

**Chung Hung Steel Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Chung Hung Steel Corporation as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of parent and subsidiary companies. Consequently, Chung Hung Steel Corporation and its subsidiaries do not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

Chung Hung Steel Corporation

By

Kuei-Sung Tseng
Chairman

February 27, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chung Hung Steel Corporation

Opinion

We have audited the accompanying consolidated financial statements of Chung Hung Steel Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Inventory Valuation

As of December 31, 2023, the carrying amount of inventories held by the Group was NT\$8,572,083 thousand, which accounted for 26% of the consolidated total assets. Due to the fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involves material accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and material accounting estimates and judgments on inventories, refer to Notes 4, 5 and 10 to the consolidated financial statements, respectively.

The audit procedures we performed included the following:

1. We performed year-end inventory counts and assessed the condition of inventory through inquiry and observation to evaluate the obsolescence of inventory and the appropriateness of inventory valuation.
2. We obtained the year-end inventory aging report, tested the accuracy of the aging report and examined whether the management performed the disposal of inventory in accordance with its policy.
3. We evaluated the appropriateness of inventory valuation.
4. We obtained the year-end detail of the inventory report and examined it by sampling the valuation supporting document of the underlying assumption and the market price to recalculate the appropriateness of the inventory valuation.

The Cut-off of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2023 was NT\$14,042,296 thousand, which represented 37% of the sales revenue. The recognition of export revenue involved checking the external documents, and the export revenue was considered to have a significant effect on the financial statements. Thus, we considered the cut-off of sales revenue from export sales as a key audit matter. Refer to Notes 4 and 24 to the consolidated financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We obtained an understanding of the design and implementation of the internal controls and tested the operating effectiveness of controls related to the cut-off of sales revenue.
2. We obtained the export sales details for a specific period before year end and tested the export sales details on a sample basis to confirm the timing of revenue recognition by examining the shipping documents, customs declarations and shipping bills of lading.

Other Matter

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lee-Yuan Kuo and Jia-Ling, Jiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,866,832	6	\$ 3,268,386	9
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	927,699	3	986,655	2
Financial assets for hedging - current (Notes 4 and 8)	140,442	-	700,188	2
Accounts receivable (Notes 4, 9 and 24)	638,335	2	231,840	1
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	106,208	-	57,510	-
Other receivables (Note 9)	17,171	-	11,156	-
Other receivables from related parties (Notes 9 and 30)	210,586	1	344,478	1
Current tax assets (Notes 4 and 26)	4,907	-	657	-
Inventories (Notes 4, 5 and 10)	8,572,083	26	9,761,983	26
Prepayments (Note 11)	182,119	1	255,767	1
Other financial assets - current (Notes 12 and 31)	803,300	2	1,101,100	3
Other current assets	164	-	45	-
Total current assets	<u>13,469,846</u>	<u>41</u>	<u>16,719,765</u>	<u>45</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	72,696	-	71,082	-
Investments accounted for using the equity method (Notes 4 and 13)	3,461,769	10	3,701,899	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,409,727	29	9,801,656	27
Right-of-use assets (Notes 4 and 15)	68,543	-	48,092	-
Investment properties (Notes 4 and 16)	5,993,610	18	5,981,409	17
Deferred tax assets (Notes 4, 5 and 26)	344,829	1	373,292	1
Prepayments for equipment (Note 32)	161,861	1	56,285	-
Refundable deposits	9,781	-	9,337	-
Net defined benefit assets (Notes 4, 5 and 22)	-	-	2,060	-
Total noncurrent assets	<u>19,522,816</u>	<u>59</u>	<u>20,045,112</u>	<u>55</u>
TOTAL	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 36,764,877</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ 4,784,715	14	\$ 7,561,516	21
Short-term bills payable (Note 17)	2,495,674	8	-	-
Financial liabilities for hedging - current (Notes 4 and 8)	-	-	2,166	-
Contract liabilities - current (Note 24)	40,310	-	102,146	-
Accounts payable (Note 19)	68,322	-	534,403	2
Accounts payable to related parties (Notes 19 and 30)	578,527	2	289,098	1
Other payables (Notes 20 and 30)	614,463	2	542,590	2
Current tax liabilities (Notes 4 and 26)	-	-	89,378	-
Provisions - current (Notes 4 and 21)	137,900	-	133,700	-
Lease liabilities - current (Notes 4 and 15)	13,626	-	12,877	-
Current portion of long-term borrowings (Note 17)	-	-	2,340,000	6
Refund liabilities	171,619	1	57,815	-
Other current liabilities	17,483	-	16,244	-
Total current liabilities	<u>8,922,639</u>	<u>27</u>	<u>11,681,933</u>	<u>32</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	2,998,444	9	2,997,309	8
Long-term bank borrowings (Note 17)	2,600,000	8	2,260,000	6
Long-term bills payable (Note 17)	1,899,364	6	2,498,441	7
Deferred tax liabilities (Notes 4 and 26)	183,607	1	193,481	1
Lease liabilities - noncurrent (Notes 4 and 15)	56,092	-	36,276	-
Net defined benefit liabilities (Notes 4, 5 and 22)	38,535	-	-	-
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>7,811,042</u>	<u>24</u>	<u>8,020,507</u>	<u>22</u>
Total liabilities	<u>16,733,681</u>	<u>51</u>	<u>19,702,440</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Ordinary shares	<u>14,355,444</u>	<u>43</u>	<u>14,355,444</u>	<u>39</u>
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	764,806	2	764,806	2
Unappropriated earnings	1,210,742	4	1,651,062	5
Total retained earnings	<u>1,975,548</u>	<u>6</u>	<u>2,415,868</u>	<u>7</u>
Other equity	(72,914)	-	290,222	-
Total equity	<u>16,258,981</u>	<u>49</u>	<u>17,062,437</u>	<u>46</u>
TOTAL	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 36,764,877</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 Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)	\$ 37,764,208	100	\$ 44,503,494	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>37,251,898</u>	<u>99</u>	<u>45,629,434</u>	<u>103</u>
GROSS PROFIT (LOSS)	<u>512,310</u>	<u>1</u>	<u>(1,125,940)</u>	<u>(3)</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	307,028	1	376,864	1
General and administrative expenses	<u>234,438</u>	<u>-</u>	<u>257,893</u>	<u>-</u>
Total operating expenses	<u>541,466</u>	<u>1</u>	<u>634,757</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(29,156)</u>	<u>-</u>	<u>(1,760,697)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	40,812	-	47,626	-
Other income	171,179	-	283,258	-
Other gains and losses	63,515	-	29,000	-
Finance costs	(203,979)	-	(130,575)	-
Share of profit of associates	<u>120,027</u>	<u>-</u>	<u>346,865</u>	<u>1</u>
Total non-operating income and expenses	<u>191,554</u>	<u>-</u>	<u>576,174</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	162,398	-	(1,184,523)	(3)
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 26)	<u>3,117</u>	<u>-</u>	<u>(194,594)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>159,281</u>	<u>-</u>	<u>(989,929)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(96,696)	-	294,407	1
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(88,882)	-	(201,638)	-
Gains and losses on hedging instruments	15,059	-	(11,068)	-

(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 Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Share of the other comprehensive income of associates	\$ (274,002)	(1)	\$ (631,251)	(1)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	16,327	-	80,176	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of associates	<u>(69)</u>	<u>-</u>	<u>528</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(428,263)</u>	<u>(1)</u>	<u>(468,846)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (268,982)</u>	<u>(1)</u>	<u>\$ (1,458,775)</u>	<u>(3)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 159,281</u>	<u>-</u>	<u>\$ (989,929)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ (268,982)</u>	<u>(1)</u>	<u>\$ (1,458,775)</u>	<u>(3)</u>
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	<u>\$ 0.11</u>		<u>\$ (0.69)</u>	
Diluted	<u>\$ 0.11</u>		<u>\$ (0.69)</u>	

