

**Chung Hung Steel Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2023 and 2022 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, 2023 and 2022, the consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, and the consolidated statements of changes in equity and of cash flows for the nine months ended September 30, 2023 and 2022, 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. 2410 “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, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 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 Lee-Yuan Kuo and Jia-Ling Chiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 2, 2023

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)

ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,646,474	5	3,268,386	9	\$ 3,538,925	9
Financial assets at fair value through other comprehensive income - current (Note 7)	842,321	2	986,655	2	884,017	2
Financial assets for hedging - current (Note 8)	141,988	1	700,188	2	833,394	2
Accounts receivable (Notes 9 and 24)	408,111	1	231,840	1	985,866	3
Accounts receivable from related parties (Notes 9, 24 and 30)	112,080	-	57,510	-	132,085	-
Other receivables (Note 9)	125,439	1	11,156	-	142,074	-
Other receivables from related parties (Notes 9 and 30)	29,882	-	344,478	1	969,152	3
Current tax assets	4,156	-	657	-	691	-
Inventories (Note 10)	9,942,801	29	9,761,983	26	10,211,568	26
Prepayments (Note 11)	191,500	1	255,767	1	388,949	1
Other financial assets - current (Notes 12 and 31)	1,103,300	3	1,101,100	3	1,001,100	3
Other current assets	212	-	45	-	29	-
Total current assets	<u>14,548,264</u>	<u>43</u>	<u>16,719,765</u>	<u>45</u>	<u>19,087,850</u>	<u>49</u>
<b>NONCURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - noncurrent (Note 7)	71,378	-	71,082	-	72,143	-
Investments accounted for using equity method (Note 13)	3,256,230	10	3,701,899	10	3,374,760	9
Property, plant and equipment (Notes 14 and 32)	9,460,527	28	9,801,656	27	9,921,409	26
Right-of-use assets (Note 15)	72,515	-	48,092	-	51,533	-
Investment properties (Note 16)	5,993,845	18	5,981,409	17	5,981,631	15
Deferred tax assets	338,210	1	373,292	1	458,299	1
Prepayments for equipment (Note 32)	149,848	-	56,285	-	36,820	-
Refundable deposits	8,604	-	9,337	-	9,288	-
Net defined benefit assets (Notes 4 and 22)	47,645	-	2,060	-	-	-
Total noncurrent assets	<u>19,398,802</u>	<u>57</u>	<u>20,045,112</u>	<u>55</u>	<u>19,905,883</u>	<u>51</u>
<b>TOTAL</b>	<u>\$ 33,947,066</u>	<u>100</u>	<u>36,764,877</u>	<u>100</u>	<u>\$ 38,993,733</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 17 and 31)	\$ 4,583,964	14	7,561,516	21	\$ 9,457,394	24
Short-term bills payable (Note 17)	3,193,063	9	-	-	349,931	1
Financial liabilities for hedging - current (Note 8)	-	-	2,166	-	-	-
Contract liabilities - current (Note 24)	47,209	-	102,146	-	141,022	-
Accounts payable (Note 19)	490,131	1	534,403	2	31,006	-
Accounts payable to related parties (Notes 19 and 30)	893,877	3	289,098	1	394,112	1
Other payables (Notes 20 and 30)	606,851	2	542,590	2	558,383	2
Current tax liabilities	-	-	89,378	-	182,851	1
Provisions - current (Note 21)	62,600	-	133,700	-	89,875	-
Lease liabilities - current (Note 15)	14,623	-	12,877	-	13,575	-
Current portion of long-term borrowings (Note 17)	600,000	2	2,340,000	6	2,720,000	7
Refund liabilities	176,249	1	57,815	-	113,892	-
Other current liabilities	24,577	-	16,244	-	18,960	-
Total current liabilities	<u>10,693,144</u>	<u>32</u>	<u>11,681,933</u>	<u>32</u>	<u>14,071,001</u>	<u>36</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds payable (Note 18)	2,998,160	9	2,997,309	8	2,997,025	8
Long-term borrowings (Note 17)	2,080,000	6	2,260,000	6	1,880,000	5
Long-term bills payable (Note 17)	1,898,971	5	2,498,441	7	1,999,447	5
Deferred tax liabilities	194,867	1	193,481	1	193,021	-
Lease liabilities - noncurrent (Note 15)	59,101	-	36,276	-	39,056	-
Net defined benefit liabilities (Notes 4 and 22)	-	-	-	-	302,027	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-	35,000	-
Total noncurrent liabilities	<u>7,266,099</u>	<u>21</u>	<u>8,020,507</u>	<u>22</u>	<u>7,445,576</u>	<u>19</u>
Total liabilities	<u>17,959,243</u>	<u>53</u>	<u>19,702,440</u>	<u>54</u>	<u>21,516,577</u>	<u>55</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)</b>						
Ordinary shares	<u>14,355,444</u>	<u>42</u>	<u>14,355,444</u>	<u>39</u>	<u>14,355,444</u>	<u>37</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	764,806	2	764,806	2
Unappropriated earnings	1,200,743	4	1,651,062	5	2,484,354	6
Total retained earnings	<u>1,965,549</u>	<u>6</u>	<u>2,415,868</u>	<u>7</u>	<u>3,249,160</u>	<u>8</u>
Other equity	<u>(334,073)</u>	<u>(1)</u>	<u>290,222</u>	<u>-</u>	<u>(128,351)</u>	<u>-</u>
Total equity	<u>15,987,823</u>	<u>47</u>	<u>17,062,437</u>	<u>46</u>	<u>17,477,156</u>	<u>45</u>
<b>TOTAL</b>	<u>\$ 33,947,066</u>	<u>100</u>	<u>36,764,877</u>	<u>100</u>	<u>\$ 38,993,733</u>	<u>100</u>

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

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 30)	\$ 9,400,390	100	\$ 7,878,951	100	\$ 28,659,061	100	\$ 36,320,077	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>9,581,784</u>	<u>102</u>	<u>9,809,721</u>	<u>125</u>	<u>28,331,900</u>	<u>99</u>	<u>36,550,524</u>	<u>101</u>
GROSS PROFIT (LOSS)	<u>(181,394)</u>	<u>(2)</u>	<u>(1,930,770)</u>	<u>(25)</u>	<u>327,161</u>	<u>1</u>	<u>(230,447)</u>	<u>(1)</u>
OPERATING EXPENSES (Notes 25 and 30)								
Selling and marketing expenses	74,498	1	79,437	1	237,213	1	288,293	1
General and administrative expenses	<u>48,515</u>	<u>-</u>	<u>46,667</u>	<u>-</u>	<u>174,939</u>	<u>-</u>	<u>196,555</u>	<u>-</u>
Total operating expenses	<u>123,013</u>	<u>1</u>	<u>126,104</u>	<u>1</u>	<u>412,152</u>	<u>1</u>	<u>484,848</u>	<u>1</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(304,407)</u>	<u>(3)</u>	<u>(2,056,874)</u>	<u>(26)</u>	<u>(84,991)</u>	<u>-</u>	<u>(715,295)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 16, 25 and 30)								
Interest income	6,406	-	14,124	-	32,367	-	17,548	-
Other income	59,824	1	151,255	2	144,757	-	217,665	1
Other gains and losses	9,292	-	50,877	1	15,483	-	122,663	-
Finance costs	<u>(51,122)</u>	<u>(1)</u>	<u>(40,558)</u>	<u>(1)</u>	<u>(155,257)</u>	<u>-</u>	<u>(73,235)</u>	<u>-</u>
Share of the profit of associates	<u>115,006</u>	<u>1</u>	<u>345,647</u>	<u>4</u>	<u>119,121</u>	<u>-</u>	<u>347,237</u>	<u>1</u>
Total non-operating income and expenses	<u>139,406</u>	<u>1</u>	<u>521,345</u>	<u>6</u>	<u>156,471</u>	<u>-</u>	<u>631,878</u>	<u>2</u>
PROFIT (LOSS) BEFORE INCOME TAX	<u>(165,001)</u>	<u>(2)</u>	<u>(1,535,529)</u>	<u>(20)</u>	<u>71,480</u>	<u>-</u>	<u>(83,417)</u>	<u>-</u>
INCOME TAX (BENEFIT) (Notes 4 and 26)	<u>(55,488)</u>	<u>(1)</u>	<u>(409,554)</u>	<u>(5)</u>	<u>265</u>	<u>-</u>	<u>(139,079)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>(109,513)</u>	<u>(1)</u>	<u>(1,125,975)</u>	<u>(15)</u>	<u>71,215</u>	<u>-</u>	<u>55,662</u>	<u>-</u>
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	<u>(141,714)</u>	<u>(2)</u>	<u>(72,904)</u>	<u>(1)</u>	<u>(150,310)</u>	<u>(1)</u>	<u>(303,215)</u>	<u>(1)</u>
Gains and losses on hedging instruments	<u>(377)</u>	<u>-</u>	<u>31,108</u>	<u>-</u>	<u>22,074</u>	<u>-</u>	<u>31,108</u>	<u>-</u>
Share of the other comprehensive income of associates	<u>(470,402)</u>	<u>(5)</u>	<u>(194,172)</u>	<u>(2)</u>	<u>(479,577)</u>	<u>(2)</u>	<u>(979,272)</u>	<u>(2)</u>
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	<u>76</u>	<u>-</u>	<u>(6,222)</u>	<u>-</u>	<u>(4,415)</u>	<u>-</u>	<u>130,622</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss								
Share of the other comprehensive income of associates	<u>(266)</u>	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>(371)</u>	<u>-</u>	<u>377</u>	<u>-</u>
	<u>\$ (612,683)</u>	<u>(7)</u>	<u>\$ (242,271)</u>	<u>(3)</u>	<u>\$ (612,599)</u>	<u>(3)</u>	<u>\$ (1,120,380)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ (722,196)</u>	<u>(8)</u>	<u>\$ (1,368,246)</u>	<u>(18)</u>	<u>\$ (541,384)</u>	<u>(3)</u>	<u>\$ (1,064,718)</u>	<u>(3)</u>

