

**Chung Hung Steel Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 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 September 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, and the consolidated statements of changes in equity and of cash flows for the nine months ended September 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 September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, and its consolidated cash flows for the nine months ended September 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

November 3, 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)

	September 30, 2022		December 31, 2021		September 30, 2021	
	(Reviewed)		(Audited)		(Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 3,538,925	9	\$ 508,123	1	\$ 340,592	1
Financial assets at fair value through other comprehensive income - current (Note 7)	884,017	2	1,170,412	3	1,201,865	3
Financial assets for hedging - current (Notes 4 and 8)	833,394	2	-	-	-	-
Accounts receivable (Notes 9 and 24)	985,866	3	930,578	2	1,776,651	5
Accounts receivable from related parties (Notes 9, 24 and 30)	132,085	-	47,355	-	364,313	1
Other receivables (Note 9)	142,074	-	9,051	-	33,138	-
Other receivables from related parties (Notes 9 and 30)	969,152	3	221,461	1	188,081	1
Current tax assets	691	-	-	-	-	-
Inventories (Note 10)	10,211,568	26	12,717,439	34	9,467,891	27
Prepayments (Note 11)	388,949	1	443,128	1	178,538	1
Other financial assets - current (Notes 12 and 31)	1,001,100	3	1,002,800	3	302,800	1
Other current assets	29	-	2,597	-	638	-
Total current assets	<u>19,087,850</u>	<u>49</u>	<u>17,052,944</u>	<u>45</u>	<u>13,854,507</u>	<u>40</u>
<b>NONCURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - noncurrent (Note 7)	72,143	-	97,530	-	98,197	-
Investments accounted for using equity method (Note 13)	3,374,760	9	4,042,778	11	4,137,937	12
Property, plant and equipment (Notes 14 and 32)	9,921,409	26	10,164,924	28	10,403,749	30
Right-of-use assets (Note 15)	51,533	-	62,920	-	66,785	-
Investment properties (Note 16)	5,981,631	15	5,982,297	16	5,982,519	18
Deferred tax assets	458,299	1	-	-	-	-
Prepayments for equipment (Note 32)	36,820	-	70,290	-	21,822	-
Refundable deposits	9,288	-	5,651	-	5,652	-
Total noncurrent assets	<u>19,905,883</u>	<u>51</u>	<u>20,426,390</u>	<u>55</u>	<u>20,716,661</u>	<u>60</u>
<b>TOTAL</b>	<u>\$ 38,993,733</u>	<u>100</u>	<u>\$ 37,479,334</u>	<u>100</u>	<u>\$ 34,571,168</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 17 and 31)	\$ 9,457,394	24	\$ 4,562,252	12	\$ 2,992,267	9
Short-term bills payable (Note 17)	349,931	1	999,641	3	-	-
Contract liabilities - current (Note 24)	141,022	-	95,155	-	85,874	-
Accounts payable (Note 19)	31,006	-	1,360,732	3	1,572,122	5
Accounts payable to related parties (Notes 19 and 30)	394,112	1	469,577	1	1,025,425	3
Other payables (Notes 20 and 30)	558,383	2	1,175,704	3	1,165,443	3
Current tax liabilities	182,851	1	654,769	2	395,539	1
Provisions - current (Note 21)	89,875	-	206,850	1	-	-
Lease liabilities - current (Note 15)	13,575	-	15,408	-	15,365	-
Current portion of long-term borrowings (Note 17)	2,720,000	7	-	-	-	-
Refund liabilities	113,892	-	265,047	1	397,389	1
Other current liabilities	18,960	-	23,317	-	18,246	-
Total current liabilities	<u>14,071,001</u>	<u>36</u>	<u>9,828,452</u>	<u>26</u>	<u>7,667,670</u>	<u>22</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds payable (Note 18)	2,997,025	8	2,996,174	8	2,995,890	9
Long-term borrowings (Note 17)	1,880,000	5	1,200,000	3	1,200,000	3
Long-term bills payable (Note 17)	1,999,447	5	239,792	1	239,914	1
Deferred tax liabilities	193,021	-	182,222	1	182,222	1
Lease liabilities - noncurrent (Note 15)	39,056	-	48,519	-	52,425	-
Net defined benefit liabilities (Notes 4 and 22)	302,027	1	387,777	1	259,162	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-	35,000	-
Total noncurrent liabilities	<u>7,445,576</u>	<u>19</u>	<u>5,089,484</u>	<u>14</u>	<u>4,964,613</u>	<u>15</u>
Total liabilities	<u>21,516,577</u>	<u>55</u>	<u>14,917,936</u>	<u>40</u>	<u>12,632,283</u>	<u>37</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)</b>						
Ordinary shares	<u>14,355,444</u>	<u>37</u>	<u>14,355,444</u>	<u>38</u>	<u>14,355,444</u>	<u>42</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	<u>2,484,354</u>	<u>6</u>	<u>6,503,369</u>	<u>18</u>	<u>5,755,249</u>	<u>17</u>
Total retained earnings	<u>3,249,160</u>	<u>8</u>	<u>7,073,840</u>	<u>19</u>	<u>6,325,720</u>	<u>18</u>
Other equity	<u>(128,351)</u>	<u>-</u>	<u>1,131,211</u>	<u>3</u>	<u>1,256,818</u>	<u>3</u>
Total equity	<u>17,477,156</u>	<u>45</u>	<u>22,561,398</u>	<u>60</u>	<u>21,938,885</u>	<u>63</u>
<b>TOTAL</b>	<u>\$ 38,993,733</u>	<u>100</u>	<u>\$ 37,479,334</u>	<u>100</u>	<u>\$ 34,571,168</u>	<u>100</u>

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

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 30)								
Sales	\$ 7,681,382	98	\$ 15,414,198	99	\$ 35,663,248	98	\$ 39,310,579	99
Investment revenue	3,112	-	301	-	3,112	-	301	-
Service revenue	178,432	2	197,895	1	589,402	2	487,368	1
Other operating revenue	16,025	-	22,875	-	64,315	-	64,906	-
Total operating revenue	7,878,951	100	15,635,269	100	36,320,077	100	39,863,154	100
OPERATING COSTS (Notes 10, 14, 25 and 30)								
	9,809,721	125	13,642,631	87	36,550,524	101	33,807,002	85
GROSS PROFIT (LOSS)	( 1,930,770)	( 25)	1,992,638	13	( 230,447)	( 1)	6,056,152	15
OPERATING EXPENSES (Notes 25 and 30)								
Selling and marketing expenses	79,437	1	106,992	1	288,293	1	339,608	1
General and administrative expenses	46,667	-	97,046	-	196,555	-	325,761	1
Total operating expenses	126,104	1	204,038	1	484,848	1	665,369	2
PROFIT (LOSS) FROM OPERATIONS	( 2,056,874)	( 26)	1,788,600	12	( 715,295)	( 2)	5,390,783	13
NON-OPERATING INCOME AND EXPENSES (Notes 16, 25 and 30)								
Interest income	14,124	-	36	-	17,548	-	311	-
Other income	151,255	2	50,401	-	217,665	1	105,589	-
Other gains and losses	50,877	1	( 1,111)	-	122,663	-	350,655	1
Finance costs	( 40,558)	( 1)	( 10,524)	-	( 73,235)	-	( 32,578)	-
Share of the loss of associates	345,647	4	34,383	-	347,237	1	33,092	-
Total non-operating income and expenses	521,345	6	73,185	-	631,878	2	457,069	1
PROFIT (LOSS) BEFORE INCOME TAX	( 1,535,529)	( 20)	1,861,785	12	( 83,417)	-	5,847,852	14
INCOME TAX (BENEFIT) (Notes 4 and 26)	( 409,554)	( 5)	398,170	3	( 139,079)	-	403,393	1
NET PROFIT (LOSS) FOR THE PERIOD	( 1,125,975)	( 15)	1,463,615	9	55,662	-	5,444,459	13
OTHER COMPREHENSIVE INCOME (LOSS) (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	( 72,904)	( 1)	( 100,123)	( 1)	( 303,215)	( 1)	412,416	2
Gains and losses on hedging instruments	31,108	-	-	-	31,108	-	-	-
Share of the other comprehensive income of associates	( 194,172)	( 2)	( 370,749)	( 2)	( 979,272)	( 2)	1,279,532	3
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	( 6,222)	-	-	-	130,622	-	-	-
Items that may be reclassified subsequently to profit or loss								
Share of the other comprehensive income of associates	( 81)	-	( 78)	-	377	-	( 133)	-

