

**Chung Hung Steel Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **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, 2021, 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

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Min-Hsiung Liu  
Chairman

February 24, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the shareholders  
Chung Hung Steel Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Chung Hung Steel Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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, 2021 are stated as follows:

#### The Existence of Revenue from Sale of Goods on Specific Customers

The domestic sales revenue among the Group's top ten customers for the year ended December 31, 2021 was NT\$19,952,276 thousand, which represented 38% of the sales revenue. Because the sales revenue from the above-mentioned specific customers has grown significantly compared to the sales revenue from the previous year, we considered the existence of sales revenue from the above-mentioned specific customers as a key audit matter. Refer to Notes 4, 24 and 35 to consolidated financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

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

### **Other Matter**

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2021 and 2020 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2022

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, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 508,123	1	\$ 287,373	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	242,410	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,170,412	3	819,454	3
Accounts receivable (Notes 4, 9 and 24)	930,578	2	830,087	3
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	47,355	-	117,238	-
Other receivables (Note 9)	9,051	-	19,321	-
Other receivables from related parties (Notes 9 and 30)	221,461	1	26,672	-
Current tax assets (Note 26)	-	-	514	-
Inventories (Notes 4, 5 and 10)	12,717,439	34	4,236,420	16
Prepayments (Note 11)	443,128	1	150,961	1
Other financial assets - current (Notes 12 and 31)	1,002,800	3	301,700	1
Other current assets	2,597	-	3,961	-
Total current assets	17,052,944	45	7,036,111	26
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	97,530	-	68,193	-
Investments accounted for using equity method (Notes 4 and 13)	4,042,778	11	2,669,716	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	10,164,924	28	11,162,643	41
Right-of-use assets (Notes 4 and 15)	62,920	-	78,330	-
Investment properties (Notes 4 and 16)	5,982,297	16	5,983,185	22
Prepayments for equipment (Note 32)	70,290	-	95,659	1
Refundable deposits	5,651	-	6,220	-
Total noncurrent assets	20,426,390	55	20,063,946	74
<b>TOTAL</b>	<b>\$ 37,479,334</b>	<b>100</b>	<b>\$ 27,100,057</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 31)	\$ 4,562,252	12	\$ 404,630	2
Short-term bills payable (Note 17)	999,641	3	3,599,577	13
Contract liabilities - current (Note 24)	95,155	-	57,283	-
Accounts payable (Note 19)	1,360,732	3	27,500	-
Accounts payable to related parties (Notes 19 and 30)	469,577	1	313,224	1
Other payables (Notes 20 and 30)	1,175,704	3	580,264	2
Current tax liabilities (Notes 4 and 26)	654,769	2	5	-
Provisions - current (Notes 4 and 21)	206,850	1	-	-
Lease liabilities - current (Notes 4 and 15)	15,408	-	15,230	-
Refund liabilities	265,047	1	153,756	1
Other current liabilities	23,317	-	15,764	-
Total current liabilities	9,828,452	26	5,167,233	19
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Note 18)	2,996,174	8	2,995,039	11
Long-term bank borrowings (Note 17)	1,200,000	3	2,000,000	8
Long-term bills payable (Note 17)	239,792	1	1,109,674	4
Deferred tax liabilities (Notes 4 and 26)	182,222	1	182,222	1
Lease liabilities - noncurrent (Notes 4 and 15)	48,519	-	63,898	-
Net defined benefit liabilities (Notes 4, 5 and 22)	387,777	1	313,717	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	5,089,484	14	6,699,550	25
Total liabilities	14,917,936	40	11,866,783	44
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)</b>				
Ordinary shares	14,355,444	38	14,355,444	53
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	144,632	-	90,568	-
Special reserve	425,839	1	549,578	2
Unappropriated earnings	6,503,369	18	662,620	3
Total retained earnings	7,073,840	19	1,302,766	5
Other equity	1,131,211	3	(425,839)	(2)
Total equity	22,561,398	60	15,233,274	56
<b>TOTAL</b>	<b>\$ 37,479,334</b>	<b>100</b>	<b>\$ 27,100,057</b>	<b>100</b>

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

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)				
Sales	\$ 53,019,056	99	\$ 36,406,042	99
Investment revenue	301	-	502	-
Service revenue	634,947	1	324,754	1
Other operating revenue	89,708	-	58,856	-
Total operating revenue	53,744,012	100	36,790,154	100
OPERATING COSTS (Notes 10, 14, 25 and 30)	46,197,610	86	35,335,654	96
GROSS PROFIT	7,546,402	14	1,454,500	4
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	577,505	1	794,236	2
General and administrative expenses	445,247	1	322,052	1
Total operating expenses	1,022,752	2	1,116,288	3
PROFIT FROM OPERATIONS	6,523,650	12	338,212	1
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	825	-	966	-
Other income	131,343	-	224,631	1
Other gains and losses	370,938	1	1,488	-
Finance costs	(45,715)	-	(86,219)	-
Share of profit of associates	32,035	-	49,187	-
Total non-operating income and expenses	489,426	1	190,053	1
PROFIT BEFORE INCOME TAX	7,013,076	13	528,265	2
INCOME TAX (Notes 4, 5 and 26)	662,665	1	5	-
NET PROFIT FOR THE YEAR	6,350,411	12	528,260	2

(Continued)

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (157,217)	-	\$ 12,378	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	380,295	1	29,432	-
Share of the other comprehensive income of associates	1,185,440	2	94,307	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of associates	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,408,376</u>	<u>3</u>	<u>136,117</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 7,758,787</u>	<u>15</u>	<u>\$ 664,377</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 6,350,411</u>	<u>12</u>	<u>\$ 528,260</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 7,758,787</u>	<u>15</u>	<u>\$ 664,377</u>	<u>2</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 4.42</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 4.40</u>		<u>\$ 0.37</u>	

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

(Concluded)

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 14,355,444	\$ 903	\$ 90,450	\$ 497,607	\$ 174,071	\$ -	\$ (549,578)	\$ 14,568,897
Appropriation of 2019 earning (Note 23)								
Legal reserve	-	-	118	-	(118)	-	-	-
Special reserve	-	-	-	51,971	(51,971)	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	528,260	-	-	528,260
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	12,378	-	123,739	136,117
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	540,638	-	123,739	664,377
BALANCE AT DECEMBER 31, 2020	14,355,444	903	90,568	549,578	662,620	-	(425,839)	15,233,274
Appropriation of 2020 earning (Note 23)								
Legal reserve	-	-	54,064	-	(54,064)	-	-	-
Cash dividends	-	-	-	-	(430,663)	-	-	(430,663)
Reversal of special reserve	-	-	-	(123,739)	123,739	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	6,350,411	-	-	6,350,411
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(157,217)	(142)	1,565,735	1,408,376
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	6,193,194	(142)	1,565,735	7,758,787
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	8,543	-	(8,543)	-
BALANCE AT DECEMBER 31, 2021	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ 22,561,398