(Continued)

**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ (109,513)	(1)	\$ (1,125,975)	(15)	\$ 71,215	-	\$ 55,662	-
TOTAL COMPREHENSIVE								
INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	\$ (722,196)	(8)	\$ (1,368,246)	(18)	\$ (541,384)	(3)	\$ (1,064,718)	(3)
EARNINGS (LOSS) PER SHARE								
(Note 27)								
Basic	\$ (0.08)		\$ (0.78)		\$ 0.05		\$ 0.04	
Diluted	\$ (0.08)		\$ (0.78)		\$ 0.05		\$ 0.04	

(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)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Gains and Losses on Hedging Instruments	Total Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,651,062	\$ 386	\$ 298,690	\$ (8,854)	\$ 290,222	\$ 17,062,437	
Appropriation of 2022 earnings (Note 23)											
Cash dividends	-	-	-	-	(502,441)	-	-	-	-	(502,441)	
Net profit for the nine months ended September 30, 2023	-	-	-	-	71,215	-	-	-	-	71,215	
Other comprehensive income for the nine months ended September 30, 2023, net of income tax	-	-	-	-	14	(371)	(629,901)	17,659	(612,613)	(621,599)	
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	71,229	(371)	(629,901)	17,659	(612,613)	(541,384)	
Changes in equity of associates and joint ventures accounted for using equity method (Note 13 and 23)	-	-	-	-	(25,284)	-	(5,505)	-	(5,505)	(30,789)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,177	-	(6,177)	-	(6,177)	-	
BALANCE AT SEPTEMBER 30, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,200,743	\$ 15	\$ (342,893)	\$ 8,805	\$ (334,073)	\$ 15,987,823	
BALANCE AT JANUARY 1, 2022	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ -	\$ 1,131,211	\$ 22,561,398	
Appropriation of 2021 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	(1,257,216)	(1,120,380)	
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	192,498	377	(1,282,479)	24,886	(1,257,216)	(1,064,718)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,346	-	(2,346)	-	(2,346)	-	
BALANCE AT SEPTEMBER 30, 2022	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 2,484,354	\$ 235	\$ (153,472)	\$ 24,886	\$ (128,351)	\$ 17,477,156	

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

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 71,480	\$ (83,417)
Adjustments for:		
Depreciation expense	521,989	544,270
Net loss on financial assets and liabilities at fair value through profit or loss	-	(2,774)
Finance costs	155,257	73,235
Interest income	(32,367)	(17,548)
Dividends income	(34,813)	(108,043)
Share of the profit of associates	(119,121)	(347,237)
Write-down (reversal) of inventories	(988,620)	1,639,087
Recognition of provisions	(71,100)	(116,975)
Others	850	852
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	2,774
Financial assets for hedging	578,108	(802,286)
Accounts receivable	(176,271)	(55,288)
Accounts receivable from related parties	(54,570)	(84,730)
Other receivables	(116,825)	(130,531)
Other receivables from related parties	14,596	(447,691)
Inventories	807,802	866,784
Prepayments	64,267	54,179
Other current assets	(167)	2,568
Contract liabilities	(54,937)	45,867
Accounts payable	(44,272)	(1,329,726)
Accounts payable to related parties	604,779	(75,465)
Other payables	86,953	(623,752)
Other current liabilities	8,333	(4,357)
Net defined benefit liabilities	(45,585)	(85,750)
Refund liabilities	118,434	(151,155)
Cash generated from (used in) operations	<u>1,294,200</u>	<u>(1,237,109)</u>
Income taxes paid	<u>(61,143)</u>	<u>(650,408)</u>
Net cash generated from (used in) operating activities	<u>1,233,057</u>	<u>(1,887,517)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(6,272)	-
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 property, plant and equipment	(277,768)	(257,181)
Decrease (increase) in refundable deposits	733	(3,637)

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# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Decrease (increase) in other receivables from related parties	\$ 300,000	\$ (300,000)
Decrease (increase) in other financial assets	(2,200)	1,700
Interest received	34,963	15,056
Dividends received from others	<u>88,866</u>	<u>144,403</u>
Net cash generated from (used in) investing activities	<u>138,322</u>	<u>(391,092)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	73,716,009	91,644,270
Repayments of short-term borrowings	(76,743,501)	(86,970,709)
Proceeds from short-term bills payable	9,193,063	4,900,290
Repayments of short-term bills payable	(6,000,000)	(5,550,000)
Proceeds from long-term borrowings	1,000,000	3,400,000
Repayments of long-term borrowings	(2,920,000)	-
Proceeds from long-term bills payable	-	1,999,655
Repayments of long-term bills payable	(599,470)	(240,000)
Repayments of principal of lease liabilities	(11,870)	(11,531)
Dividends paid to owners of the Corporation	(502,441)	(4,019,524)
Interest paid	<u>(175,021)</u>	<u>(64,621)</u>
Net cash generated from (used in) financing activities	<u>(3,043,231)</u>	<u>5,087,830</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,671,852)</b>	<b>2,809,221</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u><b>2,288,215</b></u>	<u><b>(158,268)</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>\$ 616,363</b></u>	<u><b>\$ 2,650,953</b></u>

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2023 and 2022:		
Cash and cash equivalents in the consolidated balance sheets	\$ 1,646,474	\$ 3,538,925
Bank overdraft	<u>(1,030,111)</u>	<u>(887,972)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u><b>\$ 616,363</b></u>	<u><b>\$ 2,650,953</b></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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

As of September 30, 2023, and 2022, China Steel Corporation (“CSC”), the Corporation’s parent and major shareholder (40.58%), controls the Corporation’s management and operations.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation’s board of directors and authorized for issue on November 2, 2023.

### 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 2024

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group 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
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025(Note 2)

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact 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, 2023	December 31, 2022	September 30, 2022
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, 2022.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

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

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

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2022.