(Continued)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income (loss) for the period	(\$ 242,271)	( 3)	(\$ 470,950)	( 3)	(\$ 1,120,380)	( 3)	\$ 1,691,815	5
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD	(\$ 1,368,246)	( 18)	\$ 992,665	6	(\$ 1,064,718)	( 3)	\$ 7,136,274	18
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	(\$ 1,125,975)	( 15)	\$ 1,463,615	9	\$ 55,662	-	\$ 5,444,459	13
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owners of the Corporation	(\$ 1,368,246)	( 18)	\$ 992,665	6	(\$ 1,064,718)	( 3)	\$ 7,136,274	18
EARNINGS (LOSS) PER SHARE (Note 27)								
Basic	(\$ 0.78)		\$ 1.02		\$ 0.04		\$ 3.79	
Diluted	(\$ 0.78)		\$ 1.02		\$ 0.04		\$ 3.78	

(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			Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	
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 nine months ended September 30, 2022	-	-	-	-	55,662	-	-	-	55,662
Other comprehensive income for the nine months ended September 30, 2022, net of income tax	-	-	-	-	136,836	377	(1,282,479)	24,886	(1,120,380)
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	192,498	377	(1,282,479)	24,886	(1,064,718)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,346	-	(2,346)	-	-
BALANCE AT SEPTEMBER 30, 2022	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 2,484,354	\$ 235	\$ (153,472)	\$ 24,886	\$ 17,477,156
BALANCE AT JANUARY 1, 2021	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 662,620	\$ -	\$ (425,839)	\$ -	\$ 15,233,274
Appropriation of 2020 earning (Note 23)									
Legal reserve	-	-	54,064	-	(54,064)	-	-	-	-
Cash dividends	-	-	-	-	(430,663)	-	-	-	(430,663)
Reversal of special reserve	-	-	-	(123,739)	123,739	-	-	-	-
Net profit for the nine months ended September 30, 2021	-	-	-	-	5,444,459	-	-	-	5,444,459
Other comprehensive income for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	(133)	1,691,948	-	1,691,815
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	5,444,459	(133)	1,691,948	-	7,136,274
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	9,158	-	(9,158)	-	-
BALANCE AT SEPTEMBER 30, 2021	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 5,755,249	\$ (133)	\$ 1,256,951	\$ -	\$ 21,938,885

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 Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	(\$ 83,417)	\$ 5,847,852
Adjustments for:		
Depreciation expense	544,270	571,546
Net loss on financial assets and liabilities at fair value through profit or loss	( 2,774)	( 318,331)
Finance costs	73,235	32,578
Interest income	( 17,548)	( 311)
Dividends income	( 108,043)	( 10,684)
Share of the profit of associates	( 347,237)	( 33,092)
Write-down (reversal) of inventories	1,639,087	( 1,435)
Impairment loss recognized on property, plant and equipment	-	535,465
Recognition of provisions	( 116,975)	-
Others	852	813
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,774	560,741
Financial assets for hedging	( 802,286)	-
Accounts receivable	( 55,288)	( 946,564)
Accounts receivable from related parties	( 84,730)	( 247,075)
Other receivables	( 130,531)	( 13,817)
Other receivables from related parties	( 447,691)	( 161,409)
Inventories	866,784	( 5,230,036)
Prepayments	54,179	( 27,577)
Other current assets	2,568	3,323
Contract liabilities	45,867	28,591
Accounts payable	( 1,329,726)	1,544,622
Accounts payable to related parties	( 75,465)	712,201
Other payables	( 623,752)	593,207
Other current liabilities	( 4,357)	2,482
Net defined benefit liabilities	( 85,750)	( 54,555)
Refund liabilities	( 151,155)	243,633
Cash generated from operations	( 1,237,109)	3,632,168
Income taxes paid	( 650,408)	( 7,345)
Net cash generated from (used in) operating activities	( 1,887,517)	3,624,823
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	325	-
Proceeds from the 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	( 257,181)	( 263,639)
Decrease(Increase) in refundable deposits	( 3,637)	568

(Continued)

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
Other receivables from related parties	(\$ 300,000)	\$ -
Decrease(Increase) in other financial assets	1,700	( 1,100)
Interest received	15,056	311
Dividends received from others	<u>144,403</u>	<u>54,955</u>
Net cash used in investing activities	<u>( 391,092)</u>	<u>( 408,905)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	91,865,851	72,749,848
Repayments of short-term borrowings	( 86,970,709)	( 70,162,211)
Proceeds from short-term bills payable	4,900,290	2,600,423
Repayments of short-term bills payable	( 5,550,000)	( 6,200,000)
Proceeds from long-term borrowings	3,400,000	300,000
Repayments of long-term borrowings	-	( 1,100,000)
Proceeds from long-term bills payable	1,999,655	240,240
Repayments of long-term bills payable	( 240,000)	( 1,110,000)
Repayments of principal of lease liabilities	( 11,531)	( 11,369)
Dividends paid to owners of the corporation	( 4,019,524)	( 430,663)
Interest paid	<u>( 64,621)</u>	<u>( 38,967)</u>
Net cash generated from (used in) financing activities	<u>5,309,411</u>	<u>( 3,162,699)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,030,802	53,219
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>\$ 3,538,925</u>	<u>\$ 340,592</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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Chung Hung Steel Corporation (the “Corporation”) was incorporated in September 1983 and started operations in September 1985. It mainly manufactures and sells steel products, such as cold and hot rolled coils.

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

As of September 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 November 3, 2022.

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note1)</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
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact 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 (%)		
			September 30, 2022	December 31, 2021	September 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.

3) Hedge accounting

The Corporation and Subsidiaries engage in cash flow hedges using designated hedging tools (including non-derivative tools for avoiding exchange rate risk). Cash flow hedges are used for hedging against exchange rate risks of firm commitments.

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

When a hedged item is recognized as profit or loss, the amount originally recognized in other comprehensive income will be reclassified to profit or loss in the same accounting period, and recognized under hedged items in the Consolidated Statement of Comprehensive Income. However, if a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

The Corporation and Subsidiaries only extend or suspend hedge accounting when the hedging relationship no longer meets the criteria of hedge accounting. This includes the maturity, sale, termination, or exercise of hedging tools. The amount already recognized in other comprehensive income during the effective period of the hedge is still recognized in equity before the expected transaction occurs. When the expected transaction is no longer expected to occur, the amount originally recognized in other comprehensive income will be immediately recognized in profit or loss.

## 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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 640	\$ 640	\$ 640
Checking accounts and demand deposits	435,243	507,483	339,952
Cash equivalents (investments with original maturities of less than three months)			
Time deposits	7,005	-	-
Commercial papers with repurchase agreements	2,987,891	-	-
Bonds with repurchase agreements	<u>108,146</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,538,925</u>	<u>\$ 508,123</u>	<u>\$ 340,592</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Domestic Listed shares	<u>\$ 884,017</u>	<u>\$ 1,170,412</u>	<u>\$ 1,201,865</u>
<u>Noncurrent</u>			
Domestic listed shares	\$ 26,806	\$ 35,490	\$ 36,444
Domestic unlisted shares	<u>45,337</u>	<u>62,040</u>	<u>61,753</u>
	<u>\$ 72,143</u>	<u>\$ 97,530</u>	<u>\$ 98,197</u>

## 8. FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets for hedging - current</u>			
Hedging foreign-currency deposits	<u>\$ 833,394</u>	<u>\$ -</u>	<u>\$ -</u>

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

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Accounts receivable</u>			
Accounts receivable – non-related parties	<u>\$ 985,866</u>	<u>\$ 930,578</u>	<u>\$ 1,776,651</u>
Accounts receivable – related parties	<u>\$ 132,085</u>	<u>\$ 47,355</u>	<u>\$ 364,313</u>
<u>Other receivables (including related parties)</u>			
Receivables from price settlement	\$ 633,410	\$ 170,204	\$ 130,388
Other receivables - related parties' loans	300,000	-	-
Income tax refund receivable	127,187	-	19,968
Receivables from disposal of scrap	43,527	49,662	62,245
Others	<u>7,102</u>	<u>10,646</u>	<u>8,618</u>
	<u>\$ 1,111,226</u>	<u>\$ 230,512</u>	<u>\$ 221,219</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.

