

**Chung Hung Steel Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 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 June 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021, and six months ended June 30, 2022 and 2021, and the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2022 and 2021, and the notes to the 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 June 30, 2022 and 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021, and six month ended June 30, 2022 and 2021, and its consolidated cash flows for the six months ended June 30, 2022 and 2021 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

August 4, 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)

| | June 30, 2022 (Reviewed) | | December 31, 2021 (Audited) | | June 30, 2021 (Reviewed) | |
|---|-----------------------------|-------------------|--------------------------------|-------------------|-----------------------------|-------------------|
| | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | \$1,401,068 | 4 | \$508,123 | 1 | \$417,411 | 1 |
| Financial assets at fair value through profit or loss - current (Note 7) | - | - | - | - | 311,266 | 1 |
| Financial assets at fair value through other comprehensive income - current (Note 8) | 941,958 | 2 | 1,170,412 | 3 | 1,311,126 | 4 |
| Accounts receivable (Notes 9 and 24) | 1,428,156 | 4 | 930,578 | 2 | 983,394 | 3 |
| Accounts receivable from related parties (Notes 9, 24 and 30) | 215,260 | - | 47,355 | - | 44,274 | - |
| Other receivables (Note 9) | 11,906 | - | 9,051 | - | 136,787 | 1 |
| Other receivables from related parties (Notes 9 and 30) | 233,347 | 1 | 221,461 | 1 | 99,672 | 1 |
| Current tax assets | - | - | - | - | 81 | - |
| Inventories (Note 10) | 12,386,860 | 33 | 12,717,439 | 34 | 6,078,932 | 19 |
| Prepayments (Note 11) | 340,373 | 1 | 443,128 | 1 | 160,197 | 1 |
| Other financial assets - current (Notes 12 and 31) | 1,001,100 | 3 | 1,002,800 | 3 | 302,800 | 1 |
| Other current assets | 56 | - | 2,597 | - | 2,922 | - |
| Total current assets | <u>17,960,084</u> | <u>48</u> | <u>17,052,944</u> | <u>45</u> | <u>9,848,862</u> | <u>32</u> |
| NONCURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income - noncurrent (Note 8) | 87,106 | - | 97,530 | - | 89,060 | - |
| Investments accounted for using equity method (Note 13) | 3,223,367 | 9 | 4,042,778 | 11 | 4,474,380 | 14 |
| Property, plant and equipment (Notes 14 and 32) | 10,025,175 | 27 | 10,164,924 | 28 | 11,057,072 | 35 |
| Right-of-use assets (Note 15) | 55,414 | - | 62,920 | - | 70,604 | - |
| Investment properties (Note 16) | 5,981,853 | 16 | 5,982,297 | 16 | 5,982,741 | 19 |
| Deferred tax assets | 216,884 | - | - | - | - | - |
| Prepayments for equipment (Note 32) | 28,325 | - | 70,290 | - | 21,855 | - |
| Refundable deposits | 9,288 | - | 5,651 | - | 5,938 | - |
| Total noncurrent assets | <u>19,627,412</u> | <u>52</u> | <u>20,426,390</u> | <u>55</u> | <u>21,701,650</u> | <u>68</u> |
| TOTAL | <u><u>\$37,587,496</u></u> | <u><u>100</u></u> | <u><u>\$37,479,334</u></u> | <u><u>100</u></u> | <u><u>\$31,550,512</u></u> | <u><u>100</u></u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Notes 17 and 31) | \$4,675,056 | 12 | \$4,562,252 | 12 | \$1,389,419 | 4 |
| Short-term bills payable (Note 17) | - | - | 999,641 | 3 | 99,990 | - |
| Contract liabilities - current (Note 24) | 207,636 | - | 95,155 | - | 70,218 | - |
| Accounts payable (Note 19) | 945,276 | 3 | 1,360,732 | 3 | 460,582 | 2 |
| Accounts payable to related parties (Notes 19 and 30) | 657,761 | 2 | 469,577 | 1 | 809,322 | 3 |
| Other payables (Notes 20 and 30) | 5,105,885 | 14 | 1,175,704 | 3 | 1,349,729 | 4 |
| Current tax liabilities | 356,179 | 1 | 654,769 | 2 | 757 | - |
| Provisions - current (Note 21) | 259,275 | 1 | 206,850 | 1 | - | - |
| Lease liabilities - current (Note 15) | 14,511 | - | 15,408 | - | 15,317 | - |
| Current portion of long-term borrowings (Note 17) | 120,000 | - | - | - | - | - |
| Refund liabilities | 212,445 | 1 | 265,047 | 1 | 299,046 | 1 |
| Other current liabilities | 15,574 | - | 23,317 | - | 22,869 | - |
| Total current liabilities | <u>12,569,598</u> | <u>34</u> | <u>9,828,452</u> | <u>26</u> | <u>4,517,249</u> | <u>14</u> |
| NONCURRENT LIABILITIES | | | | | | |
| Bonds payable (Note 18) | 2,996,741 | 8 | 2,996,174 | 8 | 2,995,606 | 10 |
| Long-term borrowings (Note 17) | 1,080,000 | 3 | 1,200,000 | 3 | 1,400,000 | 4 |
| Long-term bills payable (Note 17) | 1,499,606 | 4 | 239,792 | 1 | 1,139,500 | 4 |
| Deferred tax liabilities | 183,012 | - | 182,222 | 1 | 182,222 | 1 |
| Lease liabilities - noncurrent (Note 15) | 41,926 | - | 48,519 | - | 56,191 | - |
| Net defined benefit liabilities (Note 4) | 336,211 | 1 | 387,777 | 1 | 278,524 | 1 |
| Guarantee deposits received (Note 16) | 35,000 | - | 35,000 | - | 35,000 | - |
| Total noncurrent liabilities | <u>6,172,496</u> | <u>16</u> | <u>5,089,484</u> | <u>14</u> | <u>6,087,043</u> | <u>20</u> |
| Total liabilities | <u>18,742,094</u> | <u>50</u> | <u>14,917,936</u> | <u>40</u> | <u>10,604,292</u> | <u>34</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23) | | | | | | |
| Ordinary shares | <u>14,355,444</u> | <u>38</u> | <u>14,355,444</u> | <u>38</u> | <u>14,355,444</u> | <u>45</u> |
| Capital surplus | <u>903</u> | <u>-</u> | <u>903</u> | <u>-</u> | <u>903</u> | <u>-</u> |
| Retained earnings | | | | | | |
| Legal reserve | 764,806 | 2 | 144,632 | - | 144,632 | - |
| Special reserve | - | - | 425,839 | 1 | 425,839 | 1 |
| Unappropriated earnings | 3,610,885 | 10 | 6,503,369 | 18 | 4,287,155 | 14 |
| Total retained earnings | <u>4,375,691</u> | <u>12</u> | <u>7,073,840</u> | <u>19</u> | <u>4,857,626</u> | <u>15</u> |
| Other equity | <u>113,364</u> | <u>-</u> | <u>1,131,211</u> | <u>3</u> | <u>1,732,247</u> | <u>6</u> |
| Total equity | <u>18,845,402</u> | <u>50</u> | <u>22,561,398</u> | <u>60</u> | <u>20,946,220</u> | <u>66</u> |
| TOTAL | <u><u>\$37,587,496</u></u> | <u><u>100</u></u> | <u><u>\$37,479,334</u></u> | <u><u>100</u></u> | <u><u>\$31,550,512</u></u> | <u><u>100</u></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 June 30 | | | | For the Six Months Ended June 30 | | | |
|---|------------------------------------|-----|--------------|-----|----------------------------------|-----|--------------|-----|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 24 and 30) | | | | | | | | |
| Sales | \$15,735,756 | 98 | \$13,239,545 | 99 | \$27,981,866 | 98 | \$23,896,381 | 99 |
| Service revenue | 269,647 | 2 | 134,789 | 1 | 410,970 | 2 | 289,473 | 1 |
| Other operating revenue | 25,500 | - | 23,029 | - | 48,290 | - | 42,031 | - |
| Total operating revenue | 16,030,903 | 100 | 13,397,363 | 100 | 28,441,126 | 100 | 24,227,885 | 100 |
| OPERATING COSTS (Notes 10, 25 and 30) | 14,955,256 | 93 | 11,281,983 | 84 | 26,740,803 | 94 | 20,164,371 | 83 |
| GROSS PROFIT | 1,075,647 | 7 | 2,115,380 | 16 | 1,700,323 | 6 | 4,063,514 | 17 |
| OPERATING EXPENSES (Note 25) | | | | | | | | |
| Selling and marketing expenses | 104,476 | 1 | 109,924 | 1 | 208,856 | 1 | 232,616 | 1 |
| General and administrative expenses | 81,367 | - | 138,722 | 1 | 149,888 | - | 228,715 | 1 |
| Total operating expenses | 185,843 | 1 | 248,646 | 2 | 358,744 | 1 | 461,331 | 2 |
| PROFIT FROM OPERATIONS | 889,804 | 6 | 1,866,734 | 14 | 1,341,579 | 5 | 3,602,183 | 15 |
| NON-OPERATING INCOME AND EXPENSES (Notes 16, 25 and 30) | | | | | | | | |
| Interest income | 3,170 | - | 239 | - | 3,424 | - | 275 | - |
| Other income | 29,043 | - | 27,842 | - | 66,410 | - | 55,188 | - |
| Other gains and losses | 42,137 | - | 401,778 | 3 | 71,786 | - | 351,766 | 1 |
| Finance costs | (18,627) | - | (10,469) | - | (32,677) | - | (22,054) | - |
| Share of the loss of associates | 1,499 | - | (208) | - | 1,590 | - | (1,291) | - |
| Total non-operating income and expenses | 57,222 | - | 419,182 | 3 | 110,533 | - | 383,884 | 1 |
| PROFIT BEFORE INCOME TAX | 947,026 | 6 | 2,285,916 | 17 | 1,452,112 | 5 | 3,986,067 | 16 |
| INCOME TAX (Notes 4 and 26) | 267,280 | 2 | 5,090 | - | 270,475 | 1 | 5,223 | - |
| NET PROFIT FOR THE PERIOD | 679,746 | 4 | 2,280,826 | 17 | 1,181,637 | 4 | 3,980,844 | 16 |
| OTHER COMPREHENSIVE INCOME (Notes 23 and 26) | | | | | | | | |
| 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 | (360,279) | (2) | 467,085 | 4 | (230,311) | - | 512,539 | 3 |
| Share of the other comprehensive income of associates | (1,183,782) | (7) | 1,520,249 | 11 | (785,100) | (3) | 1,650,281 | 7 |
| Income tax benefit relating to items that will not be reclassified subsequently to profit or loss | 136,844 | 1 | - | - | 136,844 | - | - | - |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | |
| Share of the other comprehensive income of associates | 319 | - | (55) | - | 458 | - | (55) | - |
| | (1,406,898) | (8) | 1,987,279 | 15 | (878,109) | (3) | 2,162,765 | 10 |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | (\$727,152) | (4) | \$4,268,105 | 32 | \$303,528 | 1 | \$6,143,609 | 26 |

