

**Chung Hung Steel Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

Chung Hung Steel Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Chung Hung Steel Corporation (the Corporation) and its subsidiaries as of March 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months 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). 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Corporation and its subsidiaries as of March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC.

The engagement partners on the reviews resulting in this independent auditor's review report are Yu-Hsiang Liu and Jia-Ling Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 5, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021	
	(Reviewed)		(Audited)		(Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 622,161	2	\$ 508,123	1	\$ 482,037	2
Financial assets at fair value through profit or loss - current (Note 7)	-	-	-	-	160,093	1
Financial assets at fair value through other comprehensive income - current (Note 8)	1,289,605	3	1,170,412	3	857,529	3
Accounts receivable (Notes 9 and 24)	910,420	2	930,578	2	970,377	3
Accounts receivable from related parties (Notes 9, 24 and 30)	184,431	-	47,355	-	146,313	1
Other receivables (Note 9)	194,155	1	9,051	-	8,380	-
Other receivables from related parties (Notes 9 and 30)	180,905	-	221,461	1	53,266	-
Current tax assets	-	-	-	-	514	-
Inventories (Note 10)	12,476,396	33	12,717,439	34	4,976,459	18
Prepayments (Note 11)	323,444	1	443,128	1	143,937	-
Other financial assets - current (Notes 12 and 31)	1,002,800	3	1,002,800	3	302,800	1
Other current assets	49	-	2,597	-	142	-
Total current assets	<u>17,184,366</u>	<u>45</u>	<u>17,052,944</u>	<u>45</u>	<u>8,101,847</u>	<u>29</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Note 8)	108,305	-	97,530	-	75,572	-
Investments accounted for using equity method (Note 13)	4,441,690	12	4,042,778	11	2,998,665	11
Property, plant and equipment (Notes 14 and 32)	10,071,467	27	10,164,924	28	11,133,675	39
Right-of-use assets (Note 15)	59,164	-	62,920	-	74,467	-
Investment properties (Note 16)	5,982,075	16	5,982,297	16	5,982,963	21
Deferred tax assets	24,028	-	-	-	-	-
Prepayments for equipment (Note 32)	90,226	-	70,290	-	32,753	-
Refundable deposits	5,651	-	5,651	-	5,918	-
Total noncurrent assets	<u>20,782,606</u>	<u>55</u>	<u>20,426,390</u>	<u>55</u>	<u>20,304,013</u>	<u>71</u>
TOTAL	<u>\$ 37,966,972</u>	<u>100</u>	<u>\$ 37,479,334</u>	<u>100</u>	<u>\$ 28,405,860</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 17 and 31)	\$ 3,838,092	10	\$ 4,562,252	12	\$ 679,001	2
Short-term bills payable (Note 17)	-	-	999,641	3	1,999,805	7
Contract liabilities - current (Note 24)	277,160	1	95,155	-	147,945	1
Accounts payable (Note 19)	653,689	2	1,360,732	3	945,534	3
Accounts payable to related parties (Notes 19 and 30)	1,374,606	3	469,577	1	353,445	1
Other payables (Notes 20 and 30)	951,033	3	1,175,704	3	587,723	3
Current tax liabilities	681,059	2	654,769	2	138	-
Provisions - current (Note 21)	-	-	206,850	1	-	-
Lease liabilities - current (Note 15)	14,913	-	15,408	-	15,274	-
Refund liabilities	236,301	1	265,047	1	134,872	-
Other current liabilities	21,777	-	23,317	-	27,416	-
Total current liabilities	<u>8,048,630</u>	<u>22</u>	<u>9,828,452</u>	<u>26</u>	<u>4,891,153</u>	<u>17</u>
NONCURRENT LIABILITIES						
Bonds payable (Note 18)	2,996,458	8	2,996,174	8	2,995,323	11
Long-term borrowings (Note 17)	1,200,000	3	1,200,000	3	1,700,000	6
Long-term bills payable (Note 17)	1,499,550	4	239,792	1	1,139,299	4
Deferred tax liabilities	183,145	-	182,222	1	182,222	1
Lease liabilities - noncurrent (Note 15)	45,291	-	48,519	-	60,075	-
Net defined benefit liabilities (Note 4)	366,820	1	387,777	1	294,010	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-	35,000	-
Total noncurrent liabilities	<u>6,326,264</u>	<u>16</u>	<u>5,089,484</u>	<u>14</u>	<u>6,405,929</u>	<u>23</u>
Total liabilities	<u>14,374,894</u>	<u>38</u>	<u>14,917,936</u>	<u>40</u>	<u>11,297,082</u>	<u>40</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)						
Ordinary shares	14,355,444	38	14,355,444	38	14,355,444	51
Capital surplus	903	-	903	-	903	-
Retained earnings						
Legal reserve	144,632	-	144,632	-	90,568	-
Special reserve	425,839	1	425,839	1	549,578	2
Unappropriated earnings	7,008,250	19	6,503,369	18	2,363,709	8
Total retained earnings	<u>7,578,721</u>	<u>20</u>	<u>7,073,840</u>	<u>19</u>	<u>3,003,855</u>	<u>10</u>
Other equity	1,657,010	4	1,131,211	3	(251,424)	(1)
Total equity	<u>23,592,078</u>	<u>62</u>	<u>22,561,398</u>	<u>60</u>	<u>17,108,778</u>	<u>60</u>
TOTAL	<u>\$ 37,966,972</u>	<u>100</u>	<u>\$ 37,479,334</u>	<u>100</u>	<u>\$ 28,405,860</u>	<u>100</u>

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 30)				
Sales	\$ 12,246,110	99	\$ 10,656,836	98
Service revenue	141,323	1	154,684	2
Other operating revenue	22,790	-	19,002	-
Total operating revenue	<u>12,410,223</u>	<u>100</u>	<u>10,830,522</u>	<u>100</u>
OPERATING COSTS (Notes 10, 25 and 30)	<u>11,785,547</u>	<u>95</u>	<u>8,882,388</u>	<u>82</u>
GROSS PROFIT	<u>624,676</u>	<u>5</u>	<u>1,948,134</u>	<u>18</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	104,380	1	122,692	1
General and administrative expenses	68,521	-	89,993	1
Total operating expenses	<u>172,901</u>	<u>1</u>	<u>212,685</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>451,775</u>	<u>4</u>	<u>1,735,449</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	254	-	36	-
Other income	37,367	-	27,346	-
Other gains and losses	29,649	-	(50,012)	-
Finance costs	(14,050)	-	(11,585)	-
Share of the profit (loss) of associates	91	-	(1,083)	-
Total non-operating income and expenses	<u>53,311</u>	<u>-</u>	<u>(35,298)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	505,086	4	1,700,151	16
INCOME TAX (Notes 4 and 26)	<u>3,195</u>	<u>-</u>	<u>133</u>	<u>-</u>
NET PROFIT FOR THE PERIOD	<u>501,891</u>	<u>4</u>	<u>1,700,018</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	129,968	1	45,454	-
Share of the other comprehensive income of associates	398,682	3	130,032	1
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of associates	139	-	-	-
	<u>528,789</u>	<u>4</u>	<u>175,486</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,030,680</u>	<u>8</u>	<u>\$ 1,875,504</u>	<u>17</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 501,891</u>	<u>4</u>	<u>\$ 1,700,018</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 1,030,680</u>	<u>8</u>	<u>\$ 1,875,504</u>	<u>17</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 0.35</u>		<u>\$ 1.18</u>	
Diluted	<u>\$ 0.35</u>		<u>\$ 1.18</u>	