#### September 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	\$ 1,117,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,117,951
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,117,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,951</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>

#### September 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	\$ 2,140,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,140,964
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 2,140,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,140,964</u>

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
A company	\$ 414,143	\$ -	\$ -
B company	57,102	-	276,220
C company	7,911	44,206	236,659
D company	6,288	108,898	292,368
E company	-	169,772	513,381
F company	-	121,226	18,284
G company	-	244,817	-
	<u>\$ 485,444</u>	<u>\$ 688,919</u>	<u>\$ 1,336,912</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 nine months ended September 30, 2022 and 2021 were as follows:

<b>Buyer of Accounts Receivable</b>	<b>Advances Received at Period - Beginning</b>	<b>Receivables Sold</b>	<b>Amounts Collected</b>	<b>Advances Received at Period - End</b>	<b>Interest Rates on Advances Received (%)</b>	<b>Credit Line</b>
<u>For the Nine Months Ended September 30, 2022</u>						
Mega Bank	\$ 453,536	\$ 974,023	\$ 939,587	\$ 487,972	1.27	NT\$841.2 million
Bank of Taiwan	46,016	131,131	149,593	27,554	1.27	NT\$200 million
Bank of Taiwan	22,479	32,185	49,229	5,435	2.27	USD20 million
	<u>\$ 522,031</u>	<u>\$ 1,137,339</u>	<u>\$ 1,138,409</u>	<u>\$ 520,961</u>		
<u>For the Nine Months Ended September 30, 2021</u>						
Mega Bank	\$ 601,245	\$ 1,374,818	\$ 1,296,472	\$ 679,591	1.03	NT\$817 million
Bank of Taiwan	67,274	154,624	144,629	77,269	1.03	NT\$200 million
Bank of Taiwan	14,577	38,734	36,673	16,638	1.44	USD20 million (Note)
	<u>\$ 683,096</u>	<u>\$ 1,568,176</u>	<u>\$ 1,477,774</u>	<u>\$ 773,498</u>		

Note : The renewal of the contract is still in process as of September 30, 2021.

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 September 30, 2022, December 31, 2021 and September 30, 2021, there was no allowance for doubtful accounts.

## 10. INVENTORIES

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 6,490,316	\$ 6,207,596	\$ 2,862,672
Finished goods	2,850,741	4,262,064	3,734,680
Supplies	353,299	309,073	342,221
Work in progress	508,708	730,616	917,298
Others	6,214	6,418	5,653
Raw materials and supplies in transit	<u>2,290</u>	<u>1,201,672</u>	<u>1,605,367</u>
	<u>\$ 10,211,568</u>	<u>\$ 12,717,439</u>	<u>\$ 9,467,891</u>

The cost of inventories recognized as operating costs for the three months and nine months ended September 30, 2022 and 2021 was NT\$9,691,046 thousand, NT\$13,001,793 thousand, NT\$36,136,797 thousand and NT\$32,906,116 thousand, respectively, including loss on inventory value decline of NT\$1,482,428 thousand, loss on inventory value decline of NT\$19,030 thousand, loss on inventory value decline of NT\$1,639,087 thousand and reversal of loss of NT\$1,435 thousand, respectively.

## 11. PREPAYMENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Prepayments for purchases	\$ 193,863	\$ 24,036	\$ 27,935
Input tax	102,670	312,282	142,134
Tax overpaid retained for offsetting future tax payable	82,965	102,533	-
Others	<u>9,451</u>	<u>4,277</u>	<u>8,469</u>
	<u>\$ 388,949</u>	<u>\$ 443,128</u>	<u>\$ 178,538</u>

## 12. OTHER FINANCIAL ASSETS

	September 30, 2022	December 31, 2021	September 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

	September 30, 2022	December 31, 2021	September 30, 2021
Material associates			
Transglory Investment Corp. (TIC)	\$ 3,185,599	\$ 3,829,875	\$ 3,936,500
Associates that are not individually material	<u>189,161</u>	<u>212,903</u>	<u>201,437</u>
	<u>\$ 3,374,760</u>	<u>\$ 4,042,778</u>	<u>\$ 4,137,937</u>

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)		
			September 30, 2022	December 31, 2021	September 30, 2021
TIC	General investment	Taiwan	40.91	40.91	40.91

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

TIC

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 564,535	\$ 1,052	\$ 8,669
Noncurrent assets	7,222,110	9,470,285	9,728,250
Current liabilities	( 157)	( 110,059)	( 115,020)
Equity	<u>\$ 7,786,488</u>	<u>\$ 9,361,278</u>	<u>\$ 9,621,899</u>
Proportion of the Group's ownership (%)	40.91	40.91	40.91
Equity attributable to the Group	<u>\$ 3,185,599</u>	<u>\$ 3,829,875</u>	<u>\$ 3,936,500</u>
Carrying amount	<u>\$ 3,185,599</u>	<u>\$ 3,829,875</u>	<u>\$ 3,936,500</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Operating revenue	<u>\$ 839,790</u>	<u>\$ 80,247</u>	<u>\$ 839,790</u>	<u>\$ 80,247</u>
Net profit for the period	\$ 838,342	\$ 78,311	\$ 833,084	\$ 72,557
Other comprehensive income	( 474,456)	( 894,729)	( 2,345,252)	3,131,600
Total comprehensive income for the period	<u>\$ 363,886</u>	<u>(\$ 816,418)</u>	<u>(\$ 1,512,168)</u>	<u>\$ 3,204,157</u>
Comprehensive income attributable to the Group	<u>\$ 148,873</u>	<u>(\$ 334,011)</u>	<u>(\$ 618,656)</u>	<u>\$ 1,311,055</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Net profit for the period	\$ 2,666	\$ 2,344	\$ 6,407	\$ 3,258
Other comprehensive income	( 146)	( 4,776)	( 19,409)	( 1,821)
Total comprehensive income	<u>\$ 2,520</u>	<u>(\$ 2,432)</u>	<u>(\$ 13,002)</u>	<u>\$ 1,437</u>

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

Refer to Table 5 “Information on 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 Nine Months Ended September 30, 2022

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 3,988,983	\$ 5,012,081	\$ 23,066,828	\$ 4,530,559	\$ 1,330,770	\$ 67,071	\$ 37,996,292
Additions	17,398	-	138,299	30,650	98,223	3,898	288,468
Disposals	-	-	-	(7,476)	(182,546)	-	(190,022)
Balance at September 30, 2022	<u>\$ 4,006,381</u>	<u>\$ 5,012,081</u>	<u>\$ 23,205,127</u>	<u>\$ 4,553,733</u>	<u>\$ 1,246,447</u>	<u>\$ 70,969</u>	<u>\$ 38,094,738</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 2,141,699	\$ 19,554,344	\$ 4,138,570	\$ 774,413	\$ -	\$ 26,609,026
Depreciation expense	-	100,036	251,550	74,952	105,445	-	531,983
Disposals	-	-	-	(7,476)	(182,546)	-	(190,022)
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 2,241,735</u>	<u>\$ 19,805,894</u>	<u>\$ 4,206,046</u>	<u>\$ 697,312</u>	<u>\$ -</u>	<u>\$ 26,950,987</u>
<u>Accumulated impairment</u>							
Balance at January 1 and September 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 September 30, 2022	<u>\$ 4,006,381</u>	<u>\$ 2,770,346</u>	<u>\$ 2,330,047</u>	<u>\$ 347,687</u>	<u>\$ 395,979</u>	<u>\$ 70,969</u>	<u>\$ 9,921,409</u>