(Continued)

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 June 30 | | | | For the Six Months Ended June 30 | | | |
|---------------------------|------------------------------------|------------|--------------------|-----------|----------------------------------|----------|--------------------|-----------|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| NET PROFIT | | | | | | | | |
| ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Corporation | <u>\$679,746</u> | <u>4</u> | <u>\$2,280,826</u> | <u>17</u> | <u>\$1,181,637</u> | <u>4</u> | <u>\$3,980,844</u> | <u>16</u> |
| TOTAL COMPREHENSIVE | | | | | | | | |
| INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Corporation | <u>(\$727,152)</u> | <u>(4)</u> | <u>\$4,268,105</u> | <u>32</u> | <u>\$303,528</u> | <u>1</u> | <u>\$6,143,609</u> | <u>26</u> |
| EARNINGS PER SHARE | | | | | | | | |
| (Note 27) | | | | | | | | |
| Basic | <u>\$0.47</u> | | <u>\$1.59</u> | | <u>\$0.82</u> | | <u>\$2.77</u> | |
| Diluted | <u>\$0.47</u> | | <u>\$1.59</u> | | <u>\$0.82</u> | | <u>\$2.77</u> | |

(Concluded)

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 (Accumulated Deficit) | 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 |
| Appropriation of 2021 earnings (Note 23) | | | | | | | | |
| Legal reserve | - | - | 620,174 | - | (620,174) | - | - | - |
| Cash dividends | - | - | - | - | (4,019,524) | - | - | (4,019,524) |
| Reversal of special reserve | - | - | - | (425,839) | 425,839 | - | - | - |
| Net profit for the six months ended June 30, 2022 | - | - | - | - | 1,181,637 | - | - | 1,181,637 |
| Other comprehensive income for the six months ended June 30, 2022, net of income tax | - | - | - | - | 136,836 | 458 | (1,015,403) | (878,109) |
| Total comprehensive income for the six months ended June 30, 2022 | - | - | - | - | 1,318,473 | 458 | (1,015,403) | 303,528 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | 2,902 | - | (2,902) | - |
| BALANCE AT JUNE 30, 2022 | \$14,355,444 | \$903 | \$764,806 | \$- | \$3,610,885 | \$316 | \$113,048 | \$18,845,402 |
| BALANCE AT JANUARY 1, 2021 | \$14,355,444 | \$903 | \$90,568 | \$549,578 | \$662,620 | \$- | (\$425,839) | \$15,233,274 |
| Appropriation of 2020 earnings (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 six months ended June 30, 2021 | - | - | - | - | 3,980,844 | - | - | 3,980,844 |
| Other comprehensive income for the six months ended June 30, 2021, net of income tax | - | - | - | - | - | (55) | 2,162,820 | 2,162,765 |
| Total comprehensive income for the six months ended June 30, 2021 | - | - | - | - | 3,980,844 | (55) | 2,162,820 | 6,143,609 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | 4,679 | - | (4,679) | - |
| BALANCE AT JUNE 30, 2021 | \$14,355,444 | \$903 | \$144,632 | \$425,839 | \$4,287,155 | (\$55) | \$1,732,302 | \$20,946,220 |

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 Six Months Ended June 30 | |
|--|-------------------------------------|-------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$1,452,112 | \$3,986,067 |
| Adjustments for: | | |
| Depreciation expense | 373,982 | 382,493 |
| Net gain on financial assets and liabilities at fair value through profit or loss | (2,774) | (344,797) |
| Finance costs | 32,677 | 22,054 |
| Interest income | (3,424) | (275) |
| Dividends income | (2,292) | (450) |
| Share of the profit of associates | (1,590) | 1,291 |
| Write-down (reversal) of inventories | 156,659 | (20,465) |
| Recognition of provisions | 52,425 | - |
| Others | 567 | 567 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 2,774 | 148,077 |
| Accounts receivable | (497,578) | (153,307) |
| Accounts receivable from related parties | (167,905) | 72,964 |
| Other receivables | (2,628) | 10,398 |
| Other receivables from related parties | 24,474 | (28,729) |
| Inventories | 173,920 | (1,822,047) |
| Prepayments | 102,755 | (9,236) |
| Other current assets | 2,541 | 1,039 |
| Contract liabilities | 112,481 | 12,935 |
| Accounts payable | (415,456) | 433,082 |
| Accounts payable to related parties | 188,184 | 496,098 |
| Other payables | (90,488) | 341,372 |
| Other current liabilities | (7,743) | 7,105 |
| Net defined benefit liabilities | (51,566) | (35,193) |
| Refund liabilities | (52,602) | 145,290 |
| Cash generated from operations | 1,379,505 | 3,646,333 |
| Income taxes paid | (648,315) | (4,038) |
| Net cash generated from operating activities | 731,190 | 3,642,295 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 325 | - |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 8,242 | - |
| Acquisition of investments accounted for using equity method | - | (200,000) |
| Acquisition of property, plant and equipment | (182,090) | (192,223) |

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Six Months Ended June 30 | |
|---|-------------------------------------|--------------------|
| | 2022 | 2021 |
| Decrease (increase) in refundable deposits | (\$3,637) | \$282 |
| Decrease (increase) in other financial assets | 1,700 | (1,100) |
| Interest received | 3,197 | 275 |
| Dividends received from others | 2,292 | 450 |
| Net cash used in investing activities | <u>(169,971)</u> | <u>(392,316)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 61,414,966 | 38,775,271 |
| Repayments of short-term borrowings | (61,302,162) | (37,790,482) |
| Proceeds from short-term bills payable | 2,100,359 | 700,413 |
| Repayments of short-term bills payable | (3,100,000) | (4,200,000) |
| Proceeds from long-term borrowings | - | 300,000 |
| Repayments of long-term borrowings | - | (900,000) |
| Proceeds from long-term bills payable | 1,499,814 | 239,826 |
| Repayments of long-term bills payable | (240,000) | (210,000) |
| Repayments of principal of lease liabilities | (7,724) | (7,620) |
| Interest paid | (33,527) | (27,349) |
| Net cash generated from (used in) financing activities | <u>331,726</u> | <u>(3,119,941)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 892,945 | 130,038 |
| 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>\$1,401,068</u> | <u>\$417,411</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 SIX MONTHS ENDED JUNE 30, 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 June 30, 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 August 4, 2022.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

Note 2: The amendments 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 3: 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.

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

| <u>New IFRSs</u> | <u>Effective Date Announced by IASB (Note)</u> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS17 and IFRS 9 – Comparative Information" | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2023 |

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

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 (%) | | |
|-----------------------------------|---------------------------------|--------------------|-----------------------------|-------------------|---------------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------------|-------------------|-------------------|
| Cash on hand | \$ 640 | \$ 640 | \$ 640 |
| Checking accounts and demand deposits | 217,428 | 507,483 | 416,771 |
| Cash equivalents (Repurchase agreements less than 3 months) | <u>1,183,000</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,401,068</u> | <u>\$ 508,123</u> | <u>\$ 417,411</u> |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|-----------------------|-----------------------|-------------------|
| <u>Financial assets mandatorily classified at FVTPL</u> | | | |
| Emerging market shares | \$ <u> -</u> | \$ <u> -</u> | \$ <u>311,266</u> |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------------|-------------------|----------------------|---------------------|
| <u>Current</u> | | | |
| Domestic Listed shares | \$ <u>941,958</u> | \$ <u>1,170,412</u> | \$ <u>1,311,126</u> |
| <u>Noncurrent</u> | | | |
| Domestic listed shares | \$ 28,563 | \$ 35,490 | \$ 39,758 |
| Domestic unlisted shares | <u>58,543</u> | <u>62,040</u> | <u>49,302</u> |
| | \$ <u>87,106</u> | \$ <u>97,530</u> | \$ <u>89,060</u> |

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|---------------------|----------------------|-------------------|
| <u>Accounts receivable</u> | | | |
| Accounts receivable – non-related parties | \$ <u>1,428,156</u> | \$ <u>930,578</u> | \$ <u>983,394</u> |
| Accounts receivable – related parties | \$ <u>215,260</u> | \$ <u>47,355</u> | \$ <u>44,274</u> |
| <u>Other receivables (including related parties)</u> | | | |
| Receivables from price settlement | \$ 138,609 | \$ 170,204 | \$ 8,882 |
| Receivables from disposal of scrap | 53,609 | 49,662 | 50,281 |
| Dividend receivable | 36,360 | - | 44,271 |
| Receivables from capital reduction | - | - | 127,864 |
| Others | <u>16,675</u> | <u>10,646</u> | <u>5,161</u> |
| | \$ <u>245,253</u> | \$ <u>230,512</u> | \$ <u>236,459</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.