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

(Concluded)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total Other Equity	
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 earning (Note 23)										
Legal reserve	-	-	620,174	-	(620,174)	-	-	-	-	-
Reversal of special reserve	-	-	-	(425,839)	425,839	-	-	-	-	-
Cash dividends	-	-	-	-	(4,019,524)	-	-	-	-	(4,019,524)
Net loss for the year ended December 31, 2022	-	-	-	-	(989,929)	-	-	-	-	(989,929)
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	372,362	528	(832,882)	(8,854)	(841,208)	(468,846)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	(617,567)	528	(832,882)	(8,854)	(841,208)	(1,458,775)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(219)	-	219	-	219	-
Adjustment from changes in equity of associates	-	-	-	-	(20,662)	-	-	-	-	(20,662)
BALANCE AT DECEMBER 31, 2022	14,355,444	903	764,806	-	1,651,062	386	298,690	(8,854)	290,222	17,062,437
Appropriation of 2022 earning (Note 23)										
Cash dividends	-	-	-	-	(502,441)	-	-	-	-	(502,441)
Net profit for the year ended December 31, 2023	-	-	-	-	159,281	-	-	-	-	159,281
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(77,343)	(69)	(362,898)	12,047	(350,920)	(428,263)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	81,938	(69)	(362,898)	12,047	(350,920)	(268,982)
Changes in equity of associates accounted for using the equity method (Notes 13 and 23)	-	-	-	-	(26,528)	-	(5,505)	-	(5,505)	(32,033)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,711	-	(6,711)	-	(6,711)	-
BALANCE AT DECEMBER 31, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,210,742	\$ 317	\$ (76,424)	\$ 3,193	\$ (72,914)	\$ 16,258,981

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)

	For the Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 162,398	\$ (1,184,523)
Adjustments for:		
Depreciation expense	695,919	717,892
Net gain on financial assets at fair value through profit or loss	-	(2,774)
Finance costs	203,979	130,575
Interest income	(40,812)	(47,626)
Dividend income	(36,155)	(108,042)
Share of profit of associates	(120,027)	(346,865)
Gain on disposal of property, plant and equipment	(37,010)	-
Write-downs (reversal) of inventories	(1,212,121)	1,466,930
Recognition (reversal) of provisions	4,200	(73,150)
Others	1,094	1,135
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	2,774
Financial assets for hedging	462,011	(462,011)
Accounts receivable	(406,495)	698,738
Accounts receivable from related parties	(48,698)	(10,155)
Other receivables	(7,592)	1,777
Other receivables from related parties	(166,108)	176,983
Inventories	2,402,021	1,488,526
Prepayments	73,648	187,361
Other current assets	(119)	2,552
Contract liabilities	(61,836)	6,991
Accounts payable	(466,081)	(826,329)
Accounts payable to related parties	289,429	(180,479)
Other payables	72,435	(649,706)
Other current liabilities	1,239	(7,073)
Net defined benefit liabilities	(56,100)	(95,429)
Refund liabilities	113,804	(207,232)
Cash generated from operations	1,823,023	680,840
Income taxes paid	(61,885)	(653,311)
Net cash generated from operating activities	<u>1,761,138</u>	<u>27,529</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(31,540)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	325
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	8,242

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CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2023	2022
Purchase of financial assets for hedging	\$ (5,469)	\$ (247,079)
Proceeds from disposal of financial assets for hedging	116,097	-
Acquisition of property, plant and equipment	(392,786)	(322,740)
Proceeds from disposal of property, plant and equipment	37,010	-
Increase in refundable deposits	(444)	(3,686)
Decrease (increase) in other receivables from related parties	300,000	(300,000)
Decrease (increase) in other financial assets	297,800	(98,300)
Interest received	42,443	43,744
Dividends received from others	<u>90,207</u>	<u>144,402</u>
Net cash generated from (used in) investing activities	<u>453,318</u>	<u>(775,092)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	97,671,254	120,211,254
Repayments of short-term borrowings	(100,237,355)	(117,525,770)
Increase in short-term bills payable	10,945,674	4,900,359
Decrease in short-term bills payable	(8,450,000)	(5,900,000)
Proceeds from long-term borrowings	4,200,000	3,900,000
Repayments of long-term borrowings	(6,200,000)	(500,000)
Proceeds from long-term bills payable	-	2,498,649
Repayments of long-term bills payable	(599,077)	(240,000)
Repayments of principal of lease liabilities	(15,877)	(15,489)
Dividends paid to owner of the Corporation	(502,441)	(4,019,524)
Interest paid	<u>(217,488)</u>	<u>(115,433)</u>
Net cash generated from (used in) financing activities	<u>(3,405,310)</u>	<u>3,194,046</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,190,854)	2,446,483
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,288,215</u>	<u>(158,268)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,097,361</u>	<u>\$ 2,288,215</u>
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2023 and 2022:		
Cash and cash equivalents in the consolidated balance sheets	\$ 1,866,832	\$ 3,268,386
Bank overdraft	<u>(769,471)</u>	<u>(980,171)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 1,097,361</u>	<u>\$ 2,288,215</u>

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

(Concluded)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

As of December 31, 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 approved by the Corporation’s board of directors and authorized for issue on February 27, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback 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 has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. New IFRS Accounting Standards 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 (Note 1)</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 IFRS Accounting Standards 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 of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

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

Basis of Preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the balance sheet date; and
- c. Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities expected to be settled within 12 months after the reporting period; and
- c. Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%)	
			December 31, 2023	December 31, 2022
Chung Hung Steel Corporation Ltd.	Hung Kao Investment Corporation	General investment	100	100

Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Except for exchange differences arising from hedging transactions to hedge part of the exchange rate risk, exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Inventories

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

Investment in Associates

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

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

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

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

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

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

Property, Plant, and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches

its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Freehold land is not depreciated.

Except for depreciation of the rollers (spare parts) that belong to the cold rolling department, the hot rolling department and pickling & galvanizing mill department is calculated based on their level of wear and other depreciation is recognized so as to write off the cost of assets less their residual value over their estimated useful lives, using the straight-line method; each major part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from property, plant and equipment classification to investment properties, the deemed cost of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of the property, the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Asset and Investment Properties

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at amortized cost

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

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

Financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits and commercial papers with repurchase agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate including risks and uncertainties of the expenditure required to settle the obligation on the balance sheet date.

When the Group expects that the unavoidable costs of the performance of contractual obligations to exceed the expected economic benefits that may be gained from the contract, the Group recognizes provisions for the performance of its obligations in the onerous contract. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

Revenue Recognition

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

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

a. Sale of goods

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

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

b. Providing of services

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

Leases

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the

costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

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

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

Borrowing Costs

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

Current and deferred taxes for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Measurement of Inventories

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

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

Realizability of Deferred Tax Assets

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profit generated is less (greater) than expected, a material reversal (recognition) of deferred tax assets may arise, which would be recognized in the period in which such a reversal (recognition) takes place.

Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the pension cost of defined benefit plan under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Cash on hand	\$ 640	\$ 640
Checking accounts and demand deposits	329,359	224,231
Cash equivalents (investments with original maturities within three months)		
Time deposits	967,232	994,133
Commercial papers with repurchase agreements	569,601	1,839,382
Bonds with repurchase agreements	<u>-</u>	<u>210,000</u>
	<u>\$ 1,866,832</u>	<u>\$ 3,268,386</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Domestic listed shares	<u>\$ 927,699</u>	<u>\$ 986,655</u>
<u>Non-current</u>		
Domestic listed shares	\$ 27,108	\$ 29,919
Domestic unlisted shares	<u>45,588</u>	<u>41,163</u>
	<u>\$ 72,696</u>	<u>\$ 71,082</u>

8. FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets for hedging - current</u>		
Foreign-currency deposits	<u>\$ 140,442</u>	<u>\$ 700,188</u>
<u>Financial liabilities for hedging - current</u>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,166</u>

For the purpose of managing cash flow risk from exchange rate fluctuations due to the purchase of 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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Accounts receivable</u>		
Accounts receivable - non-related parties		
At amortized cost	<u>\$ 638,335</u>	<u>\$ 231,840</u>
Accounts receivable - related parties		
At amortized cost	<u>\$ 106,208</u>	<u>\$ 57,510</u>
<u>Other receivables (including related parties)</u>		
Receivables from price settlement	\$ 173,777	\$ 16,039
Other receivables - related parties' loans	-	300,000
Receivables from disposal of scrap	47,893	31,720
Others	<u>6,087</u>	<u>7,875</u>
	<u>\$ 227,757</u>	<u>\$ 355,634</u>

a. Accounts receivable at amortized cost

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, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is 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.

December 31, 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	\$ 744,543	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 744,543
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 744,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,543</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>

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

	<u>December 31</u>	
	2023	2022
A company	\$ 170,970	\$ -
B company	97,072	10,944
C company	77,116	20,329
D company	30,105	41,915
E company	<u>-</u>	<u>89,771</u>
	<u>\$ 375,263</u>	<u>\$ 162,959</u>

The Corporation entered into accounts receivable factoring contract (without recourse). Under the contract, the Corporation is authorized to sell accounts receivable to Bank upon the delivery of products to customers and is required to complete related formalities on the next banking day. Under this contract, the Corporation does not bear the risk of the uncollectability of the accounts receivable.