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Unappropriated Earnings	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Exchange Differences on Translating Foreign Operations		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ 22,561,398	
Net profit for the three months ended March 31, 2022	-	-	-	-	501,891	-	-	501,891	
Other comprehensive income for the three months ended March 31, 2022, net of income tax	-	-	-	-	(7)	139	528,657	528,789	
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	501,884	139	528,657	1,030,680	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,997	-	(2,997)	-	
BALANCE AT MARCH 31, 2022	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 7,008,250	\$ (3)	\$ 1,657,013	\$ 23,592,078	
BALANCE AT JANUARY 1, 2021	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 662,620	\$ -	\$ (425,839)	\$ 15,233,274	
Net profit for the three months ended March 31, 2021	-	-	-	-	1,700,018	-	-	1,700,018	
Other comprehensive income for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	175,486	175,486	
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	1,700,018	-	175,486	1,875,504	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	1,071	-	(1,071)	-	
BALANCE AT MARCH 31, 2021	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 2,363,709	\$ -	\$ (251,424)	\$ 17,108,778	

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)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 505,086	\$ 1,700,151
Adjustments for:		
Depreciation expense	183,851	189,048
Net loss on financial assets and liabilities at fair value through profit or loss	-	55,381
Finance costs	14,050	11,585
Interest income	(254)	(36)
Share of the profit of associates	(91)	1,083
Reversal of inventories	(39,768)	(23,459)
Reversal of provisions	(206,850)	-
Others	284	284
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	26,936
Accounts receivable	20,158	(140,290)
Accounts receivable from related parties	(137,076)	(29,075)
Other receivables	(185,040)	10,941
Other receivables from related parties	40,556	(26,594)
Inventories	280,811	(716,580)
Prepayments	119,684	7,024
Other current assets	2,548	3,819
Contract liabilities	182,005	90,662
Accounts payable	(707,043)	918,034
Accounts payable to related parties	905,029	40,221
Other payables	(228,132)	(4,728)
Other current liabilities	(1,540)	11,652
Net defined benefit liabilities	(20,957)	(19,707)
Refund liabilities	(28,746)	(18,884)
Cash generated from operations	<u>698,565</u>	<u>2,087,468</u>
Income taxes paid	(10)	-
Net cash generated from operating activities	<u>698,555</u>	<u>2,087,468</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	-	(200,000)
Acquisition of property, plant and equipment	(94,280)	(70,297)
Decrease in refundable deposits	-	302
Increase in other financial assets	-	(1,100)
Interest received	<u>190</u>	<u>36</u>
Net cash used in investing activities	<u>(94,090)</u>	<u>(271,059)</u>

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 27,367,429	\$ 16,372,977
Repayments of short-term borrowings	(28,091,589)	(16,098,606)
Proceeds from short-term bills payable	2,100,359	400,228
Repayments of short-term bills payable	(3,100,000)	(2,000,000)
Proceeds from long-term borrowings	-	300,000
Repayments of long-term borrowings	-	(600,000)
Proceeds from long-term bills payable	1,499,758	239,625
Repayments of long-term bills payable	(240,000)	(210,000)
Repayments of principal of lease liabilities	(3,835)	(3,779)
Interest paid	(22,549)	(22,190)
Net cash used in financing activities	(490,427)	(1,621,745)
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,038	194,664
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>508,123</u>	<u>287,373</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 622,161</u>	<u>\$ 482,037</u> (Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 March 31, 2022, and 2021, China Steel Corporation ("CSC"), the Corporation's parent and major shareholder (40.58%), controls the Corporation's management and operations.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation's board of directors and authorized for issue on May 5, 2022.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
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

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

a. 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 IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual financial statements.

b. 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). 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 (%)		
			March 31, 2022	December 31, 2021	March 31, 2021
Chung Hung Steel Corporation Ltd.	Hung Kao Investment Corporation	General investment	100	100	100

c. Other significant accounting policies

Except for the following, refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially

determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 640	\$ 640	\$ 640
Checking accounts and demand deposits	192,146	507,483	481,397
Cash equivalents (time deposits with original maturities of less than 3 months)	<u>429,375</u>	<u>-</u>	<u>-</u>
	<u>\$ 622,161</u>	<u>\$ 508,123</u>	<u>\$ 482,037</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets mandatorily classified at FVTPL</u>			
Emerging market shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,093</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Domestic Listed shares	<u>\$ 1,289,605</u>	<u>\$ 1,170,412</u>	<u>\$ 857,529</u>
<u>Non-current</u>			
Domestic listed shares	\$ 39,105	\$ 35,490	\$ 26,003
Domestic unlisted shares	<u>69,200</u>	<u>62,040</u>	<u>49,569</u>
	<u>\$ 108,305</u>	<u>\$ 97,530</u>	<u>\$ 75,572</u>

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Accounts receivable</u>			
Accounts receivable – non-related parties	\$ 910,420	\$ 930,578	\$ 970,377
Accounts receivable – related parties	\$ 184,431	\$ 47,355	\$ 146,313
	March 31, 2022	December 31, 2021	March 31, 2021
<u>Other receivables (including related parties)</u>			
Income tax refund receivable	\$ 180,058	\$ -	\$ -
Receivables from price settlement	105,120	170,204	14,855
Receivables from disposal of scrap	77,439	49,662	44,861
Others	12,443	10,646	1,930
	<u>\$ 375,060</u>	<u>\$ 230,512</u>	<u>\$ 61,646</u>

a. Accounts receivable

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.

March 31, 2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 1,094,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,094,851
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-
Amortized cost	<u>\$ 1,094,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,094,851</u>

December 31, 2021

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

March 31, 2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 1,116,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,116,690
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,116,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,116,690</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
A company	\$ 121,105	\$ 121,226	\$ 21,554
B company	59,974	44,206	170,642
C company	56,601	108,898	98,952
D company	52,829	169,772	82,733
E company	<u>-</u>	<u>244,817</u>	<u>110,587</u>
	<u>\$ 290,509</u>	<u>\$ 688,919</u>	<u>\$ 484,468</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 three months ended March 31, 2022 and 2021 were as follows:

Buyer of Accounts Receivable	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected	Advances Received at Period - End	Interest Rates on Advances Received (%)	Credit Line
<u>For the Three Months Ended March 31, 2022</u>						
Mega Bank	\$ 453,536	\$ 429,804	\$ 295,437	\$ 587,903	1.04	NT\$841.2 million
Bank of Taiwan	46,016	78,535	29,810	94,741	1.04	NT\$200 million
Bank of Taiwan	22,479	11,818	-	34,297	1.60	USD20 million
	<u>\$ 522,031</u>	<u>\$ 520,157</u>	<u>\$ 325,247</u>	<u>\$ 716,941</u>		
<u>For the Three Months Ended March 31, 2021</u>						
Mega Bank	\$ 601,245	\$ 242,645	\$ 265,367	\$ 578,523	1.03	NT\$817 million
Bank of Taiwan	67,274	54,635	48,612	73,297	1.03	NT\$200 million
Bank of Taiwan	14,577	2,270	14,577	2,270	1.49	USD20 million
	<u>\$ 683,096</u>	<u>\$ 299,550</u>	<u>\$ 328,556</u>	<u>\$ 654,090</u>		

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 March 31, 2022, December 31, 2021 and March 31, 2021, there was no allowance for doubtful accounts.