June 30, 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 | \$ 1,643,416 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,643,416 |
| Loss allowance (Lifetime ECL) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Amortized cost | <u>\$ 1,643,416</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,643,416</u> |

December 31, 2021

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

June 30, 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 | \$ 1,027,668 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,027,668 |
| Loss allowance (Lifetime ECL) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Amortized cost | <u>\$ 1,027,668</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,027,668</u> |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------|-------------------|----------------------|-------------------|
| A company | \$ 232,714 | \$ 108,898 | \$ 209,076 |
| B company | 227,598 | 169,772 | 148,919 |
| C company | 203,980 | - | - |
| D company | 139,407 | 244,817 | - |
| E company | 71,055 | 44,206 | 181,514 |
| F company | <u>-</u> | <u>121,226</u> | <u>32,049</u> |
| | <u>\$ 874,754</u> | <u>\$ 688,919</u> | <u>\$ 571,558</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 six months ended June 30, 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 Six Months Ended June 30, 2022</u> | | | | | | |
| Mega Bank | \$ 453,536 | \$ 537,488 | \$ 811,800 | \$ 179,224 | 1.16 | NT\$841.2 million |
| Bank of Taiwan | 46,016 | 122,937 | 103,081 | 65,872 | 1.16 | NT\$200 million |
| Bank of Taiwan | 22,479 | 25,039 | 22,479 | 25,039 | 2.04 | USD20 million |
| | <u>\$ 522,031</u> | <u>\$ 685,464</u> | <u>\$ 937,360</u> | <u>\$ 270,135</u> | | |
| <u>For the Six Months Ended June 30, 2021</u> | | | | | | |
| Mega Bank | \$ 601,245 | \$ 788,011 | \$ 753,478 | \$ 635,778 | 1.03 | NT\$817 million |
| Bank of Taiwan | 67,274 | 89,676 | 81,515 | 75,435 | 1.03 | NT\$200 million |
| Bank of Taiwan | 14,577 | 23,927 | 16,793 | 21,711 | 1.46 | USD20 million |
| | <u>\$ 683,096</u> | <u>\$ 901,614</u> | <u>\$ 851,786</u> | <u>\$ 732,924</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 June 30, 2022, December 31, 2021 and June 30, 2021, there was no allowance for doubtful accounts.

10. INVENTORIES

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------------|----------------------|----------------------|---------------------|
| Raw materials | \$ 6,772,808 | \$ 6,207,596 | \$ 1,778,424 |
| Finished goods | 3,639,017 | 4,262,064 | 3,025,159 |
| Supplies | 335,947 | 309,073 | 356,482 |
| Work in progress | 795,644 | 730,616 | 817,257 |
| Others | 13,592 | 6,418 | 14,487 |
| Raw materials and supplies in transit | <u>829,852</u> | <u>1,201,672</u> | <u>87,123</u> |
| | <u>\$ 12,386,860</u> | <u>\$ 12,717,439</u> | <u>\$ 6,078,932</u> |

The cost of inventories recognized as operating costs for the three months and six months ended June 30, 2022 and 2021 was NT\$14,776,269 thousand, NT\$11,146,049 thousand, NT\$26,445,751 thousand and NT\$19,904,323 thousand, respectively, including loss on inventory value decline of NT\$196,427 thousand, loss on inventory value decline of NT\$2,994 thousand, loss on inventory value decline of NT\$156,659 thousand and reversal of loss of NT\$20,465 thousand, respectively.

11. PREPAYMENTS

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|-------------------|----------------------|-------------------|
| Input tax | \$ 286,003 | \$ 312,282 | \$ 105,315 |
| Prepayments for purchases | 41,548 | 24,036 | 42,184 |
| Tax overpaid retained for offsetting future tax payable | - | 102,533 | - |
| Others | <u>12,822</u> | <u>4,277</u> | <u>12,698</u> |
| | <u>\$ 340,373</u> | <u>\$ 443,128</u> | <u>\$ 160,197</u> |

12. OTHER FINANCIAL ASSETS

| | June 30, 2022 | December 31, 2021 | June 30, 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>1,100</u> | <u>2,800</u> | <u>2,800</u> |
| | <u>\$ 1,001,100</u> | <u>\$ 1,002,800</u> | <u>\$ 302,800</u> |

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------------|----------------------|---------------------|
| Material associates | | | |
| Transglory Investment Corp. (TIC) | \$ 3,036,726 | \$ 3,829,875 | \$ 4,270,511 |
| Associates that are not individually material | <u>186,641</u> | <u>212,903</u> | <u>203,869</u> |
| | <u>\$ 3,223,367</u> | <u>\$ 4,042,778</u> | <u>\$ 4,474,380</u> |

a. Material associates

| Name of Associate | Nature of Activities | Principal Place of Business | Percentage of Ownership and Voting Rights (%) | | |
|-------------------|----------------------|-----------------------------|--|----------------------|------------------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|--------------------------|------------------------------|--------------------------|
| Current assets | \$ 12,873 | \$ 1,052 | \$ 7,489 |
| Noncurrent assets | 7,619,737 | 9,470,285 | 10,619,034 |
| Current liabilities | (210,008) | (110,059) | (188,208) |
| Equity | <u>\$ 7,422,602</u> | <u>\$ 9,361,278</u> | <u>\$ 10,438,315</u> |
| Proportion of the Group's ownership (%) | 40.91 | 40.91 | 40.91 |
| Equity attributable to the Group | <u>\$ 3,036,726</u> | <u>\$ 3,829,875</u> | <u>\$ 4,270,511</u> |
| Carrying amount | <u>\$ 3,036,726</u> | <u>\$ 3,829,875</u> | <u>\$ 4,270,511</u> |

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|---------------------|---|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating revenue | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net loss for the period | (\$ 2,708) | (\$ 2,877) | (\$ 5,258) | (\$ 5,754) |
| Other comprehensive income | <u>(2,846,864)</u> | <u>3,714,447</u> | <u>(1,870,796)</u> | <u>4,026,329</u> |
| Total comprehensive income for the period | <u>(\$ 2,849,572)</u> | <u>\$ 3,711,570</u> | <u>(\$ 1,876,054)</u> | <u>\$ 4,020,575</u> |
| Comprehensive income attributable to the Group | <u>(\$ 1,165,813)</u> | <u>\$ 1,518,652</u> | <u>(\$ 767,529)</u> | <u>\$ 1,645,066</u> |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|----------------------------|---|-----------------|---|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net profit for the period | \$ 2,607 | \$ 821 | \$ 3,741 | \$ 914 |
| Other comprehensive income | <u>(18,757)</u> | <u>1,585</u> | <u>(19,263)</u> | <u>2,955</u> |
| Total comprehensive income | <u>(\$ 16,150)</u> | <u>\$ 2,406</u> | <u>(\$ 15,522)</u> | <u>\$ 3,869</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 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 Six Months Ended June 30, 2022

| | Land | Buildings | Machinery and Equipment | Other Equipment | Spare Parts | Construction in Progress and Equipment to be Inspected | Total |
|--|---------------------|---------------------|-------------------------|---------------------|---------------------|--|----------------------|
| Cost | | | | | | | |
| Balance at January 1, 2022 | \$ 3,988,983 | \$ 5,012,081 | \$ 23,066,828 | \$ 4,530,559 | \$ 1,330,770 | \$ 67,071 | \$ 37,996,292 |
| Additions | 17,398 | - | 138,299 | 23,951 | 71,017 | (24,616) | 226,049 |
| Disposals | - | - | - | (7,105) | (155,276) | - | (162,381) |
| Balance at June 30, 2022 | <u>\$ 4,006,381</u> | <u>\$ 5,012,081</u> | <u>\$ 23,205,127</u> | <u>\$ 4,547,405</u> | <u>\$ 1,246,511</u> | <u>\$ 42,455</u> | <u>\$ 38,059,960</u> |
| Accumulated depreciation | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 2,141,699 | \$ 19,554,344 | \$ 4,138,570 | \$ 774,413 | \$ - | \$ 26,609,026 |
| Depreciation expense | - | 66,677 | 166,128 | 49,914 | 83,079 | - | 365,798 |
| Disposals | - | - | - | (7,105) | (155,276) | - | (162,381) |
| Balance at June 30, 2022 | <u>\$ -</u> | <u>\$ 2,208,376</u> | <u>\$ 19,720,472</u> | <u>\$ 4,181,379</u> | <u>\$ 702,216</u> | <u>\$ -</u> | <u>\$ 26,812,443</u> |
| Accumulated impairment | | | | | | | |
| Balance at January 1 and June 30, 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 June 30, 2022 | <u>\$ 4,006,381</u> | <u>\$ 2,803,705</u> | <u>\$ 2,415,469</u> | <u>\$ 366,026</u> | <u>\$ 391,139</u> | <u>\$ 42,455</u> | <u>\$ 10,025,175</u> |