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)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 7,013,076	\$ 528,265
Adjustments for:		
Depreciation expense	753,729	1,162,246
Net gain on financial assets at fair value through profit or loss	(318,331)	(78,903)
Finance costs	45,715	86,219
Interest income	(825)	(966)
Dividend income	(10,684)	(32,323)
Share of profit of associates	(32,035)	(49,187)
Loss on disposal of property, plant and equipment	-	9,371
Recognition of impairment loss	646,025	576,317
Write-downs (reversal) of inventories	4,859	(304,435)
Recognition of provisions	206,850	-
Others	1,097	692
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	560,741	17,844
Accounts receivable	(100,491)	(364,070)
Accounts receivable from related parties	69,883	(71,505)
Other receivables	10,297	(13,290)
Other receivables from related parties	(194,789)	514,742
Inventories	(8,485,878)	2,645,652
Prepayments	(292,167)	77,570
Other current assets	1,364	(2,271)
Contract liabilities	37,872	(227,769)
Accounts payable	1,333,232	(2,172)
Accounts payable to related parties	156,353	247,627
Other payables	589,808	70,144
Other current liabilities	7,553	(670)
Net defined benefit liabilities	(83,157)	(47,765)
Refund liabilities	<u>111,291</u>	<u>144</u>
Cash generated from operations	2,031,388	4,741,507
Income taxes refund (paid)	<u>(7,387)</u>	<u>147</u>
Net cash generated from operating activities	<u>2,024,001</u>	<u>4,741,654</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	1,934
Acquisition of investments accounted for using the equity method	(200,000)	-
Acquisition of property, plant and equipment	(353,847)	(397,582)
Decrease (increase) in refundable deposits	569	(588)
Increase in other financial assets	(701,100)	-

(Continued)

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest received	\$ 798	\$ 966
Dividends received from others	<u>54,955</u>	<u>32,323</u>
Net cash used in investing activities	<u>(1,198,625)</u>	<u>(362,947)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	117,158,161	99,915,564
Repayments of short-term borrowings	(113,000,539)	(104,665,801)
Increase in short-term bills payable	8,200,064	10,900,027
Decrease in short-term bills payable	(10,800,000)	(9,100,000)
Proceeds from issuance of bonds	-	2,994,328
Proceeds from long-term borrowings	300,000	3,150,000
Repayments of long-term borrowings	(1,100,000)	(5,760,000)
Proceeds from long-term bills payable	240,118	200,536
Repayments of long-term bills payable	(1,110,000)	(1,700,000)
Repayments of principal of lease liabilities	(15,232)	(15,074)
Dividends paid to owner of the Corporation	(430,663)	-
Interest paid	<u>(46,535)</u>	<u>(77,942)</u>
Net cash used in financing activities	<u>(604,626)</u>	<u>(4,158,362)</u>
NET INCREASE IN CASH	220,750	220,345
CASH AT THE BEGINNING OF THE YEAR	<u>287,373</u>	<u>67,028</u>
CASH AT THE END OF THE YEAR	<u>\$ 508,123</u>	<u>\$ 287,373</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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, 2021, and 2020, 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 24, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

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

retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 IFRS17 and IFRS 19 – Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

The fair value measurements, 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 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, 2021	December 31, 2020
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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

### Inventories

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

### Investment in Associates

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

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

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

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

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

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

### **Property, Plant, and Equipment**

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

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

Freehold land is not depreciated.

Except 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 estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

## **Financial Instruments**

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

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

### **a. Financial assets**

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

#### **1) Measurement category**

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

##### **a) Financial asset at FVTPL**

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

Financial assets mandatorily classified as at FVTPL were investments in equity instruments which are not designed as at FVTPL. Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

##### **b) Financial assets at amortized cost**

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

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

Financial assets at amortized cost, including cash, 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.
- c) Investments in equity instruments at FVTOCI

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

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

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

## 2) Impairment of financial assets

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

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

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

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

### 3) Derecognition of financial assets

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

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

#### b. Equity instruments

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

#### c. Financial liabilities

##### 1) Subsequent measurement

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

##### 2) Derecognition of financial liabilities

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

### **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.

### **Revenue Recognition**

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

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

#### a. Sale of goods

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

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

b. Providing of services

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

## Leases

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

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

## **Government Grants**

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

## **Borrowing Costs**

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

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

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

## **Employee Benefits**

### a. Short-term employee benefits

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

### b. Retirement benefits

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

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

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

## **Taxation**

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

### Current tax

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

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

### Deferred tax

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

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

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

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

### Current and deferred taxes for the year

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Measurement of Inventories**

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the balance sheet date. Since the net realizable value of

inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

### Realizability of Deferred Tax Assets

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

### Recognition and measurement of defined benefit plans

Net defined benefit liabilities 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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 640	\$ 640
Checking accounts and demand deposits	<u>507,483</u>	<u>286,733</u>
	<u>\$ 508,123</u>	<u>\$ 287,373</u>

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets mandatorily at FVTPL</u>		
Emerging market shares	<u>\$ -</u>	<u>\$ 242,410</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Domestic listed shares	<u>\$ 1,170,412</u>	<u>\$ 819,454</u>
<u>Non-current</u>		
Domestic listed shares	\$ 35,490	\$ 24,848
Domestic unlisted shares	<u>62,040</u>	<u>43,345</u>
	<u>\$ 97,530</u>	<u>\$ 68,193</u>

Riselink Venture Capital Corp. conducted capital reduction and refunded NT\$1,934 thousand in September 2020.

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Accounts receivable</u>		
Accounts receivable - non-related parties	<u>\$ 930,578</u>	<u>\$ 830,087</u>
Accounts receivable - related parties	<u>\$ 47,355</u>	<u>\$ 117,238</u>
<u>Other receivables (including related parties)</u>		
Receivables from price settlement	\$ 170,204	\$ 886
Receivables from disposal of scrap	49,662	32,961
Others	<u>10,646</u>	<u>12,146</u>
	<u>\$ 230,512</u>	<u>\$ 45,993</u>

### a. Accounts receivable

The Group allows an average credit period of 30 days (the aging of receivables from sales of goods is based upon the date of examination and acceptance of the goods settlement is monthly or 60 days after shipment date). Refer to Note 29 (d) for credit risk management policies.

The expected credit losses on accounts receivable are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status rather than distinguishing each different customer group.

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

### 2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 977,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 977,933
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 977,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,933</u>

### 2020

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
A company	\$ 244,817	\$ -
B company	169,772	88,499
C company	121,226	8,707
D company	108,898	95,493
E company	44,206	186,520
F company	<u>-</u>	<u>147,430</u>
	<u>\$ 688,919</u>	<u>\$ 526,649</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, 2021 and 2020 were as follows:

<b>Buyer of Accounts Receivable</b>	<b>Advances Received at Year - Beginning</b>	<b>Receivables Sold</b>	<b>Amounts Collected</b>	<b>Advances Received at Year-end</b>	<b>Interest Rates on Advances Received (%)</b>	<b>Credit Line</b>
<u>For the year ended December 31, 2021</u>						
Mega Bank	\$ 601,245	\$ 1,614,825	\$ 1,762,534	\$ 453,536	1.03	NT\$841.2 million
Bank of Taiwan	67,274	183,448	204,706	46,016	1.03	NT\$200 million
Bank of Taiwan	14,577	60,977	53,075	22,479	1.44	USD\$20 million
	<u>\$ 683,096</u>	<u>\$ 1,859,250</u>	<u>\$ 2,020,315</u>	<u>\$ 522,031</u>		
<u>For the year ended December 31, 2020</u>						
Mega Bank	\$ 926,731	\$ 2,243,387	\$ 2,568,873	\$ 601,245	1.09	NT\$855 million
Bank of Taiwan	-	193,763	126,489	67,274	1.09	NT\$200 million
Bank of Taiwan	124,214	195,829	305,466	14,577	2.06	USD\$20 million
	<u>\$ 1,050,945</u>	<u>\$ 2,632,979</u>	<u>\$ 3,000,828</u>	<u>\$ 683,096</u>		

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, 2021 and 2020, there was no allowance for doubtful accounts.