10. INVENTORIES

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 5,282,768	\$ 6,207,596	\$ 1,686,494
Supplies	327,925	309,073	376,289
Work in progress	1,248,287	730,616	698,055
Finished goods	4,539,838	4,262,064	1,949,197
Others	7,594	6,418	6,171
Raw materials and supplies in transit	<u>1,069,984</u>	<u>1,201,672</u>	<u>260,253</u>
	<u>\$ 12,476,396</u>	<u>\$ 12,717,439</u>	<u>\$ 4,976,459</u>

The cost of inventories recognized as operating costs for the three months ended March 31, 2022 and 2021 was NT\$11,669,482 thousand and NT\$8,773,101 thousand, respectively, including reversal of loss of NT\$39,768 thousand and NT\$23,459 thousand, respectively. Reversal of inventory was mainly due to the increase in steel prices.

11. PREPAYMENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Tax overpaid retained for offsetting future tax payable	\$ 147,665	\$ 102,533	\$ -
Input tax	129,462	312,282	91,149
Prepayments for purchases	37,275	24,036	44,305
Others	<u>9,042</u>	<u>4,277</u>	<u>8,483</u>
	<u>\$ 323,444</u>	<u>\$ 443,128</u>	<u>\$ 143,937</u>

12. OTHER FINANCIAL ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Pledged time deposits (Note 31)	\$ 700,000	\$ 700,000	\$ 300,000
Pledged demand deposits (Note 31)	300,000	300,000	-
One-year time deposits	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>
	<u>\$ 1,002,800</u>	<u>\$ 1,002,800</u>	<u>\$ 302,800</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2022	December 31, 2021	March 31, 2021
Material associates			
Transglory Investment Corp. (TIC)	\$ 4,228,159	\$ 3,829,875	\$ 2,796,130
Associates that are not individually material	<u>213,531</u>	<u>212,903</u>	<u>202,535</u>
	<u>\$ 4,441,690</u>	<u>\$ 4,042,778</u>	<u>\$ 2,998,665</u>

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)		
			March 31, 2022	December 31, 2021	March 31, 2021
TIC	General investment	Taiwan	40.91	40.91	40.91

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

	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 884	\$ 1,052	\$ 2,905
Noncurrent assets	10,445,987	9,470,285	6,909,938
Current liabilities	(112,076)	(110,059)	(78,012)
Equity	<u>\$ 10,334,795</u>	<u>\$ 9,361,278</u>	<u>\$ 6,834,831</u>
Proportion of the Group's ownership (%)	40.91	40.91	40.91
Equity attributable to the Group	<u>\$ 4,228,159</u>	<u>\$ 3,829,875</u>	<u>\$ 2,796,130</u>
Carrying amount	<u>\$ 4,228,159</u>	<u>\$ 3,829,875</u>	<u>\$ 2,796,130</u>

	For the Three Months Ended March 31	
	2022	2021
Operating revenue	<u>\$ -</u>	<u>\$ -</u>
Net loss for the period	(\$ 2,550)	(\$ 2,877)
Other comprehensive income	<u>976,068</u>	<u>311,882</u>
Total comprehensive income for the period	<u>\$ 973,518</u>	<u>\$ 309,005</u>
Comprehensive income attributable to the Group	<u>\$ 398,284</u>	<u>\$ 126,414</u>

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

	For the Three Months Ended March 31	
	2022	2021
The Group's subsidiaries' share of		
Net profit for the period	\$ 1,134	\$ 93
Other comprehensive income	(506)	1,370
Total comprehensive income	\$ 628	\$ 1,463

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 4 "Information on Investments" for the nature of main business, principle of business and countries of incorporation of associates that are not individually material.

14. PROPERTY, PLANT AND EQUIPMENT

For the Three Months Ended March 31, 2022

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 3,988,983	\$ 5,012,081	\$ 23,066,828	\$ 4,530,559	\$ 1,330,770	\$ 67,071	\$ 37,996,292
Additions	17,398	-	59,989	8,695	19,985	(19,763)	86,304
Disposals	-	-	-	(7,105)	(81,939)	-	(89,044)
Balance at March 31, 2022	<u>\$ 4,006,381</u>	<u>\$ 5,012,081</u>	<u>\$ 23,126,817</u>	<u>\$ 4,532,149</u>	<u>\$ 1,268,816</u>	<u>\$ 47,308</u>	<u>\$ 37,993,552</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 2,141,699	\$ 19,554,344	\$ 4,138,570	\$ 774,413	\$ -	\$ 26,609,026
Depreciation expense	-	33,338	82,011	25,280	39,132	-	179,761
Disposals	-	-	-	(7,105)	(81,939)	-	(89,044)
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 2,175,037</u>	<u>\$ 19,636,355</u>	<u>\$ 4,156,745</u>	<u>\$ 731,606</u>	<u>\$ -</u>	<u>\$ 26,699,743</u>
<u>Accumulated impairment</u>							
Balance at January 1 and March 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at December 31, 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>
Carrying amount at March 31, 2022	<u>\$ 4,006,381</u>	<u>\$ 2,837,044</u>	<u>\$ 2,421,276</u>	<u>\$ 375,404</u>	<u>\$ 384,054</u>	<u>\$ 47,308</u>	<u>\$ 10,071,467</u>

For the Three Months Ended March 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	-	1	196,250	7,108	48,472	(95,836)	155,995
Disposals	-	-	-	(9,838)	(2,234)	-	(12,072)
Balance at March 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 5,001,704</u>	<u>\$ 23,059,054</u>	<u>\$ 4,480,704</u>	<u>\$ 1,337,437</u>	<u>\$ 29,521</u>	<u>\$ 37,897,403</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 2,008,941	\$ 19,214,045	\$ 4,050,064	\$ 741,470	\$ -	\$ 26,014,520
Depreciation expense	-	32,892	87,324	24,199	40,548	-	184,963
Disposals	-	-	-	(9,838)	(2,234)	-	(12,072)
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 2,041,833</u>	<u>\$ 19,301,369</u>	<u>\$ 4,064,425</u>	<u>\$ 779,784</u>	<u>\$ -</u>	<u>\$ 26,187,411</u>
<u>Accumulated impairment</u>							
Balance at January 1 and March 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,161</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 576,317</u>
Carrying amount at March 31, 2021	<u>\$ 3,988,983</u>	<u>\$ 2,959,871</u>	<u>\$ 3,334,524</u>	<u>\$ 416,279</u>	<u>\$ 404,497</u>	<u>\$ 29,521</u>	<u>\$ 11,133,675</u>