For the Six Months Ended June 30, 2021

| | Land | Buildings | Machinery and Equipment | Other Equipment | Spare Parts | Construction in Progress and Equipment to be Inspected | Total |
|--|---------------------|---------------------|-------------------------|---------------------|---------------------|--|----------------------|
| Cost | | | | | | | |
| Balance at January 1, 2021 | \$ 3,988,983 | \$ 5,001,703 | \$ 22,862,804 | \$ 4,483,434 | \$ 1,291,199 | \$ 125,357 | \$ 37,753,480 |
| Additions | - | 10,378 | 215,982 | 9,752 | 107,575 | (74,935) | 268,752 |
| Disposals | - | - | - | (9,838) | (5,517) | - | (15,355) |
| Balance at June 30, 2021 | <u>\$ 3,988,983</u> | <u>\$ 5,012,081</u> | <u>\$ 23,078,786</u> | <u>\$ 4,483,348</u> | <u>\$ 1,393,257</u> | <u>\$ 50,422</u> | <u>\$ 38,006,877</u> |
| Accumulated depreciation | | | | | | | |
| Balance at January 1, 2021 | \$ - | \$ 2,008,941 | \$ 19,214,045 | \$ 4,050,064 | \$ 741,470 | \$ - | \$ 26,014,520 |
| Depreciation expense | - | 66,081 | 176,270 | 48,602 | 83,370 | - | 374,323 |
| Disposals | - | - | - | (9,838) | (5,517) | - | (15,355) |
| Balance at June 30, 2021 | <u>\$ -</u> | <u>\$ 2,075,022</u> | <u>\$ 19,390,315</u> | <u>\$ 4,088,828</u> | <u>\$ 819,323</u> | <u>\$ -</u> | <u>\$ 26,373,488</u> |
| Accumulated impairment | | | | | | | |
| Balance at January 1 and June 30, 2021 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 423,161</u> | <u>\$ -</u> | <u>\$ 153,156</u> | <u>\$ -</u> | <u>\$ 576,317</u> |
| Carrying amount at June 30, 2021 | <u>\$ 3,988,983</u> | <u>\$ 2,937,059</u> | <u>\$ 3,265,310</u> | <u>\$ 394,520</u> | <u>\$ 420,778</u> | <u>\$ 50,422</u> | <u>\$ 11,057,072</u> |

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

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

The Corporation bought farmlands for warehousing at the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the

Corporation's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in freely changing the land title to the Corporation or to other name under the Corporation's instructions. Meanwhile, the land had been pledged to Corporation as collateral. In May 2022, part of the land has been classified under land category and registered sole ownership of land to the Corporation. As of June 30, 2022, December 31, 2021 and June 30, 2021, the book value of the farmlands was NT\$19,354 thousand, NT\$55,433 thousand and NT\$55,433 thousand, respectively, recorded as land.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

| Carrying amounts | June 30, 2022 | December 31, 2021 | June 30, 2021 | |
|--|---|------------------------------|---|-----------------|
| Land | \$ 49,742 | \$ 55,852 | \$ 62,021 | |
| Transportation equipment | <u>5,672</u> | <u>7,068</u> | <u>8,583</u> | |
| | <u>\$ 55,414</u> | <u>\$ 62,920</u> | <u>\$ 70,604</u> | |
| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
| | 2022 | 2021 | 2022 | 2021 |
| Additions to right-of-use assets | | | <u>\$ 595</u> | <u>\$ -</u> |
| Depreciation charge for right-of-use assets | | | | |
| Land | \$ 3,110 | \$ 3,106 | \$ 6,221 | \$ 6,212 |
| Transportation equipment | <u>762</u> | <u>757</u> | <u>1,519</u> | <u>1,514</u> |
| | <u>\$ 3,872</u> | <u>\$ 3,863</u> | <u>\$ 7,740</u> | <u>\$ 7,726</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 six months ended June 30, 2022 and 2021.

b. Lease liabilities

| Carrying amounts | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------|--------------------------|------------------------------|--------------------------|
| Current | <u>\$ 14,511</u> | <u>\$ 15,408</u> | <u>\$ 15,317</u> |
| Non-current | <u>\$ 41,926</u> | <u>\$ 48,519</u> | <u>\$ 56,191</u> |

Range of discount rate for lease liabilities was as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------------|--------------------------|------------------------------|--------------------------|
| Land(%) | 0.65-1.31 | 0.65-1.31 | 0.85-1.31 |
| Transportation equipment(%) | 0.75-0.76 | 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 June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|-----------------|-------------------------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Expenses relating to short-term leases | <u>\$ 3,336</u> | <u>\$ 2,418</u> | <u>\$ 6,438</u> | <u>\$ 5,049</u> |
| Expenses relating to low-value assets leases | <u>\$ 327</u> | <u>\$ 306</u> | <u>\$ 655</u> | <u>\$ 667</u> |
| Total cash outflow for leases | | | <u>(\$ 15,178)</u> | <u>(\$ 13,785)</u> |

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 six months ended June 30, 2022

| | Land | Buildings | Total |
|--|---------------------|------------------|---------------------|
| <u>Cost</u> | | | |
| Balance at January 1 and June 30, 2022 | <u>\$ 5,959,074</u> | <u>\$ 41,067</u> | <u>\$ 6,000,141</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2022 | \$ - | \$ 17,844 | \$ 17,844 |
| Depreciation expense | <u>-</u> | <u>444</u> | <u>444</u> |
| Balance at June 30, 2022 | <u>\$ -</u> | <u>\$ 18,288</u> | <u>\$ 18,288</u> |
| Carrying amount at December 31, 2021 | <u>\$ 5,959,074</u> | <u>\$ 23,223</u> | <u>\$ 5,982,297</u> |
| Carrying amount at June 30, 2022 | <u>\$ 5,959,074</u> | <u>\$ 22,779</u> | <u>\$ 5,981,853</u> |

For the six months ended June 30, 2021

| | Land | Buildings | Total |
|--|---------------------|------------------|---------------------|
| <u>Cost</u> | | | |
| Balance at January 1 and June 30, 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>444</u> | <u>444</u> |
| Balance at June 30, 2021 | <u>\$ -</u> | <u>\$ 17,400</u> | <u>\$ 17,400</u> |
| Carrying amount at June 30, 2021 | <u>\$ 5,959,074</u> | <u>\$ 23,667</u> | <u>\$ 5,982,741</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 June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 were NT\$21,128 thousand, NT\$20,716 thousand, NT\$42,257 thousand and NT\$41,432 thousand, respectively, and were included in other income. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Corporation received guarantee from the lessee were all NT\$35,000 thousand base on the lease contract.

As of June 30, 2022, December 31, 2021 and June 30, 2021, notes receivable and advance rental were as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------|--------------------------|------------------------------|--------------------------|
| Notes receivable received | \$ 7,371 | \$ 51,598 | \$ 7,227 |
| Less: Advance rental | <u>7,371</u> | <u>51,598</u> | <u>7,227</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:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------|--------------------------|------------------------------|--------------------------|
| Year 1 | \$ 95,055 | \$ 94,793 | \$ 91,743 |
| Year 2 | 87,400 | 86,618 | 85,802 |
| Year 3 | 89,108 | 88,232 | 87,400 |
| Year 4 | 90,890 | 89,996 | 89,108 |
| Year 5 | 92,708 | 91,796 | 90,890 |
| Later than 5 years | <u>406,522</u> | <u>453,028</u> | <u>499,230</u> |
| | <u>\$ 861,683</u> | <u>\$ 904,463</u> | <u>\$ 944,173</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:

| | June 30, 2022 | December 31, 2021 | June 30, 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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------|--------------------------|------------------------------|--------------------------|
| Letters of credit | \$ 343,700 | \$ 1,195,861 | \$ 989,419 |
| Unsecured loans | 3,600,000 | 2,700,000 | 400,000 |
| Bank overdrafts (Note 31) | <u>731,356</u> | <u>666,391</u> | <u>-</u> |
| | <u>\$ 4,675,056</u> | <u>\$ 4,562,252</u> | <u>\$ 1,389,419</u> |
| Interest rate (%) | 0.35-1.09 | 0.21-0.75 | 0-0.87 |

b. Short-term bills payable

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------------|--------------------------|------------------------------|--------------------------|
| Short-term bills payable | \$ - | \$ 1,000,000 | \$ 100,000 |
| Less: Unamortized discounts | <u>-</u> | <u>359</u> | <u>10</u> |
| | <u>\$ -</u> | <u>\$ 999,641</u> | <u>\$ 99,990</u> |
| Interest rate (%) | - | 0.56 | 0.32 |

As of December 31, 2021 and June 30, 2021, all short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|--------------------------|------------------------------|--------------------------|
| Credit bank loans | | | |
| Due on various dates through December 2024 | \$ 1,200,000 | \$ 1,200,000 | \$ 1,400,000 |
| Less : Current portion | <u>120,000</u> | <u>-</u> | <u>-</u> |

(Continued)

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------------|--------------------------|------------------------------|--------------------------|
| | <u>\$ 1,080,000</u> | <u>\$ 1,200,000</u> | <u>\$ 1,400,000</u> |
| Interest rate (%) | 1.02 | 0.79 | 0.75-0.79 (Concluded) |

d. Long-term bills payable

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------------|--------------------------|------------------------------|--------------------------|
| Long-term bills payable | \$ 1,500,000 | \$ 240,000 | \$ 1,140,000 |
| Less: Unamortized discount | <u>394</u> | <u>208</u> | <u>500</u> |
| | <u>\$ 1,499,606</u> | <u>\$ 239,792</u> | <u>\$ 1,139,500</u> |
| Interest rate (%) | 0.64-0.96 | 0.62 | 0.62-0.73 |

Long-term bills payables have revolving credit lines within the payment terms according to the contracts. As June 30, 2022, December 31, 2021 and June 30, 2021, need to be utilized to some extent, and all long-term bills payables were non-guarantee commercial paper.