## 10. INVENTORIES

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 6,207,596	\$ 1,608,738
Supplies	309,073	368,565
Work in progress	730,616	488,875
Finished goods	4,262,064	1,764,310
Others	6,418	3,872
Raw materials and supplies in transit	<u>1,201,672</u>	<u>2,060</u>
	<u>\$ 12,717,439</u>	<u>\$ 4,236,420</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2021 and 2020 was NT\$45,058,843 thousand and NT\$34,475,079 thousand, respectively, including write-down of inventory of NT\$4,859 thousand and reversal of inventory write-down of NT\$304,435 thousand, respectively.

## 11. PREPAYMENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Input tax	\$ 312,282	\$ 104,098
Tax overpaid retained for offsetting future tax payable	102,533	-
Prepayments for purchases	24,036	41,340
Others	<u>4,277</u>	<u>5,523</u>
	<u>\$ 443,128</u>	<u>\$ 150,961</u>

## 12. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Pledged time deposits (Note 31)	\$ 700,000	\$ 300,000
Pledged demand deposits (Note 31)	300,000	-
One-year time deposits	<u>2,800</u>	<u>1,700</u>
	<u>\$ 1,002,800</u>	<u>\$ 301,700</u>

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Material associate		
Transglory Investment Corp. (TIC)	\$ 3,829,875	\$ 2,669,716
Associates that are not individually material	<u>212,903</u>	<u>-</u>
	<u>\$ 4,042,778</u>	<u>\$ 2,669,716</u>

a. Material associate

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			December 31 2021	December 31 2020
TIC	General investment	Taiwan	40.91	40.91

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2021 and 2020 was based on the audited financial statements for the same years.

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

TIC

	December 31	
	2021	2020
Current assets	\$ 1,052	\$ 2,470
Non-current assets	9,470,285	6,598,420
Current liabilities	<u>(110,059)</u>	<u>(75,063)</u>
Equity	<u>\$ 9,361,278</u>	<u>\$ 6,525,827</u>
Proportion of the Group's ownership (%)	40.91	40.91
Equity attributable to the Group	<u>\$ 3,829,875</u>	<u>\$ 2,669,716</u>
Carrying amount	<u>\$ 3,829,875</u>	<u>\$ 2,669,716</u>
	For the Year Ended December 31	
	2021	2020
Operating revenue	<u>\$ 79,856</u>	<u>\$ 134,062</u>
Net profit for the year	\$ 69,510	\$ 120,233
Other comprehensive income	<u>2,874,151</u>	<u>230,522</u>
Total comprehensive income for the year	<u>\$ 2,943,661</u>	<u>\$ 350,755</u>
Comprehensive income attributable to the Group	<u>\$ 1,204,430</u>	<u>\$ 143,494</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
The Group's subsidiaries' share of		
Net profit for the year	\$ 3,448	\$ -
Other comprehensive income	<u>9,455</u>	<u>-</u>
 Total comprehensive income	 <u>\$ 12,903</u>	 <u>\$ -</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, 2021

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 3,988,983	\$ 5,001,703	\$ 22,862,804	\$ 4,483,434	\$ 1,291,199	\$ 125,357	\$ 37,753,480
Additions	-	10,378	210,281	57,033	166,262	(58,286)	385,668
Disposals	-	-	(6,257)	(9,908)	(126,691)	-	(142,856)
Balance at December 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 5,012,081</u>	<u>\$ 23,066,828</u>	<u>\$ 4,530,559</u>	<u>\$ 1,330,770</u>	<u>\$ 67,071</u>	<u>\$ 37,996,292</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 2,008,941	\$ 19,637,206	\$ 4,050,064	\$ 894,626	\$ -	\$ 26,590,837
Depreciation expense	-	132,758	346,556	98,414	159,634	-	737,362
Disposals	-	-	(6,257)	(9,908)	(126,691)	-	(142,856)
Impairment loss	-	-	646,025	-	-	-	646,025
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 2,141,699</u>	<u>\$ 20,623,530</u>	<u>\$ 4,138,570</u>	<u>\$ 927,569</u>	<u>\$ -</u>	<u>\$ 27,831,368</u>
Carrying amount at December 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 2,870,382</u>	<u>\$ 2,443,298</u>	<u>\$ 391,989</u>	<u>\$ 403,201</u>	<u>\$ 67,071</u>	<u>\$ 10,164,924</u>

##### For the year ended December 31, 2020

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

Depreciation of the rollers is calculated based on their level of wear; depreciation of other assets is recognized based on the following useful lives:

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

The Corporation bought farmlands for warehouse at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Group from registering the title of these farmlands in the Corporation's name; thus, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in changing the land title in the future and pledged the land to the Corporation as collateral. As of December 31, 2021 and 2020, the carrying amount of those remaining farmlands recognized as land were both NT\$55,433 thousand.

The continuous cold rolling line, continuous pickling galvanizing line, quenching and tempering rolling line and rolling work roll of the Corporation's acid plating plant are evaluated to have no future recoverable amount by the management. An impairment loss of NT\$576,317 thousand was recognized under operating costs for the year ended December 31, 2020.

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

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 55,852	\$ 68,233
Transportation equipment	<u>7,068</u>	<u>10,097</u>
	<u>\$ 62,920</u>	<u>\$ 78,330</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 69</u>	<u>\$ 22,143</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Depreciation charge for right-of-use assets		
Land	\$ 12,450	\$ 12,446
Transportation equipment	<u>3,029</u>	<u>3,029</u>
	<u>\$ 15,479</u>	<u>\$ 15,475</u>

(Concluded)

Except for the addition and recognition of depreciation expenses listed above, the Group's right-of-use assets did not undergo significant sub-lease and impairment for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	<u>\$ 15,408</u>	<u>\$ 15,230</u>
Non-current	<u>\$ 48,519</u>	<u>\$ 63,898</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land (%)	0.65-1.31	0.85-1.31
Transportation equipment (%)	0.76	0.76

c. Material lease activities and terms

The Corporation leases several pieces of land to store steel products, with the lease terms of 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.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 12,728</u>	<u>\$ 21,525</u>
Expenses relating to low-value asset leases	<u>\$ 1,353</u>	<u>\$ 1,890</u>
Total cash outflow for leases	<u>\$ (30,167)</u>	<u>\$ (39,533)</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, 2021