##### For the Nine Months Ended September 30, 2021

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 3,988,983	\$ 5,001,703	\$ 22,862,804	\$ 4,483,434	\$ 1,291,199	\$ 125,357	\$ 37,753,480
Additions	-	10,378	210,281	38,480	139,609	(62,911)	335,837
Disposals	-	-	-	(9,838)	(124,519)	-	(134,357)
Balance at September 30, 2021	<u>\$ 3,988,983</u>	<u>\$ 5,012,081</u>	<u>\$ 23,073,085</u>	<u>\$ 4,512,076</u>	<u>\$ 1,306,289</u>	<u>\$ 62,446</u>	<u>\$ 37,954,960</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 2,008,941	\$ 19,214,045	\$ 4,050,064	\$ 741,470	\$ -	\$ 26,014,520
Depreciation expense	-	99,419	264,347	73,503	121,997	-	559,266
Disposals	-	-	-	(9,838)	(124,519)	-	(134,357)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 2,108,360</u>	<u>\$ 19,478,392</u>	<u>\$ 4,113,729</u>	<u>\$ 738,948</u>	<u>\$ -</u>	<u>\$ 26,439,429</u>
<u>Accumulated impairment</u>							
Balance at January 1	\$ -	\$ -	\$ 423,161	\$ -	\$ 153,156	\$ -	\$ 576,317
Impairment loss	-	-	535,465	-	-	-	535,465
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958,626</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,111,782</u>
Carrying amount at September 30, 2021	<u>\$ 3,988,983</u>	<u>\$ 2,903,721</u>	<u>\$ 2,636,067</u>	<u>\$ 398,347</u>	<u>\$ 414,185</u>	<u>\$ 62,446</u>	<u>\$ 10,403,749</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

(Continued)

Transportation equipment	5-16 years
Others	3-20 years
Tank	10 years
	(Concluded)

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 September 30, 2022, December 31, 2021 and September 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.

After considering the condition of the future market and the current capacity planning, the Corporation carried out a review of the recoverable amount of part of steel pipe production lines and determined that the carrying amount exceeded the recoverable amount and thus recognized an impairment loss of NT\$535,465 thousand in September 2021. Such impairment loss was recognized in operating costs. The recoverable amount of the relevant assets was determined based on their value in use, and the discount rate used in measuring the value in use was 7.19% per annum.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

Carrying amounts	September 30, 2022	December 31, 2021	September 30, 2021	
Land	\$ 46,632	\$ 55,852	\$ 58,960	
Transportation equipment	<u>4,901</u>	<u>7,068</u>	<u>7,825</u>	
	<u>\$ 51,533</u>	<u>\$ 62,920</u>	<u>\$ 66,785</u>	
		<b>For the Nine Months Ended September 30</b>		
		<b>2022</b>	<b>2021</b>	
Additions to right-of-use assets		<u>\$ 595</u>	<u>\$ 69</u>	
		<b>For the Three Months Ended September 30</b>		
	<b>2022</b>	<b>2021</b>	<b>For the Nine Months Ended September 30</b>	
			<b>2022</b>	<b>2021</b>
Depreciation charge for right-of-use assets				
Land	\$ 3,111	\$ 3,130	\$ 9,332	\$ 9,342
Transportation equipment	<u>770</u>	<u>758</u>	<u>2,289</u>	<u>2,272</u>
	<u>\$ 3,881</u>	<u>\$ 3,888</u>	<u>\$ 11,621</u>	<u>\$ 11,614</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 nine months ended September 30, 2022 and 2021.

b. Lease liabilities

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Carrying amounts			
Current	\$ <u>13,575</u>	\$ <u>15,408</u>	\$ <u>15,365</u>
Non-current	\$ <u>39,056</u>	\$ <u>48,519</u>	\$ <u>52,425</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Land(%)	0.65-1.31	0.65-1.31	0.65-1.31
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.

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ <u>5,013</u>	\$ <u>4,163</u>	\$ <u>11,451</u>	\$ <u>9,212</u>
Expenses relating to low-value assets leases	\$ <u>310</u>	\$ <u>374</u>	\$ <u>965</u>	\$ <u>1,041</u>
Total cash outflow for leases			(\$ <u>24,472</u> )	(\$ <u>22,279</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 nine months ended September 30, 2022

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1 and September 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>666</u>	<u>666</u>
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 18,510</u>	<u>\$ 18,510</u>
Carrying amount at December 31, 2021	<u>\$ 5,959,074</u>	<u>\$ 23,223</u>	<u>\$ 5,982,297</u>
Carrying amount at September 30, 2022	<u>\$ 5,959,074</u>	<u>\$ 22,557</u>	<u>\$ 5,981,631</u>

For the nine months ended September 30, 2021

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1 and September 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>666</u>	<u>666</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 17,622</u>	<u>\$ 17,622</u>
Carrying amount at September 30, 2021	<u>\$ 5,959,074</u>	<u>\$ 23,445</u>	<u>\$ 5,982,519</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 September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were NT\$21,302 thousand, NT\$20,885 thousand, NT\$63,559 thousand and NT\$62,317 thousand, respectively, and were included in other income. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Corporation received guarantee from the lessee were all NT\$35,000 thousand base on the lease contract.

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Notes receivable received	\$ 75,186	\$ 51,598	\$ 73,712
Less: unearned rent revenue	<u>75,186</u>	<u>51,598</u>	<u>73,712</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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Year 1	\$ 94,284	\$ 94,793	\$ 92,590
Year 2	87,794	86,618	86,227
Year 3	89,549	88,232	87,794
Year 4	91,340	89,996	89,549
Year 5	93,167	91,796	91,340
Later than 5 years	<u>383,114</u>	<u>453,028</u>	<u>476,281</u>
	<u>\$ 839,248</u>	<u>\$ 904,463</u>	<u>\$ 923,781</u>

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

The fair value of the investment properties was arrived at on the basis of valuations carried out in November 2019 and December 2021 by real estate appraiser and on the basis of information at the Ministry of the Interior's real estate transaction database website. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, and land development analysis approach. The important assumptions and fair value were as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Letters of credit	\$ 1,789,422	\$ 1,195,861	\$ 232,267
Unsecured loans	6,780,000	2,700,000	2,760,000
Bank overdrafts (Note 31)	<u>887,972</u>	<u>666,391</u>	<u>-</u>
	<u>\$ 9,457,394</u>	<u>\$ 4,562,252</u>	<u>\$ 2,992,267</u>
Interest rate (%)	0.46-4.80	0.21-0.75	0.32-0.75

### b. Short-term bills payable

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Short-term bills payable	\$ 350,000	\$ 1,000,000	\$ -
Less: Unamortized discounts	<u>69</u>	<u>359</u>	<u>-</u>
	<u>\$ 349,931</u>	<u>\$ 999,641</u>	<u>\$ -</u>
Interest rate (%)	1.20	0.56	-

As September 30, 2022 and December 31, 2021, all Short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Credit bank loans			
Due on various dates through August 2025	\$ 4,600,000	\$ 1,200,000	\$ 1,200,000
Less : Current portion	<u>2,720,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,880,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Interest rate (%)	1.10-1.35	0.79	0.79

d. Long-term bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Long-term bills payable	\$ 2,000,000	\$ 240,000	\$ 240,000
Less: Unamortized discount	<u>553</u>	<u>208</u>	<u>86</u>
	<u>\$ 1,999,447</u>	<u>\$ 239,792</u>	<u>\$ 239,914</u>
Interest rate (%)	0.64-1.17	0.62	0.62

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

## 18. BONDS PAYABLE

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>2,975</u>	<u>3,826</u>	<u>4,110</u>
	<u>\$ 2,997,025</u>	<u>\$ 2,996,174</u>	<u>\$ 2,995,890</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

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Accounts payable</u>			
Operating - non related parties	\$ <u>31,006</u>	\$ <u>1,360,732</u>	\$ <u>1,572,122</u>
Operating - related parties	\$ <u>394,112</u>	\$ <u>469,577</u>	\$ <u>1,025,425</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

	September 30, 2022	December 31, 2021	September 30, 2021
Salaries and incentive bonus	\$ 209,082	\$ 487,058	\$ 546,953
Utilities	64,252	55,505	70,990
Export fees	55,169	57,829	37,793
Outsourced repair and construction	36,266	32,317	27,602
Compensation of employees and remuneration and transportation allowances of directors	1,269	371,560	295,892
Others	<u>192,345</u>	<u>171,435</u>	<u>186,213</u>
	<u>\$ 558,383</u>	<u>\$ 1,175,704</u>	<u>\$ 1,165,443</u>

## 21. PROVISIONS - CURRENT

	September 30, 2022	December 31, 2021	September 30, 2021
Onerous contracts	\$ <u>89,875</u>	\$ <u>206,850</u>	\$ _____
		<b>For the Nine Months Ended September 30</b>	
		<b>2022</b>	<b>2021</b>
Balance at beginning of the period		\$ 206,850	\$ -
Reversal		( 116,975)	_____
Balance at end of the period		<u>\$ 89,875</u>	<u>\$ _____</u>

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

## 22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020, and the amounts were NT\$5,058 thousand, NT\$4,999 thousand, NT\$15,173 thousand and NT\$14,998 thousand for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, respectively.