Receivables sold for the years ended December 31, 2023 and 2022 were as follows:

Buyer of Accounts Receivable	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
For the year ended December 31, 2023						
Mega Bank	\$ 224,382	\$ 365,240	\$ 503,900	\$ 85,722	2.03	NT\$485 million
Bank of Taiwan	10,293	2,562	11,064	1,791	1.83	-
Bank of Taiwan	9,108	-	9,108	-	-	-
	<u>\$ 243,783</u>	<u>\$ 367,802</u>	<u>\$ 524,072</u>	<u>\$ 87,513</u>		

(Continued)

Buyer of Accounts Receivable	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
For the year ended December 31, 2022						
Mega Bank	\$ 453,536	\$ 1,051,545	\$ 1,280,699	\$ 224,382	1.38	NT\$533.3 million
Bank of Taiwan	46,016	141,425	177,148	10,293	1.37	NT\$200 million
Bank of Taiwan	22,479	40,239	53,610	9,108	3.50	USD\$20 million
	<u>\$ 522,031</u>	<u>\$ 1,233,209</u>	<u>\$ 1,511,457</u>	<u>\$ 243,783</u>		

(Concluded)

The above credit lines are revolving.

b. Other receivables

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

10. INVENTORIES

	December 31	
	2023	2022
Raw materials	\$ 5,474,468	\$ 5,774,808
Finished goods	2,112,065	2,580,831
Work in progress	627,325	619,397
Supplies	350,978	375,065
Others	6,770	6,148
Raw materials and supplies in transit	<u>477</u>	<u>405,734</u>
	<u>\$ 8,572,083</u>	<u>\$ 9,761,983</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2023 and 2022 was NT\$36,891,289 thousand and NT\$45,099,826 thousand, respectively, including a reversal of loss of NT\$1,212,121 thousand and a loss on inventory of NT\$1,466,930 thousand, respectively. The reversal of loss on inventory was mainly due to the net realizable value being lower than the cost that has disappeared.

11. PREPAYMENTS

	December 31	
	2023	2022
Input tax	\$ 85,623	\$ 183,016
Tax overpaid retained for offsetting future tax payable	45,762	31,948
Prepayments for purchases	25,374	27,207
Others	<u>25,360</u>	<u>13,596</u>
	<u>\$ 182,119</u>	<u>\$ 255,767</u>

12. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Pledged time deposits (Note 31)	\$ 500,000	\$ 800,000
Pledged demand deposits (Note 31)	300,000	300,000
One-year time deposits	<u>3,300</u>	<u>1,100</u>
	<u>\$ 803,300</u>	<u>\$ 1,101,100</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	2023	2022
Material associate		
Transglory Investment Corp. (TIC)	\$ 3,237,182	\$ 3,508,558
Associates that are not individually material	<u>224,587</u>	<u>193,341</u>
	<u>\$ 3,461,769</u>	<u>\$ 3,701,899</u>

a. Material associate

Name of Associate	Nature of Activities	Principal Place of Business	<u>Proportion of Ownership and Voting Rights (%)</u>	
			<u>December 31</u> 2023	2022
TIC	General investment	Taiwan	39.59	40.91

TIC handles the cash capital increase in February 2023. The Corporation did not participate in 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 its retained earnings by NT\$5,505 thousand based on the reduced shareholding proportion of the other comprehensive income recognized under the equity method.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2023 and 2022 was based on the audited financial statements for the same years.

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

TIC

	December 31	
	2023	2022
Current assets	\$ 611,196	\$ 533,139
Non-current assets	7,565,260	8,049,395
Current liabilities	<u>(120)</u>	<u>(6,645)</u>
Equity	<u>\$ 8,176,336</u>	<u>\$ 8,575,889</u>
Proportion of the Group's ownership (%)	39.59	40.91
Equity attributable to the Group	<u>\$ 3,237,182</u>	<u>\$ 3,508,558</u>
Carrying amount	<u>\$ 3,237,182</u>	<u>\$ 3,508,558</u>
	For the Year Ended December 31	
	2023	2022
Operating revenue	<u>\$ 294,700</u>	<u>\$ 841,415</u>
Net profit for the year	\$ 285,475	\$ 832,427
Other comprehensive loss	<u>(781,201)</u>	<u>(1,504,690)</u>
Total comprehensive loss for the year	<u>\$ (495,726)</u>	<u>\$ (672,263)</u>
Comprehensive loss attributable to the Group	<u>\$ (190,504)</u>	<u>\$ (275,035)</u>

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

	For the Year Ended December 31	
	2023	2022
The Group's share of		
Net profit for the year	\$ 7,010	\$ 6,304
Other comprehensive income (loss)	<u>29,450</u>	<u>(15,126)</u>
Total comprehensive income (loss)	<u>\$ 36,460</u>	<u>\$ (8,822)</u>

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

Refer to Table 5 "Information on Investees" for the nature of main business, principal place of business and countries of incorporation of associates that are not individually material.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2023

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 4,008,281	\$ 5,014,510	\$ 23,224,815	\$ 4,580,353	\$ 1,230,418	\$ 47,783	\$ 38,106,160
Additions	-	29,204	116,110	24,266	104,940	25,638	300,158
Disposals	-	-	(329,763)	(6,281)	(71,734)	-	(407,778)
Reclassification	(12,166)	(1,643)	-	-	-	-	(13,809)
Balance at December 31, 2023	<u>\$ 3,996,115</u>	<u>\$ 5,042,071</u>	<u>\$ 23,011,162</u>	<u>\$ 4,598,338</u>	<u>\$ 1,263,624</u>	<u>\$ 73,421</u>	<u>\$ 37,984,731</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 2,275,217	\$ 19,891,573	\$ 4,230,628	\$ 684,744	\$ -	\$ 27,082,162
Depreciation expense	-	134,712	327,130	101,830	115,305	-	678,977
Disposals	-	-	(302,794)	(6,281)	(71,734)	-	(380,809)
Reclassification	-	(699)	-	-	-	-	(699)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 2,409,230</u>	<u>\$ 19,915,909</u>	<u>\$ 4,326,177</u>	<u>\$ 728,315</u>	<u>\$ -</u>	<u>\$ 27,379,631</u>
<u>Accumulated impairment</u>							
Balance at January 1 and December 31, 2023	\$ -	\$ -	\$ 1,069,186	\$ -	\$ 153,156	\$ -	\$ 1,222,342
Disposals	-	-	(26,969)	-	-	-	(26,969)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,217</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,195,373</u>
Carrying amount at December 31, 2023	<u>\$ 3,996,115</u>	<u>\$ 2,632,841</u>	<u>\$ 2,053,036</u>	<u>\$ 272,161</u>	<u>\$ 382,153</u>	<u>\$ 73,421</u>	<u>\$ 9,409,727</u>

For the year ended December 31, 2022

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 3,988,983	\$ 5,012,081	\$ 23,066,828	\$ 4,530,559	\$ 1,330,770	\$ 67,071	\$ 37,996,292
Additions	19,298	2,429	157,987	57,939	119,828	(19,288)	338,193
Disposals	-	-	-	(8,145)	(220,180)	-	(228,325)
Balance at December 31, 2022	<u>\$ 4,008,281</u>	<u>\$ 5,014,510</u>	<u>\$ 23,224,815</u>	<u>\$ 4,580,353</u>	<u>\$ 1,230,418</u>	<u>\$ 47,783</u>	<u>\$ 38,106,160</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 2,141,699	\$ 19,554,344	\$ 4,138,570	\$ 774,413	\$ -	\$ 26,609,026
Depreciation expense	-	133,518	337,229	100,203	130,511	-	701,461
Disposals	-	-	-	(8,145)	(220,180)	-	(228,325)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 2,275,217</u>	<u>\$ 19,891,573</u>	<u>\$ 4,230,628</u>	<u>\$ 684,744</u>	<u>\$ -</u>	<u>\$ 27,082,162</u>
<u>Accumulated impairment</u>							
Balance at January 1 and December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at December 31, 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>

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	3-18 years
Other equipment	
Computer equipment	3-10 years
Office, air condition and extinguishment equipment	3-20 years
Transportation equipment	5-16 years
Others	3-20 years
Tank	10 years

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 67,295	\$ 43,521
Transportation equipment	<u>1,248</u>	<u>4,571</u>
	<u>\$ 68,543</u>	<u>\$ 48,092</u>
	<u>For the Year Ended December 31</u>	
	2023	2022
Additions to right-of-use assets	<u>\$ 36,484</u>	<u>\$ 1,076</u>
Depreciation charge for right-of-use assets		
Land	\$ 12,710	\$ 12,443
Transportation equipment	<u>3,323</u>	<u>3,100</u>
	<u>\$ 16,033</u>	<u>\$ 15,543</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 years ended December 31, 2023 and 2022.

b. Lease liabilities

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 13,626</u>	<u>\$ 12,877</u>
Non-current	<u>\$ 56,092</u>	<u>\$ 36,276</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2023	2022
Land (%)	0.65-1.50	0.65-1.31
Transportation equipment (%)	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.

