT\$1,190,854 thousand in 2013. Cash flow changes were as follow:

- (1) Operating activities: Net cash inflow of NT\$1,761,138 thousand was mainly due to the pre-tax profit of NT\$162,398 thousand, plus inventory of NT\$2,402,021 thousand, and depreciation of NT\$695,919 thousand. NT\$1,212,121 thousand in gain from price recovery of inventory was deducted and NT\$455,193 thousand in accounts receivable was also added.
- (2) Investing activities: Net cash inflow was NT\$453,318 thousand, mainly due to the purchase of NT\$392,786 thousand in fixed assets, NT\$300,000 thousand in recovered funds and loans to others, and a decrease in other financial assets of NT\$297,800 thousand.
- (3) Financing activities: Net cash outflow was NT\$3,405,310 thousand, mainly due to the net decrease of NT\$2,566,101 thousand in short-term borrowings and the net decrease of NT\$2,000,000 thousand in long-term borrowings.

Cash flow analysis for the following year:

Unit: NT\$ thousand

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
1,097,361	1,280,597	2,184,927	193,031	N/A	N/A
<p>1. Analysis of estimated annual cash flow changes in the 2024 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.</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 decreased by NT\$1,189,087 thousand in 2023 and cash flows changed as follows:

- (1) Operating activities: Net cash inflow of NT\$1,761,138 thousand was mainly due to the pre-tax profit of NT\$162,355 thousand, plus inventory of NT\$2,402,021 thousand, and depreciation of NT\$695,919 thousand. NT\$1,212,121 thousand in gain from price recovery of inventory was deducted and NT\$455,193 thousand in accounts receivable was also added.

(2) Investing activities: Net cash inflow was NT\$456,530 thousand, mainly due to the purchase of NT\$392,786 thousand in fixed assets, NT\$300,000 thousand in recovered funds and loans to others, and a decrease in other financial assets of NT\$300,000 thousand.

(3) Financing activities: Net cash outflow was NT\$3,405,310 thousand, mainly due to the net decrease of NT\$2,566,101 thousand in short-term borrowings and the net decrease of NT\$2,000,000 thousand in long-term borrowings.

Cash flow analysis for the following year:

Unit: NT\$ thousand

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
1,096,268	1,280,597	2,184,926	191,939	N/A	N/A
<p>1. Analysis of estimated annual cash flow changes in the 2024 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.</p> <p>2. Expected cash deficit remedies and liquidity analysis: Not applicable.</p>					

IV. Effect of major capital expenditure on financial position and business operation in the most recent year: None.

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

The Company's long-term equity investments, accounted for using the equity method, were all made for strategic purposes. In 2023, the gains from these investments amounted to NT\$120,853 thousand on a consolidated basis, up from the previous year mainly due to the decrease in impacts from the market on investment gains from financial instruments of the reinvestments.

The management will duly evaluate and prepare the Company's investment plan for the following year according to the overall development of the industry and the demands for the Company's businesses, and submit the plan to the Board for discussion.

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, accounts receivable, equity investments, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable, long-term borrowings (including long-term borrowings due within 1 year), long-term bills payable, and lease liabilities. 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 2023 were NT\$1,431,559 thousand and NT\$9,284,079 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 2023 would have been lower/higher by NT\$19,631 thousand.

(2)Exchange rate variation

The Group was exposed to foreign currency risks due to sales and purchases, denominated in foreign currencies. Group management of exchange rate exposure is based on using accounts receivable and payable in the same currency to engage in hedging transactions that mitigate exchange rate exposure within the approved policy limits. The devaluation of NTD by 1% relative USD increased the Group's profit and equity by NT\$2,925 thousand and NT\$1,404 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 2023 increased by 2.71% and the annual average increase was 2.50%. Therefore, inflation will cause the increase in the Company's expenses.

2. Future response measures:

(1)Short-term funds are controlled and managed by overdraft accounts and the Company borrows funds or repays loans based on funding conditions to lower the cost of loans as a priority. Demand for capital expenditures and long-term investment are mostly met with medium to long-term funding.