## 23. EQUITY

### a. Ordinary shares

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
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. 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:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
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

	<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Balance at beginning of the period	(\$ 142)	\$ -
Recognized during the period		
Share from associates accounted for using the equity method	<u>377</u>	<u>( 133)</u>
Balance at end of the period	<u>\$ 235</u>	<u>(\$ 133)</u>

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

	<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>
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	( 303,215)	412,416
Share from associates accounted for using the equity method	<u>( 979,264)</u>	<u>1,279,532</u>
Other comprehensive income recognized in the period	<u>( 1,282,479)</u>	<u>1,691,948</u>
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>( 2,346)</u>	<u>( 9,158)</u>
Balance at end of the period	<u>(\$ 153,472)</u>	<u>\$1,256,951</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at beginning of the period	\$ _____ -	\$ _____ -
Recognized during the period		
Foreign currency risk-hedging foreign currency deposits	31,108	-
Income tax effect	( 6,222)	-
Other comprehensive income recognized in the period	<u>24,886</u>	<u>-</u>
Balance at end of the period	<u>\$ 24,866</u>	<u>\$ -</u>

**24. OPERATING REVENUES**

a. Contract balances

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>January 1, 2021</b>
Accounts receivable	<u>\$ 1,117,951</u>	<u>\$ 977,933</u>	<u>\$ 2,140,964</u>	<u>\$ 947,325</u>
Contract liabilities				
Sale of goods	<u>\$ 141,022</u>	<u>\$ 95,155</u>	<u>\$ 85,874</u>	<u>\$ 57,283</u>

b. Disaggregation of revenue

For the Nine Months Ended September 30, 2022

<u>Type of goods or services</u>	<b>Reportable segments</b>		
	<b>Chung Hung</b>	<b>Others</b>	<b>Total</b>
Sale of goods	\$ 35,663,248	\$ -	\$ 35,663,248
Rendering of services	586,782	2,620	589,402
Others	<u>64,315</u>	<u>3,112</u>	<u>67,427</u>
	<u>\$ 36,314,345</u>	<u>\$ 5,732</u>	<u>\$ 36,320,077</u>

For the Nine Months Ended September 30, 2021

<u>Type of goods or services</u>	<b>Reportable segments</b>		
	<b>Chung Hung</b>	<b>Others</b>	<b>Total</b>
Sale of goods	\$ 39,310,579	\$ -	\$ 39,310,579
Rendering of services	479,843	7,525	487,368
Others	<u>64,906</u>	<u>301</u>	<u>65,207</u>
	<u>\$ 39,855,328</u>	<u>\$ 7,826</u>	<u>\$ 39,863,154</u>

## 25. PROFIT (LOSS) BEFORE INCOME TAX

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

a. Other income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Dividend income	\$ 102,639	\$ 9,933	\$ 104,931	\$ 10,383
Rental income	22,056	21,964	66,530	64,863
Government grants income	8	17,841	8	22,628
Others	<u>26,552</u>	<u>933</u>	<u>46,196</u>	<u>7,715</u>
	<u>\$ 151,255</u>	<u>\$ 50,401</u>	<u>\$ 217,665</u>	<u>\$ 105,589</u>

b. Other gains and losses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net foreign exchange gain	\$ 53,100	\$ 27,167	\$ 126,552	\$ 40,506
Gain (loss) arising from financial assets at fair value through profit or loss	-	( 26,466)	2,774	318,331
Fees	( 1,414)	( 1,480)	( 4,470)	( 6,807)
Others	<u>( 809)</u>	<u>( 332)</u>	<u>( 2,193)</u>	<u>( 1,375)</u>
	<u>\$ 50,877</u>	<u>(\$ 1,111)</u>	<u>\$ 122,663</u>	<u>\$ 350,655</u>

The components of net foreign exchange gain were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Foreign exchange gain	\$ 112,675	\$ 38,032	\$ 254,398	\$ 83,608
Foreign exchange loss	<u>( 59,575)</u>	<u>( 10,865)</u>	<u>( 127,846)</u>	<u>( 43,102)</u>
Net exchange gain	<u>\$ 53,100</u>	<u>\$ 27,167</u>	<u>\$ 126,552</u>	<u>\$ 40,506</u>

c. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest on bank overdrafts and loans	\$ 40,618	\$ 10,442	\$ 73,415	\$ 32,440
Interest on lease liabilities	<u>164</u>	<u>208</u>	<u>525</u>	<u>657</u>
Total interest expense financial liabilities measured at amortized cost	40,782	10,650	73,940	33,097
Less: Amounts included in the cost of qualifying assets	<u>224</u>	<u>126</u>	<u>705</u>	<u>519</u>
	<u>\$ 40,558</u>	<u>\$ 10,524</u>	<u>\$ 73,235</u>	<u>\$ 32,578</u>

Information about capitalized interest was as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Capitalized amounts	\$ 224	\$ 126	\$ 705	\$ 519
Capitalized annual rates (%)	0.91-1.03	0.60-0.72	0.59-1.03	0.59-0.72

d. Depreciation

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 166,185	\$ 184,943	\$ 531,983	\$ 559,266
Investment properties	222	222	666	666
Right-of-use assets	<u>3,881</u>	<u>3,888</u>	<u>11,621</u>	<u>11,614</u>
	<u>\$ 170,288</u>	<u>\$ 189,053</u>	<u>\$ 544,270</u>	<u>\$ 571,546</u>
Analysis of depreciation by function				
Operating costs	\$ 167,799	\$ 186,997	\$ 537,310	\$ 565,452
Operating expenses	2,267	1,834	6,294	5,428
Deduction of other income	<u>222</u>	<u>222</u>	<u>666</u>	<u>666</u>
	<u>\$ 170,288</u>	<u>\$ 189,053</u>	<u>\$ 544,270</u>	<u>\$ 571,546</u>

e. Operating expenses directly related to investment properties

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Direct operating expenses of investment properties that generated rental income	\$ 2,871	\$ 2,871	\$ 8,524	\$ 8,530
Direct operating expenses of investment properties that did not generate rental income	<u>1,816</u>	<u>1,816</u>	<u>5,449</u>	<u>5,449</u>
	<u>\$ 4,687</u>	<u>\$ 4,687</u>	<u>\$ 13,973</u>	<u>\$ 13,979</u>

f. Employee benefits

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term employee benefits				
Salaries	\$ 112,531	\$ 454,304	\$ 768,459	\$ 1,384,813
Labor and health insurance	29,036	23,246	80,194	69,465
Others	<u>34,738</u>	<u>63,317</u>	<u>156,612</u>	<u>162,228</u>
	<u>176,305</u>	<u>540,867</u>	<u>1,005,265</u>	<u>1,616,506</u>
Post-employment benefits				
Defined contribution plans	6,846	6,669	20,311	19,603
Defined benefit plans (Note 22)	<u>5,058</u>	<u>4,999</u>	<u>15,173</u>	<u>14,998</u>
	<u>11,904</u>	<u>11,668</u>	<u>35,484</u>	<u>34,601</u>
	<u>\$ 188,209</u>	<u>\$ 552,535</u>	<u>\$ 1,040,749</u>	<u>\$ 1,651,107</u>
Analysis of employee benefits expense by function				
Operating costs	\$ 164,723	\$ 448,554	\$ 867,559	\$ 1,334,710
Operating expenses	<u>23,486</u>	<u>103,981</u>	<u>173,190</u>	<u>316,397</u>
	<u>\$ 188,209</u>	<u>\$ 552,535</u>	<u>\$ 1,040,749</u>	<u>\$ 1,651,107</u>

g. Compensation of employees and remuneration of directors

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

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<u>Amount</u>				
Compensation of employees	(\$ 53,542)	\$ 68,546	\$ -	\$ 246,435
Remuneration of directors	( 10,697)	13,810	-	49,360
<u>Accrual rate</u>				
Compensation of employees(%)			-	4.01
Remuneration of directors (%)			-	0.80