	<u>For the Year Ended December 31</u>	
	2023	2022
Expenses relating to short-term leases	<u>\$ 15,829</u>	<u>\$ 16,395</u>
Expenses relating to low-value asset leases	<u>\$ 1,093</u>	<u>\$ 1,296</u>
Total cash outflow for leases	<u>\$ 33,738</u>	<u>\$ 33,860</u>

For transportation equipment which qualified as short-term leases and several other equipment which qualified as low-value asset leases, the Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

For the year ended December 31, 2023

	Land	Buildings	Total
<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 December 31, 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	-	909	909
Reclassification	<u>-</u>	<u>699</u>	<u>699</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 20,340</u>	<u>\$ 20,340</u>
Carrying amount at December 31, 2023	<u>\$ 5,971,240</u>	<u>\$ 22,370</u>	<u>\$ 5,993,610</u>

For the year ended December 31, 2022

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>

(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 17,844	\$ 17,844
Depreciation expense	<u>-</u>	<u>888</u>	<u>888</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 18,732</u>	<u>\$ 18,732</u>
Carrying amount at December 31, 2022	<u>\$ 5,959,074</u>	<u>\$ 22,335</u>	<u>\$ 5,981,409</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 years ended December 31, 2023 and 2022 were NT\$87,025 thousand and NT\$85,109 thousand, respectively, and were included in other income. As of December 31, 2023 and 2022, the Corporation received the same margin of NT\$35,000 thousand based on the lease contract.

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

	<u>December 31</u>	
	2023	2022
Notes receivable	\$ 53,683	\$ 52,630
Less: Advance rental	<u>53,683</u>	<u>52,630</u>
	<u>\$ -</u>	<u>\$ -</u>

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

	<u>December 31</u>	
	2023	2022
1st year	\$ 100,765	\$ 98,074
2nd year	89,996	88,232
3rd year	91,796	89,996
4th year	93,632	91,796
5th year	95,504	93,632
Later than 5 years	<u>263,892</u>	<u>359,396</u>
	<u>\$ 735,585</u>	<u>\$ 821,126</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 2023 and 2021 by real estate appraiser. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, and land development analysis approach. The important assumptions and fair value were as follows:

	December 31	
	2023	2022
Fair value	<u>\$ 14,882,964</u>	<u>\$ 13,667,266</u>
Expense rate (%)	28.86	27.52
Depreciation rate (%)	1.90-2.71	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

	December 31	
	2023	2022
Letters of credit	\$ 2,485,244	\$ 1,801,345
Unsecured loans	1,530,000	4,780,000
Bank overdrafts (Note 31)	<u>769,471</u>	<u>980,171</u>
	<u>\$ 4,784,715</u>	<u>\$ 7,561,516</u>
Interest rate (%)	0.79-1.65	0.67-1.84

b. Short-term bills payable

	December 31	
	2023	2022
Short-term bills payable	\$ 2,500,000	\$ -
Less: Unamortized discounts	<u>4,326</u>	<u>-</u>
	<u>\$ 2,495,674</u>	<u>\$ -</u>
Interest rate (%)	1.58-1.65	-

As of December 31, 2023, all short-term bills payable were non-guarantee commercial papers, and promissory institutions included Taching Bills, CBF Bills, Mega Bills and Union Bank.

c. Long-term borrowings

	December 31	
	2023	2022
Credit bank loans		
Due on various dates through December 2028	\$ 2,600,000	\$ 4,600,000
Less : Current portion	<u>-</u>	<u>2,340,000</u>
	<u>\$ 2,600,000</u>	<u>\$ 2,260,000</u>
Interest rate (%)	1.62-1.76	1.35-1.71

The Corporation entered into a syndicated credit facility agreement with nine financial institutions, including Yushan Bank, for a credit line of NT\$6 billion in September 2023. Under the agreement, the Corporation should meet certain financial ratios and criteria based on its audited consolidated annual financial statements. As of December 31, 2023, the credit line has not been utilized.

d. Long-term bills payable

	<u>December 31</u>	
	2023	2022
Long-term bills payable	\$ 1,900,000	\$ 2,500,000
Less: Unamortized discount	<u>636</u>	<u>1,559</u>
	<u>\$ 1,899,364</u>	<u>\$ 2,498,441</u>
Interest rate (%)	1.67	0.64-1.54

The Corporation entered into commercial paper contracts with bank. The duration of the contracts is three to four years, during which the Corporation only has to pay service fees and interest. As of December 31, 2023 and 2022, all long-term bills payable were non-guarantee commercial papers.

18. BONDS PAYABLE

	<u>December 31</u>	
	2023	2022
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	<u>1,556</u>	<u>2,691</u>
	<u>\$ 2,998,444</u>	<u>\$ 2,997,309</u>

The major terms of unsecured domestic bonds are as follow:

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

	<u>December 31</u>	
	2023	2022
<u>Accounts payable</u>		
Operating - non-related parties	<u>\$ 68,322</u>	<u>\$ 534,403</u>
Operating - related parties	<u>\$ 578,527</u>	<u>\$ 289,098</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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Salaries and incentive bonus	\$ 221,594	\$ 213,075
Outsourced repair and construction	129,406	88,603
Utilities	75,085	56,846
Freight expense	65,860	70,701
Interest payable	19,330	30,739
Others	<u>103,188</u>	<u>82,626</u>
	<u>\$ 614,463</u>	<u>\$ 542,590</u>

21. PROVISIONS - CURRENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Onerous contracts	<u>\$ 137,900</u>	<u>\$ 133,700</u>
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 133,700	\$ 206,850
Recognized (Reversal)	<u>4,200</u>	<u>(73,150)</u>
Balance at end of the year	<u>\$ 137,900</u>	<u>\$ 133,700</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

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 1,394,110	\$ 1,381,697
Fair value of plan assets	<u>(1,355,575)</u>	<u>(1,383,757)</u>
Net defined benefit liabilities (assets)	<u>\$ 38,535</u>	<u>\$ (2,060)</u>

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2023	<u>\$ 1,381,697</u>	<u>\$ (1,383,757)</u>	<u>\$ (2,060)</u>
Service cost			
Current service cost	15,416	-	15,416
Interest expense (income)	<u>20,367</u>	<u>(21,019)</u>	<u>(652)</u>
Recognized in profit or loss	<u>35,783</u>	<u>(21,019)</u>	<u>14,764</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,670)	(7,670)
Actuarial loss - changes in financial assumptions	28,421	-	28,421
Actuarial loss - experience adjustments	<u>75,945</u>	<u>-</u>	<u>75,945</u>
Recognized in other comprehensive income	<u>104,366</u>	<u>(7,670)</u>	<u>96,696</u>
Contributions from the employer	<u>-</u>	<u>(62,773)</u>	<u>(62,773)</u>
Benefits paid	<u>(127,736)</u>	<u>119,644</u>	<u>(8,092)</u>
Balance at December 31, 2023	<u>\$ 1,394,110</u>	<u>\$ (1,355,575)</u>	<u>\$ 38,535</u>
Balance at January 1, 2022	<u>\$ 1,601,663</u>	<u>\$ (1,213,886)</u>	<u>\$ 387,777</u>
Service cost			
Current service cost	18,640	-	18,640
Interest expense (income)	<u>7,969</u>	<u>(6,379)</u>	<u>1,590</u>
Recognized in profit or loss	<u>26,609</u>	<u>(6,379)</u>	<u>20,230</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(94,776)	(94,776)
Actuarial gain - changes in financial assumptions	(123,541)	-	(123,541)
Actuarial gain - experience adjustments	<u>(76,090)</u>	<u>-</u>	<u>(76,090)</u>
Recognized in other comprehensive income	<u>(199,631)</u>	<u>(94,776)</u>	<u>(294,407)</u>
Contributions from the employer	<u>-</u>	<u>(111,556)</u>	<u>(111,556)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Benefits paid	\$ (46,944)	\$ 42,840	\$ (4,104)
Balance at December 31, 2022	<u>\$ 1,381,697</u>	<u>\$ (1,383,757)</u>	<u>\$ (2,060)</u> (Concluded)