18. BONDS PAYABLE

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------------------------|--------------------------|------------------------------|--------------------------|
| Unsecured domestic bonds | \$ 3,000,000 | \$ 3,000,000 | \$ 3,000,000 |
| Less: Issuance cost of bonds payable | <u>3,259</u> | <u>3,826</u> | <u>4,394</u> |
| | <u>\$ 2,996,741</u> | <u>\$ 2,996,174</u> | <u>\$ 2,995,606</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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------|--------------------------|------------------------------|--------------------------|
| <u>Accounts payable</u> | | | |
| Operating - non related parties | <u>\$ 945,276</u> | <u>\$ 1,360,732</u> | <u>\$ 460,582</u> |
| Operating - related parties | <u>\$ 657,761</u> | <u>\$ 469,577</u> | <u>\$ 809,322</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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|--------------------------|------------------------------|--------------------------|
| Dividends | \$ 4,019,524 | \$ - | \$ 430,663 |
| Compensation of employees and remuneration and transportation allowances of directors | 435,340 | 372,347 | 250,080 |
| Salaries and incentive bonus | 286,459 | 487,058 | 402,326 |
| Utilities | 58,191 | 55,505 | 71,843 |
| Others | <u>306,371</u> | <u>260,796</u> | <u>194,817</u> |
| | <u>\$ 5,105,885</u> | <u>\$ 1,175,704</u> | <u>\$ 1,349,729</u> |

21. PROVISIONS - CURRENT

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------------------------|--------------------------|---|--------------------------|
| Onerous contracts | <u>\$ 259,275</u> | <u>\$ 206,850</u> | <u>\$ -</u> |
| | | For the Six Months Ended June 30 | |
| | | 2022 | 2021 |
| Balance at beginning of the period | | \$ 206,850 | \$ - |
| Recognized | | <u>52,425</u> | <u>-</u> |
| Balance at end of the period | | <u>\$ 259,275</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\$5,057 thousand, NT\$5,000 thousand, NT\$10,115 thousand and NT\$9,999 thousand for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, respectively.

23. EQUITY

a. Ordinary shares

| | June 30, 2022 | December 31, 2021 | June 30, 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

| | June 30, 2022 | December 31, 2021 | June 30, 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 had been approved in the shareholders' meeting in June 2022 and August 2021, respectively. The appropriations and dividends per share were as follows:

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

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

d. Exchange differences on translating foreign operations

| | For the Six Months Ended June 30 | |
|---|---|------------------|
| | 2022 | 2021 |
| Balance at beginning of the period | (\$ 142) | \$ - |
| Recognized during the period | | |
| Share from associates accounted for using the equity method | <u>458</u> | (<u>55</u>) |
| Balance at end of the period | <u>\$ 316</u> | (<u>\$ 55</u>) |

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

| | For the Six Months Ended June 30 | |
|---|---|-----------------------|
| | 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 | (230,311) | 512,539 |
| Share from associates accounted for using the equity method | (<u>785,092</u>) | <u>1,650,281</u> |
| Other comprehensive income recognized in the period | (<u>1,015,403</u>) | <u>2,162,820</u> |
| Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal | (<u>2,902</u>) | (<u>4,679</u>) |
| Balance at end of the period | <u>\$ 113,048</u> | <u>\$ 1,732,302</u> |

24. OPERATING REVENUES

a. Contract balances

| | June 30, 2022 | December 31, 2021 | June 30, 2021 | January 1, 2021 |
|----------------------|---------------------|----------------------|---------------------|--------------------|
| Accounts receivable | <u>\$ 1,643,416</u> | <u>\$ 977,933</u> | <u>\$ 1,027,668</u> | <u>\$ 947,325</u> |
| Contract liabilities | | | | |
| Sale of goods | <u>\$ 207,636</u> | <u>\$ 95,155</u> | <u>\$ 70,218</u> | <u>\$ 57,283</u> |

b. Disaggregation of revenue

For the Six Months Ended June 30, 2022

| Type of goods or services | Reportable segments | | |
|---------------------------|----------------------|-----------------|----------------------|
| | Chung Hung | Others | Total |
| Sale of goods | \$ 27,981,866 | \$ - | \$ 27,981,866 |
| Rendering of services | 407,762 | 3,208 | 410,970 |
| Others | <u>48,290</u> | <u>-</u> | <u>48,290</u> |
| | <u>\$ 28,437,918</u> | <u>\$ 3,208</u> | <u>\$ 28,441,126</u> |

For the Six Months Ended June 30, 2021

| Type of goods or services | Reportable segments | | |
|---------------------------|----------------------|-----------------|----------------------|
| | Chung Hung | Others | Total |
| Sale of goods | \$ 23,896,381 | \$ - | \$ 23,896,381 |
| Rendering of services | 285,045 | 4,428 | 289,473 |
| Others | <u>42,031</u> | <u>-</u> | <u>42,031</u> |
| | <u>\$ 24,223,457</u> | <u>\$ 4,428</u> | <u>\$ 24,227,885</u> |

25. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--------------------------|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Rental income | \$ 22,099 | \$ 21,647 | \$ 44,474 | \$ 43,169 |
| Government grants income | - | 3,311 | - | 4,787 |
| Dividend income | 2,292 | 450 | 2,292 | 450 |
| Others | <u>2,652</u> | <u>2,434</u> | <u>19,644</u> | <u>6,782</u> |
| | <u>\$ 29,043</u> | <u>\$ 27,842</u> | <u>\$ 66,410</u> | <u>\$ 55,188</u> |

b. Other gains and losses

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net foreign exchange gain | \$ 41,311 | \$ 4,296 | \$ 73,452 | \$ 13,339 |
| Gain arising from financial assets at fair value through profit or loss | 2,774 | 400,178 | 2,774 | 344,797 |
| Fees | (1,294) | (2,222) | (3,056) | (5,327) |
| Others | (654) | (474) | (1,384) | (1,043) |
| | <u>\$ 42,137</u> | <u>\$ 401,778</u> | <u>\$ 71,786</u> | <u>\$ 351,766</u> |

The components of net foreign exchange gain were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|---------------------------------------|-----------------|-------------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Foreign exchange gain | \$ 84,613 | \$ 29,416 | \$ 141,723 | \$ 45,576 |
| Foreign exchange loss | (43,302) | (25,120) | (68,271) | (32,237) |
| Net exchange gain | <u>\$ 41,311</u> | <u>\$ 4,296</u> | <u>\$ 73,452</u> | <u>\$ 13,339</u> |

c. Finance costs

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest on bank overdrafts and loans | \$ 18,681 | \$ 10,366 | \$ 32,797 | \$ 21,998 |
| Interest on lease liabilities | <u>175</u> | <u>219</u> | <u>361</u> | <u>449</u> |
| Total interest expense financial liabilities measured at amortized cost | 18,856 | 10,585 | 33,158 | 22,447 |
| Less: Amounts included in the cost of qualifying assets | <u>229</u> | <u>116</u> | <u>481</u> | <u>393</u> |
| | <u>\$ 18,627</u> | <u>\$ 10,469</u> | <u>\$ 32,677</u> | <u>\$ 22,054</u> |

Information about capitalized interest was as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------|---------------------------------------|-----------|-------------------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Capitalized amounts | \$ 229 | \$ 116 | \$ 481 | \$ 393 |
| Capitalized annual rates (%) | 0.68-0.83 | 0.63-0.72 | 0.59-0.83 | 0.59-0.72 |

d. Depreciation

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--------------------------------------|---|-------------------|---|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Property, plant and equipment | \$ 186,037 | \$ 189,360 | \$ 365,798 | \$ 374,323 |
| Investment properties | 222 | 222 | 444 | 444 |
| Right-of-use assets | <u>3,872</u> | <u>3,863</u> | <u>7,740</u> | <u>7,726</u> |
| | <u>\$ 190,131</u> | <u>\$ 193,445</u> | <u>\$ 373,982</u> | <u>\$ 382,493</u> |
| Analysis of depreciation by function | | | | |
| Operating costs | \$ 187,802 | \$ 191,424 | \$ 369,511 | \$ 378,455 |
| Operating expenses | 2,107 | 1,799 | 4,027 | 3,594 |
| Deduction of other income | <u>222</u> | <u>222</u> | <u>444</u> | <u>444</u> |
| | <u>\$ 190,131</u> | <u>\$ 193,445</u> | <u>\$ 373,982</u> | <u>\$ 382,493</u> |

e. Operating expenses directly related to investment properties

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|-----------------|---|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Direct operating expenses of investment properties that generated rental income | \$ 2,782 | \$ 2,790 | \$ 5,653 | \$ 5,659 |
| Direct operating expenses of investment properties that did not generate rental income | <u>1,817</u> | <u>1,817</u> | <u>3,633</u> | <u>3,633</u> |
| | <u>\$ 4,599</u> | <u>\$ 4,607</u> | <u>\$ 9,286</u> | <u>\$ 9,292</u> |

f. Employee benefits

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---------------------------------|---|-------------------|---|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits | | | | |
| Salaries | \$ 346,157 | \$ 510,470 | \$ 655,928 | \$ 930,509 |
| Labor and health insurance | 23,287 | 22,414 | 51,158 | 46,219 |
| Others | <u>67,145</u> | <u>54,945</u> | <u>121,874</u> | <u>98,911</u> |
| | <u>436,589</u> | <u>587,829</u> | <u>828,960</u> | <u>1,075,639</u> |
| Post-employment benefits | | | | |
| Defined contribution plans | 6,755 | 6,507 | 13,465 | 12,934 |
| Defined benefit plans (Note 22) | <u>5,057</u> | <u>5,000</u> | <u>10,115</u> | <u>9,999</u> |
| | <u>11,812</u> | <u>11,507</u> | <u>23,580</u> | <u>22,933</u> |
| | <u>\$ 448,401</u> | <u>\$ 599,336</u> | <u>\$ 852,540</u> | <u>\$ 1,098,572</u> |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|-------------------|---|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Analysis of employee benefits expense by function | | | | |
| Operating costs | \$ 368,646 | \$ 483,365 | \$ 702,836 | \$ 886,156 |
| Operating expenses | <u>79,755</u> | <u>115,971</u> | <u>149,704</u> | <u>212,416</u> |
| | <u>\$ 448,401</u> | <u>\$ 599,336</u> | <u>\$ 852,540</u> | <u>\$ 1,098,572</u> |