**6. CASH AND CASH EQUIVALENTS**

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 640	\$ 640	\$ 640
Checking accounts and demand deposits	397,213	224,231	435,243
Cash equivalents (investments with original maturities of less than three months)			
Time deposits	-	994,133	7,005
Commercial papers with repurchase agreements	1,248,621	1,839,382	2,987,891
Bonds with repurchase agreements	-	210,000	108,146
	<u>\$ 1,646,474</u>	<u>\$ 3,268,386</u>	<u>\$ 3,538,925</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Domestic Listed shares	<u>\$ 842,321</u>	<u>\$ 986,655</u>	<u>\$ 884,017</u>
<u>Noncurrent</u>			
Domestic listed shares	\$ 25,350	\$ 29,919	\$ 26,806
Domestic unlisted shares	<u>46,028</u>	<u>41,163</u>	<u>45,337</u>
	<u>\$ 71,378</u>	<u>\$ 71,082</u>	<u>\$ 72,143</u>

## 8. FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets for hedging - current</u>			
Hedging foreign-currency deposits	<u>\$ 141,988</u>	<u>\$ 700,188</u>	<u>\$ 833,394</u>
<u>Financial liabilities for hedging - current</u>			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,166</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 Group purchased foreign-currency deposits and entered into foreign exchange forward contracts. Refer to Note 29 for information relating to financial instruments for hedging.

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Accounts receivable</u>			
Accounts receivable – non-related parties	<u>\$ 408,111</u>	<u>\$ 231,840</u>	<u>\$ 985,866</u>
Accounts receivable – related parties	<u>\$ 112,080</u>	<u>\$ 57,510</u>	<u>\$ 132,085</u>
<u>Other receivables (including related parties)</u>			
Income tax refund receivable	\$ 117,235	\$ -	\$ 127,187
Receivables from disposal of scrap	33,428	31,720	43,527
Other receivables - related parties' loans	-	300,000	300,000
Receivables from price settlement	-	16,039	633,410
Others	<u>4,658</u>	<u>7,875</u>	<u>7,102</u>
	<u>\$ 155,321</u>	<u>\$ 355,634</u>	<u>\$ 1,111,226</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, 2023

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 520,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 520,191
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 520,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 520,191</u>

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 289,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,350
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 289,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,350</u>

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>

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

	September 30, 2023	December 31, 2022	September 30, 2022
A company	\$ 118,001	\$ 20,329	\$ 7,911
B company	78,838	-	57,102
C company	30,034	41,915	70,013
D company	8,014	89,771	72,071
E company	<u>-</u>	<u>-</u>	<u>414,143</u>
	<u>\$ 234,887</u>	<u>\$ 152,015</u>	<u>\$ 621,240</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, 2023 and 2022 were as follows:

Buyer of Accounts Receivable	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected	Advances Received at Period - End	Interest Rates on Advances Received (%)	Credit Line
For the Nine Months Ended September 30, 2023						
Mega Bank	\$ 224,382	\$ 302,966	\$ 293,153	\$ 234,195	2.02	NT\$533.3 million
Bank of Taiwan	10,293	2,562	11,064	1,791	1.99	NT\$200 million
Bank of Taiwan	9,108	-	9,108	-	-	USD20 million
	<u>\$ 243,783</u>	<u>\$ 305,528</u>	<u>\$ 313,325</u>	<u>\$ 235,986</u>		
For the Nine Months Ended September 30, 2022						
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	2.72	USD20 million
	<u>\$ 522,031</u>	<u>\$ 1,137,339</u>	<u>\$ 1,138,409</u>	<u>\$ 520,961</u>		

The above credit lines are revolving.

b. Other receivables

The expected credit losses on other receivables are estimated using expected credit loss rate based on the other receivables overdue days. As of September 30, 2023, December 31, 2022 and September 30, 2022, there was no allowance for doubtful accounts.

## 10. INVENTORIES

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 6,074,032	\$ 5,774,808	\$ 6,490,316
Finished goods	2,830,236	2,580,831	2,850,741
Supplies	354,868	375,065	353,299
Work in progress	264,429	619,397	508,708
Others	9,703	6,148	6,214
Raw materials and supplies in transit	<u>409,533</u>	<u>405,734</u>	<u>2,290</u>
	<u>\$ 9,942,801</u>	<u>\$ 9,761,983</u>	<u>\$ 10,211,568</u>

The cost of inventories recognized as operating costs for the three months and nine months ended September 30, 2023 and 2022 was NT\$9,489,991 thousand, NT\$9,691,046 thousand, NT\$28,046,873 thousand and NT\$36,136,797 thousand, respectively, including reversal of loss of NT\$321,119 thousand, loss on inventory value decline of NT\$1,482,428 thousand, reversal of loss of NT\$988,620 thousand and loss on inventory value decline of NT\$1,639,087 thousand, respectively. Reversal of loss on inventory was mainly due to the impact of price fluctuations in the steel market and a decrease in the stock costs.

## 11. PREPAYMENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Input tax	\$ 111,768	\$ 183,016	\$ 102,670
Prepayments for purchases	32,832	27,207	193,863
Tax overpaid retained for offsetting future tax payable	28,862	31,948	82,965
Others	<u>18,038</u>	<u>13,596</u>	<u>9,451</u>
	<u>\$ 191,500</u>	<u>\$ 255,767</u>	<u>\$ 388,949</u>

## 12. OTHER FINANCIAL ASSETS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Pledged time deposits (Note 31)	\$ 800,000	\$ 800,000	\$ 700,000
Pledged demand deposits (Note 31)	300,000	300,000	300,000
One-year time deposits	<u>3,300</u>	<u>1,100</u>	<u>1,100</u>
	<u>\$ 1,103,300</u>	<u>\$ 1,101,100</u>	<u>\$ 1,001,100</u>

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2023	December 31, 2022	September 30, 2022
Material associates			
Transglory Investment Corp. (TIC)	\$ 3,041,415	\$ 3,508,558	\$ 3,185,599
Associates that are not individually material	<u>214,815</u>	<u>193,341</u>	<u>189,161</u>
	<u>\$ 3,256,230</u>	<u>\$ 3,701,899</u>	<u>\$ 3,374,760</u>

### a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)		
			September 30, 2023	December 31, 2022	September 30, 2022
TIC	General investment	Taiwan	39.59	40.91	40.91

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

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

TIC

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Current assets	\$ 639,153	\$ 533,139	\$ 564,535
Noncurrent assets	7,050,443	8,049,395	7,222,110
Current liabilities	<u>(7,719)</u>	<u>(6,645)</u>	<u>(157)</u>
Equity	<u>\$ 7,681,877</u>	<u>\$ 8,575,889</u>	<u>\$ 7,786,488</u>
Proportion of the Group's ownership (%)	39.59	40.91	40.91
Equity attributable to the Group	<u>\$ 3,041,415</u>	<u>\$ 3,508,558</u>	<u>\$ 3,185,599</u>
Carrying amount	<u>\$ 3,041,415</u>	<u>\$ 3,508,558</u>	<u>\$ 3,185,599</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Operating revenue	<u>\$ 284,805</u>	<u>\$ 839,790</u>	<u>\$ 290,542</u>	<u>\$ 839,790</u>
Net profit for the period	\$ 282,374	\$ 838,342	\$ 283,638	\$ 833,084
Other comprehensive income	<u>(1,172,075)</u>	<u>(474,456)</u>	<u>(1,276,966)</u>	<u>(2,345,252)</u>
Total comprehensive income for the period	<u>\$ (889,701)</u>	<u>\$ 363,886</u>	<u>\$ (993,328)</u>	<u>\$ (1,512,168)</u>
Comprehensive income attributable to the Group	<u>\$ (352,251)</u>	<u>\$ 148,873</u>	<u>\$ (387,515)</u>	<u>\$ (618,656)</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
The Group's subsidiaries' share of				
Net profit for the period	\$ 3,208	\$ 2,666	\$ 6,831	\$ 6,407
Other comprehensive income (loss)	<u>(6,620)</u>	<u>(146)</u>	<u>19,856</u>	<u>(19,409)</u>
Total comprehensive income	<u>\$ (3,412)</u>	<u>\$ 2,520</u>	<u>\$ (26,687)</u>	<u>\$ (13,002)</u>

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

Refer to Table 4 "Information on Investees" 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, 2023