(2)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\$ thousand

Year	2021	2022	2023
Item			
R&D and equipment improvement expenses	138,121	112,481	220,208

2. The R&D and equipment improvement projects in 2024 are as follows:

- (1) Hot rolling – Addition of AI image recognition system for the side edge of the hot rolling line steel coil.
- (2) Pickling and galvanizing – Replacement of the old No.2 Fusheng air compressor in the Pickling & Galvanizing Department.
- (3) Steel pipes – refurbishment of centrifugal turbine pump at Dafa plant.
- (4) Steel pipes – Improvement of the automatic marking spray equipment for steel pipes at Dafa plant.
- (5) Steel pipes – Modification of No. 4 pipe cart diameter at Lukang plant.
- (6) Steel pipes – Modification of surface drying equipment for steel pipes at Lukang plant.

In response to the rise of steel mills in China and other competition, Chung Hung shall remain committed to improving product quality and refining manufacturing control technologies. It shall face the challenge of developing niche high-grade products to improve added value of products and separate the market. To strengthen overall competitiveness, the Company shall continue to accelerate the update and improvement of production equipment and it shall also actively work with the parent company (China Steel) to establish production, equipment, project improvement, and other technical assistance channels to strengthen the technical roots of the Company and enhance the Company's overall competitiveness.

3.Expected expenditures for R&D and equipment improvement plans in 2024: The total is approximately NT\$24,323 thousand.

4.Current progress of uncompleted R&D and equipment improvement projects in 2023:

The uncompleted projects are as follows. The average progress is approximately 17% and they shall be continued in 2024.

- (1) Hot rolling - replacement of the automatic surface inspection system (ASIS) of the hot rolling production line.
- (2) Hot rolling - replacement of the F1/F4/F5/F6 main motor.
- (3) Hot rolling - Replacement of flatness sensor on hot rolling line.
- (4) Hot rolling – Replacement of 300HP double suction pump in the common area.
- (5) Hot rolling – Added intelligent image recognition system for crude steel receiving.
- (6) Pickling and galvanizing - Addition of FMOS n-line smart diagnostics system for the pickling and coating line.
- (7) Pickling and galvanizing – No.2 ARP separation tower scrubber tower replacement plan at Pickling & Galvanizing Department.
- (8) Pickling and galvanizing – Project to expand raw material storage area for rolling workshop at Pickling & Galvanizing Department.
- (9) Steel pipes – T2, Q2, C2 workshop gate improvement project at Lukang Steel Pipe Plant.
- (10) Steel pipes – Water leakage improvement project at Lukang Steel Pipe Plant.

5.Expected R&D and equipment improvement expenses for R&D projects not completed in 2023: Total is approximately NT\$295,757 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, complete their verification by 2024, and complete inventory of subsidiaries in the consolidated statement by 2025. 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 February 23, 2023, and February 27, 2024. Quarterly progress reports will be made to the Board of Directors so we are already in compliance with the regulations.

In line with the revision of Paragraph 1, Article 43-1 of the Securities and Exchange Act that will take effect on May 10, 2024, the reporting threshold for large-scale equity acquisitions will be lowered from the acquisition of more than 10% to 5% of the total issued shares. The Company will cooperate with the competent authorities before the law takes effect by informing major shareholders of the relevant information and awareness courses.

In line with the revision of "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers", the Board of Directors of listed companies shall have no less than one director of different genders from 2024 onwards, and more than half of the independent directors shall have served no more than three consecutive terms; For listed companies with paid-in capital of more than NT\$10 billion, the number of independent directors should not be less than one-third of the number of directors; Listed companies should conduct functional committee performance evaluations of their audit committee and remuneration committee on a regular basis every year from 2024 onwards, and report the performance evaluation results. The Company will be re-electing directors this year (2024) and the relevant measures will be put into place to achieve compliance with the aforementioned regulations.