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

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

The Corporation bought farmlands for warehouse at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the Corporation's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in freely changing the land title to the Corporation or to other name under the Corporation's instructions. Meanwhile, the land had been pledged to the Corporation as collateral. As of March 31, 2022, December 31, 2021 and March 31, 2021, the book value of the farmlands was all NT\$55,433 thousand and recorded as land.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

Carrying amounts	March 31, 2022	December 31, 2021	March 31, 2021
Land	\$ 52,853	\$ 55,852	\$ 65,127
Transportation equipment	<u>6,311</u>	<u>7,068</u>	<u>9,340</u>
	<u>\$ 59,164</u>	<u>\$ 62,920</u>	<u>\$ 74,467</u>
		For the Three Months Ended March 31	
		2022	2021
Additions to right-of-use assets		<u>\$ 112</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets			
Land		\$ 3,111	\$ 3,106
Transportation equipment		<u>757</u>	<u>757</u>
		<u>\$ 3,868</u>	<u>\$ 3,863</u>

Except for the addition and recognition of depreciation expenses listed above, the Group's right-of-use assets did not undergo significant sub-lease and impairment for the three months ended March 31, 2022 and 2021.

b. Lease liabilities

Carrying amounts	March 31, 2022	December 31, 2021	March 31, 2021
Current	\$ 14,913	\$ 15,408	\$ 15,274
Non-current	\$ 45,291	\$ 48,519	\$ 60,075

Range of discount rate for lease liabilities was as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Land(%)	0.65-1.31	0.65-1.31	0.85-1.31
Transportation equipment(%)	0.76	0.76	0.76

c. Material lease activities and terms

The Corporation leases several pieces of land to store steel products, with the lease terms of 3 to 10 years. The Corporation does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

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

	For the Three Months Ended March 31	
	2022	2021
Expenses relating to short-term leases	\$ 3,102	\$ 2,631
Expenses relating to low-value assets leases	\$ 328	\$ 361
Total cash outflow for leases	(\$ 7,451)	(\$ 7,001)

For transportation equipment which qualify as short-term leases and other equipment which qualify 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 three months ended March 31, 2022

	Land	Buildings	Total
Cost			
Balance at January 1 and March 31, 2022	\$ 5,959,074	\$ 41,067	\$ 6,000,141

(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 17,844	\$ 17,844
Depreciation expense	<u>-</u>	<u>222</u>	<u>222</u>
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 18,066</u>	<u>\$ 18,066</u>
Carrying amount at December 31, 2021	<u>\$ 5,959,074</u>	<u>\$ 23,223</u>	<u>\$ 5,982,297</u>
Carrying amount at March 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 23,001</u>	<u>\$ 5,982,075</u> (Concluded)

For the three months ended March 31, 2021

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and March 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>222</u>	<u>222</u>
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ 17,178</u>	<u>\$ 17,178</u>
Carrying amount at March 31, 2021	<u>\$ 5,959,074</u>	<u>\$ 23,889</u>	<u>\$ 5,982,963</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 three months ended March 31, 2022 and 2021 were NT\$21,129 thousand and NT\$20,716 thousand, respectively, and were included in other income. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Corporation received guarantee from the lessee were all NT\$35,000 thousand base on the lease contract.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable received	\$ 29,485	\$ 51,598	\$ 28,907
Less: Advance rental	<u>29,485</u>	<u>51,598</u>	<u>28,907</u>
Carrying amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Year 1	\$ 92,045	\$ 94,793	\$ 90,247
Year 2	87,009	86,618	85,379
Year 3	88,670	88,232	87,009
Year 4	90,443	89,996	88,670
Year 5	92,252	91,796	90,443
Later than 5 years	<u>429,775</u>	<u>453,028</u>	<u>522,027</u>
	<u>\$ 880,194</u>	<u>\$ 904,463</u>	<u>\$ 963,775</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:

	March 31, 2022	December 31, 2021	March 31, 2021
Fair value	<u>\$ 13,667,266</u>	<u>\$ 13,667,266</u>	<u>\$ 9,996,358</u>
Expense rate (%)	27.52	27.52	25.14
Depreciation rate (%)	1.90-2.57	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

	March 31, 2022	December 31, 2021	March 31, 2021
Letters of credit	\$ 1,064,638	\$ 1,195,861	\$ 304,657
Bank overdrafts (Note 31)	873,454	666,391	274,344
Unsecured loans	<u>1,900,000</u>	<u>2,700,000</u>	<u>100,000</u>
	<u>\$ 3,838,092</u>	<u>\$ 4,562,252</u>	<u>\$ 679,001</u>
Interest rate (%)	0.27-0.98	0.21-0.75	0.32-0.75

b. Short-term bills payable

	March 31, 2022	December 31, 2021	March 31, 2021
Short-term bills payable	\$ -	\$ 1,000,000	\$ 2,000,000
Less: Unamortized discounts	<u>-</u>	<u>359</u>	<u>195</u>
	<u>\$ -</u>	<u>\$ 999,641</u>	<u>\$ 1,999,805</u>
Interest rate (%)	-	0.56	0.30-0.31

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

c. Long-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Credit bank loans			
Due on various dates through December 2024	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,700,000</u>
Interest rate (%)	0.79	0.79	0.75-0.93

d. Long-term bills payable

	March 31, 2022	December 31, 2021	March 31, 2021
Long-term bills payable	\$ 1,500,000	\$ 240,000	\$ 1,140,000
Less: Unamortized discount	<u>450</u>	<u>208</u>	<u>701</u>
	<u>\$ 1,499,550</u>	<u>\$ 239,792</u>	<u>\$ 1,139,299</u>
Interest rate (%)	0.64-0.71	0.62	0.62-0.73

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

18. BONDS PAYABLE

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>3,542</u>	<u>3,826</u>	<u>4,677</u>
	<u>\$ 2,996,458</u>	<u>\$ 2,996,174</u>	<u>\$ 2,995,323</u>

The major terms of unsecured domestic bonds are as follows:

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

19. ACCOUNTS PAYABLE

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Accounts payable</u>			
Operating – non-related parties	<u>\$ 653,689</u>	<u>\$ 1,360,732</u>	<u>\$ 945,534</u>
Operating - related parties	<u>\$ 1,374,606</u>	<u>\$ 469,577</u>	<u>\$ 353,445</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

	March 31, 2022	December 31, 2021	March 31, 2021
Compensation of employees and remuneration and transportation allowances of directors	\$ 398,475	\$ 372,347	\$ 131,159
Salaries and incentive bonus	161,765	487,058	166,256
Export fees	87,933	57,829	31,996
Utilities	69,380	55,505	61,407
Outsourced repair and construction	41,027	32,317	32,492
Freight	32,383	31,401	34,209
Processing fee	14,607	8,935	22,566
Others	<u>145,463</u>	<u>130,312</u>	<u>107,638</u>
	<u>\$ 951,033</u>	<u>\$ 1,175,704</u>	<u>\$ 587,723</u>

21. PROVISIONS - CURRENT

	March 31, 2022	December 31, 2021	March 31, 2021
Onerous contracts	<u>\$ -</u>	<u>\$ 206,850</u>	<u>\$ -</u>

	For the Three Months Ended March 31	
	2022	2021
Balance at beginning of the period	\$ 206,850	\$ -
Reversal	<u>(206,850)</u>	<u>-</u>
Balance at end of the period	<u>\$ -</u>	<u>\$ -</u>

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

22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020, and the amounts were NT\$5,058 thousand and NT\$4,999 thousand for the three months ended March 31, 2022 and 2021, respectively.