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2023	\$ 4,008,281	\$ 5,014,510	\$ 23,224,815	\$ 4,580,353	\$ 1,230,418	\$ 47,783	\$ 38,106,160
Additions	-	27,214	90,298	17,345	45,170	1,249	181,276
Disposals	-	-	-	(4,521)	(70,495)	-	(75,016)
Reclassification	(12,166)	(1,643)	-	-	-	-	(13,809)
Balance at September 30, 2023	<u>\$ 3,996,115</u>	<u>\$ 5,040,081</u>	<u>\$ 23,315,113</u>	<u>\$ 4,593,177</u>	<u>\$ 1,205,093</u>	<u>\$ 49,032</u>	<u>\$ 38,198,611</u>
Accumulated depreciation							
Balance at January 1, 2023	\$ -	\$ 2,275,217	\$ 19,891,573	\$ 4,230,628	\$ 684,744	\$ -	\$ 27,082,162
Depreciation expense	-	101,152	246,867	76,705	84,571	-	509,295
Disposals	-	-	-	(4,521)	(70,495)	-	(75,016)
Reclassification	-	(699)	-	-	-	-	(699)
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ 2,375,670</u>	<u>\$ 20,138,440</u>	<u>\$ 4,302,812</u>	<u>\$ 698,820</u>	<u>\$ -</u>	<u>\$ 27,515,742</u>
Accumulated impairment							
Balance at January 1 and September 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at December 31, 2022	<u>\$ 4,008,281</u>	<u>\$ 2,739,293</u>	<u>\$ 2,264,056</u>	<u>\$ 349,725</u>	<u>\$ 392,518</u>	<u>\$ 47,783</u>	<u>\$ 9,801,656</u>
Carrying amount at September 30, 2023	<u>\$ 3,996,115</u>	<u>\$ 2,664,411</u>	<u>\$ 2,107,487</u>	<u>\$ 290,365</u>	<u>\$ 353,117</u>	<u>\$ 49,032</u>	<u>\$ 9,460,527</u>

### 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
Cost							
Balance at January 1, 2022	\$ 3,988,983	\$ 5,012,081	\$ 23,066,828	\$ 4,530,559	\$ 1,330,770	\$ 67,071	\$ 37,996,292
Additions	17,398	-	138,299	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>
Accumulated depreciation							
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>
Accumulated impairment							
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 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>

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

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

The Corporation bought farmlands for warehouse at the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the Corporation's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in freely changing the land title to the Corporation or to other name under the Corporation's instructions. Meanwhile, the land has been pledged to the Corporation as collateral. In May 2022, a portion of the land was classified under land category and registered under the Corporation's sole ownership. As of September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amount of the farmlands was NT\$19,354 thousand, recorded as land.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

Carrying amounts	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Land	\$ 70,436	\$ 43,521	\$ 46,632
Transportation equipment	<u>2,079</u>	<u>4,571</u>	<u>4,901</u>
	<u>\$ 72,515</u>	<u>\$ 48,092</u>	<u>\$ 51,533</u>
		<b>For the Nine Months Ended September 30</b>	<b>For the Nine Months Ended September 30</b>
		<b>2023</b>	<b>2022</b>
Additions to right-of-use assets		<u>\$ 36,443</u>	<u>\$ 595</u>
	<b>For the Three Months Ended September 30</b>	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>
	<b>2022</b>	<b>2023</b>	<b>2022</b>
Depreciation charge for right-of-use assets			
Land	\$ 3,182	\$ 3,111	\$ 9,528
Transportation equipment	<u>831</u>	<u>770</u>	<u>2,492</u>
	<u>\$ 4,013</u>	<u>\$ 3,881</u>	<u>\$ 12,020</u>
		<u>\$ 12,020</u>	<u>\$ 11,621</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, 2023 and 2022.

### b. Lease liabilities

Carrying amounts	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Current	<u>\$ 14,623</u>	<u>\$ 12,877</u>	<u>\$ 13,575</u>
Non-current	<u>\$ 59,101</u>	<u>\$ 36,276</u>	<u>\$ 39,056</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Land (%)	0.65-1.50	0.65-1.31	0.65-1.31
Transportation equipment (%)	0.75~0.76	0.75-0.76	0.75~0.76

c. Material lease activities and terms

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

d. Other lease information

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	<u>\$ 3,695</u>	<u>\$ 5,013</u>	<u>\$ 11,774</u>	<u>\$ 11,451</u>
Expenses relating to low-value assets leases	<u>\$ 236</u>	<u>\$ 310</u>	<u>\$ 873</u>	<u>\$ 965</u>
Total cash outflow for leases			<u>\$ 25,212</u>	<u>\$ 24,472</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, 2023

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2023	\$ 5,959,074	\$ 41,067	\$ 6,000,141
Reclassification	<u>12,166</u>	<u>1,643</u>	<u>13,809</u>
Balance at September 30, 2023	<u>\$ 5,971,240</u>	<u>\$ 42,710</u>	<u>\$ 6,013,950</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 18,732	\$ 18,732
Depreciation expense	-	674	674
Reclassification	<u>-</u>	<u>699</u>	<u>699</u>
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ 20,105</u>	<u>\$ 20,105</u>

(Continued)

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Carrying amount at December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 22,335</u>	<u>\$ 5,981,409</u>
Carrying amount at September 30, 2023	<u>\$ 5,971,240</u>	<u>\$ 22,605</u>	<u>\$ 5,993,845</u>
<u>For the nine months ended September 30, 2022</u>			
	<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 September 30, 2022	<u>\$ 5,959,074</u>	<u>\$ 22,557</u>	<u>\$ 5,981,631</u> (Concluded)

The Corporation as lessor leased land in Longdong section in Kaohsiung on June 30, 2010 for 20 years under an operating lease agreement; the Corporation collects rental monthly. The amounts of rental revenue for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were NT\$21,781 thousand, NT\$21,302 thousand, NT\$64,990 thousand and NT\$63,559 thousand, respectively, and were included in other income. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Corporation received guarantee from the lessee were all NT\$35,000 thousand base on the lease contract.

As of September 30, 2023, December 31, 2022 and September 30, 2022, notes receivable and advance rental were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Notes receivable received	\$ 76,690	\$ 52,630	\$ 75,186
Less: unearned rent revenue	<u>76,690</u>	<u>52,630</u>	<u>75,186</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, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Year 1	\$ 96,598	\$ 98,074	\$ 94,284
Year 2	89,549	88,232	87,794
Year 3	91,340	89,996	89,549
Year 4	93,167	91,796	91,340
Year 5	95,030	93,632	93,167
Later than 5 years	<u>288,084</u>	<u>359,396</u>	<u>383,114</u>
	<u>\$ 753,768</u>	<u>\$ 821,126</u>	<u>\$ 839,248</u>

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

The fair value of the investment properties was arrived at on the basis of valuations carried out in December 2021 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, land development analysis approach and the market evidence referring to transaction prices of similar investment properties. The important assumptions and fair value were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Fair value	<u>\$ 13,734,829</u>	<u>\$ 13,667,266</u>	<u>\$ 13,667,266</u>
Expense rate (%)	27.52	27.52	27.52
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, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Unsecured loans	\$ 200,000	\$ 4,780,000	\$ 6,780,000
Letters of credit	3,353,853	1,801,345	1,789,422
Bank overdrafts (Note 31)	<u>1,030,111</u>	<u>980,171</u>	<u>887,972</u>
	<u>\$ 4,583,964</u>	<u>\$ 7,561,516</u>	<u>\$ 9,457,394</u>
Interest rate (%)	0.79-1.68	0.67-1.84	0.46-4.80

b. Short-term bills payable

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Short-term bills payable	\$ 3,200,000	\$ -	\$ 350,000
Less: Unamortized discounts	<u>6,937</u>	<u>-</u>	<u>69</u>
	<u>\$ 3,193,063</u>	<u>\$ -</u>	<u>\$ 349,931</u>
Interest rate (%)	1.53-1.57	-	1.20

As September 30, 2023 and 2022, all short-term bills payable were non-guarantee commercial paper.

c. Long-term borrowings

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Credit bank loans			
Due on various dates through September 2026	\$ 2,680,000	\$ 4,600,000	\$ 4,600,000
Less : Current portion	<u>600,000</u>	<u>2,340,000</u>	<u>2,720,000</u>
	<u>\$ 2,080,000</u>	<u>\$ 2,260,000</u>	<u>\$ 1,880,000</u>
Interest rate (%)	1.62-1.82	1.35-1.71	1.10-1.35

The Corporation entered into a syndicated credit facility agreement with nine financial institutions including Yushan Bank for a NT\$ 6 billion of credit line in September 2023. Under the agreement, the Corporation should meet certain financial ratios and criteria based on audited consolidated annual financial statement. As of September 30, 2023, the credit line has not been utilized.

d. Long-term bills payable

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Long-term bills payable			
Due on various dates through October 2026	\$ 1,900,000	\$ 2,500,000	\$ 2,000,000
Less: Unamortized discount	<u>1,029</u>	<u>1,559</u>	<u>553</u>
	<u>\$ 1,898,971</u>	<u>\$ 2,498,441</u>	<u>\$ 1,999,447</u>
Interest rate (%)	1.65	0.64-1.54	0.64-1.17

Long-term bills payables have revolving credit lines within the payment terms according to the contracts and need to be utilized to some extent. As September 30, 2023, December 31, 2022 and September 30, 2022, all long-term bills payables were non-guarantee commercial paper.