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

For the year ended December 31, 2020

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

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, 2021 and 2020 were NT\$83,446 thousand and NT\$81,889 thousand, respectively, and were included in other income. As of December 31, 2021 and 2020, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

As of December 31, 2021 and 2020, notes receivable and advance rental were as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes receivable	\$ 51,598	\$ 50,587
Less: Advance rental	<u>51,598</u>	<u>50,587</u>
	<u>\$ -</u>	<u>\$ -</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
1st year	\$ 94,793	\$ 87,569
2nd year	86,618	84,956
3rd year	88,232	86,618
4th year	89,996	88,232
5th year	91,796	89,996
Later than 5 years	<u>453,028</u>	<u>544,824</u>
	<u>\$ 904,463</u>	<u>\$ 982,195</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 November 2019 and December 2021 by real estate appraiser and on the basis of information at the Ministry of the Interior's real estate transaction database website. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, and land development analysis approach. The important assumptions and fair value were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value	<u>\$ 13,667,266</u>	<u>\$ 9,996,358</u>
Expense rate (%)	27.52	25.14
Depreciation rate (%)	1.90-2.57	1.90-2.57

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

## 17. BORROWINGS

### a. Short-term borrowings and bank overdrafts

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured loans	\$ 2,700,000	\$ 200,000
Bank overdrafts (Note 31)	666,391	154,630
Letters of credit	<u>1,195,861</u>	<u>50,000</u>
	<u>\$ 4,562,252</u>	<u>\$ 404,630</u>
Interest rate (%)	0.21-0.75	0.32-0.75

b. Short-term bills payable

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term bills payable	\$ 1,000,000	\$ 3,600,000
	<u>359</u>	<u>423</u>
Less: Unamortized discounts	<u>\$ 999,641</u>	<u>\$ 3,599,577</u>
Interest rate (%)	0.56	0.35-0.36

As of December 31, 2021 and 2020, all short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Credit bank loans		
Due on various dates through December 2024	<u>\$ 1,200,000</u>	<u>\$ 2,000,000</u>
Interest rate (%)	0.79	0.75-0.92

d. Long-term bills payable

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Long-term bills payable	\$ 240,000	\$ 1,110,000
Less: Unamortized discount	<u>208</u>	<u>326</u>
	<u>\$ 239,792</u>	<u>\$ 1,109,674</u>
Interest rate (%)	0.62	0.73-0.91

Long-term bills payables have revolving credit lines within the payment terms according to the contracts, and need to be utilized to some extent. As of December 31, 2021 and 2020, all long-term bills payables were non-guarantee commercial paper.

**18. BONDS PAYABLE**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>3,826</u>	<u>4,961</u>
	<u>\$ 2,996,174</u>	<u>\$ 2,995,039</u>

The major terms of unsecured domestic bonds are as follow:

<b>Issuer</b>	<b>Issuance Period</b>	<b>Total Amount</b>	<b>Coupon Rate (%)</b>	<b>Repayment and Interest Payment</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Accounts payable</u>		
Operating - non-related parties	<u>\$ 1,360,732</u>	<u>\$ 27,500</u>
Operating - related parties	<u>\$ 469,577</u>	<u>\$ 313,224</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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Salaries and incentive bonus	\$ 487,058	\$ 289,532
Compensation of employees and remuneration and transportation allowances of directors	372,347	36,469
Export fees	57,829	26,007
Utilities	55,505	59,229
Outsourced repair and construction	32,317	34,572
Freight	31,401	27,497
Processing fee	8,935	23,367
Others	<u>130,312</u>	<u>83,591</u>
	<u>\$ 1,175,704</u>	<u>\$ 580,264</u>

## 21. PROVISIONS - CURRENT

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Onerous contracts	<u>\$ 206,850</u>	<u>\$ -</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at beginning of the year	\$ -	\$ -
Recognized	<u>206,850</u>	<u>-</u>
Balance at end of the year	<u>\$ 206,850</u>	<u>\$ -</u>

The provision for onerous contracts represents the present value of the future payments that the Group was presently obligated to make under non-cancellable onerous purchase contracts, less revenue expected to be earned on the contracts.

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 1,601,663	\$ 1,475,529
Fair value of plan assets	<u>(1,213,886)</u>	<u>(1,161,812)</u>
Net defined benefit liabilities	<u>\$ 387,777</u>	<u>\$ 313,717</u>

Movements of net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	<u>\$ 1,475,529</u>	<u>\$ (1,161,812)</u>	<u>\$ 313,717</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Service cost			
Current service cost	\$ 18,626	\$ -	\$ 18,626
Interest expense (income)	<u>7,372</u>	<u>(6,001)</u>	<u>1,371</u>
Recognized in profit or loss	<u>25,998</u>	<u>(6,001)</u>	<u>19,997</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(14,600)	(14,600)
Actuarial loss - changes in demographic assumptions	33,010	-	33,010
Actuarial loss - changes in financial assumptions	52,523	-	52,523
Actuarial loss - experience adjustments	<u>86,284</u>	<u>-</u>	<u>86,284</u>
Recognized in other comprehensive income	<u>171,817</u>	<u>(14,600)</u>	<u>157,217</u>
Contributions from the employer	<u>-</u>	<u>(95,550)</u>	<u>(95,550)</u>
Benefits paid	<u>(71,681)</u>	<u>64,077</u>	<u>(7,604)</u>
Balance at December 31, 2021	<u>\$ 1,601,663</u>	<u>\$ (1,213,886)</u>	<u>\$ 387,777</u>
Balance at January 1, 2020	<u>\$ 1,475,725</u>	<u>\$ (1,101,865)</u>	<u>\$ 373,860</u>
Service cost			
Current service cost	20,114	-	20,114
Interest expense (income)	<u>10,971</u>	<u>(8,473)</u>	<u>2,498</u>
Recognized in profit or loss	<u>31,085</u>	<u>(8,473)</u>	<u>22,612</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(35,652)	(35,652)
Actuarial loss - changes in demographic assumptions	2,834	-	2,834
Actuarial loss - changes in financial assumptions	34,948	-	34,948
Actuarial gain - experience adjustments	<u>(14,508)</u>	<u>-</u>	<u>(14,508)</u>
Recognized in other comprehensive income	<u>23,274</u>	<u>(35,652)</u>	<u>(12,378)</u>
Contributions from the employer	<u>-</u>	<u>(67,584)</u>	<u>(67,584)</u>
Benefits paid	<u>(54,555)</u>	<u>51,762</u>	<u>(2,793)</u>
Balance at December 31, 2020	<u>\$ 1,475,529</u>	<u>\$ (1,161,812)</u>	<u>\$ 313,717</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 16,845	\$ 19,066
Operating expenses	<u>3,152</u>	<u>3,546</u>
	<u>\$ 19,997</u>	<u>\$ 22,612</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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate (%)	0.5	0.5
Expected rate of salary increase (%)	2.5	2.125
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	<u>\$ (36,735)</u>	<u>\$ (34,960)</u>
0.25% decrease	<u>\$ 37,995</u>	<u>\$ 36,197</u>