23. EQUITY

a. Ordinary shares

	March 31, 2022	December 31, 2021	March 31, 2021
Numbers of shares authorized (in thousands)	<u>2,043,160</u>	<u>2,043,160</u>	<u>2,043,160</u>
Shares authorized	<u>\$ 20,431,600</u>	<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>	<u>1,435,544</u>
Shares issued	<u>\$ 14,355,444</u>	<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

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

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

Such capital surplus may be used only to offset deficits.

c. Retained earnings and dividend policy

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

In June 2020, the shareholders 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 2021 and 2020 were approved by the shareholders in the shareholders' meeting in February 2022 and August 2021, respectively. The appropriations and dividends per share were as follows:

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

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

d. Exchange differences on translating foreign operations

	For the Three Months Ended March 31	
	2022	2021
Balance at beginning of the period	\$ (142)	\$ -
Recognized during the period		
Share from associates accounted for using the equity method	<u>139</u>	<u>-</u>
Balance at end of the period	<u>\$ (3)</u>	<u>\$ -</u>

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

	For the Three Months Ended March 31	
	2022	2021
Balance at beginning of the period	<u>\$ 1,131,353</u>	<u>(\$ 425,839)</u>
Recognized during the period		
Unrealized gains and losses - equity instruments	129,968	45,454
Share from associates accounted for using the equity method	<u>398,689</u>	<u>130,032</u>
	<u>528,657</u>	<u>175,486</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(2,997)</u>	<u>(1,071)</u>
Balance at end of the period	<u>\$ 1,657,013</u>	<u>(\$ 251,424)</u>

24. OPERATING REVENUES

- a. Contract balances

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Accounts receivable	<u>\$ 1,094,851</u>	<u>\$ 977,933</u>	<u>\$ 1,116,690</u>	<u>\$ 947,325</u>
Contract liabilities				
Sale of goods	<u>\$ 277,160</u>	<u>\$ 95,155</u>	<u>\$ 147,945</u>	<u>\$ 57,283</u>

- b. Disaggregation of revenue

For the Three Months Ended March 31, 2022

<u>Type of goods or services</u>	Reportable segments		
	Chung Hung	Others	Total
Sale of goods	\$ 12,246,110	\$ -	\$ 12,246,110
Rendering of services	140,140	1,183	141,323
Others	<u>22,790</u>	<u>-</u>	<u>22,790</u>
	<u>\$ 12,409,040</u>	<u>\$ 1,183</u>	<u>\$ 12,410,223</u>

For the Three Months Ended March 31, 2021

<u>Type of goods or services</u>	Reportable segments		
	Chung Hung	Others	Total
Sale of goods	\$ 10,656,836	\$ -	\$ 10,656,836
Rendering of services	153,648	1,036	154,684
Others	<u>19,002</u>	<u>-</u>	<u>19,002</u>
	<u>\$ 10,829,486</u>	<u>\$ 1,036</u>	<u>\$ 10,830,522</u>

25. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Three Months Ended March 31	
	2022	2021
Rental income	\$ 22,375	\$ 21,522
Grants income	-	1,476
Others	<u>14,992</u>	<u>4,348</u>
	<u>\$ 37,367</u>	<u>\$ 27,346</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2022	2021
Net foreign exchange gain	\$ 32,141	\$ 9,043
Loss arising from financial assets at fair value through profit or loss	-	(55,381)
Fees	(1,762)	(3,105)
Others	<u>(730)</u>	<u>(569)</u>
	<u>\$ 29,649</u>	<u>(\$ 50,012)</u>

The components of net foreign exchange gain were as follows:

	For the Three Months Ended March 31	
	2022	2021
Foreign exchange gain	\$ 57,110	\$ 16,160
Foreign exchange loss	<u>(24,969)</u>	<u>(7,117)</u>
Net exchange gain	<u>\$ 32,141</u>	<u>\$ 9,043</u>

c. Finance costs

	For the Three Months Ended March 31	
	2022	2021
Interest on bank overdrafts and loans	\$ 14,116	\$ 11,632
Interest on lease liabilities	<u>186</u>	<u>230</u>
Total interest expense financial liabilities measured at amortized cost	14,302	11,862
Less: Amounts included in the cost of qualifying assets	<u>252</u>	<u>277</u>
	<u>\$ 14,050</u>	<u>\$ 11,585</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2022	2021
Capitalized amounts	\$ 252	\$ 277
Capitalized annual rates (%)	0.59-0.64	0.59-0.64
d. Depreciation		
	For the Three Months Ended March 31	
	2022	2021
Property, plant and equipment	\$ 179,761	\$ 184,963
Investment properties	222	222
Right-of-use assets	<u>3,868</u>	<u>3,863</u>
	<u>\$ 183,851</u>	<u>\$ 189,048</u>
Analysis of depreciation by function		
Operating costs	\$ 181,709	\$ 187,031
Operating expenses	1,920	1,795
Deduction of other income	<u>222</u>	<u>222</u>
	<u>\$ 183,851</u>	<u>\$ 189,048</u>
e. Operating expenses directly related to investment properties		
	For the Three Months Ended March 31	
	2022	2021
Direct operating expenses of investment properties that generated rental income	\$ 2,871	\$ 2,869
Direct operating expenses of investment properties that did not generate rental income	<u>1,816</u>	<u>1,816</u>
	<u>\$ 4,687</u>	<u>\$ 4,685</u>
f. Employee benefits		
	For the Three Months Ended March 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 309,771	\$ 420,039
Labor and health insurance	27,871	23,805
Others	<u>54,729</u>	<u>43,966</u>
	<u>392,371</u>	<u>487,810</u>

(Continued)

	For the Three Months Ended March 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 6,710	\$ 6,427
Defined benefit plans (Note 22)	<u>5,058</u>	<u>4,999</u>
	<u>11,768</u>	<u>11,426</u>
	<u>\$ 404,139</u>	<u>\$ 499,236</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 334,190	\$ 402,791
Operating expenses	<u>69,949</u>	<u>96,445</u>
	<u>\$ 404,139</u>	<u>\$ 499,236</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 no less than 1‰ and no higher than 1%, respectively, of the pre-tax profit to deducting, compensation of employees, and remuneration of directors less any deficit.