## 18. BONDS PAYABLE

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>1,840</u>	<u>2,691</u>	<u>2,975</u>
	<u>\$ 2,998,160</u>	<u>\$ 2,997,309</u>	<u>\$ 2,997,025</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, 2023	December 31, 2022	September 30, 2022
<u>Accounts payable</u>			
Operating - non related parties	<u>\$ 490,131</u>	<u>\$ 534,403</u>	<u>\$ 31,006</u>
Operating - related parties	<u>\$ 893,877</u>	<u>\$ 289,098</u>	<u>\$ 394,112</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, 2023	December 31, 2022	September 30, 2022
Salaries and incentive bonus	\$ 220,893	\$ 213,075	\$ 209,082
Utilities	85,549	56,846	64,252
Outsourced repair and construction	50,866	42,176	36,266
Export fees	33,161	51,516	55,169
Freight expense	32,191	19,185	19,458
Interest payable	12,323	30,739	23,847
Others	<u>171,868</u>	<u>129,053</u>	<u>150,309</u>
	<u>\$ 606,851</u>	<u>\$ 542,590</u>	<u>\$ 558,383</u>

## 21. PROVISIONS - CURRENT

	September 30, 2023	December 31, 2022	September 30, 2022
Onerous contracts	<u>\$ 62,600</u>	<u>\$ 133,700</u>	<u>\$ 89,875</u>
		<b>For the Nine Months Ended September 30</b>	
		<b>2023</b>	<b>2022</b>
Balance at beginning of the period		\$ 133,700	\$ 206,850
Reversal		<u>(71,100)</u>	<u>(116,975)</u>
Balance at end of the period		<u>\$ 62,600</u>	<u>\$ 89,875</u>

The provision for onerous contracts comes from the non-cancellable purchase contracts with suppliers, and the provision amounts are measured using the difference of the unavoidable costs of meeting the contractual obligations less the economic benefits expected to be received from the contracts.

## 22. RETIREMENT BENEFIT PLANS

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, 2022 and 2021, and the amounts were NT\$3,691 thousand, NT\$5,058 thousand, NT\$11,073 thousand and NT\$15,173 thousand for the three months ended September 30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022, respectively.

## 23. EQUITY

### a. Ordinary shares

	September 30, 2023	December 31, 2022	September 30, 2022
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

	September 30, 2023	December 31, 2022	September 30, 2022
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.

The amendments to the Corporation's Articles of Incorporation had been approved by the shareholders' meeting on June 28, 2023. According to the amendments, the earnings distributed each year shall account for more than 30 percent of the distributable earnings except when there is the need for capital. The Corporation is in a mature steel industry. Thus, dividends will be appropriated in cash or in shares at an appropriate ratio, with cash dividends to be at least 50% of total dividends.

In accordance with the retained earnings and dividend policy before the amendments, the allocation of no less than 30% of the distributable surplus every year to distribute dividends was resolved and approved. However, if the cumulative distributable surplus is less than 3% of the paid-in capital, it may not be distributed. The Corporation is in a mature steel industry. Thus, dividends will be appropriated in cash or in shares at an appropriate ratio, with cash dividends to be at least 50% of total dividends.

Under the Company Law, legal reserve should be appropriated from retained earnings until its balance equals the Corporation's paid-in capital. Legal reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 were approved by the shareholders' meeting in June 2023 and 2022, respectively. The appropriations and dividends per share were as follows:

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

Information about the appropriation of earning, proposed by the shareholders' meetings, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Exchange differences on translating foreign operations

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of the period	\$ 386	\$ (142)
Recognized during the period		
Share from associates accounted for using the equity method	<u>(371)</u>	<u>377</u>
Balance at end of the period	<u>\$ 15</u>	<u>\$ 235</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of the period	<u>\$ 298,690</u>	<u>\$1,131,353</u>
Recognized during the period		
Unrealized gains and losses - equity instruments	(150,310)	(303,215)
Share from associates accounted for using the equity method	<u>(479,591)</u>	<u>(979,264)</u>
Other comprehensive income recognized for the period	<u>(629,901)</u>	<u>(1,282,479)</u>
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(6,177)</u>	<u>(2,346)</u>
Changes in equity of associates accounted for using equity method	<u>(5,505)</u>	<u>-</u>
Balance at end of the period	<u>\$ (342,893)</u>	<u>\$ (153,472)</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of the period	<u>\$ (8,854)</u>	<u>\$ -</u>
Recognized during the period		
Foreign currency risk-foreign currency deposits	19,908	31,108
Foreign currency risk-foreign exchange forward contracts	2,166	-
Income tax effect	<u>(4,415)</u>	<u>(6,222)</u>
Other comprehensive income recognized for the period	<u>17,659</u>	<u>24,886</u>
Balance at end of the period	<u>\$ 8,805</u>	<u>\$ 24,866</u>

## 24. OPERATING REVENUES

### a. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Accounts receivable	\$ <u>520,191</u>	\$ <u>289,350</u>	\$ <u>1,117,951</u>	\$ <u>977,933</u>
Contract liabilities				
Sale of goods	\$ <u>47,209</u>	\$ <u>102,146</u>	\$ <u>141,022</u>	\$ <u>95,155</u>

### b. Disaggregation of revenue

For the Nine Months Ended September 30, 2023

Type of goods or services	Reportable segments		
	Chung Hung	Others	Total
Sale of goods	\$ 28,237,839	\$ -	\$ 28,237,839
Rendering of services	371,194	380	371,574
Others	<u>48,644</u>	<u>1,004</u>	<u>49,648</u>
	<u>\$ 28,657,677</u>	<u>\$ 1,384</u>	<u>\$ 28,659,061</u>

For the Nine Months Ended September 30, 2022

Type of goods or services	Reportable segments		
	Chung Hung	Others	Total
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>

## 25. PROFIT (LOSS) BEFORE INCOME TAX

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

### a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Rental income	\$ 23,243	\$ 22,056	\$ 69,622	\$ 66,530
Dividend income	33,109	102,639	33,809	104,931
Others	<u>3,472</u>	<u>26,560</u>	<u>41,326</u>	<u>46,204</u>
	<u>\$ 59,824</u>	<u>\$ 151,255</u>	<u>\$ 144,757</u>	<u>\$ 217,665</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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net foreign exchange gain	\$ 13,054	\$ 53,100	\$ 27,771	\$ 126,552
Gain arising from financial assets at fair value through profit or loss	-	-	-	2,774
Fees	(2,329)	(1,414)	(6,808)	(4,470)
Others	<u>(1,433)</u>	<u>(809)</u>	<u>(5,480)</u>	<u>(2,193)</u>
	<u>\$ 9,292</u>	<u>\$ 50,877</u>	<u>\$ 15,483</u>	<u>\$ 122,663</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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Foreign exchange gain	\$ 40,930	\$ 112,675	\$ 111,316	\$ 254,398
Foreign exchange loss	<u>(27,876)</u>	<u>(59,575)</u>	<u>(83,545)</u>	<u>(127,846)</u>
Net exchange gain	<u>\$ 13,054</u>	<u>\$ 53,100</u>	<u>\$ 27,771</u>	<u>\$ 126,552</u>

c. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest on bank overdrafts and loans	\$ 51,355	\$ 40,618	\$ 155,909	\$ 73,415
Interest on lease liabilities	<u>255</u>	<u>164</u>	<u>695</u>	<u>525</u>
Total interest expense financial liabilities measured at amortized cost	51,610	40,782	156,604	73,940
Less: Amounts included in the cost of qualifying assets	<u>488</u>	<u>224</u>	<u>1,347</u>	<u>705</u>
	<u>\$ 51,122</u>	<u>\$ 40,558</u>	<u>\$ 155,257</u>	<u>\$ 73,235</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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Capitalized amounts	\$ 488	\$ 224	\$ 1,347	\$ 705
Capitalized annual rates (%)	1.35-1.40	0.91-1.03	1.34-1.41	0.59-1.03

d. Depreciation

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 170,068	\$ 166,185	\$ 509,295	\$ 531,983
Investment properties	230	222	674	666
Right-of-use assets	<u>4,013</u>	<u>3,881</u>	<u>12,020</u>	<u>11,621</u>
	<u>\$ 174,311</u>	<u>\$ 170,288</u>	<u>\$ 521,989</u>	<u>\$ 544,270</u>
Analysis of depreciation by function				
Operating costs	\$ 171,507	\$ 167,799	\$ 512,804	\$ 537,310
Operating expenses	2,574	2,267	8,511	6,294
Deduction of other income	<u>230</u>	<u>222</u>	<u>674</u>	<u>666</u>
	<u>\$ 174,311</u>	<u>\$ 170,288</u>	<u>\$ 521,989</u>	<u>\$ 544,270</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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Direct operating expenses of investment properties that generated rental income	\$ 2,951	\$ 2,871	\$ 8,748	\$ 8,524
Direct operating expenses of investment properties that did not generate rental income	<u>2,392</u>	<u>1,816</u>	<u>7,175</u>	<u>5,449</u>
	<u>\$ 5,343</u>	<u>\$ 4,687</u>	<u>\$ 15,923</u>	<u>\$ 13,973</u>

f. Employee benefits

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits				
Salaries	\$ 185,716	\$ 112,531	\$ 727,975	\$ 768,459
Labor and health insurance	22,257	29,036	68,138	80,194
Others	<u>34,712</u>	<u>34,738</u>	<u>117,396</u>	<u>156,612</u>
	<u>242,685</u>	<u>176,305</u>	<u>913,509</u>	<u>1,005,265</u>
Post-employment benefits				
Defined contribution plans	6,942	6,846	21,322	20,311
Defined benefit plans (Note 22)	<u>3,691</u>	<u>5,058</u>	<u>11,073</u>	<u>15,173</u>
	<u>10,633</u>	<u>11,904</u>	<u>32,395</u>	<u>35,484</u>
	<u>\$ 253,318</u>	<u>\$ 188,209</u>	<u>\$ 945,904</u>	<u>\$ 1,040,749</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Analysis of employee benefits expense by function				
Operating costs	\$ 212,973	\$ 164,723	\$ 788,417	\$ 867,559
Operating expenses	<u>40,345</u>	<u>23,486</u>	<u>157,487</u>	<u>173,190</u>
	<u>\$ 253,318</u>	<u>\$ 188,209</u>	<u>\$ 945,904</u>	<u>\$ 1,040,749</u>

(Concluded)

g. Compensation of employees and remuneration of directors

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

For the three months ended September 30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022, 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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<u>Amount</u>				
Compensation of employees	\$ (17,560)	\$ (53,542)	\$ 3,395	\$ -
Remuneration of directors	(1,400)	(10,697)	600	-
<u>Accrual rate</u>				
Compensation of employees (%)			4.50	-
Remuneration of directors (%)			0.80	-

The Company did not pay compensation of employees and remuneration of directors for the year ended December 31, 2022 due to losses incurred. The compensation of employees and remuneration of directors for the year ended December 31, 2021, which were approved by the Corporation's board of directors in February 2022 were as follows:

	<b>For the Year Ended December 31 2021</b>
<u>Amount</u>	
Compensation of employees	\$ 307,804
Remuneration of directors	61,561
<u>Accrual rate</u>	
Compensation of employees (%)	4.17
Remuneration of directors (%)	0.83

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

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

## 26. INCOME TAX

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	\$ 53	\$ (171,921)	\$ 53	\$ 97,358
Income tax on unappropriated earnings	-	-	-	87,183
In respect of the prior periods	-	(5)	(31,841)	(6,742)
Deferred tax				
In respect of the current period	<u>(55,541)</u>	<u>(237,628)</u>	<u>32,053</u>	<u>(316,878)</u>
	<u>\$ (55,488)</u>	<u>\$ (409,554)</u>	<u>\$ 265</u>	<u>\$ (139,079)</u>

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Deferred tax				
Gains and losses on hedging instruments	\$ 76	\$ (6,222)	\$ (4,415)	\$ (6,222)
Remeasurement on defined benefit plans	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,844</u>
	<u>\$ 76</u>	<u>\$ (6,222)</u>	<u>\$ (4,415)</u>	<u>\$ 130,622</u>

### d. Income tax assessments

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

## 27. EARNINGS (LOSS) PER SHARE

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Basic earnings (loss) per share	<u>\$(0.08)</u>	<u>\$(0.78)</u>	<u>\$ 0.05</u>	<u>\$ 0.04</u>
Diluted earnings (loss) per share	<u>\$(0.08)</u>	<u>\$(0.78)</u>	<u>\$ 0.05</u>	<u>\$ 0.04</u>

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

### Net profit (loss) for the period

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Attributable to owners of the Corporation	<u>\$ (109,513)</u>	<u>\$ (1,125,975)</u>	<u>\$ 71,215</u>	<u>\$ 55,662</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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares in computation of basic earnings (loss) 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>-</u>	<u>151</u>	<u>1,474</u>
Weighted average number of ordinary shares used in computation of diluted earnings (loss) per share	<u>1,435,544</u>	<u>1,435,544</u>	<u>1,435,695</u>	<u>1,437,018</u>

The Corporation may settle the compensation paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. In consideration of the net loss for the three months end September 30, 2023 and 2022, due to the dilutive effect, the potential shares attributed to the compensation of employees were excluded from the computation of diluted losses per share.

## 28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue their operations while maximizing the return to shareholders through the optimization of the debt and equity balance.

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not carried at fair value

Management of the Group considers the carrying amount of financial assets and liabilities not carried at fair value approximates fair value.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis.

#### 1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>September 30, 2023</u>				
Financial assets at FVOCI				
Domestic listed shares	\$ 867,671	\$ -	\$ -	\$ 867,671
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>46,028</u>	<u>46,028</u>
	<u>\$ 867,671</u>	<u>\$ -</u>	<u>\$ 46,028</u>	<u>\$ 913,699</u>
<u>December 31, 2022</u>				
Financial assets at FVOCI				
Domestic listed shares	\$1,016,574	\$ -	\$ -	\$1,016,574
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>41,163</u>	<u>41,163</u>
	<u>\$1,016,574</u>	<u>\$ -</u>	<u>\$ 41,163</u>	<u>\$1,057,737</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,166</u>	<u>\$ -</u>	<u>\$ 2,166</u>
<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>

There was no transfer between Level 1 and Level 2 for the nine months ended September 30, 2023 and 2022.

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

	<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>
<u>For the nine months ended September 30, 2023</u>			
Balance at beginning of the period	\$ -	\$ 41,163	\$ 41,163
Total profit or loss			
Recognized in other comprehensive income	-	4,865	4,865
Balance at end of the period	<u>\$ -</u>	<u>\$ 46,028</u>	<u>\$ 46,028</u>
<u>For the nine months ended September 30, 2022</u>			
Balance at 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	-	(325)	(325)
Balance at end of the period	<u>\$ -</u>	<u>\$ 45,337</u>	<u>\$ 45,337</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivative instruments	Derivatives with quoted prices in active markets were measured at fair values based on their market prices. If market prices are not available, derivatives are measured at estimated value using valuation techniques. The estimates and assumptions used in the Corporation's valuation techniques are consistent with the information used by market participants in pricing financial instruments, which are available to the Corporation. The fair value of each foreign exchange forward contract was determined separately under forward exchange rates indicated by the bank quotation system.