(Concluded)

g. Employees' compensation and remuneration of directors

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

For the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, the compensation of employees and remuneration of directors were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-------------------------------|---|-------------|---|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| <u>Amount</u> | | | | |
| Compensation of employees | \$ 30,835 | \$ 99,224 | \$ 53,542 | \$ 177,889 |
| Remuneration of directors | 6,215 | 19,800 | 10,697 | 35,550 |
| <u>Accrual rate</u> | | | | |
| Compensation of employees (%) | | | 3.53 | 4.24 |
| Remuneration of directors (%) | | | 0.71 | 0.85 |

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 |
| <u>Accrual rate</u> | | |
| Compensation of employees (%) | 4.17 | 5.30 |
| Remuneration of directors (%) | 0.38 | 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 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 June 30 | | For the Six Months Ended June 30 | |
|---------------------------------------|---------------------------------------|-----------------|-------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Current tax | | | | |
| In respect of the current period | \$ 242,979 | \$ 619 | \$ 269,279 | \$ 752 |
| Income tax on unappropriated earnings | 87,183 | - | 87,183 | - |
| In respect of the prior periods | (6,737) | 4,471 | (6,737) | 4,471 |
| Deferred tax | | | | |
| In respect of the current period | (56,145) | - | (79,250) | - |
| | <u>\$ 267,280</u> | <u>\$ 5,090</u> | <u>\$ 270,475</u> | <u>\$ 5,223</u> |

b. No income tax was recognized in equity.

c. Income tax benefit recognized in other comprehensive income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|-------------|-------------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Deferred tax | | | | |
| Remeasurement on defined benefit plans | <u>\$ 136,844</u> | <u>\$ -</u> | <u>\$ 136,844</u> | <u>\$ -</u> |

d. 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 June 30 | | For the Six Months Ended June 30 | |
|----------------------------|---------------------------------------|----------------|-------------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Basic earnings per share | <u>\$ 0.47</u> | <u>\$ 1.59</u> | <u>\$ 0.82</u> | <u>\$ 2.77</u> |
| Diluted earnings per share | <u>\$ 0.47</u> | <u>\$ 1.59</u> | <u>\$ 0.82</u> | <u>\$ 2.77</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 June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Attributable to owners of the Corporation | <u>\$ 679,746</u> | <u>\$ 2,280,826</u> | <u>\$ 1,181,637</u> | <u>\$ 3,980,844</u> |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 1,435,544 | 1,435,544 | 1,435,544 | 1,435,544 |
| Effect of dilutive potential ordinary shares: | | | | |
| Compensation of employees | <u>1,994</u> | <u>2,907</u> | <u>4,218</u> | <u>3,461</u> |
| Weighted average number of ordinary shares used in computation of diluted earnings per share | <u>1,437,538</u> | <u>1,438,451</u> | <u>1,439,762</u> | <u>1,439,005</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>June 30, 2022</u> | | | | |
| Financial assets at FVOCI | | | | |
| Domestic listed shares | \$ 970,521 | \$ - | \$ - | \$ 970,521 |
| Domestic unlisted shares | <u>-</u> | <u>-</u> | <u>58,543</u> | <u>58,543</u> |
| | <u>\$ 970,521</u> | <u>\$ -</u> | <u>\$ 58,543</u> | <u>\$1,029,064</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>June 30, 2021</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Emerging market shares | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 311,266</u> | <u>\$ 311,266</u> |
| Financial assets at FVOCI | | | | |
| Domestic listed shares | \$1,350,884 | \$ - | \$ - | \$1,350,884 |
| Domestic unlisted shares | <u>-</u> | <u>-</u> | <u>49,302</u> | <u>49,302</u> |
| | <u>\$1,350,884</u> | <u>\$ -</u> | <u>\$ 49,302</u> | <u>\$1,400,186</u> |

There was no transfer between Level 1 and Level 2 for the six months ended June 30, 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 six months ended June 30, 2022</u> | | | |
| Balance, beginning of period | \$ - | \$ 62,040 | \$ 62,040 |
| Total profit or loss | | | |
| Recognized in profit or loss | 2,774 | - | 2,774 |
| Recognized in other comprehensive income | - | 5,070 | 5,070 |
| Capital reduction refunded | (2,774) | (8,242) | (11,016) |
| Disposal | <u>-</u> | <u>(325)</u> | <u>(325)</u> |
| Balance, end of period | <u>\$ -</u> | <u>\$ 58,543</u> | <u>\$ 58,543</u> |
| <u>For the six months ended June 30, 2021</u> | | | |
| Balance, beginning of period | \$ 242,410 | \$ 43,345 | \$ 285,755 |
| Total profit or loss | | | |
| Recognized in profit or loss | 344,797 | - | 344,797 |
| Recognized in other comprehensive income | - | 5,957 | 5,957 |
| Disposal | <u>(275,941)</u> | <u>-</u> | <u>(275,941)</u> |
| Balance, end of period | <u>\$ 311,266</u> | <u>\$ 49,302</u> | <u>\$ 360,568</u> |
| Unrealized gains and losses recognized in other profit or loss | <u>\$ 195,582</u> | <u>\$ -</u> | <u>\$ 195,582</u> |

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

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

c. Categories of financial instruments

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|--------------------------|------------------------------|--------------------------|
| <u>Financial assets</u> | | | |
| Fair value through profit or loss | | | |
| Mandatorily at fair value through profit or loss | \$ - | \$ - | \$ 311,266 |
| Measured at amortized cost (see 1 below) | 4,300,125 | 2,725,019 | 1,990,276 |

(Continued)

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|--------------------------|------------------------------|--------------------------|
| Financial assets at fair value through other comprehensive income | | | |
| Equity instruments | \$ 1,029,064 | \$ 1,267,942 | \$ 1,400,186 |
| <u>Financial liabilities</u> | | | |
| Measured at amortized cost (see 2 below) | 13,308,246 | 13,303,919 | 9,547,531 (Concluded) |

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties but not 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 (excluding dividends payable), refund liability, bonds payable, long-term borrowings (including current portion), long-term bills payable, and guarantee deposits received.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 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 Six Months Ended | |
| | June 30 | |
| | 2022 | 2021 |
| Profit before income tax | (\$ 466) | (\$ 8,399) |

Note: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivables, 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:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------------------------|--------------------------|------------------------------|--------------------------|
| Fair value interest rate risk | | | |
| Financial liabilities | \$ 3,053,178 | \$ 4,059,742 | \$ 3,167,104 |
| Cash flow interest rate risk | | | |
| Financial assets | 1,217,428 | 1,431,290 | 543,753 |
| Financial liabilities | 7,374,662 | 6,002,044 | 3,928,919 |

If interest rates had been 0.25% higher/lower all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2022 and 2021 would have been lower/higher by NT\$7,697 thousand and NT\$4,231 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 six months ended June 30, 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 June 30, 2022, the unutilized credit facility of the Group was NT\$46 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:

| June 30, 2022 | Less Than 1 Year | 1-5 Years | Over 5 Years | Total |
|--|----------------------|---------------------|------------------|----------------------|
| Short-term borrowings | \$ 4,708,812 | \$ - | \$ - | \$ 4,708,812 |
| Accounts payable (including related parties) | 1,603,037 | - | - | 1,603,037 |
| Other payables | 5,091,726 | - | - | 5,091,726 |
| Refund liabilities | 212,445 | - | - | 212,445 |
| Lease liabilities | 15,107 | 32,011 | 11,270 | 58,388 |
| Bonds payables | 22,100 | 3,050,700 | - | 3,072,800 |
| Long-term bank borrowings | 132,240 | 1,093,580 | - | 1,225,820 |
| Long-term bills payable | - | 1,500,000 | - | 1,500,000 |
| Guarantee deposits received | - | - | 35,000 | 35,000 |
| | <u>\$ 11,785,467</u> | <u>\$ 5,676,291</u> | <u>\$ 46,270</u> | <u>\$ 17,508,028</u> |
| <u>December 31, 2021</u> | | | | |
| Short-term borrowings | \$ 4,584,062 | \$ - | \$ - | \$ 4,584,062 |
| Short-term bills payable | 1,000,000 | - | - | 1,000,000 |
| Accounts payable (including related parties) | 1,830,309 | - | - | 1,830,309 |
| Other payables | 1,161,176 | - | - | 1,161,176 |
| Refund liabilities | 265,047 | - | - | 265,047 |
| Lease liabilities | 16,086 | 35,783 | 14,364 | 66,233 |
| Bonds payables | 22,100 | 3,066,300 | - | 3,088,400 |
| Long-term bank borrowings | 9,480 | 1,215,258 | - | 1,224,738 |
| Long-term bills payable | - | 240,000 | - | 240,000 |
| Guarantee deposits received | - | - | 35,000 | 35,000 |
| | <u>\$ 8,888,260</u> | <u>\$ 4,557,341</u> | <u>\$ 49,364</u> | <u>\$ 13,494,965</u> |