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:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<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 (%)	0.83	1.00

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

There was no difference between the actual amounts of employees' compensation 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 employees' compensation and remuneration of directors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 26. INCOME TAX

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	(\$ 171,921)	\$ 398,104	\$ 97,358	\$ 398,856
Income tax on unappropriated earnings	-	-	87,183	-
In respect of the prior periods	( 5)	66	( 6,742)	4,537
Deferred tax				
In respect of the current period	( 237,628)	-	( 316,878)	-
	<u>(\$ 409,554)</u>	<u>\$ 398,170</u>	<u>(\$ 139,079)</u>	<u>\$ 403,393</u>

### b. No income tax was recognized in equity.

### c. Income tax benefit (expense) recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Deferred tax				
Gains and losses on hedging instruments	(\$ 6,222)	\$ -	(\$ 6,222)	\$ -
Remeasurement on defined benefit plans	-	-	136,844	-
	<u>(\$ 6,222)</u>	<u>\$ -</u>	<u>\$ 130,622</u>	<u>\$ -</u>

### d. Income tax assessments

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

## 27. EARNINGS (LOSSES) PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Basic earnings (losses) per share	( <u>\$0.78</u> )	<u>\$ 1.02</u>	<u>\$ 0.04</u>	<u>\$ 3.79</u>
Diluted earnings (losses) per share	( <u>\$0.78</u> )	<u>\$ 1.02</u>	<u>\$ 0.04</u>	<u>\$ 3.78</u>

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

Net profit (losses) for the period

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Attributable to owners of the Corporation	<u>(\$ 1,125,975)</u>	<u>\$ 1,463,615</u>	<u>\$ 55,662</u>	<u>\$ 5,444,459</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares in computation of basic earnings (losses) per share	1,435,544	1,435,544	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:				
Compensation of employees	<u>-</u>	<u>5,896</u>	<u>1,474</u>	<u>6,240</u>
Weighted average number of ordinary shares used in computation of diluted earnings (losses) per share	<u>1,435,544</u>	<u>1,441,440</u>	<u>1,437,018</u>	<u>1,441,784</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>September 30, 2022</u>				
Financial assets at FVOCI				
Domestic listed shares	\$ 910,823	\$ -	\$ -	\$ 910,823
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>45,337</u>	<u>45,337</u>
	<u>\$ 910,823</u>	<u>\$ -</u>	<u>\$ 45,337</u>	<u>\$ 956,160</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>September 30, 2021</u>				
Financial assets at FVOCI				
Domestic listed shares	\$1,238,309	\$ -	\$ -	\$1,238,309
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>61,753</u>	<u>61,753</u>
	<u>\$1,238,309</u>	<u>\$ -</u>	<u>\$ 61,753</u>	<u>\$1,300,062</u>

There was no transfer between Level 1 and Level 2 for the nine months ended September 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 nine months ended September 30, 2022</u>			
Balance, beginning of the period	\$ -	\$ 62,040	\$ 62,040
Total profit or loss			
Recognized in profit or loss	2,774	-	2,774
Recognized in other comprehensive income	-	( 8,136)	( 8,136)
Capital reduction refunded	( 2,774)	( 8,242)	( 11,016)
Disposal	<u>-</u>	<u>( 325)</u>	<u>( 325)</u>
Balance, end of the period	<u>\$ -</u>	<u>\$ 45,337</u>	<u>\$ 45,337</u>

(Continued)

	<b>Financial Assets at Fair Value Through Profit or Loss - Equity Instruments</b>	<b>Financial Assets at Fair value through Other Comprehensive Income - Equity Instruments</b>	<b>Total</b>
For the nine months ended September 30, 2021			
Balance, beginning of the period	\$ 242,410	\$ 43,345	\$ 285,755
Total profit or loss			
Recognized in profit or loss	318,331	-	318,331
Recognized in other comprehensive income	-	18,408	18,408
Disposal	( 560,741)	-	( 560,741)
Balance, end of the period	<u>\$ -</u>	<u>\$ 61,753</u>	<u>\$ 61,753</u> (Concluded)

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

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

c. Categories of financial instruments

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Financial assets</u>			
Financial assets for hedging	\$ 833,394	\$ -	\$ -
Measured at amortized cost (see 1 below)	6,651,303	2,725,019	2,991,259
Financial assets at fair value through other comprehensive income			
Equity instruments	956,160	1,267,942	1,300,062
<u>Financial liabilities</u>			
Measured at amortized cost (see 2 below)	\$ 20,536,190	\$ 13,303,919	\$ 11,623,450

- 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, 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 financial assets for hedging, accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable, long-term borrowings (including current portion) and long-term bills payable. 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. The Group manage exposure to foreign exchange risk using foreign currency deposits and firm commitment opposite to exchange rate fluctuations within the scope permitted by policy.

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 or equity of 1% decrease in NTD against USD.

	<b>USD Impact</b>	
	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Profit (loss) before income tax (Note 1)	\$ 8,745	(\$ 12,669)
Equity (Note 2)	8,334	-

Note 1: 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.

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

b) Interest rate risk

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

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fair value interest rate risk			
Financial liabilities	\$ 3,399,587	\$ 4,059,742	\$ 3,063,680
Cash flow interest rate risk			
Financial assets	1,430,243	1,431,290	560,532
Financial liabilities	16,056,841	6,002,044	4,432,181

Sensitivity analysis

If interest rates had been 0.25% higher/lower all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2022 and 2021 would have been lower/higher by NT\$27,425 thousand and NT\$7,259 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 nine months ended September 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 September 30, 2022, the unutilized credit facility of the Group was NT\$37.9 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

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

September 30, 2022	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Short-term borrowings	\$ 9,541,793	\$ -	\$ -	\$ 9,541,793
Short-term bills payable	350,000	-	-	350,000
Accounts payable (including related parties)	425,118	-	-	425,118
Other payables	534,536	-	-	534,536
Refund liabilities	113,892	-	-	113,892
Lease liabilities	14,132	30,535	9,750	54,417
Bonds payables	22,100	3,044,200	-	3,066,300
Long-term bank borrowings	2,746,658	1,898,258	-	4,644,916
Long-term bills payable	-	2,000,000	-	2,000,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 13,748,229</u>	<u>\$ 6,972,993</u>	<u>\$ 44,750</u>	<u>\$ 20,765,972</u>
<u>December 31, 2021</u>				
Short-term borrowings	\$ 4,584,062	\$ -	\$ -	\$ 4,584,062
Short-term bills payable	1,000,000	-	-	1,000,000
Accounts payable (including related parties)	1,830,309	-	-	1,830,309
Other payables	1,161,176	-	-	1,161,176
Refund liabilities	265,047	-	-	265,047
Lease liabilities	16,086	35,783	14,364	66,233
Bonds payable	22,100	3,066,300	-	3,088,400
Long-term bank borrowings	9,480	1,215,258	-	1,224,738
Long-term bills payable	-	240,000	-	240,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,888,260</u>	<u>\$ 4,557,341</u>	<u>\$ 49,364</u>	<u>\$ 13,494,965</u>