(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 implements and continues to update related improvement measures to prevent and reduce the potential damage caused by attacks due to the purchase and installation of equipment with malicious software. For instance, we established mechanisms for scanning for viruses when equipment is set up in the plant to prevent machinery that contain malicious software from entering the plant. We strengthen the network firewall and network management to prevent computer viruses from infecting other equipment and spreading to different plant areas. We set anti-virus measures for terminals based on the computer categories. We introduce advanced solutions to detect and process malicious software. We introduce new technologies to strengthen data protection. We enhanced detection of phishing emails. We established an integrated automatic information security maintenance and operation platform and regularly test employees' awareness. We also appoint external experts to conduct 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 be a profitable business but also actively give back to society. Since 2004, the Company has sponsored Kaohsiung 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 over 20 years so far. No effort is spared by Chung Hung

when it comes to fulfilling our corporate social responsibilities. The Company shall continue to make improvements in all areas and strive make our society a better place.

(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:

Nothing of that nature has occurred as of the publication of the annual report. The Company's capacity expansions undergo comprehensive, careful, and professional assessments. Major investment projects must be reported to the Audit Committee and Board of Directors. Careful consideration has already been given to the investment benefits 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.

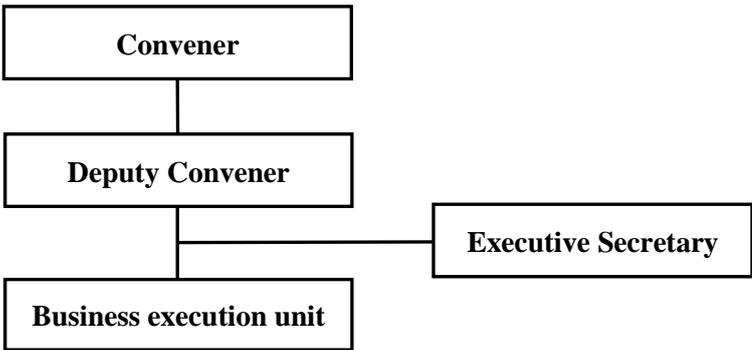
(XIII) Risk management organization and operation:

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 Procedures has 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 Audit Committee and Board of Directors on the outcomes of risk management. The Audit Committee assists the Board with the implementation of risk management operations. The status of risk management operations during 2023 was reported to a meeting of the Audit Committee and Board of Directors on Nov. 2. Guidance was provided by the Audit Committee during the meeting on risk management operations.

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

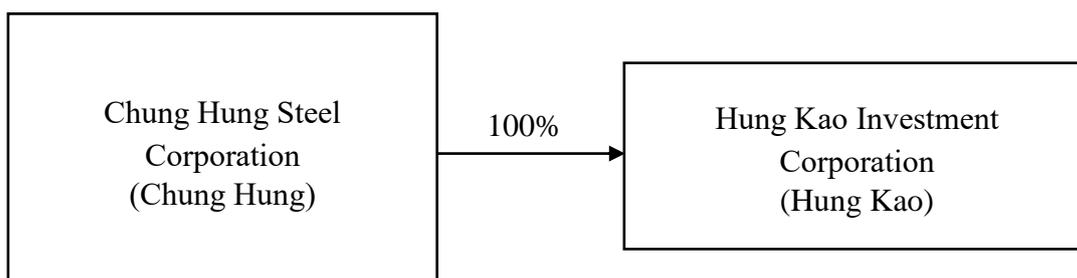
I. Profile on affiliates

- (I) 2023 Consolidated Business Report of Affiliates: Refer to Attachment 1.
 - (II) 2023 Affiliation Report: Refer to Attachment 2.
 - (III) 2023 Consolidated Financial Statement of Affiliates: Please refer to page 203 to page 276.
- II. Status of private solicitation for marketable securities handling for the recent year up to the publication date of this annual report: None.**
- III. Holding or disposal of stocks of the Company by subsidiaries for the recent year up to the publication date of this annual report: None.**
- IV. Other necessary supplemental information: None.**
- I. Any Event which Significantly Affects Shareholders' Equity or Share Price Pursuant to Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act for the recent year up to the publication date of this annual report: None.**

Chung Hung Steel Corporation Consolidated Business Reports of Affiliated Enterprises 2023

I. Profiles and status of affiliated enterprises:

(I) Organization chart for the affiliated enterprises



(II) Basic information of the affiliated enterprises

Unit: NT\$ thousand

Company name	Date of establishment	Address	Paid-in capital	Principal business or core products
Chung Hung	1983.9.29	No. 317, Yuliao Road, Ciaotou Dist., Kaohsiung City	14,355,444	Manufacturing and sales of hot-rolled steel coils, cold-rolled steel coils, steel pipes, etc.
Hung Kao	2006.9.26	28F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City	26,000	General investment

(III) Companies presumed as having control and subordinate relationships in accordance with Article 369-3 of the Company Act: None.