(Continued)

| June 30, 2021 | Less Than 1 Year | 1-5 Years | Over 5 Years | Total |
|--|---------------------|---------------------|------------------|----------------------|
| Short-term borrowings | \$ 1,397,663 | \$ - | \$ - | \$ 1,397,663 |
| Short-term bills payable | 100,000 | - | - | 100,000 |
| Accounts payable (including related parties) | 1,269,904 | - | - | 1,269,904 |
| Other payables | 1,339,956 | - | - | 1,339,956 |
| Refund liabilities | 299,046 | - | - | 299,046 |
| Lease liabilities | 16,344 | 41,270 | 17,505 | 75,119 |
| Bonds payables | 22,100 | 3,072,800 | - | 3,094,900 |
| Long-term bank borrowings | 10,980 | 1,420,748 | - | 1,431,728 |
| Long-term bills payable | - | 1,140,000 | - | 1,140,000 |
| Guarantee deposits received | - | - | 35,000 | 35,000 |
| | <u>\$ 4,455,993</u> | <u>\$ 5,674,818</u> | <u>\$ 52,505</u> | <u>\$ 10,183,316</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 |
| China Steel Global Trading Corporation (CSGT) | Fellow subsidiaries |
| China Steel Machinery Corporation (CSMC) | Fellow subsidiaries |
| Himag Magnetic Corporation (HMC) | 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 |
| Yu Cheng Lime 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 |
| CSGT Metals Vietnam Joint Stock Company | Fellow subsidiaries |
| CSE Transport Corporation | Fellow subsidiaries |
| Transglory Investment Corporation (TIC) | Associates |
| Pro-Ascentek Investment Corporation (PAIC) | Associates |
| Pacific Harbour Stevedoring Corporation | Other related parties as supervisors of the Corporation |

b. Sale of goods

| Account Items | Related Parties Types | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------|---------------------------------------|------------------------------------|-------------------|----------------------------------|---------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Sales | Parent entity | \$ - | \$ 794 | \$ 190 | \$ 1,368 |
| | Fellow subsidiaries related to others | | | | |
| | CSSB | 776,134 | 407,808 | 1,355,164 | 1,011,576 |
| | Others | <u>36,183</u> | <u>18,621</u> | <u>43,054</u> | <u>37,173</u> |
| | | <u>812,317</u> | <u>426,429</u> | <u>1,398,218</u> | <u>1,048,749</u> |
| | | <u>\$ 812,317</u> | <u>\$ 427,223</u> | <u>\$ 1,398,408</u> | <u>\$ 1,050,117</u> |
| Service Revenue | Parent entity | \$ 263,211 | \$ 129,570 | \$ 400,957 | \$ 281,301 |
| | Fellow subsidiaries related to others | <u>7</u> | <u>8</u> | <u>7</u> | <u>8</u> |
| | | <u>\$ 263,218</u> | <u>\$ 129,578</u> | <u>\$ 400,964</u> | <u>\$ 281,309</u> |

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

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity in which the Corporation has to do certain processing work and charged based on the formula stated in the agreements. The Corporation bills the parent entity within a month after acceptance by T/T.

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

| Account Items | Related Parties/Name Types | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-------------------------|---------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Other operating revenue | Parent entity | \$ - | \$ - | \$ 3,460 | \$ - |
| | Fellow subsidiaries related to others | | | | |
| | DSC | \$ 16,989 | \$ 16,328 | \$ 30,744 | \$ 29,968 |
| | HMC | <u>5,486</u> | <u>3,116</u> | <u>9,403</u> | <u>6,561</u> |
| | | <u>22,475</u> | <u>19,444</u> | <u>40,147</u> | <u>36,529</u> |
| | | <u>\$ 22,475</u> | <u>\$ 19,444</u> | <u>\$ 43,607</u> | <u>\$ 36,529</u> |

There is no significant profit or loss from the sale of the materials of the Company to parent entity and fellow subsidiaries related to others.

c. Purchase of goods

| Related Parties Types/Name | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---------------------------------------|---------------------------------------|---------------------|-------------------------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Parent entity | \$ 3,902,754 | \$ 1,014,453 | \$ 6,451,595 | \$ 3,518,759 |
| Fellow subsidiaries related to others | | | | |
| DSC | 3,585,678 | 4,645,331 | 7,257,001 | 7,408,068 |
| CSGT | 1,765,076 | 1,439,769 | 3,120,964 | 1,826,190 |
| Others | <u>13,573</u> | <u>18,475</u> | <u>35,950</u> | <u>38,531</u> |
| | <u>5,364,327</u> | <u>6,103,575</u> | <u>10,413,915</u> | <u>9,272,789</u> |
| | <u>\$ 9,267,081</u> | <u>\$ 7,118,028</u> | <u>\$ 16,865,510</u> | <u>\$ 12,791,548</u> |

Purchases from related parties, mainly slabs and hot rolling coil. Purchase from related parties were made under normal term for the six months ended June 30, 2022 and 2021.

d. Accounts receivable from related parties

| Account Items | Related Parties Types/Name | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|---------------------------------------|-------------------|----------------------|------------------|
| Accounts receivable from related parties | Parent entity | \$ 84,419 | \$ 33,745 | \$ 33,120 |
| | Fellow subsidiaries related to others | | | |
| | CSSB | 127,551 | - | - |
| | Others | <u>3,290</u> | <u>13,610</u> | <u>11,154</u> |
| | | <u>130,841</u> | <u>13,610</u> | <u>11,154</u> |
| | | <u>\$ 215,260</u> | <u>\$ 47,355</u> | <u>\$ 44,274</u> |
| Other receivables from related parties | Parent entity | \$ 152,270 | \$ 180,658 | \$ 13,460 |
| | Fellow subsidiaries related to others | | | |
| | CHC | <u>44,717</u> | <u>40,803</u> | <u>41,941</u> |
| | Associates | | | |
| | TIC | 25,620 | - | 44,271 |
| | PAIC | <u>10,740</u> | <u>-</u> | <u>-</u> |
| | | <u>36,360</u> | <u>-</u> | <u>44,271</u> |
| | | <u>\$ 233,347</u> | <u>\$ 221,461</u> | <u>\$ 99,672</u> |

No guarantee had been received for accounts receivable and other receivable from related parties. No expense had been recognized for the six months ended June 30, 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 | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------|-----------------------|------------------|----------------------|------------------|
| Accounts payable | Parent entity | \$ 201,300 | \$ 463,370 | \$ 611,457 |

(Continued)

| Account Items | Related Parties Types | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------|---------------------------------------|-------------------|----------------------|-------------------|
| Accounts payable | Fellow subsidiaries related to others | | | |
| | CSGT | \$ 441,201 | \$ - | \$ 173,148 |
| | Others | <u>15,027</u> | <u>1,554</u> | <u>14,781</u> |
| | | <u>456,228</u> | <u>1,554</u> | <u>187,929</u> |
| | Others | <u>233</u> | <u>4,653</u> | <u>9,936</u> |
| | | <u>\$ 657,761</u> | <u>\$ 469,577</u> | <u>\$ 809,322</u> |
| Other payables | Parent entity | \$ 75,310 | \$ 64,317 | \$ 41,997 |
| | Fellow subsidiaries related to others | 7,656 | 16,737 | 6,601 |
| | Others | <u>2,994</u> | <u>3,807</u> | <u>1,206</u> |
| | | <u>\$ 85,960</u> | <u>\$ 84,861</u> | <u>\$ 49,804</u> |

(Concluded)

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 good 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\$13,252 thousand, NT\$18,096 thousand, NT\$27,691 thousand and NT\$36,039 thousand for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, December 31, 2021 and June 30, 2021, authorization fees payable (included in payables to related parties) were NT\$11,719 thousand, NT\$13,104 thousand and NT\$15,341 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 June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 were NT\$1,027 thousand, NT\$1,032 thousand, NT\$2,003 thousand and NT\$2,011 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 three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 were NT\$1,327 thousand, NT\$1,327 thousand, NT\$2,655 thousand and NT\$2,655 thousand, respectively.

