

**Chung Hung Steel Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Chung Hung Steel Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Chung Hung Steel Corporation (the "Corporation") and its subsidiaries as of June 30, 2024 and 2023, and the consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023, and six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2024 and 2023, and the related notes to the consolidated financial statements, including material accounting policies information (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of June 30, 2024 and 2023, and of its consolidated financial performance for the three months ended June 30, 2024 and 2023, and its consolidated financial performance, and its consolidated cash flows for the six months ended June 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditor's review report are Lee-Yuan Kuo and Chao-Chin Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 1, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,543,245	5	\$ 1,866,832	6	\$ 916,376	3
Financial assets at fair value through other comprehensive income - current (Note 7)	793,698	2	927,699	3	973,412	3
Financial assets for hedging – current (Note 8)	148,424	-	140,442	-	258,462	1
Accounts receivable (Notes 9 and 24)	513,106	2	638,335	2	117,396	-
Accounts receivable from related parties (Notes 9, 24 and 30)	89,022	-	106,208	-	53,718	-
Other receivables (Note 9)	11,743	-	17,171	-	12,564	-
Other receivables from related parties (Notes 9 and 30)	263,477	1	210,586	1	238,896	1
Current tax assets	12,038	-	4,907	-	3,330	-
Inventories (Note 10)	8,569,274	27	8,572,083	26	10,188,254	30
Prepayments (Note 11)	229,706	1	182,119	1	319,945	1
Other financial assets - current (Notes 12 and 31)	1,103,600	3	803,300	2	1,103,300	3
Other current assets	-	-	164	-	101	-
Total current assets	<u>13,277,333</u>	<u>41</u>	<u>13,469,846</u>	<u>41</u>	<u>14,185,754</u>	<u>42</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Note 7)	68,278	-	72,696	-	75,729	-
Investments accounted for using equity method (Note 13)	3,018,961	9	3,461,769	10	3,612,504	11
Property, plant and equipment (Notes 14 and 32)	9,547,074	30	9,409,727	29	9,550,019	28
Right-of-use assets (Note 15)	99,882	-	68,543	-	62,250	-
Investment properties (Note 16)	5,993,140	18	5,993,610	18	5,993,131	18
Deferred tax assets	392,650	2	344,829	1	279,659	1
Prepayments for equipment (Note 32)	18,107	-	161,861	1	63,683	-
Refundable deposits	6,175	-	9,781	-	9,337	-
Net defined benefit assets (Notes 4 and 22)	-	-	-	-	35,303	-
Total noncurrent assets	<u>19,144,267</u>	<u>59</u>	<u>19,522,816</u>	<u>59</u>	<u>19,681,615</u>	<u>58</u>
TOTAL	<u>\$ 32,421,600</u>	<u>100</u>	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 33,867,369</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 17 and 31)	\$ 4,770,453	15	\$ 4,784,715	14	\$ 2,827,400	8
Short-term bills payable (Note 17)	897,665	3	2,495,674	8	4,893,903	14
Contract liabilities – current (Note 24)	76,369	-	40,310	-	25,535	-
Accounts payable (Note 19)	65,099	-	68,322	-	422,591	1
Accounts payable to related parties (Notes 19 and 30)	289,167	1	578,527	2	592,508	2
Other payables (Notes 20 and 30)	672,477	2	614,463	2	1,081,296	3
Provisions - current (Note 21)	43,500	-	137,900	-	32,900	-
Lease liabilities – current (Note 15)	14,747	-	13,626	-	13,598	-
Current portion of bonds payable (Note 18)	2,000,000	6	-	-	-	-
Current portion of long-term borrowings (Note 17)	-	-	-	-	600,000	2
Refund liabilities	117,940	-	171,619	1	198,483	1
Other current liabilities	20,841	-	17,483	-	15,687	-
Total current liabilities	<u>8,968,258</u>	<u>27</u>	<u>8,922,639</u>	<u>27</u>	<u>10,703,901</u>	<u>31</u>
NONCURRENT LIABILITIES						
Bonds payable (Note 18)	999,011	3	2,998,444	9	2,997,876	9
Long-term borrowings (Note 17)	2,892,222	9	2,600,000	8	1,280,000	4
Long-term bills payable (Note 17)	3,898,499	13	1,899,364	6	1,898,286	6
Deferred tax liabilities	187,586	1	183,607	1	191,933	1
Lease liabilities - noncurrent (Note 15)	85,806	-	56,092	-	49,743	-
Net defined benefit liabilities (Notes 4 and 22)	11,162	-	38,535	-	-	-
Guarantee deposits received (Note 16)	35,000	-	35,000	-	35,000	-
Total noncurrent liabilities	<u>8,109,286</u>	<u>26</u>	<u>7,811,042</u>	<u>24</u>	<u>6,452,838</u>	<u>20</u>
Total liabilities	<u>17,077,544</u>	<u>53</u>	<u>16,733,681</u>	<u>51</u>	<u>17,156,739</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)						
Ordinary shares	<u>14,355,444</u>	<u>44</u>	<u>14,355,444</u>	<u>43</u>	<u>14,355,444</u>	<u>42</u>
Capital surplus	903	-	903	-	903	-
Retained earnings						
Legal reserve	771,018	2	764,806	2	764,806	2
Special reserve	72,914	-	-	-	-	-
Unappropriated earnings	786,472	3	1,210,742	4	1,311,298	4
Total retained earnings	<u>1,630,404</u>	<u>5</u>	<u>1,975,548</u>	<u>6</u>	<u>2,076,104</u>	<u>6</u>
Other equity	<u>(642,695)</u>	<u>(2)</u>	<u>(72,914)</u>	<u>-</u>	<u>278,179</u>	<u>1</u>
Total equity	<u>15,344,056</u>	<u>47</u>	<u>16,258,981</u>	<u>49</u>	<u>16,710,630</u>	<u>49</u>
TOTAL	<u>\$ 32,421,600</u>	<u>100</u>	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 33,867,369</u>	<u>100</u>