For the three months ended March 31, 2022 and 2021, the compensation of employees and remuneration of directors were as follows:

	For the Three Months ended March 31	
	2022	2021
<u>Amount</u>		
Compensation of employees	\$ 22,707	\$ 78,665
Remuneration of directors	4,482	15,750
<u>Accrual rate</u>		
Compensation of employees (%)	4.27	4.38
Remuneration of directors (%)	0.84	0.88

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

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

(Continued)

For the Year Ended December 31

	2021	2020
Accrual rate		
Compensation of employees (%)	4.17	5.30
Remuneration of directors (%)	0.83	1.00
		(Concluded)

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 year ended December 31, 2021 and 2020.

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

26. INCOME TAX

- a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2022	2021
Current tax		
In respect of the current period	\$ 26,300	\$ 133
Deferred tax		
In respect of the current period	(23,105)	-
	<u>\$ 3,195</u>	<u>\$ 133</u>

- b. No income tax was recognized in equity or other comprehensive loss.
- c. Income tax assessments

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

27. EARNINGS PER SHARE

	For the Three Months Ended March 31	
	2022	2021
Basic earnings per share	<u>\$ 0.35</u>	<u>\$ 1.18</u>
Diluted earnings per share	<u>\$ 0.35</u>	<u>\$ 1.18</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 period

	For the Three Months Ended March 31	
	2022	2021
Attributable to owners of the Corporation	\$ <u>501,891</u>	\$ <u>1,700,018</u>

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

	For the Three Months Ended March 31	
	2022	2021
Weighted average number of ordinary shares in computation of basic earnings per share	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:		
Employees' compensation	<u>4,964</u>	<u>5,077</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>1,440,508</u>	<u>1,440,621</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>March 31, 2022</u>				
Financial assets at FVOCI				
Domestic listed shares	\$1,328,710	\$ -	\$ -	\$1,328,710
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>69,200</u>	<u>69,200</u>
	<u>\$1,328,710</u>	<u>\$ -</u>	<u>\$ 69,200</u>	<u>\$1,397,910</u>
<u>December 31, 2021</u>				
Financial assets at FVOCI				
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>March 31, 2021</u>				
Financial assets at fair value through profit or loss				
Emerging market shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,093</u>	<u>\$ 160,093</u>
Financial assets at FVOCI				
Domestic listed shares	\$ 883,532	\$ -	\$ -	\$ 883,532
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>49,569</u>	<u>49,569</u>
	<u>\$ 883,532</u>	<u>\$ -</u>	<u>\$ 49,569</u>	<u>\$ 933,101</u>

There was no transfer between Level 1 and Level 2 for the three months ended March 31, 2022 and 2021.

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

	Financial Assets at Fair Value Through Profit or Loss - Equity Instruments	Financial Assets at Fair Value Through Other Comprehensive Income - Equity Instruments	Total
<u>For the three months ended March 31, 2022</u>			
Balance, beginning of period	\$ -	\$ 62,040	\$ 62,040
Total profit or loss			
Recognized in other comprehensive income	<u>-</u>	<u>7,160</u>	<u>7,160</u>
Balance, end of period	<u>\$ -</u>	<u>\$ 69,200</u>	<u>\$ 69,200</u>

(Continued)

For the three months ended March 31, 2021	Financial Assets at Fair Value Through Profit or Loss - Equity Instruments	Financial Assets at Fair Value Through Other Comprehensive Income - Equity Instruments	Total
Balance, beginning of period	\$ 242,410	\$ 43,345	\$ 285,755
Total profit or loss			
Recognized in profit or loss	(55,381)	-	(55,381)
Recognized in other comprehensive income	-	6,224	6,224
Disposal	(26,936)	-	(26,936)
Balance, end of period	<u>\$ 160,093</u>	<u>\$ 49,569</u>	<u>\$ 209,662</u>
Unrealized gains and losses recognized in other profit or loss	(<u>\$ 59,286</u>)	<u>\$ -</u>	(<u>\$ 59,286</u>)

(Concluded)

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

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

c. Categories of financial instruments

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
Fair value through profit or loss			
Mandatorily at fair value through profit or loss	\$ -	\$ -	\$ 160,093
Measured at amortized cost (see 1 below)	2,920,465	2,725,019	1,969,091
Financial assets at fair value through other comprehensive income			
Equity instruments	1,397,910	1,267,942	933,101
<u>Financial liabilities</u>			
Measured at amortized cost (see 2 below)	12,784,729	13,303,919	10,570,002

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

	USD Impact (Note)	
	For the Three months ended	
	March 31	
	2022	2021
Profit before income tax	(\$ 124)	(\$ 876)

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

b) Interest rate risk

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
Fair value interest rate risk			
Financial liabilities	\$ 3,056,662	\$ 3,060,101	\$ 3,070,672
Cash flow interest rate risk			
Financial assets	1,168,894	1,431,290	772,965
Financial liabilities	2,699,550	1,439,792	2,839,299

If interest rates had been 0.25% higher/lower all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2022 and 2021 would have been lower/higher by NT\$957 thousand and NT\$1,291 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 three months ended March 31, 2022 and 2021 would have both been lower by NT\$34,113 thousand, respectively.

2) Credit risk

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

The Group made transactions only with the parties with good credit. The goods were delivered after the cash or L/C was received, and the Group did not provide financial guarantee to any company. Accounts receivable were due to time differences of L/C negotiation and there was 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 and cash equivalents 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 March 31, 2022, the unutilized credit facility of the Group was NT\$47.7 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

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

<u>March 31, 2022</u>	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Short-term borrowings	\$ 3,862,110	\$ -	\$ -	\$ 3,862,110
Accounts payable (including related parties)	2,028,295	-	-	2,028,295
Other payables	951,033	-	-	951,033
Refund liabilities	236,301	-	-	236,301
Lease liabilities	15,549	33,888	12,891	62,328
Bonds payables	22,100	3,050,700	-	3,072,800
Long-term bank borrowings	9,480	1,212,888	-	1,222,368
Long-term bills payable	-	1,500,000	-	1,500,000
Guarantee deposits received	-	-	<u>35,000</u>	<u>35,000</u>
	<u>\$ 7,124,868</u>	<u>\$ 5,797,476</u>	<u>\$ 47,891</u>	<u>\$ 12,970,235</u>
<u>December 31, 2021</u>				
Short-term borrowings	\$ 4,584,062	\$ -	\$ -	\$ 4,584,062
Short-term bills payable	1,000,000	-	-	1,000,000
Accounts payable (including related parties)	1,830,309	-	-	1,830,309
Other payables	1,175,704	-	-	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>

(Continued)

March 31, 2021	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Short-term borrowings	\$ 682,633	\$ -	\$ -	\$ 682,633
Short-term bills payable	2,000,000	-	-	2,000,000
Accounts payable (including related parties)	1,298,979	-	-	1,298,979
Other payables	587,723	-	-	587,723
Refund liabilities	134,872	-	-	134,872
Lease liabilities	16,086	43,073	19,127	78,286
Bonds payable	22,100	3,072,800	-	3,094,900
Long-term bank borrowings	13,770	1,724,830	-	1,738,600
Long-term bills payable	-	1,140,000	-	1,140,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 4,756,163</u>	<u>\$ 5,980,703</u>	<u>\$ 54,127</u>	<u>\$ 10,790,993</u>