(Continued)

September 30, 2021	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Short-term borrowings	\$ 3,008,275	\$ -	\$ -	\$ 3,008,275
Accounts payable (including related parties)	2,597,547	-	-	2,597,547
Other payables	1,156,638	-	-	1,156,638
Refund liabilities	397,389	-	-	397,389
Lease liabilities	16,086	38,221	15,986	70,293
Bonds payables	22,100	3,066,300	-	3,088,400
Long-term bank borrowings	9,480	1,217,628	-	1,227,108
Long-term bills payable	-	240,000	-	240,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 7,207,515</u>	<u>\$ 4,562,149</u>	<u>\$ 50,986</u>	<u>\$ 11,820,650</u>

(Concluded)

4) Cash flow hedging

September 30, 2022

Hedging Instruments	Currency	Contract Amount	Maturity	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Fair Value of Hedging Instrument Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Cash flow hedging								
Foreign currency deposit	USD	<u>\$ 26,249</u>	NA	NA	Financial assets for hedging	<u>\$ 833,394</u>	<u>\$ -</u>	<u>\$ 31,108</u>

Hedged Items	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
		Continuing Hedges	Discontinuing Hedges
Cash flow hedging			
Forecast purchases raw materials and equipment	<u>(\$ 31,108)</u>	<u>\$ 31,108</u>	<u>\$ -</u>

For the nine months ended September 30, 2022

Effect On Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Recognized in Hedge Ineffectiveness P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging					
Deposit for hedging	<u>\$ 31,108</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

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

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

<u>Company</u>	<u>Relationship</u>
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow 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
Himag Magnetic Corporation (HMC)	Fellow subsidiaries
China Steel Machinery Corporation (CSMC)	Fellow subsidiaries
China Ecotek Corporation	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
China Steel Express Corporation	Fellow subsidiaries
China Steel Structure Co., Ltd	Fellow subsidiaries
Universal Exchange Inc.	Fellow subsidiaries
China Steel Chemical Corporation	Fellow subsidiaries
Yu Cheng Lime Corporation	Fellow subsidiaries
Wabo Global Trading Corporation	Fellow subsidiaries
CSC Solar Corporation	Fellow subsidiaries
Sing Da Marine Structure	Fellow subsidiaries
Kaohsiung Rapid Transit Corporation	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	Associates
Pro-Ascentek Investment Corporation	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 September 30		For the Nine Months Ended September 30	
		2022	2021	2022	2021
Sales	Parent entity	\$ 120	\$ 31	\$ 310	\$ 1,399
	Fellow subsidiaries related to others				
	CSSB	219,589	376,724	1,574,753	1,388,300
	Others	<u>20,757</u>	<u>31,131</u>	<u>63,811</u>	<u>68,304</u>
		<u>240,346</u>	<u>407,855</u>	<u>1,638,564</u>	<u>1,456,604</u>
		<u>\$ 240,466</u>	<u>\$ 407,886</u>	<u>\$ 1,638,874</u>	<u>\$ 1,458,003</u>
Service Revenue	Parent entity	\$ 174,222	\$ 154,429	\$ 575,179	\$ 435,730
	Fellow subsidiaries related to others	-	<u>36,876</u>	<u>7</u>	<u>36,884</u>
		<u>\$ 174,222</u>	<u>\$ 191,305</u>	<u>\$ 575,186</u>	<u>\$ 472,614</u>

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

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity and fellow subsidiaries in which the Corporation has to do certain processing work and charged based on the formula stated in the agreements. The Corporation bills the parent entity and fellow subsidiaries 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 September 30		For the Nine Months Ended September 30	
		2022	2021	2022	2021
Other operating revenue	Parent entity	\$ -	\$ -	\$ 3,460	\$ -
	Fellow subsidiaries related to others				
	DSC	11,649	14,274	42,393	44,242
	HMC	2,728	4,049	12,131	10,610
	Others	-	103	-	103
		<u>14,377</u>	<u>18,426</u>	<u>54,524</u>	<u>54,955</u>
		<u>\$ 14,377</u>	<u>\$ 18,426</u>	<u>\$ 57,984</u>	<u>\$ 54,955</u>

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

c. Purchase of goods

Related Parties Types/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Parent entity	(\$ 28,628)	\$ 1,192,965	\$ 6,422,967	\$ 4,711,724
Fellow subsidiaries related to others				
DSC	3,838,703	5,605,770	11,095,704	13,013,838
CSGT	26,197	2,954,348	3,147,161	4,780,538
Others	19,986	15,716	55,936	54,247
	<u>3,884,886</u>	<u>8,575,834</u>	<u>14,298,801</u>	<u>17,848,623</u>
	<u>\$ 3,856,258</u>	<u>\$ 9,768,799</u>	<u>\$ 20,721,768</u>	<u>\$ 22,560,347</u>

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

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

Account Items	Related Parties Types/Name	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable from related parties	Parent entity	<u>\$ 70,013</u>	<u>\$ 33,745</u>	<u>\$ 66,401</u>
	Fellow subsidiaries related to others			
	CSSB	57,102	-	276,220
	Others	<u>4,970</u>	<u>13,610</u>	<u>21,692</u>
		<u>62,072</u>	<u>13,610</u>	<u>297,912</u>
		<u>\$ 132,085</u>	<u>\$ 47,355</u>	<u>\$ 364,313</u>
Other receivables from related parties	Parent entity	<u>\$ 636,005</u>	<u>\$ 180,658</u>	<u>\$ 137,870</u>
	Fellow subsidiaries related to others			
	CHC	32,779	\$ 40,803	49,840
	Others	<u>368</u>	<u>-</u>	<u>371</u>
		<u>33,147</u>	<u>40,803</u>	<u>50,211</u>
		<u>\$ 669,152</u>	<u>\$ 221,461</u>	<u>\$ 188,081</u>

No guarantee had been received for accounts receivable and other receivable from related parties. No expense had been recognized for the nine months ended September 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	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable to related parties	Parent entity	<u>\$ 375,016</u>	<u>\$ 463,370</u>	<u>\$ 842,862</u>
	Fellow subsidiaries related to others			
	CSGT	14,380	-	158,766
	Others	<u>1,030</u>	<u>1,554</u>	<u>12,955</u>
		<u>15,410</u>	<u>1,554</u>	<u>171,721</u>
		<u>3,686</u>	<u>4,653</u>	<u>10,842</u>
		<u>\$ 394,112</u>	<u>\$ 469,577</u>	<u>\$ 1,025,425</u>
Other payable	Parent entity	\$ 3,539	\$ 64,317	\$ 50,503
	Fellow subsidiaries related to others	10,910	16,737	3,975
	Others	<u>2,979</u>	<u>3,807</u>	<u>2,666</u>
		<u>\$ 17,428</u>	<u>\$ 84,861</u>	<u>\$ 57,144</u>

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

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

Related Parties Types	September 30, 2022	December 31, 2021	September 30, 2021
Parent entity	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>

Interest revenue

Related Parties Types	For the Nine Months Ended September 30	
	2022	2021
Parent entity	\$ 128	\$ -

The Corporation provided short-term unsecured loans to the parent entity at a near-market rates. These loans are expected to be repaid within one year, and there is no expected credit loss after assessment.