(Continued)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Expected rate of salary increase		
0.25% increase	<u>\$ 36,597</u>	<u>\$ 34,984</u>
0.25% decrease	<u>\$ (35,578)</u>	<u>\$ (33,972)</u>
		(Concluded)

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	<u>\$ 139,466</u>	<u>\$ 79,110</u>
The average duration of the defined benefit obligation	9.4 years	9.7 years

## 23. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
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.

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

The Corporation is in a mature steel industry. Thus, dividends will be appropriated in cash or in 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 2020 and 2019 were approved by the shareholders in the shareholders' meeting in August 2021 and June 2020, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share (NT\$)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 54,064	\$ 118		
Special reserve (reversal)	(123,739)	51,971		
Cash dividends	430,663	-	\$ 0.3	\$ -

The appropriations of earnings for 2021 were proposed by the Corporation's board of directors on February, 2022 as follows:

	<b>Appropriations of Earnings</b>	<b>Dividend Per Share (NT\$)</b>
Legal reserve	\$ 620,174	
Reversal of special reserve	(425,839)	
Cash dividends	4,019,524	\$ 2.8

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held in June 2022.

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at beginning of the year	\$ -	\$ -
Recognized during the year		
Share from associates accounted for using the equity method	(142)	-
Balance at end of the year	<u>\$ (142)</u>	<u>\$ -</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Balance at beginning of the year	\$ (425,839)	\$ (549,578)
Recognized during the period		
Unrealized gains and losses - equity instruments	380,295	29,432
Share from associates accounted for using the equity method	<u>1,185,440</u>	<u>94,307</u>
Other comprehensive income recognized in the year	<u>1,565,735</u>	<u>123,739</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(8,543)</u>	<u>-</u>
Balance at end of the year	<u>\$ 1,131,353</u>	<u>\$ (425,839)</u>

## 24. OPERATING REVENUE

- a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Accounts receivable	<u>\$ 977,933</u>	<u>\$ 947,325</u>	<u>\$ 511,750</u>
Contract liabilities - current			
Sale of goods	<u>\$ 95,155</u>	<u>\$ 57,283</u>	<u>\$ 285,052</u>

- b. Disaggregation of revenue

For the year ended December 31, 2021

	<b>Reportable Segments</b>		
	<b>Chung Hung</b>	<b>Others</b>	<b>Total</b>
<u>Type of goods or services</u>			
Sale of goods	\$ 53,019,056	\$ -	\$ 53,019,056
Rendering of services	624,450	10,497	634,947
Others	<u>89,708</u>	<u>301</u>	<u>90,009</u>
	<u>\$ 53,733,214</u>	<u>\$ 10,798</u>	<u>\$ 53,744,012</u>

For the year ended December 31, 2020

	<b>Reportable Segments</b>		
	<b>Chung Hung</b>	<b>Others</b>	<b>Total</b>
<u>Type of goods or services</u>			
Sale of goods	\$ 36,406,042	\$ -	\$ 36,406,042
Rendering of services	324,620	134	324,754
Others	<u>58,856</u>	<u>502</u>	<u>59,358</u>
	<u>\$ 36,789,518</u>	<u>\$ 636</u>	<u>\$ 36,790,154</u>

## 25. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income	\$ 86,876	\$ 85,229
Grant income	24,207	94,705
Dividend income	10,383	31,821
Indemnity income	-	4,108
Others	<u>9,877</u>	<u>8,768</u>
	<u>\$ 131,343</u>	<u>\$ 224,631</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain on financial assets at fair value through profit or loss	\$ 318,331	\$ 78,903
Net foreign exchange gain (loss)	64,415	(51,578)
Service charge	(7,554)	(11,796)
Loss on disposal of property, plant and equipment	-	(9,371)
Other losses	<u>(4,254)</u>	<u>(4,670)</u>
	<u>\$ 370,938</u>	<u>\$ 1,488</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gain	\$ 128,405	\$ 42,675
Foreign exchange loss	<u>(63,990)</u>	<u>(94,253)</u>
Net exchange gain (loss)	<u>\$ 64,415</u>	<u>\$ (51,578)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank overdrafts and loans	\$ 45,534	\$ 73,637
Interest on loans from related parties (Note 30)	-	12,990
Interest on lease liabilities	<u>854</u>	<u>1,044</u>
Total interest expense financial liabilities measured at amortized cost	46,388	87,671
Less: Amounts included in the cost of qualifying assets	<u>673</u>	<u>1,452</u>
	<u>\$ 45,715</u>	<u>\$ 86,219</u>

Information about capitalized interest was as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Capitalized amounts	\$ 673	\$ 1,452
Capitalized annual rates (%)	0.56-0.72	0.62-0.83
 d. Depreciation		
	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 737,362	\$ 1,145,883
Investment properties	888	888
Right-of-use assets	<u>15,479</u>	<u>15,475</u>
	<u>\$ 753,729</u>	<u>\$ 1,162,246</u>
 Analysis of depreciation by function		
Operating costs	\$ 745,529	\$ 1,089,347
Operating expenses	7,312	72,011
Deduction of other income	<u>888</u>	<u>888</u>
	<u>\$ 753,729</u>	<u>\$ 1,162,246</u>
 e. Operating expenses directly related to investment properties		
	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Direct operating expenses of investment properties that generated rental income	\$ 11,401	\$ 11,387
Direct operating expenses of investment properties that did not generate rental income	<u>7,265</u>	<u>7,265</u>
	<u>\$ 18,666</u>	<u>\$ 18,652</u>
 f. Employee benefits		
	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits		
Salaries	\$ 1,850,603	\$ 1,065,802
Labor and health insurance	98,075	86,243
Others	<u>214,994</u>	<u>123,232</u>
	<u>2,163,672</u>	<u>1,275,277</u>
 Post-employment benefits		
Defined contribution plans	26,275	25,930
Defined benefit plans (Note 22)	<u>19,997</u>	<u>22,612</u>
	<u>46,272</u>	<u>48,542</u>
	<u>\$ 2,209,944</u>	<u>\$ 1,323,819</u>

(Continued)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Analysis of employee benefits expense by function		
Operating costs	\$ 1,785,946	\$ 1,093,410
Operating expenses	<u>423,998</u>	<u>230,409</u>
	<u>\$ 2,209,944</u>	<u>\$ 1,323,819</u>
		(Concluded)

g. Compensation of employees and remuneration of directors

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

The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors in February 2022 and February 2021, respectively, were as follows:

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	\$ 307,804	\$ 29,897
Remuneration of directors	61,561	5,638

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees (%)	4.17	5.30
Remuneration of directors (%)	0.83	1.00

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

## 26. INCOME TAX

### a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 658,128	\$ 5
In respect of the prior years	<u>4,537</u>	<u>-</u>
	<u>\$ 662,665</u>	<u>\$ 5</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	<u>\$ 7,013,076</u>	<u>\$ 528,265</u>
Income tax expense at the statutory rate	\$ 1,402,615	\$ 105,653
Permanent differences		
Profit on investments under equity method	(6,407)	(9,837)
Others	(64,575)	(34,427)
Unrecognized deductible temporary differences	121,919	31,128
Loss carryforwards	(795,424)	(92,389)
Investment deduction	-	(123)
In respect of the prior years	<u>4,537</u>	<u>-</u>
	<u>\$ 662,665</u>	<u>\$ 5</u>