(Concluded)

30. TRANSACTIONS WITH RELATED PARTIES

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

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

Company	Relationship
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow subsidiaries
CHC Resources Corporation (CHC)	Fellow subsidiaries
Info Champ Systems Corporation (ICSC)	Fellow subsidiaries
CSC Steel SDN. BHD. (CSSB)	Fellow subsidiaries
Himag Magnetic Corporation (HMC)	Fellow subsidiaries
China Steel Global Trading Corporation (CSGT)	Fellow subsidiaries
China Steel Machinery Corporation (CSMC)	Fellow subsidiaries
China Ecotek Corporation	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
China Steel Express Corporation	Fellow subsidiaries
China Steel Structure Co., Ltd	Fellow subsidiaries
Universal Exchange Inc.	Fellow subsidiaries
China Steel Chemical Corporation	Fellow subsidiaries
Wabo Global Trading Corporation	Fellow subsidiaries
CSC Solar Corporation	Fellow subsidiaries
Sing Da Marine Structure	Fellow subsidiaries
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiaries
CSE Transport Corporation	Fellow subsidiaries
Pro-Ascentek Investment Corporation	Associates
Pacific Harbour Stevedoring Corporation	Other related parties

b. Sale of goods

Account Items	Related Parties/Name Types	For the Three Months Ended March 31	
		2022	2021
Sales	Parent entity	\$ 190	\$ 574
	Fellow subsidiaries related to others		
	CSSB	579,030	603,768
	Others	6,871	18,552
		<u>585,901</u>	<u>622,320</u>
		<u>\$ 586,091</u>	<u>\$ 622,894</u>
Service Revenue	Parent entity	\$ 137,746	\$ 151,731

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 a month after acceptance by T/T.

Account Items	Related Parties/Name Types	For the Three Months Ended March 31	
		2022	2021
Other operating revenue	Parent entity	\$ 3,460	\$ -
	Fellow subsidiaries related to others		
	DSC	13,755	13,640
	HMC	3,917	3,445
		<u>17,672</u>	<u>17,085</u>
		<u>\$ 21,132</u>	<u>\$ 17,085</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 Parties/Name	For the Three Months Ended March 31	
	2022	2021
Parent entity	\$ 2,548,841	\$ 2,504,306
Fellow subsidiaries related to others		
DSC	3,671,323	2,762,737
CSGT	1,355,888	386,421
Others	22,377	20,056
	<u>5,049,588</u>	<u>3,169,214</u>
	<u>\$ 7,598,429</u>	<u>\$ 5,673,520</u>

Purchases from related parties, mainly slabs and hot rolling coil. Purchase from related parties were made under normal term for the three months ended March 31, 2022 and 2021.

d. Accounts receivable from related parties

Account Items	Related Parties Types/Name	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable from related parties	Parent entity	<u>\$ 66,135</u>	<u>\$ 33,745</u>	<u>\$ 47,405</u>
	Fellow subsidiaries related to others			
	CSSB	107,253	-	92,704
	Others	<u>11,043</u>	<u>13,610</u>	<u>6,204</u>
		<u>118,296</u>	<u>13,610</u>	<u>98,908</u>
		<u>\$ 184,431</u>	<u>\$ 47,355</u>	<u>\$ 146,313</u>
Other receivables from related parties	Parent entity	<u>\$ 116,755</u>	<u>\$ 180,658</u>	<u>\$ 16,041</u>
	Fellow subsidiaries related to others			
	CHC	63,780	40,803	36,852
	Others	<u>370</u>	<u>-</u>	<u>373</u>
		<u>64,150</u>	<u>40,803</u>	<u>37,225</u>
		<u>\$ 180,905</u>	<u>\$ 221,461</u>	<u>\$ 53,266</u>

No guarantee had been received for accounts receivable and other receivable from related parties. No expenses have been recognized for the three months ended March 31, 2022 and 2021 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

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

Account Items	Related Parties Types	March 31, 2022	December 31, 2021	March 31, 2021
Accounts payable	Parent entity	<u>\$ 802,292</u>	<u>\$ 463,370</u>	<u>\$ 344,064</u>
	Fellow subsidiaries related to others			
	CSGT	550,656	-	807
	Others	<u>18,802</u>	<u>1,554</u>	<u>1,575</u>
		<u>569,458</u>	<u>1,554</u>	<u>2,382</u>
	Other related parties	<u>2,856</u>	<u>4,653</u>	<u>6,999</u>
		<u>\$ 1,374,606</u>	<u>\$ 469,577</u>	<u>\$ 353,445</u>
Other payables	Parent entity	<u>\$ 67,303</u>	<u>\$ 64,317</u>	<u>\$ 23,249</u>
	Fellow subsidiaries related to others	26,918	16,737	33,950
	Other related parties	<u>5,015</u>	<u>3,807</u>	<u>1,683</u>
		<u>\$ 98,966</u>	<u>\$ 84,861</u>	<u>\$ 58,882</u>

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

f. Other transactions with related parties

1) Authorization fees

In May 2003, the parent company, Sumitomo Metal Industries, Ltd. (renamed to Nippon Steel Corporation in April, 2019) and Sumitomo Corporation entered into a joint venture agreement and established a holding company named East Asia United Steel Corporation (EAUS) in July 2003. The parent company will have 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\$14,439 thousand and NT\$17,943 thousand for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, authorization fees payable (included in payables to related parties) were NT\$11,142 thousand, NT\$13,104 thousand and NT\$14,388 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 three months ended March 31, 2022 and 2021 were NT\$976 thousand and NT\$979 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 three months ended March 31, 2022 and 2021 were both NT\$1,328 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, etc., were as follows:

	For the Three Months Ended March 31	
	2022	2021
a) Other expenditures		
Parent entity	\$ 35,287	\$ 51,020
Others	32,063	29,649
Fellow subsidiaries related to others	<u>18,341</u>	<u>13,741</u>
	<u>\$ 85,691</u>	<u>\$ 94,410</u>
b) Capital expenditure		
Fellow subsidiaries related to others		
CSMC	\$ 9,600	\$ -
ICSC	<u>-</u>	<u>20,152</u>
	<u>\$ 9,600</u>	<u>\$ 20,152</u>

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

	For the Three Months Ended March 31	
	2022	2021
Fellow subsidiaries related to others		
CHC	\$ 136,513	\$ 102,188
Others	<u>-</u>	<u>3,018</u>
	<u>\$ 136,513</u>	<u>\$ 105,206</u>

h. Compensation of key management personnel

	For the Three Months Ended March 31	
	2022	2021
Short-term employee benefits	\$ 12,342	\$ 26,114
Post-employment benefits	<u>369</u>	<u>353</u>
	<u>\$ 12,711</u>	<u>\$ 26,467</u>

31. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The Group's assets mortgaged or pledged as collateral for bank overdrafts was as follows (listed based on their carrying amounts):