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

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

c. Categories of financial instruments

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
<u>Financial assets</u>			
Financial assets for hedging	\$ 141,988	\$ 700,188	\$ 833,394
Measured at amortized cost (see 1 below)	3,316,655	5,023,807	6,651,303
Financial assets at fair value through other comprehensive income			
Equity instruments	913,699	1,057,737	956,160
<u>Financial liabilities</u>			
Financial liabilities for hedging	-	2,166	-
Measured at amortized cost (see 2 below)	17,556,266	19,116,172	20,536,190

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties and excluding tax refund receivable), other financial assets and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables, refund liabilities, bonds payable, long-term borrowings (including current portion), long-term bills payable, and guarantee deposits received.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

The Group was exposed to foreign currency risk due to sales and purchases, denominated in foreign currencies. The Group manage exposure to foreign exchange risk using foreign currency deposits and engages in foreign exchange forward contracts with firm commitment opposite to exchange rate fluctuations within the scope permitted by the policy.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposed foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the fluctuation of USD. The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only the outstanding foreign currency denominated monetary items, refer to Note 33. The following table shows the impact on profit or equity of 1% decrease in NTD against USD.

	<b>USD Impact</b>	
	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Profit (loss) before income tax (Note 1)	\$ (3,955)	\$ 8,745
Equity (Note 2)	1,420	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,</b> <b>2023</b>	<b>December 31,</b> <b>2022</b>	<b>September 30,</b> <b>2022</b>
Fair value interest rate risk			
Financial liabilities	\$ 6,264,947	\$ 3,046,462	\$ 3,399,587
Cash flow interest rate risk			
Financial assets	1,479,413	1,319,232	1,430,243
Financial liabilities	9,162,935	14,659,957	16,056,841

### 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, 2023 and 2022 would have been lower/higher by NT\$14,407 thousand and NT\$27,425 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, 2023 and 2022 would have been lower by NT\$34,363 thousand and NT\$34,113 thousand, respectively.

#### 2) Credit risk

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

The Group made transactions only with the parties with good credit. The goods were delivered after the cash or L/C was received, and the Group did not provide financial guarantee to any company. Accounts receivable were due to time differences of L/C negotiation and there 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 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, 2023, the unutilized credit facility of the Group was NT\$45 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

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

September 30, 2023	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Short-term borrowings	\$ 4,640,640	\$ -	\$ -	\$ 4,640,640
Short-term bills payable	3,200,000	-	-	3,200,000
Accounts payable (including related parties)	1,384,008	-	-	1,384,008
Other payables	594,528	-	-	594,528
Refund liabilities	176,249	-	-	176,249
Lease liabilities	15,527	43,519	18,098	77,144

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>September 30, 2023</u>				
Bonds payables	22,100	3,014,079	-	3,036,179
Long-term bank borrowings	644,868	2,116,965	-	2,761,833
Long-term bills payable	-	1,900,000	-	1,900,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 10,677,920</u>	<u>\$ 7,074,563</u>	<u>\$ 53,098</u>	<u>\$ 17,805,581</u>
<u>December 31, 2022</u>				
Short-term borrowings	\$ 7,656,261	\$ -	\$ -	\$ 7,656,261
Accounts payable (including related parties)	823,501	-	-	823,501
Other payables	511,850	-	-	511,850
Refund liabilities	57,815	-	-	57,815
Lease liabilities	13,400	29,260	8,129	50,789
Bonds payables	22,100	3,044,200	-	3,066,300
Long-term bank borrowings	2,373,999	2,276,006	-	4,650,005
Long-term bills payable	-	2,500,000	-	2,500,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 11,458,926</u>	<u>\$ 7,849,466</u>	<u>\$ 43,129</u>	<u>\$ 19,351,521</u>
<u>September 30, 2022</u>				
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>

(Concluded)

#### 4) Cash flow hedging

September 30, 2023

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	\$ 4,400	NA	NA	Financial assets for hedging	\$ 141,988	\$ -	\$ 19,908

Hedging Instruments/Hedged Items	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
		Continuing Hedges	Discontinuing Hedges
Cash flow hedging			
Foreign currency deposit/ Forecast purchases of raw materials and equipment	\$ (19,908)	\$ 11,006	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	<u>(2,166)</u>	<u>-</u>	<u>-</u>
	<u>\$ (22,074)</u>	<u>\$ 11,006</u>	<u>\$ -</u>

For the nine months ended September 30, 2023

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	<u>\$ 22,074</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

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	\$ 26,249	NA	NA	Financial assets for hedging	\$ 833,394	\$ -	\$ 31,108

Hedging Instruments/Hedged Items	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
		Continuing Hedges	Discontinuing Hedges
Cash flow hedging			
Forecast purchases of 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	\$ 31,108	\$ -	-	\$ -	\$ -

### 30. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and other related parties are disclosed below.

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

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

b. Sale of goods

Account Items	Related Parties Types / Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2023	2022	2023	2022
Sales	Parent entity	\$ -	\$ 120	\$ -	\$ 310
	Fellow subsidiaries related to others				
	CSSB	510,469	219,589	1,001,078	1,574,753
	Others	<u>235</u>	<u>20,757</u>	<u>18,852</u>	<u>63,811</u>
		<u>510,704</u>	<u>240,346</u>	<u>1,019,930</u>	<u>1,638,564</u>
		<u>\$ 510,704</u>	<u>\$ 240,466</u>	<u>\$ 1,019,930</u>	<u>\$ 1,638,874</u>
Service Revenue	Parent entity	\$ 107,544	\$ 174,222	\$ 350,864	\$ 575,179
	Fellow subsidiaries related to others	-	-	7	7
		<u>\$ 107,544</u>	<u>\$ 174,222</u>	<u>\$ 350,871</u>	<u>\$ 575,186</u>

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

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

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

Account Items	Related Parties Types / Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2023	2022	2023	2022
Other operating revenue	Parent entity	\$ -	\$ -	\$ 1,000	\$ 3,460
	Fellow subsidiaries related to others				
	DSC	8,823	11,649	30,391	42,393
	HMC	<u>2,792</u>	<u>2,728</u>	<u>9,787</u>	<u>12,131</u>
		<u>11,615</u>	<u>14,377</u>	<u>40,178</u>	<u>54,524</u>
		<u>\$ 11,615</u>	<u>\$ 14,377</u>	<u>\$ 41,178</u>	<u>\$ 57,984</u>

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

c. Purchase of goods

Related Parties Types/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Parent entity	\$ 2,545,553	\$ (28,628)	\$ 5,380,535	\$ 6,422,967
Fellow subsidiaries related to others				
DSC	2,817,362	3,838,703	11,519,494	11,095,704
CSGT	-	26,197	-	3,147,161
Others	9,828	19,986	30,101	55,936
	<u>2,827,190</u>	<u>3,884,886</u>	<u>11,549,595</u>	<u>14,298,801</u>
	<u>\$ 5,372,743</u>	<u>\$ 3,856,258</u>	<u>\$ 16,930,130</u>	<u>\$ 20,721,768</u>

The purchases were mainly slabs and hot rolling coil. The payment terms and prices of other related parties were no different from those of unrelated parties for the nine months ended September 30, 2023 and 2022.