3) Construction in progress and other expenditures

Other expenditures include import and export transportation fees, export agency fees, rent expenses, remuneration and transportation allowances of directors, etc., were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| a) Other expenditures | | | | |
| Parent entity | \$ 55,046 | \$ 50,683 | \$ 90,333 | \$ 101,703 |
| Others | 30,845 | 34,002 | 62,908 | 63,651 |
| Fellow subsidiaries related to others | <u>59,636</u> | <u>33,644</u> | <u>102,648</u> | <u>47,385</u> |
| | <u>\$ 145,527</u> | <u>\$ 118,329</u> | <u>\$ 255,889</u> | <u>\$ 212,739</u> |
| b) Capital expenditure | | | | |
| Fellow subsidiaries related to others | | | | |
| CSMC | \$ 11,000 | \$ - | \$ 20,600 | \$ - |
| ICSC | - | 14,013 | - | 34,165 |
| Others | <u>2,450</u> | <u>-</u> | <u>2,450</u> | <u>-</u> |
| | <u>\$ 13,450</u> | <u>\$ 14,013</u> | <u>\$ 23,050</u> | <u>\$ 34,165</u> |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Fellow subsidiaries related to others | | | | |
| CHC | \$ 163,402 | \$ 117,898 | \$ 299,915 | \$ 220,086 |
| Others | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,018</u> |
| | <u>\$ 163,402</u> | <u>\$ 117,898</u> | <u>\$ 299,915</u> | <u>\$ 223,104</u> |

g. Compensation of key management personnel

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits | \$ 16,126 | \$ 31,752 | \$ 28,468 | \$ 57,866 |
| Post-employment benefits | <u>368</u> | <u>352</u> | <u>737</u> | <u>705</u> |
| | <u>\$ 16,494</u> | <u>\$ 32,104</u> | <u>\$ 29,205</u> | <u>\$ 58,571</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):

| | June 30, 2022 | December 31, 2021 | June 30, 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 June 30, 2022 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$4,037,087 thousand.
- b. The Group had signed agreements to buy equipment for NT\$179,263 thousand, of which NT\$69,286 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credits for NT\$112,009 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>June 30, 2022</u> | | | |
| Monetary financial assets USD | \$ 44,190 | 29.720 (USD:NTD) | \$ 1,313,335 (Continued) |

| | Foreign Currencies (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---------------------------------------|--|----------------------|-----------|---|
| <u>June 30, 2022</u> | | | | |
| Monetary financial liabilities USD | \$ 45,759 | 29.720 | (USD:NTD) | \$ 1,359,946 |
| <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>June 30, 2021</u> | | | | |
| Monetary financial assets USD | 2,679 | 27.860 | (USD:NTD) | 74,647 |
| Monetary financial liabilities USD | 32,827 | 27.860 | (USD:NTD) | 914,549 (Concluded) |

For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, realized and unrealized net foreign exchange gains were NT\$41,311 thousand, NT\$4,296 thousand, NT\$73,452 thousand and NT\$13,339 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 six months ended June 30, 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.

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 six months ended June 30, 2022 | | | | |
| Revenues from external customers | <u>\$ 28,437,918</u> | <u>\$ 3,208</u> | <u>\$ -</u> | <u>\$ 28,441,126</u> |
| Segment profit | \$ 1,338,986 | \$ 2,533 | \$ 60 | \$ 1,341,579 |
| Interest income | 3,417 | 7 | - | 3,424 |
| Other income | 66,470 | - | (60) | 66,410 |
| Other income and expenses | 71,786 | - | - | 71,786 |
| Finance costs | (32,677) | - | - | (32,677) |
| Share of the profit of associates | <u>3,622</u> | <u>-</u> | <u>(2,032)</u> | <u>1,590</u> |
| Profit before income tax for the period | 1,451,604 | 2,540 | (2,032) | 1,452,112 |
| Income tax expense | <u>269,967</u> | <u>508</u> | <u>-</u> | <u>270,475</u> |
| Net profit for the period | <u>\$ 1,181,637</u> | <u>\$ 2,032</u> | <u>(\$ 2,032)</u> | <u>\$ 1,181,637</u> |

(Continued)

| | The Corporation | Others | Adjustment and Elimination | Total |
|---|----------------------------|------------------|---|----------------------|
| <u>For the six months ended June 30, 2022</u> | | | | |
| Identifiable assets | \$ 34,320,339 | \$ 43,790 | \$ - | \$ 34,364,129 |
| Investments accounted for using equity method | <u>3,264,791</u> | <u>-</u> | <u>(41,424)</u> | <u>3,223,367</u> |
| Total assets | <u>\$ 37,585,130</u> | <u>\$ 43,790</u> | <u>(\$ 41,424)</u> | <u>\$ 37,587,496</u> |
| Total liabilities | <u>\$ 18,739,728</u> | <u>\$ 2,366</u> | <u>\$ -</u> | <u>\$ 18,742,094</u> |
| <u>For the six months ended June 30, 2021</u> | | | | |
| Revenues from external customers | <u>\$ 24,223,457</u> | <u>\$ 4,428</u> | <u>\$ -</u> | <u>\$ 24,227,885</u> |
| Segment profit | 3,598,371 | 3,752 | 60 | 3,602,183 |
| Interest income | 265 | 10 | - | 275 |
| Other income | 55,248 | - | (60) | 55,188 |
| Other income and expenses | 351,766 | - | - | 351,766 |
| Finance costs | (22,054) | - | - | (22,054) |
| Share of the profit of associates | <u>1,719</u> | <u>-</u> | <u>(3,010)</u> | <u>(1,291)</u> |
| Profit before income tax for the period | 3,985,315 | 3,762 | (3,010) | 3,986,067 |
| Income tax expense | <u>4,471</u> | <u>752</u> | <u>-</u> | <u>5,223</u> |
| Net profit for the period | <u>\$ 3,980,844</u> | <u>\$ 3,010</u> | <u>(\$ 3,010)</u> | <u>\$ 3,980,844</u> |
| Identifiable assets | \$ 27,028,378 | \$ 47,754 | \$ - | \$ 27,076,132 |
| Investments accounted for using equity method | <u>4,520,628</u> | <u>-</u> | <u>(46,248)</u> | <u>4,474,380</u> |
| Total assets | <u>\$ 31,549,628</u> | <u>\$ 47,754</u> | <u>(\$ 46,248)</u> | <u>\$ 31,550,512</u> |
| Total liabilities | <u>\$ 10,602,786</u> | <u>\$ 1,506</u> | <u>\$ -</u> | <u>\$ 10,604,292</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
JUNE 30, 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 | JUNE 30, 2022 | | | | Note |
|---------------------------------|---|------------------------------------|--|---------------|----------------|-----------------------------|------------|---------------------|
| | | | | Shares/Units | Carrying Value | Percentage of Ownership (%) | Fair Value | |
| Chung Hung Steel Corporation | Ordinary Shares Shouh Hwang Enterprise Co., Ltd. | - | Financial assets at fair value through profit or loss – current | 730,000 | \$ - | 15 | \$ - | Note |
| | Ordinary Shares China Steel Corporation | Parent company | Financial assets at fair value through other comprehensive income – current | 33,109,239 | \$ 941,958 | - | \$ 941,958 | |
| | Ordinary Shares Taiwan Ves-Power Co., Ltd. | - | Financial assets at fair value through other comprehensive income - noncurrent | 134,167 | \$ 52,426 | 2 | \$ 52,426 | 2022.5.31 net value |
| | Pacific Harbour Stevedoring Corp. | The company as its supervisor | Financial assets at fair value through other comprehensive income - noncurrent | 250,000 | 6,117 | 5 | 6,117 | 2022.5.31 net value |
| | | | | | \$ 58,543 | | \$ 58,543 | |
| 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 | \$ 28,563 | - | \$ 28,563 | |

Note: 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 JUNE 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Relationship | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|------------------------------|--|-------------------|----------------------------|--------------|------------|---|----------------------|----------------------------------|-------------------------------------|------------|------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| Chung Hung Steel Corporation | Dragon Steel Corporation | Fellow subsidiary | Purchase of goods | \$7,257,001 | 30 | Letter of credit at sight | \$- | | \$- | - | |
| | China Steel Corporation | Parent company | Purchase of goods | 6,451,595 | 26 | Letter of credit at sight/Payment after final acceptance | - | | (201,300) | (13) | |
| | China Steel Global Trading Corporation | Fellow subsidiary | Purchase of goods | 3,120,964 | 13 | T/T within 7 business days after lading date (not included) | - | | (441,201) | (28) | |
| | CSC Steel Sdn. Bhd. | Fellow subsidiary | Revenue from sale of goods | (1,355,164) | (5) | T/T within 7 business days after lading date (not included) | - | | 127,551 | 8 | |
| | China Steel Corporation | Parent company | Service revenue | (397,749) | (1) | T/T as the end of the month of after final acceptance | - | NO THIRD-PARTY COULD BE COMPARED | 84,419 | 5 | |

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 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 | Allowance for Impairment Loss |
|------------------------------|-------------------------|-------------------|----------------|---------------|---------|---------------|--------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| Chung Hung Steel Corporation | China Steel Corporation | Parent company | \$ 138,609 | (Note) | \$ - | | \$ - | \$ - |
| | CSC Steel Sdn. Bhd. | Fellow subsidiary | 127,551 | 44 | - | | - | - |

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE PERIOD ENDED JUNE 30, 2022

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of June 30, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|------------------------------|-------------------------------------|----------|------------------------------|------------------------------|---------------------------------|---------------------|--------------------|-----------------|-----------------------------------|------------------------|------------|
| | | | | June 30, 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 | 3,036,726 | (5,258) | (2,151) | Associates |
| Chung Hung Steel Corporation | Pro-Ascentek Investment Corporation | Taiwan | General investment | 200,000 | 200,000 | 20,000,000 | 16.67 | 186,641 | 22,450 | 3,741 | Associates |

Note: Amount was eliminated in the consolidated financial statements.

CHUNG HUNG STEEL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

JUNE 30, 2022

| Name of The Shareholder | Shares | |
|-------------------------|------------------------|----------------------------|
| | Number of Shares Owned | Percentage of Ownership(%) |
| 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.