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

### c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 514</u>
Current tax liabilities		
Income tax payable	<u>\$ 654,769</u>	<u>\$ 5</u>

d. Deferred tax liabilities

For the year ended December 31, 2021

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

For the year ended December 31, 2020

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

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards		
2022 maturity	\$ -	\$ 995,450
2023 maturity	-	187,880
2025 maturity	-	2,655,245
2029 maturity	-	106,994
	<u>\$ -</u>	<u>\$ 3,945,569</u>
Investment credits (tax)		
Investment cost	<u>\$ -</u>	<u>\$ 93</u>
Deductible temporary differences		
Impairment loss on assets	\$ 1,024,967	\$ 563,483
Net defined benefit liabilities	387,777	313,717
Amortization of deferred credits	344,401	399,479
Purchase contract loss	206,850	-
Sales discount payable	200,042	144,862
Provision for inventory loss	128,663	123,804
Others	<u>122,891</u>	<u>103,533</u>
	<u>\$ 2,415,591</u>	<u>\$ 1,648,878</u>

f. Income tax assessments

The Group's income tax returns through 2019 have been assessed by the tax authorities.

## 27. EARNINGS PER SHARE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share	<u>\$ 4.42</u>	<u>\$ 0.37</u>
Diluted earnings per share	<u>\$ 4.40</u>	<u>\$ 0.37</u>

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

### Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Attributable to owners of the Corporation	<u>\$ 6,350,411</u>	<u>\$ 528,260</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares in computation of basic earnings per share	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:		
Compensation of employees	<u>7,737</u>	<u>1,898</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>1,443,281</u>	<u>1,437,442</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.

## 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, 2021</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,205,902	\$ -	\$ -	\$ 1,205,902
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>62,040</u>	<u>62,040</u>
	<u>\$ 1,205,902</u>	<u>\$ -</u>	<u>\$ 62,040</u>	<u>\$ 1,267,942</u>
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Emerging market shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,410</u>	<u>\$ 242,410</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 844,302	\$ -	\$ -	\$ 844,302
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>43,345</u>	<u>43,345</u>
	<u>\$ 844,302</u>	<u>\$ -</u>	<u>\$ 43,345</u>	<u>\$ 887,647</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

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, 2021</u>			
Balance at beginning of the year	\$ 242,410	\$ 43,345	\$ 285,755
Total profit or loss			
Recognized in profit or loss	318,331	-	318,331
Recognized in other comprehensive income	-	18,695	18,695
Disposal	<u>(560,741)</u>	<u>-</u>	<u>(560,741)</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 62,040</u>	<u>\$ 62,040</u>
<u>For the year ended December 31, 2020</u>			
Balance at beginning of the year	\$ 181,351	\$ 44,843	\$ 226,194
Total profit or loss			
Recognized in profit or loss	78,903	-	78,903
Recognized in other comprehensive income	-	436	436

(Continued)

	<b>Financial Assets at FVTPL - Equity Instruments</b>	<b>Financial Assets at FVTOCI - Equity Instruments</b>	<b>Total</b>
Disposal	\$ (17,844)	\$ -	\$ (17,844)
Capital reduction refunded	<u>-</u>	<u>(1,934)</u>	<u>(1,934)</u>
Balance at end of the year	<u>\$ 242,410</u>	<u>\$ 43,345</u>	<u>\$ 285,755</u>
Unrealized gains and losses recognized in other profit or loss	<u>\$ 75,482</u>	<u>\$ -</u>	<u>\$ 75,482</u> (Concluded)

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

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

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ -	\$ 242,410
Measured at amortized cost (see 1 below)	2,725,019	1,588,611
Financial assets at fair value through other comprehensive income		
Equity instruments	1,267,942	887,647
<u>Financial liabilities</u>		
Measured at amortized cost (see 2 below)	13,303,919	11,218,664

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

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable, long-term borrowings, 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. Exchange rate exposures were managed within approved policy parameters utilizing the same currency for accounts receivable and payable to alleviate foreign currency risk and risk to manage futures.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 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 of 1% decrease in NTD against USD.

	<b>USD Impact (Note)</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	\$ (11,834)	\$ 5,290

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

b) Interest rate risk

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

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value interest rate risk		
Financial liabilities	\$ 3,060,101	\$ 3,074,167
Cash flow interest rate risk		
Financial assets	1,431,290	567,017
Financial liabilities	1,439,792	3,109,674

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, 2021 and 2020 would have been lower/higher by NT\$21 thousand and NT\$6,357 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, 2021 and 2020 would both have been lower by NT\$34,113 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the balance sheet date, the Group's maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group made transactions only with the parties with good credit. The goods were delivered after the cash or L/C was received, and the Group did not provide financial guarantee to any company. Accounts receivable were due to time differences of L/C negotiation and there were no bad debt in the recent years; therefore, the credit risk is very low.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of December 31, 2021, the unutilized credit facility of the Group was NT\$445 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2021</u>				
Short-term borrowings	\$ 4,584,062	\$ -	\$ -	\$ 4,584,062
Short-term bills payable	1,000,000	-	-	1,000,000
Accounts payable (including related parties)	1,830,309	-	-	1,830,309
Other payables	1,175,704	-	-	1,175,704
Refund liabilities	265,047	-	-	265,047
Lease liabilities	16,086	35,783	14,364	66,233
Bonds payable	22,100	3,066,300	-	3,088,400
Long-term bank borrowings	9,480	1,215,258	-	1,224,738
Long-term bills payable	-	240,000	-	240,000
Guarantee deposits received	-	-	<u>35,000</u>	<u>35,000</u>
	<u>\$ 8,902,788</u>	<u>\$ 4,557,341</u>	<u>\$ 49,364</u>	<u>\$ 13,509,493</u>
<u>December 31, 2020</u>				
Short-term borrowings	\$ 406,794	\$ -	\$ -	\$ 406,794
Short-term bills payable	3,600,000	-	-	3,600,000
Accounts payable (including related parties)	340,724	-	-	340,724
Other payables	580,264	-	-	580,264
Refund liabilities	153,756	-	-	153,756
Lease liabilities	16,086	45,564	20,646	82,296
Bonds payable	22,100	3,088,400	-	3,110,500
Long-term bank borrowings	16,500	2,034,430	-	2,050,930
Long-term bills payable	-	1,110,000	-	1,110,000
Guarantee deposits received	-	-	<u>35,000</u>	<u>35,000</u>
	<u>\$ 5,136,224</u>	<u>\$ 6,278,394</u>	<u>\$ 55,646</u>	<u>\$ 11,470,264</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

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

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

<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	Fellow subsidiary
China Ecotek Corporation	Fellow subsidiary

(Continued)