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

	For the Year Ended December 31	
	2023	2022
Operating costs	\$ 12,301	\$ 16,957
Operating expenses	<u>2,463</u>	<u>3,273</u>
	<u>\$ 14,764</u>	<u>\$ 20,230</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate (%)	1.25	1.5
Expected rate of salary increase (%)	2.5	2.5
Turnover rate (%)	0-4.5	0-4.5

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (28,422)</u>	<u>\$ (28,527)</u>
0.25% decrease	<u>\$ 29,299</u>	<u>\$ 29,434</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 28,432</u>	<u>\$ 28,617</u>
0.25% decrease	<u>\$ (27,726)</u>	<u>\$ (27,878)</u>

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

	December 31	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ 59,985</u>	<u>\$ 82,850</u>
The average duration of the defined benefit obligation	8.4 years	8.5 years

23. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Numbers of shares authorized (in thousands)	<u>2,043,160</u>	<u>2,043,160</u>
Shares authorized	<u>\$ 20,431,600</u>	<u>\$ 20,431,600</u>
Numbers of shares issued and fully paid (in thousands)	<u>1,435,544</u>	<u>1,435,544</u>
Shares issued	<u>\$ 14,355,444</u>	<u>\$ 14,355,444</u>

In June 2009, the Corporation revised the number of its authorized shares to 3,000,000 thousand shares upon obtaining the approval in the shareholders' meeting. The number of authorized shares approved by the Department of Commerce, Ministry of Economic Affairs is 2,043,160 thousand shares.

Fully paid ordinary shares, which have a par value NT\$10, carry one vote per share and the right to dividends.

b. Capital surplus

	December 31	
	2023	2022
Additional paid-in capital	<u>\$ 903</u>	<u>\$ 903</u>

In 2009, CSC had transferred its treasury shares to its employees and subsidiaries. The Corporation recognized a compensation cost and capital surplus of NT\$743 thousand. In 2011, CSC issued ordinary

shares for cash capital. Under the Company Law, CSC should reserve 10% of the shares for its employees and subsidiaries. The Corporation recognized NT\$160 thousand of compensation cost and capital surplus.

Such capital surplus may be used only to offset deficit.

c. Retained earnings and dividend policy

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

The amendments to the Corporation's Articles of Incorporation were 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, unless the Corporation has capital needs. 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 shareholders' meeting in June 2023 and 2022, respectively. The appropriations and dividends per share were as follows:

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

The appropriations of earnings for 2023 were proposed by the Corporation's board of directors on February, 2024 as follows:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 6,212	
Special reserve	72,914	
Cash dividends	143,554	\$ 0.1

The appropriations of earnings for 2023 are subject to the resolution of the shareholders' meeting to be held in June 2024.

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

d. Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at beginning of the year	\$ 386	\$ (142)
Recognized for the year		
Share from associates accounted for using the equity method	<u>(69)</u>	<u>528</u>
Balance at end of the year	<u>\$ 317</u>	<u>\$ 386</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at beginning of the year	<u>\$ 298,690</u>	<u>\$ 1,131,353</u>
Recognized for the year		
Unrealized gains and losses - equity instruments	(88,882)	(201,638)
Share from associates accounted for using the equity method	<u>(274,016)</u>	<u>(631,244)</u>
Other comprehensive income recognized for the year	<u>(362,898)</u>	<u>(832,882)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(6,711)</u>	<u>219</u>
Changes in equity of associates accounted for using the equity method	<u>(5,505)</u>	<u>-</u>
Balance at end of the year	<u>\$ (76,424)</u>	<u>\$ 298,690</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at beginning of the year	<u>\$ (8,854)</u>	<u>\$ -</u>
Recognized for the year		
Foreign currency risk-foreign currency deposits	12,893	(8,902)
Foreign currency risk-foreign exchange forward contracts	2,166	(2,166)
Income tax effect	<u>(3,012)</u>	<u>2,214</u>
Other comprehensive income (loss) recognized for the year	<u>12,047</u>	<u>(8,854)</u>
Balance at end of the year	<u>\$ 3,193</u>	<u>\$ (8,854)</u>

24. OPERATING REVENUE

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	<u>\$ 744,543</u>	<u>\$ 289,350</u>	<u>\$ 977,933</u>

(Continued)

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities			
Sale of goods	\$ 40,310	\$ 102,146	\$ 95,155 (Concluded)

b. Disaggregation of revenue

For the year ended December 31, 2023

Type of goods or services	Reportable Segments		
	Chung Hung	Others	Total
Sale of goods	\$ 37,248,339	\$ -	\$ 37,248,339
Rendering of services	450,513	288	450,801
Others	<u>64,064</u>	<u>1,004</u>	<u>65,068</u>
	<u>\$ 37,762,916</u>	<u>\$ 1,292</u>	<u>\$ 37,764,208</u>

For the year ended December 31, 2022

Type of goods or services	Reportable Segments		
	Chung Hung	Others	Total
Sale of goods	\$ 43,675,748	\$ -	\$ 43,675,748
Rendering of services	741,273	3,104	744,377
Others	<u>80,257</u>	<u>3,112</u>	<u>83,369</u>
	<u>\$ 44,497,278</u>	<u>\$ 6,216</u>	<u>\$ 44,503,494</u>

25. NET PROFIT (LOSS) FOR THE YEAR

Net profit (loss) for the year consisted of following items:

a. Other income

	For the Year Ended December 31	
	2023	2022
Rental income	\$ 90,979	\$ 89,331
Dividend income	35,151	104,930
Others	<u>45,049</u>	<u>88,997</u>
	<u>\$ 171,179</u>	<u>\$ 283,258</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2023	2022
Gain on financial assets at fair value through profit or loss	\$ -	\$ 2,774
Net foreign exchange gain	39,285	38,682
Gain on disposal of property, plant and equipment	37,010	-
Service charge	(8,985)	(5,452)
Others	<u>(3,795)</u>	<u>(7,004)</u>
	<u>\$ 63,515</u>	<u>\$ 29,000</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Foreign exchange gain	\$ 152,758	\$ 366,780
Foreign exchange loss	<u>(113,473)</u>	<u>(328,098)</u>
Net exchange gain (loss)	<u>\$ 39,285</u>	<u>\$ 38,682</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	2023	2022
Interest on bank overdrafts and loans	\$ 205,141	\$ 130,964
Interest on lease liabilities	<u>939</u>	<u>680</u>
Total interest expense financial liabilities measured at amortized cost	206,080	131,644
Less: Amounts included in the cost of qualifying assets	<u>2,101</u>	<u>1,069</u>
	<u>\$ 203,979</u>	<u>\$ 130,575</u>

Information about capitalized interest was as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Capitalized amounts	\$ 2,101	\$ 1,069
Capitalized annual rates (%)	1.34-1.41	0.59-1.32

d. Depreciation

	<u>For the Year Ended December 31</u>	
	2023	2022
Property, plant and equipment	\$ 678,977	\$ 701,461
Investment properties	909	888
Right-of-use assets	<u>16,033</u>	<u>15,543</u>
	<u>\$ 695,919</u>	<u>\$ 717,892</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
Analysis of depreciation by function		
Operating costs	\$ 683,722	\$ 707,678
Operating expenses	11,288	9,326
Deduction of other income	<u>909</u>	<u>888</u>
	<u>\$ 695,919</u>	<u>\$ 717,892</u>
		(Concluded)

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct operating expenses of investment properties that generated rental income	\$ 13,955	\$ 11,296
Direct operating expenses of investment properties that did not generate rental income	<u>9,530</u>	<u>9,934</u>
	<u>\$ 23,485</u>	<u>\$ 21,230</u>

f. Employee benefits

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salaries	\$ 940,936	\$ 967,833
Labor and health insurance	92,117	104,127
Others	<u>159,659</u>	<u>185,302</u>
	<u>1,192,712</u>	<u>1,257,262</u>
Post-employment benefits		
Defined contribution plans	28,284	27,201
Defined benefit plans (Note 22)	<u>14,764</u>	<u>20,230</u>
	<u>43,048</u>	<u>47,431</u>
	<u>\$ 1,235,760</u>	<u>\$ 1,304,693</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 1,025,884	\$ 1,082,941
Operating expenses	<u>209,876</u>	<u>221,752</u>
	<u>\$ 1,235,760</u>	<u>\$ 1,304,693</u>

g. Compensation of employees and remuneration of directors

In accordance with the Corporation's Articles of Incorporation, the Corporation distributes compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax less any deficit, compensation of employees, and remuneration of directors. The Company did not accrue 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, 2023, which were approved by the Corporation's board of directors in February 2024 were as follows:

Amount	For the Year Ended December 31, 2023
Compensation of employees	\$ 4,008
Remuneration of directors	802

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 statement for the years 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 Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 42	\$ 255
Income tax on unappropriated earnings	-	93,750
In respect of the prior years	(31,841)	(6,742)
Deferred tax		
In respect of the current year	<u>34,916</u>	<u>(281,857)</u>
	<u>\$ 3,117</u>	<u>\$ (194,594)</u>

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

	For the Year Ended December 31	
	2023	2022
Profit (Loss) before income tax	<u>\$ 162,398</u>	<u>\$ (1,184,523)</u>
Income tax expense (benefit) at the statutory rate	\$ 32,480	\$ (236,905)
Permanent differences		
Profit on investments under equity method	(24,005)	(69,373)
Others	60,252	(20,305)

(Continued)

	For the Year Ended December 31	
	2023	2022
Unrecognized deductible temporary differences	\$ (33,769)	\$ (125,637)
Income tax on unappropriated earnings	-	93,750
Unrecognized loss carryforwards	-	170,618
In respect of the prior years	<u>(31,841)</u>	<u>(6,742)</u>
	<u>\$ 3,117</u>	<u>\$ (194,594)</u>

(Concluded)

b. No income tax was recognized directly in equity.

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Remeasurement on defined benefit plans	\$ 19,339	\$ 77,962
Gains and losses on hedging instruments	<u>(3,012)</u>	<u>2,214</u>
	<u>\$ 16,327</u>	<u>\$ 80,176</u>

d. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 4,907</u>	<u>\$ 657</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 89,378</u>

e. Deferred tax assets and liabilities

For the year ended December 31, 2023

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized other comprehensive income	Balance at End of the Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized write-down of inventories	\$ 319,119	\$ (242,424)	\$ -	\$ 76,695
Provisions	26,740	840	-	27,580
Defined benefit plans	-	(11,632)	19,339	7,707
Others	27,433	21,951	(2,214)	47,170
Loss carryforwards	<u>-</u>	<u>185,677</u>	<u>-</u>	<u>185,677</u>
	<u>\$ 373,292</u>	<u>\$ (45,588)</u>	<u>\$ 17,125</u>	<u>\$ 344,829</u>

(Continued)

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized other comprehensive income	Balance at End of the Year
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ (182,222)	\$ -	\$ -	\$ (182,222)
Unrealized loss on sales	(10,847)	10,847	-	-
Defined benefit plans	(412)	412	-	-
Others	-	(587)	(798)	(1,385)
	<u>\$ (193,481)</u>	<u>\$ 10,672</u>	<u>\$ (798)</u>	<u>\$ (183,607)</u>

For the year ended December 31, 2022

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized other comprehensive income	Balance at End of the Year
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized write-down of inventories	\$ -	\$ 319,119	\$ -	\$ 319,119
Provisions	-	26,740	-	26,740
Others	-	25,219	2,214	27,433
	<u>\$ -</u>	<u>\$ 371,078</u>	<u>\$ 2,214</u>	<u>\$ 373,292</u>

<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ (182,222)	\$ -	\$ -	\$ (182,222)
Unrealized loss on sales	-	(10,847)	-	(10,847)
Defined benefit plans	-	(78,374)	77,962	(412)
	<u>\$ (182,222)</u>	<u>\$ (89,221)</u>	<u>\$ 77,962</u>	<u>\$ (193,481)</u>

(Concluded)

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

	<u>December 31</u>	
	2023	2022
Loss carryforwards		
Expired in 2032	<u>\$ 693,292</u>	<u>\$ 705,000</u>
Deductible temporary differences		
Impairment loss on assets	\$ 692,287	\$ 818,339
Amortization of deferred credits	<u>255,682</u>	<u>289,375</u>
	<u>\$ 947,969</u>	<u>\$ 1,107,714</u>

g. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

Unused Amount	Expire Year
\$ 693,292	2032
928,386	2033

h. Income tax assessments

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

27. EARNINGS (LOSSES) PER SHARE

	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earnings (losses) per share	<u>\$ 0.11</u>	<u>\$(0.69)</u>
Diluted earnings (losses) per share	<u>\$ 0.11</u>	<u>\$(0.69)</u>

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

Net profit (loss) for the year

	<u>For the Year Ended December 31</u>	
	2023	2022
Attributable to owners of the Corporation	<u>\$ 159,281</u>	<u>\$(989,929)</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Weighted average number of ordinary shares in computation of basic earnings (losses) per share	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:		
Compensation of employees	<u>154</u>	<u>-</u>
Weighted average number of ordinary shares used in computation of diluted earnings (losses) per share	<u>1,435,698</u>	<u>1,435,544</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 year ended December 31, 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>December 31, 2023</u>				
Financial assets at FVTOCI				
Domestic listed shares	\$ 954,807	\$ -	\$ -	\$ 954,807
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>45,588</u>	<u>45,588</u>
	<u>\$ 954,807</u>	<u>\$ -</u>	<u>\$ 45,588</u>	<u>\$ 1,000,395</u>
<u>December 31, 2022</u>				
Financial assets at FVTOCI				
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>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

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

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
<u>For the year ended December 31, 2023</u>			
Balance at beginning of the year	\$ -	\$ 41,163	\$ 41,163 (Continued)

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Total profit or loss			
Recognized in other comprehensive income	\$ -	\$ 4,425	\$ 4,425
Balance at end of the year	<u>\$ -</u>	<u>\$ 45,588</u>	<u>\$ 45,588</u>
<u>For the year ended December 31, 2022</u>			
Balance at beginning of the year	\$ -	\$ 62,040	\$ 62,040
Total profit or loss			
Recognized in profit or loss	2,774	-	2,774
Recognized in other comprehensive income	-	(12,310)	(12,310)
Capital reduction refunded	(2,774)	(8,242)	(11,016)
Disposal	<u>-</u>	<u>(325)</u>	<u>(325)</u>
Balance at end of the year	<u>\$ -</u>	<u>\$ 41,163</u>	<u>\$ 41,163</u> (Concluded)

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 shares was based on the current net value.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets for hedging	\$ 140,442	\$ 700,188
Measured at amortized cost (see 1 below)	3,652,213	5,023,807

(Continued)

	December 31	
	2023	2022
Financial assets at fair value through other comprehensive income		
Equity instruments	\$ 1,000,395	\$ 1,057,737
Financial liabilities		
Financial liabilities for hedging	-	2,166
Measured at amortized cost (see 2 below)	16,246,128	19,116,172 (Concluded)

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties 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 the 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 manages 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.

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit before income tax (Note 1)	\$ 2,925	\$ 7,900
Equity (Note 2)	1,404	7,002

Note 1: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable, short-term borrowings, 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:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 5,563,836	\$ 3,046,462
Cash flow interest rate risk		
Financial assets	1,431,559	1,319,232
Financial liabilities	9,284,079	14,659,957

Sensitivity analysis

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have been lower/higher by NT\$19,631 thousand and NT\$33,352 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through their investments in domestic listed shares. The equity price of the Group was evaluated by the closing price of the equity securities on a monthly basis.