g. Other transactions with related parties

1) Authorization fees

In May 2003, the parent company, Sumitomo Metal Industries, Ltd. (renamed 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\$15,915 thousand, NT\$16,176 thousand, NT\$43,606 thousand and NT\$52,215 thousand for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, December 31, 2021 and September 30, 2021, authorization fees payable (included in payables to related parties) were NT\$15,018 thousand, NT\$13,104 thousand and NT\$14,543 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 September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were NT\$951 thousand, NT\$955 thousand, NT\$2,954 thousand and NT\$2,966 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 September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were NT\$1,327 thousand, NT\$1,327 thousand, NT\$3,982 thousand and NT\$3,982 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:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
a) Other expenditures				
Parent entity	\$ 29,411	\$ 43,434	\$ 119,744	\$ 145,137
Others	28,381	32,344	91,289	95,995
Fellow subsidiaries related to others	<u>7,191</u>	<u>62,095</u>	<u>109,839</u>	<u>109,480</u>
	<u>\$ 64,983</u>	<u>\$ 137,873</u>	<u>\$ 320,872</u>	<u>\$ 350,612</u>
b) Capital expenditure				
Fellow subsidiaries related to others				
CSMC	\$ -	\$ -	\$ 20,600	\$ -
ICSC	13,940	506	13,940	34,671
Others	<u>590</u>	<u>-</u>	<u>3,040</u>	<u>-</u>
	<u>\$ 14,530</u>	<u>\$ 506</u>	<u>\$ 37,580</u>	<u>\$ 34,671</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Fellow subsidiaries related to others				
CHC	\$ 86,491	\$ 136,998	\$ 386,406	\$ 357,084
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,018</u>
	<u>\$ 86,491</u>	<u>\$ 136,998</u>	<u>\$ 386,406</u>	<u>\$ 360,102</u>

h. Compensation of key management personnel

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term employee benefits	(\$ 3,764)	\$ 25,208	\$ 24,704	\$ 83,074
Post-employment benefits	<u>369</u>	<u>353</u>	<u>1,106</u>	<u>1,058</u>
	<u>(\$ 3,395)</u>	<u>\$ 25,561</u>	<u>\$ 25,810</u>	<u>\$ 84,132</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):

	September 30, 2022	December 31, 2021	September 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 September 30, 2022 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$3,675,703 thousand.
- b. The Group had signed agreements to buy equipment for NT\$550,195 thousand, of which NT\$100,807 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credits for NT\$100,400 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>September 30, 2022</u>				
Monetary financial assets				
USD	\$ 72,270	31.750	(USD:NTD)	\$ 2,294,583
Monetary financial liabilities				
USD	18,480	31.750	(USD:NTD)	586,727
<u>December 31, 2021</u>				
Monetary financial assets				
USD	27,573	27.680	(USD:NTD)	763,213 (Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
<u>December 31, 2021</u>				
Monetary financial liabilities				
USD	\$ 70,327	27.680	(USD:NTD)	\$ 1,946,640
<u>September 30, 2021</u>				
Monetary financial assets				
USD	16,370	27.850	(USD:NTD)	455,892
Monetary financial liabilities				
USD	61,860	27.850	(USD:NTD)	1,722,812 (Concluded)

For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, realized and unrealized net foreign exchange gains were NT\$53,100 thousand, NT\$27,167 thousand, NT\$126,552 thousand and NT\$40,506 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 nine months ended September 30, 2022, information about significant transactions and b. investees:
- 1) Financing provided to others (Table 1)
  - 2) Endorsements/guarantees provided (None)
  - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 2)
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
  - 9) Trading in derivative instruments (None)
  - 10) Intercompany relationships and significant intercompany transactions (None)

11) Information on investees (Table 5)

c. Information on investments in mainland China (None)

d. Information of major shareholders (Table 6)

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reportable segments of the Group were as follows:

- The Corporation - manufacture, process and sell steel products.
- Other corporations - Hung Kao Investment Corporation engaged in general investment.

Segment revenues and operating results

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

	<b>The Corporation</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
For the nine months ended September 30, 2022				
Revenues from external customers	<u>\$ 36,314,345</u>	<u>\$ 5,732</u>	<u>\$ -</u>	<u>\$ 36,320,077</u>
Segment profit (loss)	(\$ 717,814)	\$ 2,399	\$ 120	(\$ 715,295)
Interest income	17,539	9	-	17,548
Other income	217,785	-	( 120)	217,665
Other income and expenses	122,663	-	-	122,663
Finance costs	( 73,235)	-	-	( 73,235)
Share of the profit of associates	<u>349,430</u>	<u>-</u>	<u>( 2,193)</u>	<u>347,237</u>
Profit (loss) before income tax for the period	( 83,632)	2,408	( 2,193)	( 83,417)
Income tax expense (benefit)	<u>( 139,294)</u>	<u>215</u>	<u>-</u>	<u>( 139,079)</u>
Net profit for the period	<u>\$ 55,662</u>	<u>\$ 2,193</u>	<u>(\$ 2,193)</u>	<u>\$ 55,662</u>
Identifiable assets	\$ 35,585,044	\$ 33,929	\$ -	\$ 35,618,973
Investments accounted for using equity method	<u>3,407,789</u>	<u>-</u>	<u>( 33,029)</u>	<u>3,374,760</u>
Total assets	<u>\$ 38,992,833</u>	<u>\$ 33,929</u>	<u>(\$ 33,029)</u>	<u>\$ 38,993,733</u>
Total liabilities	<u>\$ 21,515,677</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 21,516,577</u>

(Continued)

	<b>The Corporation</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
For the nine months ended September 30, 2021				
Revenues from external customers	<u>\$ 39,855,328</u>	<u>\$ 7,826</u>	<u>\$ -</u>	<u>\$ 39,863,154</u>
Segment profit	\$ 5,383,925	\$ 6,738	\$ 120	\$ 5,390,783
Interest income	295	16	-	311
Other income	105,709	-	( 120)	105,589
Other income and expenses	350,655	-	-	350,655
Finance costs	( 32,578)	-	-	( 32,578)
Share of the profit of associates	<u>38,547</u>	<u>-</u>	<u>( 5,455)</u>	<u>33,092</u>
Profit before income tax for the period	5,846,553	6,754	( 5,455)	5,847,852
Income tax expense	<u>402,094</u>	<u>1,299</u>	<u>-</u>	<u>403,393</u>
Net profit for the period	<u>\$ 5,444,459</u>	<u>\$ 5,455</u>	<u>(\$ 5,455)</u>	<u>\$ 5,444,459</u>
Identifiable assets	\$ 30,385,661	\$ 47,776	(\$ 206)	\$ 30,433,231
Investments accounted for using equity method	<u>4,183,111</u>	<u>-</u>	<u>( 45,174)</u>	<u>4,137,937</u>
Total assets	<u>\$ 34,568,772</u>	<u>\$ 47,776</u>	<u>(\$ 45,380)</u>	<u>\$ 34,571,168</u>
Total liabilities	<u>\$ 12,629,887</u>	<u>\$ 2,602</u>	<u>(\$ 206)</u>	<u>\$ 12,632,283</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**

**FINANCING PROVIDED TO OTHERS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

NO.	Endorsement/ Guarantee Provider	Endorsee/Guaranteee	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Chung Hung Steel Corporation	China Steel Corporation	Other receivables	Yes	\$ 300,000	\$ 300,000	\$ 300,000	1.04	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,747,715	\$ 6,990,862	Note 2

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

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

**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**SEPTEMBER 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	September 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	\$ 884,017	-	\$ 884,017	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	134,167	38,907	2	38,907	2022.8.31 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	6,430	5	6,430	2022.8.31 net value
					\$ 45,337		\$ 45,337	
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	\$ 26,806	-	\$ 26,806	

Note 1: As of September 30, 2022, the impairment loss has been recognized that resulted in zero carrying amount, and the entity was dissolved on January 3, 2022.

**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE PERIOD ENDED SEPTEMBER 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	\$11,095,704	35	Letter of credit at sight	\$-		\$ -	-	
	China Steel Corporation	Parent company	Purchase of goods	6,422,967	20	Letter of credit at sight/Payment after final acceptance	-		(375,016 )	(88 )	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	3,147,161	10	T/T within 7 business days after lading date(not included)	-		(14,380 )	(3 )	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,574,753 )	(4 )	T/T within 7 business days after lading date(not included)	-		57,102	5	
	China Steel Corporation	Parent company	Service revenue	(572,560 )	(2 )	T/T as the end of the month of after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	70,013	6	

## CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 SEPTEMBER 30, 2022  
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 933,539	(Note 1)	\$ -	-	\$ 8,323	\$ -

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

Note 2: At the report date, amounts were received.

**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE PERIOD ENDED SEPTEMBER 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 September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 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	3,185,599	833,084	340,830	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	189,161	38,441	6,407	Associates

Note: Amount was eliminated in the consolidated financial statements.

## CHUNG HUNG STEEL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 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.