<u>Company</u>	<u>Relationship</u>
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 Management Consulting Corp.	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
Yu Cheng Lime Corporation	Fellow subsidiary
Wabo Global Trading Corporation	Fellow subsidiary
CSC Solar Corporation	Fellow subsidiary
Kaohsiung Rapid Transit Corporation	Fellow subsidiary
Sing Da Marine Structure	Fellow subsidiary
CSGT Japan Co., Ltd.	Fellow subsidiary
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiary
CSE Transport Corporation	Fellow subsidiary
CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary
Pacific Harbour Stevedoring Corporation	Other related party

(Concluded)

b. Sale of goods

Account Items	Related Party Type /Name	<u>For the Year Ended December 31</u>	
		2021	2020
Sales	Fellow subsidiaries related to others	\$ 2,289,212	\$ 1,392,519
	Parent entity	<u>1,399</u>	<u>7,918</u>
		<u>\$ 2,290,611</u>	<u>\$ 1,400,437</u>
Service Revenue	Parent entity	\$ 575,034	\$ 319,145
	Fellow subsidiaries related to others	38,137	18
		<u>\$ 613,171</u>	<u>\$ 319,163</u>

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

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity and fellow subsidiaries related to others in which the Corporation has to do certain processing work and charged based on the formula stated in the agreements. The Corporation bills the parent entity within one month after approval of delivery.

The Corporation entered into an agreement with fellow subsidiaries related to others under which the Corporation sells waste acid and the price is charged based on the formula stated in the agreement. The Corporation bills the fellow subsidiaries related to others within a month after acceptance by T/T based on the monthly amount of processing.

Account Items	Related Party Type /Name	For the Year Ended December 31	
		2021	2020
Other operating revenue	Fellow subsidiaries related to others		
	DSC	\$ 62,930	\$ 44,103
	HMC	14,448	9,179
	Others	<u>103</u>	<u>-</u>
		<u>\$ 77,481</u>	<u>\$ 53,282</u>

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

c. Purchase of goods

Related Party Type/Name	For the Year Ended December 31	
	2021	2020
Parent entity	<u>\$ 8,085,884</u>	<u>\$ 17,341,242</u>
Fellow subsidiaries related to others		
DSC	16,347,526	9,479,326
CSGT	6,402,704	510,299
Others	<u>70,111</u>	<u>69,056</u>
	<u>22,820,341</u>	<u>10,058,681</u>
	<u>\$ 30,906,225</u>	<u>\$ 27,399,923</u>

The purchases were mainly slabs and hot rolling coils. Purchase from related parties were made under normal term in 2021. The purchase price and payment terms were incomparable in 2020 because the Corporation were not purchased from non-related parties

d. Accounts receivable from related parties

Account Items	Related Party Type /Name	December 31	
		2021	2020
Accounts receivable from related parties	Parent entity	<u>\$ 33,745</u>	<u>\$ 52,905</u>
	Fellow subsidiaries related to others		
	CSSB	-	53,331
	Others	<u>13,610</u>	<u>11,002</u>
		<u>13,610</u>	<u>64,333</u>
		<u>\$ 47,355</u>	<u>\$ 117,238</u>
Other receivable from related parties	Parent entity	<u>\$ 180,658</u>	<u>\$ 1,035</u>

(Continued)

Account Items	Related Party Type /Name	December 31	
		2021	2020
	Fellow subsidiaries related to others		
	CHC	\$ 40,803	\$ 25,389
	Others	<u>-</u>	<u>248</u>
		<u>40,803</u>	<u>25,637</u>
		<u>\$ 221,461</u>	<u>\$ 26,672</u>
			(Concluded)

No guarantees have been received for accounts receivable and other receivable from related parties. No expenses have been recognized for the years ended December 31, 2021 and 2020 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

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

Account Items	Related Party Type /Name	December 31	
		2021	2020
Accounts payable	Parent entity	\$ 463,370	\$ 267,429
	Fellow subsidiaries related to others	1,554	41,816
	Other related parties	<u>4,653</u>	<u>3,979</u>
		<u>\$ 469,577</u>	<u>\$ 313,224</u>
Other payable	Parent entity	\$ 64,317	\$ 7,459
	Fellow subsidiaries related to others	16,737	9,187
	Other related parties	<u>3,807</u>	<u>3,023</u>
		<u>\$ 84,861</u>	<u>\$ 19,669</u>

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

f. Loans from related parties

The Corporation borrowed from the parent company because of the need for short-term financing. The interest rate of the loan was based on average daily short-term interest the parent entity financed for the same currency from financial institutions in the last 30 days and adjusted monthly. The amount has been fully paid as of December 31, 2020.

Related interest expense was NT\$12,990 thousand for the year ended December 31, 2020.

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\$67,640 thousand and NT\$86,665 thousand in 2021 and 2020, respectively. As of December 31, 2021 and 2020, authorization fees payable (included in payables to related parties) were NT\$13,104 thousand and NT\$15,697 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, 2021 and 2020 were NT\$3,995 thousand and NT\$4,011 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, 2021 and 2020 were both NT\$5,310 thousand.

3) Construction in progress and other expenditures

Other expenditures include import and export transportation fees, export agency fees, rent expenses, remuneration and transportation allowances of directors.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
a) Other expenditures		
Parent entity	\$ 190,696	\$ 77,248
Fellow subsidiaries related to others	162,401	78,467
Other related parties	<u>136,611</u>	<u>133,514</u>
	<u>\$ 489,708</u>	<u>\$ 289,229</u>
b) Capital expenditure		
Parent entity	\$ _____	\$ 7,600
Fellow subsidiaries related to others		
ICSC	38,021	103,487
Others	<u>-</u>	<u>1,383</u>
	<u>38,021</u>	<u>104,870</u>
	<u>\$ 38,021</u>	<u>\$ 112,470</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Fellow subsidiaries related to others		
CHC	\$ 479,895	\$ 269,902
Others	<u>3,018</u>	<u>16,094</u>
	<u>\$ 482,913</u>	<u>\$ 285,996</u>

h. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 108,073	\$ 43,149
Post-employment benefits	<u>1,410</u>	<u>2,179</u>
	<u>\$ 109,483</u>	<u>\$ 45,328</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):

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits (included in other financial assets - current)	\$ 700,000	\$ 300,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>-</u>
	<u>\$ 1,000,000</u>	<u>\$ 300,000</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, 2021 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$5,147,158 thousand.
- b. The Group had signed agreements to buy equipment for NT\$320,067 thousand, of which NT\$133,850 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credits for NT\$144,129 thousand guaranteed by financial institutions for several constructions, purchase agreements and import and export goods. Guarantee notes for NT\$33,074,575 thousand were provided to bank for credit line and purchases of raw material from CSC.

**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:

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
<u>December 31, 2021</u>				
Monetary financial assets				
USD	\$ 27,573	27.68	(USD:NTD)	\$ 763,213
Monetary financial liabilities				
USD	70,327	27.68	(USD:NTD)	1,946,640
<u>December 31, 2020</u>				
Monetary financial assets				
USD	19,476	28.48	(USD:NTD)	554,666
Monetary financial liabilities				
USD	901	28.48	(USD:NTD)	25,659

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gain or loss were gain of NT\$64,415 thousand and loss of NT\$51,578 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 (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 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 (None)
- 10) Intercompany relationships and significant intercompany transactions (None)

11) Information on investees (Table 5)

c. Information on investments in mainland China (None)

d. Major shareholder 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.