Sensitivity analysis

If equity price of fair value through other comprehensive income financial assets had been lower by one dollar, the pre-tax-other comprehensive income, for the years ended December 31, 2023 and 2022 would have been lower by NT\$35,363 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 were no bad debt in the recent years; therefore, the credit risk is very low.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of December 31, 2023, the unutilized credit facility of the Group was NT\$46.9 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

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

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2023</u>				
Short-term borrowings	\$ 4,843,156	\$ -	\$ -	\$ 4,843,156
Short-term bills payable	2,500,000	-	-	2,500,000
Accounts payable (including related parties)	646,849	-	-	646,849
Other payables	595,133	-	-	595,133
Refund liabilities	171,619	-	-	171,619
Lease liabilities	14,484	42,922	15,419	72,825
Bonds payable	22,100	3,008,509	-	3,030,609
Long-term bank borrowings	43,246	2,691,006	-	2,734,252
Long-term bills payable	-	1,900,000	-	1,900,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,836,587</u>	<u>\$ 7,642,437</u>	<u>\$ 50,419</u>	<u>\$ 16,529,443</u>

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<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 payable	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>
				(Concluded)

4) Cash flow hedging

December 31, 2023

Hedging Instruments	Currency	Contract Amount (in thousands)	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	\$ 4,574	NA	NA	Financial assets for hedging	\$ 140,442	\$ -	\$ 12,893

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	\$ (12,893)	\$ 3,991	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	<u>(2,166)</u>	<u>-</u>	<u>-</u>
	<u>\$ (15,059)</u>	<u>\$ 3,991</u>	<u>\$ -</u>

For the year ended December 31, 2023

Effect on Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	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	\$ 15,059	\$ -	-	\$ -	\$ -

December 31, 2022

Hedging Instruments	Currency	Contract Amount (in thousands)	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	\$ 22,800	NA	NA	Financial assets for hedging	\$ 700,188	\$ -	\$ (8,902)
Foreign exchange forward contract	NTD/USD	USD 7,000/ TWD 217,116	112.01	30.9933- 31.0555	Financial liabilities for hedging	-	2,166	(2,166)

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	\$ 8,902	\$ (8,902)	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	2,166	(2,166)	-
	<u>\$ 11,068</u>	<u>\$ (11,068)</u>	<u>\$ -</u>

For the year ended December 31, 2022

Effect on Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	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	\$ (11,068)	\$ -	-	\$ -	\$ -

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 subsidiary
CHC Resources Corporation (CHC)	Fellow subsidiary
Info Champ Systems Corporation (ICSC)	Fellow subsidiary
CSC Steel Sdn. Bhd. (CSSB)	Fellow subsidiary
China Steel Global Trading Corporation (CSGT)	Fellow subsidiary
Himag Magnetic Corporation (HMC)	Fellow subsidiary
China Steel Machinery Corporation (CSMC)	Fellow subsidiary
China Ecotek Corporation	Fellow subsidiary
China Steel Security Corporation	Fellow subsidiary
Steel Castle Technology Corporation	Fellow subsidiary
China Steel Express Corporation	Fellow subsidiary
China Steel Structure Co., Ltd	Fellow subsidiary
Universal Exchange Inc.	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
Yu Cheng Lime Corporation	Fellow subsidiary
CSC Solar Corporation	Fellow subsidiary
Kaohsiung Rapid Transit Corporation	Fellow subsidiary
United Steel Engineering & Construction Corp	Fellow subsidiary
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiary
CSE Transport Corporation	Fellow subsidiary
CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary
CSGT Japan Co., Ltd.	Fellow subsidiary
Thintech Materials Technology Co., Ltd.	Fellow subsidiary
China Prosperity Development Corporation	Fellow subsidiary
ChinaSteel Management Consulting Corporation	Fellow subsidiary
Pro-Ascentek Investment Corporation	Associate
Pacific Harbour Stevedoring Corporation	Other related party

- b. Sale of goods

Account Items	Related Party Type /Name	<u>For the Year Ended December 31</u>	
		2023	2022
Sales	Parent entity	\$ _____ -	\$ _____ 310
	Fellow subsidiaries related to others		
	CSSB	1,374,312	1,751,268
	Others	<u>18,852</u>	<u>89,335</u>
		<u>1,393,164</u>	<u>1,840,603</u>
		<u>\$ 1,393,164</u>	<u>\$ 1,840,913</u>

(Continued)

Account Items	Related Party Type /Name	For the Year Ended December 31	
		2023	2022
Service Revenue	Parent entity	\$ 423,184	\$ 725,151
	Fellow subsidiaries related to others	10	7
		<u> </u>	<u> </u>
		<u>\$ 423,194</u>	<u>\$ 725,158</u>

(Concluded)

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 the parent entity in which the Corporation has to do certain processing work and is charged based on the formula stated in the agreements. The Corporation bills the parent entity within one 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 Party Type /Name	For the Year Ended December 31	
		2023	2022
Other operating revenue	Parent entity	<u>\$ 1,000</u>	<u>\$ 3,460</u>
	Fellow subsidiaries related to others		
	DSC	40,933	53,834
	HMC	<u>12,007</u>	<u>14,597</u>
		<u>52,940</u>	<u>68,431</u>
		<u>\$ 53,940</u>	<u>\$ 71,891</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 Party Type/Name	For the Year Ended December 31	
	2023	2022
Parent entity	<u>\$ 7,242,475</u>	<u>\$ 7,402,133</u>
Fellow subsidiaries related to others		
DSC	14,386,545	15,307,063
CSGT	516	3,262,928
Others	<u>36,876</u>	<u>73,707</u>
	<u>14,423,937</u>	<u>18,643,698</u>
	<u>\$ 21,666,412</u>	<u>\$ 26,045,831</u>

The purchases were mainly slabs and hot rolled coils. The payment terms and prices of other related parties were no different from those of unrelated parties for the years ended December 31, 2023 and 2022.

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

Account Items	Related Party Type /Name	December 31	
		2023	2022
Accounts receivable from related parties	Parent entity	\$ 30,105	\$ 41,915
	Fellow subsidiaries related to others	76,103	15,595
		<u> </u>	<u> </u>
		<u>\$ 106,208</u>	<u>\$ 57,510</u>
Other receivables from related parties	Parent entity	\$ 174,052	\$ 19,190
	Fellow subsidiaries related to others		
	CHC	36,530	25,288
	Others	4	-
		<u> </u>	<u> </u>
		<u>36,534</u>	<u>25,288</u>
		<u>\$ 210,586</u>	<u>\$ 44,478</u>

No guarantees have been received for accounts receivable and other receivables from related parties. For the years ended December 31, 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 Party Type	December 31	
		2023	2022
Accounts payable to related parties	Parent entity	\$ 569,720	\$ 285,669
	Fellow subsidiaries related to others	3,804	1,100
	Other related parties	<u>5,003</u>	<u>2,329</u>
		<u>\$ 578,527</u>	<u>\$ 289,098</u>
Other payables	Parent entity	\$ 2,215	\$ 1,353
	Fellow subsidiaries related to others	20,350	10,290
	Other related parties	<u>1,301</u>	<u>3,487</u>
		<u>\$ 23,866</u>	<u>\$ 15,130</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 Party Types	December 31	
	2023	2022
Parent entity	<u>\$ -</u>	<u>\$ 300,000</u>

Interest income

Related Party Types	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Parent entity	<u>\$ 2,150</u>	<u>\$ 1,111</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 as Nippon Steel Corporation in April 2019) and Sumitomo Corporation entered into a joint venture agreement and established the joint venture company East Asia United Steel Corporation (EAUS) in July 2003. The parent company thus has a stable supply of high-quality slab through this joint venture. The parent company then signed a contract with the Corporation, transferring to the Corporation the right to buy slab from EAUS. The Corporation should pay authorization fees to the parent company under the contract. These fees (included in the purchase cost of materials) were NT\$58,277 thousand and NT\$52,832 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, authorization fees payable (included in payables to related parties) were NT\$9,636 thousand and NT\$7,150 thousand, respectively. The calculation of slab purchase prices was based on the formula stated in the agreement.

2) Leases

- a) The Corporation entered into a contract with fellow subsidiaries related to others on the lease of the Corporation's part of the land, roof and warehouse. The rental revenue for the years ended December 31, 2023 and 2022 were NT\$6,055 thousand and NT\$4,304 thousand, respectively.
- b) The Corporation entered into a contract with parent entity on the lease of the Corporation's part of the land and warehouse. The rental revenue for the years ended December 31, 2023 and 2022 were NT\$5,928 thousand and NT\$5,310 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.