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

Account Items	Related Parties Types/Name	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable from related parties	Parent entity	\$ 30,034	\$ 41,915	\$ 70,013
	Fellow subsidiaries related to others			
	CSSB	78,838	-	57,102
	Others	3,208	15,595	4,970
		<u>82,046</u>	<u>15,595</u>	<u>62,072</u>
		<u>\$ 112,080</u>	<u>\$ 57,510</u>	<u>\$ 132,085</u>
Other receivables from related parties	Parent entity	\$ 365	\$ 19,190	\$ 636,005
	Fellow subsidiaries related to others			
	CHC	28,983	25,288	32,779
	Others	534	-	368
		<u>29,517</u>	<u>25,288</u>	<u>33,147</u>
		<u>\$ 29,882</u>	<u>\$ 44,478</u>	<u>\$ 669,152</u>

No guarantee had been received for accounts receivable and other receivable from related parties. For the nine months ended September 30, 2023 and 2022, no impairment losses were recognized for accounts receivable and other receivables from related parties .

e. Accounts payable to related parties

Account Items	Related Parties Types/Name	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable to related parties	Parent entity	<u>\$ 883,669</u>	<u>\$ 285,669</u>	<u>\$ 375,016</u>
	Fellow subsidiaries related to others			
	CSGT	2,730	-	14,380
	Others	<u>861</u>	<u>1,100</u>	<u>1,030</u>
		<u>3,591</u>	<u>1,100</u>	<u>15,410</u>
	Other related parties	<u>6,617</u>	<u>2,329</u>	<u>3,686</u>
		<u>\$ 893,877</u>	<u>\$ 289,098</u>	<u>\$ 394,112</u>
Other payable	Parent entity	\$ 1,297	\$ 1,353	\$ 3,539
	Fellow subsidiaries related to others	13,715	10,290	10,910
	Other related parties	<u>3,053</u>	<u>3,487</u>	<u>2,979</u>
		<u>\$ 18,065</u>	<u>\$ 15,130</u>	<u>\$ 17,428</u>

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

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

Related Parties Types	September 30, 2023	December 31, 2022	September 30, 2022
Parent entity	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
<u>Interest revenue</u>			

Related Parties Types	For the Nine Months Ended September 30	
	2023	2022
Parent entity	<u>\$ 2,150</u>	<u>\$ 128</u>

The Corporation provided unsecured loans to the parent entity, and the interest rate is similar to the market interest rate. These loans are expected to be repaid within one year, and there is no expected credit loss after assessment.

g. Other transactions with related parties

1) Authorization fees

In May 2003, the parent company, Sumitomo Metal Industries, Ltd. (renamed 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\$16,517 thousand, NT\$15,915 thousand, NT\$46,397 thousand and NT\$43,606 thousand for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, December 31, 2022 and September 30, 2022, authorization fees payable (included in payables to related parties) were NT\$15,206 thousand, NT\$7,150 thousand and NT\$15,018 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, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were NT\$1,487 thousand, NT\$951 thousand, NT\$4,454 thousand and NT\$2,954 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, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were NT\$1,525 thousand, NT\$1,327 thousand, NT\$4,402 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.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
a) Other expenditures				
Parent entity	\$ 26,044	\$ 29,411	\$ 76,074	\$ 119,744
Others related parties	32,130	28,381	89,447	91,289
Fellow subsidiaries related to others	<u>31,819</u>	<u>7,191</u>	<u>82,517</u>	<u>109,839</u>
	<u>\$ 89,993</u>	<u>\$ 64,983</u>	<u>\$ 248,038</u>	<u>\$ 320,872</u>
b) Capital expenditure				
Fellow subsidiaries related to others				
CSMC	\$ -	\$ -	\$ 2,400	\$ 20,600
ICSC	5,520	13,940	5,520	13,940
CSGT	20,800	-	28,830	-
Others	<u>6,014</u>	<u>590</u>	<u>6,014</u>	<u>3,040</u>
	<u>\$ 32,334</u>	<u>\$ 14,530</u>	<u>\$ 42,764</u>	<u>\$ 37,580</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Fellow subsidiaries related to others				
CHC	<u>\$ 85,736</u>	<u>\$ 86,491</u>	<u>\$ 294,816</u>	<u>\$ 386,406</u>

h. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 3,718	\$ (3,764)	\$ 20,061	\$ 24,704
Post-employment benefits	<u>435</u>	<u>369</u>	<u>1,316</u>	<u>1,106</u>
	<u>\$ 4,153</u>	<u>\$ (3,395)</u>	<u>\$ 21,377</u>	<u>\$ 25,810</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, 2023	December 31, 2022	September 30, 2022
Time deposits (included in other financial assets - current)	\$ 800,000	\$ 800,000	\$ 700,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,000,000</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, 2023 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$2,928,265 thousand.
- b. The Group had signed agreements to buy equipment for NT\$454,007 thousand, of which NT\$193,718 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credits for NT\$400 thousand guaranteed by financial institutions for purchase agreements. Guarantee notes for NT\$174,500 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:

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
<u>September 30, 2023</u>				
Monetary financial assets				
USD	\$ 21,836	32.270	(USD:NTD)	\$ 704,658
Monetary financial liabilities				
USD	29,693	32.270	(USD:NTD)	958,180
<u>December 31, 2022</u>				
Monetary financial assets				
USD	65,492	30.710	(USD:NTD)	2,011,260
Monetary financial liabilities				
USD	16,967	30.710	(USD:NTD)	521,043
<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

For the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, realized and unrealized net foreign exchange gains were NT\$13,054 thousand, NT\$53,100 thousand, NT\$27,771 thousand and NT\$126,552 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, 2023, 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 (None)
  - 9) Trading in derivative instruments (Note 29)
  - 10) Intercompany relationships and significant intercompany transactions (None)
  - 11) Information on investees (Table 4)
- c. Information on investments in mainland China (None)
- d. Information of major shareholders (Table 5)

### 35. SEGMENT INFORMATION

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

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

#### Segment revenues and operating results

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

	<b>The Corporation</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
For the nine months ended September 30, 2023				
Revenues from external customers	<u>\$ 28,657,677</u>	<u>\$ 1,384</u>	<u>\$ -</u>	<u>\$ 28,659,061</u>
Segment profit (loss)	\$ (85,900)	\$ 879	\$ 120	\$ (84,991)
Interest income	32,332	35	-	32,367
Other income	144,877	-	(120)	144,757
Other gains and losses	15,483	-	-	15,483
Finance costs	(155,257)	-	-	(155,257)
Share of the profit of associates	<u>119,981</u>	<u>-</u>	<u>(860)</u>	<u>119,121</u>
Profit before income tax for the period	71,426	914	(860)	71,480
Income tax expense	<u>211</u>	<u>54</u>	<u>-</u>	<u>265</u>
Net profit for the period	<u>\$ 71,215</u>	<u>\$ 860</u>	<u>\$ (860)</u>	<u>\$ 71,215</u>

(Continued)

	<b>The Corporation</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
<u>For the nine months ended September 30, 2023</u>				
Identifiable assets	\$ 30,660,000	\$ 30,836	\$ -	\$ 30,690,836
Investments accounted for using equity method	<u>3,286,701</u>	<u>-</u>	<u>(30,471)</u>	<u>3,256,230</u>
Total assets	<u>\$ 33,946,701</u>	<u>\$ 30,836</u>	<u>\$ (30,471)</u>	<u>\$ 33,947,066</u>
Total liabilities	<u>\$ 17,958,878</u>	<u>\$ 365</u>	<u>\$ -</u>	<u>\$ 17,959,243</u>
<u>For the nine months ended September 30, 2022</u>				
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>

(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, 2023  
(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	\$ -	\$ -	1.43~1.53	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,598,782	\$ 6,395,129	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, 2023**

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	September 30, 2022				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chung Hung Steel Corporation	Ordinary Shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	33,359,239	<u>\$ 842,321</u>	-	<u>\$ 842,321</u>	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	134,167	39,615	2	39,615	2023.8.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	6,413	5	6,413	2023.6.30 net value
					<u>\$ 46,028</u>		<u>\$ 46,028</u>	
Hung Kao Investment Corporation	Ordinary Shares China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	<u>\$ 25,350</u>	-	<u>\$ 25,350</u>	

**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE PERIOD ENDED SEPTEMBER 30, 2023  
(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	\$11,519,494	45	Letter of credit at sight	\$ -		\$ -	-	
	China Steel Corporation	Parent company	Purchase of goods	5,380,535	21	Letter of credit at sight/Payment after final acceptance	-		(883,669 )	(64 )	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,001,078 )	(3 )	T/T within 7 business days after lading date(not included)	-		78,838	15	
	China Steel Corporation	Parent company	Service revenue	(350,484 )	(1 )	T/T as the end of the month of after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	30,034	6	

**TABLE 4****CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES  
FOR THE PERIOD ENDED SEPTEMBER 30, 2023  
(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, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2023	December 31, 2022	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	329,802,616	39.59	3,041,415	283,638	112,290	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	214,815	40,988	6,831	Associates

Note: Amount was eliminated in the consolidated financial statements.

## CHUNG HUNG STEEL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2023

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.