(IV) Businesses included in the affiliated enterprises' overall operations are as follows:

Company name	Industry
Chung Hung	Steel and Iron Industry
Hung Kao	Investment

(V) Information on directors, independent directors, and presidents of affiliated enterprises

Unit: shares; %

Company name	Title	Name or representative	Shareholding		Remarks
			Number of shares	Shareholding percentage (%)	
Chung Hung	Chairperson of the Board	China Steel Corporation (Representative: Kuei-Sung Tseng)	582,673,153	40.59	
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	582,673,153	40.59	
	Director	China Steel Corporation (Representative: Wen-Chou Li)	582,673,153	40.59	
	Director	China Steel Corporation (Representative: Kun-Pin Huang)	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	Chung Hung Steel Corporation (Representative: Chien-Hui Lee)	2,600,000	100.00	

Note 1: The shareholding information is from the end of 2023 and it does not include retained decision-making trust shares.

Note 2: The status of representatives was as of March 31, 2024.

II. Status of operations of affiliated enterprises

(Except for the EPS which is in NTD)

Unit: NT\$ thousand

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	32,992,330	16,733,349	16,258,981	37,762,916	(30,095)	159,281	0.11
Hung Kao	26,000	32,525	332	32,193	1,292	819	826	0.32

Affiliation Report Statement

The Company's 2023 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, 2024

Chung Hung Steel Corporation Affiliation Report 2023

一、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 by the controlling company (Note 2)	
		Total number of shares held	Total shareholding percentage (%)	Number of shares pledged	Title	Name
China Steel Corporation (China Steel)	Note 1	582,673,153	40.59	0	Chairperson of the Board	Kuei-Sung Tseng (Representative of China Steel Corporation)
					Director	Chao-Tung Wong (Representative of China Steel Corporation)
					Director	Wen-Chou Li (Representative of China Steel Corporation)
					Director	Kun-Pin Huang (Representative of China Steel Corporation)

Note 1: China Steel Corporation holds 40.59% of shares of the Company and retains management control over the Company.

Note 2: The status of representatives was as of March 31, 2024.

II. Transaction status:

(I) Procurement and sales status

Unit: NT\$ thousand; %

Transaction status with controlling company				Transaction conditions with controlling company		Regular transaction terms		Cause of variation
Purchase (sales)	Amount	Ratio of total procurement (sales)	Sales margin	Unit price (NT\$1,000/ton)	Credit period	Unit price (NT\$1,000/ton)	Credit period	
Purchase	7,242,475	22	-	-	Issuance of Sight Letter of Credit/ Payment after final acceptance	-	Payment by L/C 7 days after shipping	None
Service revenue	(422,897)	(1)	-	-	T/T as the end of the month after final acceptance	-	-	No third party could be compared

Unit: NT\$ thousand; %

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	
30,105	4	0	0	0	Note 1
(569,720)	(88)	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 2023 consisted mainly of slabs, hot-rolled steel coils and etc.

(II) Property transactions: None.

(III) Status of fund accommodation: None.

(IV) Status of asset leasing: The Company leased certain land to the parent company and the lease shall expire in December 2023. The income from lease is NT\$5,928 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. China Steel Corporation was then able to use this joint venture to secure a source of high-quality slabs. 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 2023 were NT\$58,277 thousand. The authorization fees payable as of the end of December 2023 were NT\$9,636 thousand. The calculation of slab purchase prices was based on the formula stated in the agreement.

Chung Hung Steel Corporation

Chairperson of the Board 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