	March 31, 2022	December 31, 2021	March 31, 2021
Time deposits (included in other financial assets - current)	\$ 700,000	\$ 700,000	\$ 300,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>	<u>-</u>
	<u>\$ 1,000,000</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 March 31, 2022 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$3,646,154 thousand.
- b. The Group had signed agreements to buy equipment for NT\$267,732 thousand, of which NT\$131,194 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credits for NT\$118,070 thousand guaranteed by financial institutions for several constructions, purchase agreements and import and export goods. Guarantee notes for NT\$176,500 thousand were provided for purchases of raw material.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>March 31, 2022</u>				
Monetary financial assets				
USD	\$ 41,278	28.625	(USD:NTD)	\$ 1,181,569
Monetary financial liabilities				
USD	41,711	28.625	(USD:NTD)	1,193,966
<u>December 31, 2021</u>				
Monetary financial assets				
USD	27,573	27.680	(USD:NTD)	763,213
Monetary financial liabilities				
USD	70,327	27.680	(USD:NTD)	1,946,640
<u>March 31, 2021</u>				
Monetary financial assets				
USD	30,205	28.535	(USD:NTD)	861,895
Monetary financial liabilities				
USD	33,274	28.535	(USD:NTD)	949,469

For the three months ended March 31, 2022 and 2021, realized and unrealized net foreign exchange gain or loss were gain of NT\$32,141 thousand and NT\$9,043 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 and functional currencies of each entity.

34. SEPARATELY DISCLOSED ITEMS

- a. For the three months ended March 31, 2022, information about significant transactions and b. investees:
- 1) Financing provided to others (None)
 - 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (None)
- 11) Information on investees (Table 4)
- c. Information on investments in mainland China (None)
- d. Information of major shareholders (Table 5)

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 revenues and operating results

The following is an analysis of the Group revenues and results of operations by reportable segment.

	The Corporation	Others	Adjustment and Elimination	Total
For the three months ended March 31, 2022				
Revenues from external customers	<u>\$ 12,409,040</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ 12,410,223</u>
Segment profit	\$ 450,908	\$ 807	\$ 60	\$ 451,775
Interest income	248	6	-	254
Other income	37,427	-	(60)	37,367
Other gains and losses	29,649	-	-	29,649
Finance costs	(14,050)	-	-	(14,050)
Share of the profit of associates	<u>741</u>	<u>-</u>	<u>(650)</u>	<u>91</u>
Profit before income tax for the period	504,923	813	(650)	505,086
Income tax expense	<u>3,032</u>	<u>163</u>	<u>-</u>	<u>3,195</u>
Net profit for the period	<u>\$ 501,891</u>	<u>\$ 650</u>	<u>(\$ 650)</u>	<u>\$ 501,891</u>

(Continued)

	The Corporation	Others	Adjustment and Elimination	Total
<u>For the three months ended March 31, 2022</u>				
Identifiable assets	\$ 33,471,154	\$ 54,128	\$ -	\$ 33,525,282
Investments accounted for using equity method	<u>4,492,274</u>	<u>-</u>	<u>(50,584)</u>	<u>4,441,690</u>
Total assets	<u>\$ 37,963,428</u>	<u>\$ 54,128</u>	<u>(\$ 50,584)</u>	<u>\$ 37,966,972</u>
Total liabilities	<u>\$ 14,371,350</u>	<u>\$ 3,544</u>	<u>\$ -</u>	<u>\$ 14,374,894</u>
<u>For the three months ended March 31, 2021</u>				
Revenues from external customers	<u>\$ 10,829,486</u>	<u>\$ 1,036</u>	<u>\$ -</u>	<u>\$ 10,830,522</u>
Segment profit	\$ 1,734,729	\$ 660	\$ 60	\$ 1,735,449
Interest income	31	5	-	36
Other income	27,406	-	(60)	27,346
Other gains and losses	(50,012)	-	-	(50,012)
Finance costs	(11,585)	-	-	(11,585)
Share of the profit of associates	<u>(551)</u>	<u>-</u>	<u>(532)</u>	<u>(1,083)</u>
Profit before income tax for the period	1,700,018	665	(532)	1,700,151
Income tax expense	<u>-</u>	<u>133</u>	<u>-</u>	<u>133</u>
Net profit for the period	<u>\$ 1,700,018</u>	<u>\$ 532</u>	<u>(\$ 532)</u>	<u>\$ 1,700,018</u>
Identifiable assets	\$ 25,376,593	\$ 30,602	\$ -	\$ 25,407,195
Investments accounted for using equity method	<u>3,028,680</u>	<u>-</u>	<u>(30,015)</u>	<u>2,998,665</u>
Total assets	<u>\$ 28,405,273</u>	<u>\$ 30,602</u>	<u>(\$ 30,015)</u>	<u>\$ 28,405,860</u>
Total liabilities	<u>\$ 11,296,495</u>	<u>\$ 587</u>	<u>\$ -</u>	<u>\$ 11,297,082</u>

(Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2022

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	MARCH 31, 2022				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares Shouh Hwang Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss – current	730,000	\$ -	15	\$ -	Note1
	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income – current	33,109,239	\$1,289,605	-	\$1,289,605	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	958,333	\$ 62,033	2	\$ 62,033	2021.12.31 net value
	Riselink Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,948	382	3	382	2022.02.28 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	6,785	5	6,785	2021.12.31 net value
					\$ 69,200		\$ 69,200	
Hung Kao Investment Corporation	Ordinary Shares China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	\$ 39,105	-	\$ 39,105	

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE PERIOD ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer (Seller)	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(\$ 579,030)	(5)	T/T within 7 business days after lading date(not included)	-	NO THIRD-PARTY COULD BE COMPARED	\$107,253	10	
	China Steel Corporation	Parent company	Service revenue	(136,563)	(1)	T/T as the end of the month of after final acceptance	-		66,135	6	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	3,671,323	34	Letter of credit at sight	-		-	-	
	China Steel Corporation	Parent company	Purchase of goods	2,548,841	23	Letter of credit at sight/Payment after final acceptance	-		(802,292)	(40)	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	1,355,888	12	T/T within 7 business days after lading date(not included)/ Letter of credit at sight	-		(550,656)	(27)	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	\$ 170,253	44	\$ -	-	\$ 170,253	\$ -
	China Steel Corporation	Parent company	105,120	(Note 1)	-	-	2,647	-

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 PERIOD ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
				Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000			
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	306,824,279	40.91	4,228,159	(2,550)	(1,043)	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	213,531	6,801	1,134	Associates

Note: Amount was eliminated in the consolidated financial statements.

CHUNG HUNG STEEL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2022

Name of The Shareholder	Shares	
	Number of Shares Held	Shareholding (%)
China Steel Corporation	582,673,153	40.58

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Corporation's ordinary shares (only ones that have completed dematerialized registration and delivery, and round down to two decimal places) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to different calculation bases.

Note 2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding and the shares delivered to the trust which has the decision rights over trust property, etc. Please refer to the public information for information on Market Observation Post System website of the Taiwan Stock Exchange.