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
a) Other expenditures		
Parent entity	\$ 92,452	\$ 147,957
Fellow subsidiaries related to others	107,931	121,420
Other related parties	<u>115,199</u>	<u>118,350</u>
	<u>\$ 315,582</u>	<u>\$ 387,727</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
b) Capital expenditure		
Fellow subsidiaries related to others		
CSGT	\$ 38,270	\$ -
ICSC	5,520	13,940
CSMC	4,814	20,600
Others	<u>12,900</u>	<u>3,040</u>
	<u>\$ 61,504</u>	<u>\$ 37,580</u>

(Concluded)

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

	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries related to others		
CHC	\$ 378,118	\$ 469,215
Others	<u>-</u>	<u>385</u>
	<u>\$ 378,118</u>	<u>\$ 469,600</u>

h. Compensation of key management personnel

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

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 26,114	\$ 30,919
Post-employment benefits	<u>1,753</u>	<u>1,475</u>
	<u>\$ 27,867</u>	<u>\$ 32,394</u>

31. ASSETS PLEDGED AS COLLATERAL OR SECURITY

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

	December 31	
	2023	2022
Time deposits (included in other financial assets - current)	\$ 500,000	\$ 800,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>
	<u>\$ 800,000</u>	<u>\$ 1,100,000</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2023 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$2,226,553 thousand.
- b. The Group had signed agreements to buy equipment for NT\$483,215 thousand, of which NT\$228,144 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credit for NT\$55,400 thousand guaranteed by financial institutions for purchase agreements and importing and exporting goods. Guarantee notes for NT\$174,500 thousand were provided for purchases of raw materials.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<hr/> December 31, 2023 <hr/>				
Monetary financial assets				
USD	\$ 28,486	30.71	(USD:NTD)	\$ 874,649
Monetary financial liabilities				
USD	14,385	30.71	(USD:NTD)	441,694
<hr/> December 31, 2022 <hr/>				
Monetary financial assets				
USD	65,492	30.71	(USD:NTD)	2,011,260
Monetary financial liabilities				
USD	16,967	30.71	(USD:NTD)	521,043

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gain were NT\$39,285 thousand and NT\$38,682 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions.

34. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. investees:

- 1) Financing provided to others (Table 1)

- 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 2)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments (Note 29)
 - 10) Intercompany relationships and significant intercompany transactions (None)
 - 11) Information on investees (Table 5)
- c. Information on investments in mainland China (None)
- d. Major shareholders' information (Table 6)

35. SEGMENT INFORMATION

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

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

a. Segment revenue and operating results

The following is an analysis of the Group's revenue and results of operations by reportable segment.

	The Corporation	Others	Adjustment and Elimination	Total
For the year ended December 31, 2023				
Revenue from external customers	<u>\$ 37,762,916</u>	<u>\$ 1,292</u>	<u>\$ -</u>	<u>\$ 37,764,208</u>

(Continued)

	The Corporation	Others	Adjustment and Elimination	Total
Segment profit (loss)	\$ (30,095)	\$ 819	\$ 120	\$ (29,156)
Interest income	40,762	50	-	40,812
Other income	171,299	-	(120)	171,179
Other gains and losses	63,515	-	-	63,515
Finance costs	(203,979)	-	-	(203,979)
Share of profit of subsidiaries and associates	<u>120,853</u>	<u>-</u>	<u>(826)</u>	<u>120,027</u>
Profit (loss) before income tax	162,355	869	(826)	162,398
Income tax expense (benefit)	<u>3,074</u>	<u>43</u>	<u>-</u>	<u>3,117</u>
Net profit (loss) for the year	<u>\$ 159,281</u>	<u>\$ 826</u>	<u>\$ (826)</u>	<u>\$ 159,281</u>
Identifiable assets	\$ 29,498,368	\$ 32,525	\$ -	\$ 29,530,893
Investments accounted for using the equity method	<u>3,493,962</u>	<u>-</u>	<u>(32,193)</u>	<u>3,461,769</u>
Total assets	<u>\$ 32,992,330</u>	<u>\$ 32,525</u>	<u>\$ (32,193)</u>	<u>\$ 32,992,662</u>
Total liabilities	<u>\$ 16,733,349</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 16,733,681</u>
For the year ended December 31, 2022				
Revenue from external customers	<u>\$ 44,497,278</u>	<u>\$ 6,216</u>	<u>\$ -</u>	<u>\$ 44,503,494</u>
Segment profit (loss)	\$ (1,763,346)	\$ 2,529	\$ 120	\$ (1,760,697)
Interest income	47,609	17	-	47,626
Other income	283,378	-	(120)	283,258
Other gains and losses	29,000	-	-	29,000
Finance costs	(130,575)	-	-	(130,575)
Share of profit of subsidiaries and associates	<u>349,161</u>	<u>-</u>	<u>(2,296)</u>	<u>346,865</u>
Profit (loss) before income tax	(1,184,773)	2,546	(2,296)	(1,184,523)
Income tax expense (benefit)	<u>(194,844)</u>	<u>250</u>	<u>-</u>	<u>(194,594)</u>
Net profit (loss) for the year	<u>\$ (989,929)</u>	<u>\$ 2,296</u>	<u>\$ (2,296)</u>	<u>\$ (989,929)</u>
Identifiable assets	\$ 33,025,480	\$ 37,498	\$ -	\$ 33,062,978
Investments accounted for using the equity method	<u>3,738,144</u>	<u>-</u>	<u>(36,245)</u>	<u>3,701,899</u>
Total assets	<u>\$ 36,763,624</u>	<u>\$ 37,498</u>	<u>\$ (36,245)</u>	<u>\$ 36,764,877</u>
Total liabilities	<u>\$ 19,701,187</u>	<u>\$ 1,253</u>	<u>\$ -</u>	<u>\$ 19,702,440</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.

b. Revenue from major products and services

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

	For the Year Ended December 31	
	2023	2022
Sales		
Hot Rolled Steel	\$ 31,380,537	\$ 33,058,790
Cold Rolled Steel	4,359,363	5,766,825
Steel Pipe	832,254	3,276,453
Galvanized Steel	676,185	1,573,680
Service revenue	450,801	744,377
Investment revenue	1,004	3,112
Other operating revenue	<u>64,064</u>	<u>80,257</u>
	<u>\$ 37,764,208</u>	<u>\$ 44,503,494</u>

c. Geographical information

The Group operates in Taiwan.

The Group's revenue from external customers and information about its non-current assets by geographical location were detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	\$ 23,755,768	\$ 25,064,087	\$ 15,633,741	\$ 15,887,442
Asia	7,629,911	13,650,576	-	-
America	1,743,455	3,203,494	-	-
Europe	4,586,738	1,970,932	-	-
Others	<u>48,336</u>	<u>614,405</u>	<u>-</u>	<u>-</u>
	<u>\$ 37,764,208</u>	<u>\$ 44,503,494</u>	<u>\$ 15,633,741</u>	<u>\$ 15,887,442</u>

Non-current assets excluded those classified as financial instruments, investments accounted for using the equity method, deferred tax assets, refundable deposits and defined benefit asset.

d. Information about major customers

	For the Year Ended December 31	
	2023	2022
Sales revenue		
A Company	\$ 5,444,048	\$ 4,884,798
B Company	5,081,121	5,387,210
C Company	<u>4,920,050</u>	<u>3,902,054</u>
	<u>\$ 15,445,219</u>	<u>\$ 14,174,062</u>

TABLE 1**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorsement/ Guarantee Provider	Endorsee/ Guarantee	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	\$ -	\$ 1,625,898	\$ 6,503,592	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.

TABLE 2**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 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	December 31, 2023				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	34,359,239	<u>\$ 927,699</u>	-	<u>\$ 927,699</u>	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	134,167	\$ 38,868	2	\$ 38,868	2023.11.30 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - non-current	250,000	6,720	5	6,720	2023.10.31 net value
					<u>\$ 45,588</u>		<u>\$ 45,588</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 - non-current	1,003,980	<u>\$ 27,108</u>	-	<u>\$ 27,108</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 YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer (Seller)	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	\$ 7,242,475	22	Letter of credit at sight/Payment after final acceptance	\$ -		\$ (569,720)	(88)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	14,386,545	44	Letter of credit at sight	-		-	-	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,374,312)	(4)	T/T within 7 business days after lading date (not included)	-		71,984	10	
	China Steel Corporation	Parent company	Service revenue	(422,897)	(1)	T/T as the end of the month after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	30,105	4	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 173,780	(Note 1)	\$ -	-	\$ 3	\$ -

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

Note 2: The amount has received at the report date.

TABLE 5**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022						
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000	\$ 26,000	2,600,000	100.00	\$ 32,193	\$ 826	\$ 826	Subsidiaries (Note)
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	329,802,616	39.59	3,237,182	285,475	113,017	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	224,587	42,059	7,010	Associates

Note: Amount was eliminated in the consolidated financial statements.

TABLE 6**CHUNG HUNG STEEL CORPORATION****MAJOR SHAREHOLDERS' INFORMATION
DECEMBER 31, 2023**

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

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

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