	<b>The Corporation</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
For the year ended December 31, 2021				
Revenue from external customers	<u>\$ 53,733,214</u>	<u>\$ 10,798</u>	<u>\$ -</u>	<u>\$ 53,744,012</u>
Segment profit	\$ 6,514,174	\$ 9,356	\$ 120	\$ 6,523,650
Interest revenue	803	22	-	825
Other income	131,463	-	(120)	131,343
Other gains and losses	370,938	-	-	370,938
Finance costs	(45,715)	-	-	(45,715)
Share of profit of associates	<u>39,589</u>	<u>-</u>	<u>(7,554)</u>	<u>32,035</u>
Profit before income tax	7,011,252	9,378	(7,554)	7,013,076
Income tax	<u>660,841</u>	<u>1,824</u>	<u>-</u>	<u>662,665</u>
Net profit for the year	<u>\$ 6,350,411</u>	<u>\$ 7,554</u>	<u>\$ (7,554)</u>	<u>\$ 6,350,411</u>
Identifiable assets	\$ 33,387,142	\$ 49,414	\$ -	\$ 33,436,556
Investments accounted for using equity method	<u>4,089,098</u>	<u>-</u>	<u>(46,320)</u>	<u>4,042,778</u>
Total assets	<u>\$ 37,476,240</u>	<u>\$ 49,414</u>	<u>\$ (46,320)</u>	<u>\$ 37,479,334</u>
Total liabilities	<u>\$ 14,914,842</u>	<u>\$ 3,094</u>	<u>\$ -</u>	<u>\$ 14,917,936</u>

(Continued)

	<b>The Corporation</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
For the year ended December 31, 2020				
Revenue from external customers	<u>\$ 36,789,518</u>	<u>\$ 636</u>	<u>\$ -</u>	<u>\$ 36,790,154</u>
Segment profit	\$ 337,801	\$ 291	\$ 120	\$ 338,212
Interest revenue	950	16	-	966
Other income	224,750	1	(120)	224,631
Other gains and losses	1,488	-	-	1,488
Finance costs	(86,219)	-	-	(86,219)
Share of profit of associates	<u>49,490</u>	<u>-</u>	<u>(303)</u>	<u>49,187</u>
Profit before income tax	528,260	308	(303)	528,265
Income tax	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Net profit for the year	<u>\$ 528,260</u>	<u>\$ 303</u>	<u>\$ (303)</u>	<u>\$ 528,260</u>
Identifiable assets	\$ 24,401,858	\$ 28,483	\$ -	\$ 24,430,341
Investments accounted for using equity method	<u>2,698,045</u>	<u>-</u>	<u>(28,329)</u>	<u>2,669,716</u>
Total assets	<u>\$ 27,099,903</u>	<u>\$ 28,483</u>	<u>\$ (28,329)</u>	<u>\$ 27,100,057</u>
Total liabilities	<u>\$ 11,866,629</u>	<u>\$ 154</u>	<u>\$ -</u>	<u>\$ 11,866,783</u> (Concluded)

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, finance costs and income tax expense (benefit). This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products and services

Revenue from major products and services of the Group were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sales		
Hot Rolled Steel	\$ 41,674,879	\$ 27,872,766
Cold Rolled Steel	7,405,276	4,973,327
Galvanized Steel	2,633,639	2,306,539
Steel Pipe	1,305,262	1,253,410
Service revenue	634,947	324,754
Investments revenue	301	502
Other operating revenue	<u>89,708</u>	<u>58,856</u>
	<u>\$ 53,744,012</u>	<u>\$ 36,790,154</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.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Taiwan	\$ 40,014,883	\$ 23,178,212	\$ 16,280,431	\$ 17,319,817
Asia	9,217,278	11,890,832	-	-
America	901,657	828,813	-	-
Europe	2,684,624	289,214	-	-
Others	<u>925,570</u>	<u>603,083</u>	<u>-</u>	<u>-</u>
	<u>\$ 53,744,012</u>	<u>\$ 36,790,154</u>	<u>\$ 16,280,431</u>	<u>\$ 17,319,817</u>

Non-current assets excluded those classified as financial instruments, investments accounted for using equity method and refundable deposits.

d. Information about major customers

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sales revenue		
A Company	\$ 7,752,757	\$ 3,474,689
B Company	6,807,648	4,005,402
C Company	<u>6,635,545</u>	<u>4,765,887</u>
	<u>\$ 21,195,950</u>	<u>\$ 12,245,978</u>

## CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares Shouh Hwang Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss - current	730,000	\$ -	15	\$ -	Note 1
	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	33,109,239	\$ 1,170,412	-	\$ 1,170,412	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	958,333	\$ 55,114	2	\$ 55,114	2021.11.30 net value
	Riselink Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income - non-current	3,948	391	3	391	2021.11.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - non-current	250,000	6,535	5	6,535	2021.10.31 net value
					\$ 62,040		\$ 62,040	
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	\$ 35,490	-	\$ 35,490	

Note 1: The impairment loss has been recognized that resulted in zero carrying amount, and the entity was dissolved on January 3, 2022.

**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Type of Marketable Securities	Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
						Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain on Disposal	Shares/Units	Amount
Chung Hung Steel Corporation	Ordinary shares	Yieh United Steel Corp.	Financial assets at fair value through profit of loss - current	-	-	36,728,800	\$ 242,410	-	\$ -	36,728,800	\$ 560,741	\$ 242,410	\$ 318,331	-	\$ -

**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, 2021  
(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	\$ 8,085,884	17	Letter of credit at sight/Payment after final acceptance	\$ -	NO SIGNIFICANT DIFFERENCE	\$ (463,370)	(25)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	16,347,526	34	Letter of credit at sight	-	NO SIGNIFICANT DIFFERENCE	-	-	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	6,402,704	13	Letter of credit at sight/T/T within 7 business days after lading date (not included)	-	NO SIGNIFICANT DIFFERENCE	-	-	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(2,211,117)	(4)	T/T within 7 business days after lading date (not included)	-	NO SIGNIFICANT DIFFERENCE	-	-	
	China Steel Corporation	Parent company	Service revenue	(564,537)	(1)	T/T as the end of the month of after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	33,745	3	

**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, 2021  
(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	\$ 170,204	(Note 1)	\$ -	-	\$ -	\$ -

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, 2021**

(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, 2021	December 31, 2020						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 46,320	\$ 7,554	\$ 7,554	Subsidiaries (Note)
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	306,824,279	40.91	3,829,875	69,510	28,587	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	-	20,000,000	16.67	212,903	20,687	3,448	Associates

Note: Amount was eliminated in the consolidated financial statements.

**TABLE 6****CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDER INFORMATION  
DECEMBER 31, 2021**

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

Note 1: The main shareholder information in this table is based on the last business day at the end of the quarter, and the shareholders hold more than 5% of the company's ordinary shares that have completed unregistered delivery. 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.