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 30)	\$ 8,160,301	100	\$ 9,734,937	100	\$ 17,308,485	100	\$ 19,258,671	100
OPERATING COSTS (Notes 10, 25 and 30)	8,372,578	103	9,849,673	101	17,337,743	100	18,750,116	97
GROSS PROFIT (LOSS)	(212,277)	(3)	(114,736)	(1)	(29,258)	-	508,555	3
OPERATING EXPENSES (Notes 25 and 30)								
Selling and marketing expenses	64,554	1	80,840	1	138,042	1	162,715	1
General and administrative expenses	55,559	-	55,825	1	113,698	-	126,424	1
Total operating expenses	120,113	1	136,665	2	251,740	1	289,139	2
PROFIT (LOSS) FROM OPERATIONS	(332,390)	(4)	(251,401)	(3)	(280,998)	(1)	219,416	1
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)								
Interest income	9,139	-	13,914	-	16,717	-	25,961	-
Other income	32,375	-	29,642	-	69,732	-	84,933	-
Other gains and losses	22,687	-	9,499	-	36,508	-	6,191	-
Finance costs	(52,707)	-	(52,755)	-	(102,355)	-	(104,135)	-
Share of the profit of associates	1,824	-	3,859	-	1,626	-	4,115	-
Total non-operating income and expenses	13,318	-	4,159	-	22,228	-	17,065	-
PROFIT (LOSS) BEFORE INCOME TAX	(319,072)	(4)	(247,242)	(3)	(258,770)	(1)	236,481	1
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 26)	(51,881)	(1)	(33,129)	-	(51,504)	-	55,753	-
NET PROFIT (LOSS) FOR THE PERIOD	(267,191)	(3)	(214,113)	(3)	(207,266)	(1)	180,728	1
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(28,903)	(1)	(48,269)	-	(138,419)	(1)	(8,596)	-
Gains and losses on hedging instruments	2,058	-	5,728	-	7,981	-	22,451	-
Share of the other comprehensive income of associates	(87,436)	(1)	(154,264)	(2)	(421,697)	(2)	(9,175)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	(411)	-	(1,146)	-	(1,596)	-	(4,491)	-
Items that may be reclassified subsequently to profit or loss								
Share of the other comprehensive income of associates	207	-	47	-	(113)	-	(105)	-
	(114,485)	(2)	(197,904)	(2)	(553,844)	(3)	84	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (381,676)	(5)	\$ (412,017)	(5)	\$ (761,110)	(4)	\$ 180,812	1

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ <u>(267,191)</u>	<u>(3)</u>	\$ <u>(214,113)</u>	<u>(3)</u>	\$ <u>(207,266)</u>	<u>(1)</u>	\$ <u>180,728</u>	<u>1</u>
TOTAL COMPREHENSIVE								
INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	\$ <u>(381,676)</u>	<u>(5)</u>	\$ <u>(412,017)</u>	<u>(5)</u>	\$ <u>(761,110)</u>	<u>(4)</u>	\$ <u>180,812</u>	<u>1</u>
EARNINGS (LOSS) PER SHARE								
(Note 27)								
Basic	\$ <u>(0.19)</u>		\$ <u>(0.15)</u>		\$ <u>(0.14)</u>		\$ <u>0.13</u>	
Diluted	\$ <u>(0.19)</u>		\$ <u>(0.15)</u>		\$ <u>(0.14)</u>		\$ <u>0.13</u>	

(Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	Retained Earnings					Other Equity				Total Equity
	Issued and Outstanding Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized 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, 2024	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,210,742	\$ 317	\$ (76,424)	\$ 3,193	\$ (72,914)	\$ 16,258,981
Appropriation of 2023 earnings (Note 23)										
Legal reserve	-	-	6,212	-	(6,212)	-	-	-	-	-
Special reserve	-	-	-	72,914	(72,914)	-	-	-	-	-
Cash dividends	-	-	-	-	(143,554)	-	-	-	-	(143,554)
Net loss for the six months ended June 30, 2024	-	-	-	-	(207,266)	-	-	-	-	(207,266)
Other comprehensive income for the six months ended June 30, 2024, net of income tax	-	-	-	-	3	(113)	(560,119)	6,385	(553,847)	(553,844)
Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	(207,263)	(113)	(560,119)	6,385	(553,847)	(761,110)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(10,261)	-	-	-	-	(10,261)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	15,934	-	(15,934)	-	(15,934)	-
BALANCE AT JUNE 30, 2024	\$ 14,355,444	\$ 903	\$ 771,018	\$ 72,914	\$ 786,472	\$ 204	\$ (652,477)	\$ 9,578	\$ (642,695)	\$ 15,344,056
BALANCE AT JANUARY 1, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,651,062	\$ 386	\$ 298,690	\$ (8,854)	\$ 290,222	\$ 17,062,437
Appropriation of 2022 earnings (Note 23)										
Cash dividends	-	-	-	-	(502,441)	-	-	-	-	(502,441)
Net profit for the six months ended June 30, 2023	-	-	-	-	180,728	-	-	-	-	180,728
Other comprehensive income for the six months ended June 30, 2023, net of income tax	-	-	-	-	14	(105)	(17,785)	17,960	70	84
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	180,742	(105)	(17,785)	17,960	70	180,812
Changes in equity of associates and joint ventures accounted for using equity method (Notes 13 and 23)	-	-	-	-	(24,673)	-	(5,505)	-	(5,505)	(30,178)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,608	-	(6,608)	-	(6,608)	-
BALANCE AT JUNE 30, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,311,298	\$ 281	\$ 268,792	\$ 9,106	\$ 278,179	\$ 16,710,630

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 Six Months Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ (258,770)	\$ 236,481
Adjustments for:		
Depreciation expense	328,433	347,678
Finance costs	102,355	104,135
Interest income	(16,717)	(25,961)
Dividends income	(750)	(700)
Share of the profit of associates	(1,626)	(4,115)
Gain on disposal of property, plant and equipment	(22,730)	-
Write-down (reversal) of inventories	79,297	(667,501)
Reversal of provisions	(94,400)	(100,800)
Others	(58)	567
Changes in operating assets and liabilities		
Financial assets for hedging	-	462,011
Accounts receivable	125,229	114,444
Accounts receivable from related parties	17,186	3,792
Other receivables	5,350	(2,655)
Other receivables from related parties	(40,529)	(189,204)
Inventories	(76,488)	241,230
Prepayments	(47,587)	(64,178)
Other current assets	164	(56)
Contract liabilities	36,059	(76,611)
Accounts payable	(3,223)	(111,812)
Accounts payable to related parties	(289,360)	303,410
Other payables	(73,163)	47,926
Other current liabilities	3,358	(557)
Net defined benefit liabilities	(27,373)	(33,243)
Refund liabilities	(53,679)	140,668
Cash generated from (used in) operations	(309,022)	724,949
Income taxes paid	(1,065)	(60,264)
Net cash generated from (used in) operating activities	(310,087)	664,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(320,398)	(100,694)
Proceeds from disposal of property, plant and equipment	22,730	-

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2024	2023
Decrease in refundable deposits	\$ 3,606	\$ -
Decrease in other receivables due from related parties	-	300,000
Increase in other financial assets	(300,300)	(2,200)
Interest received	16,795	27,262
Dividends received from others	750	49,538
Net cash generated from (used in) investing activities	<u>(576,817)</u>	<u>273,906</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	53,814,885	52,553,349
Repayments of short-term borrowings	(54,070,540)	(56,490,337)
Proceeds from short-term bills payable	3,391,991	6,893,903
Repayments of short-term bills payable	(4,990,000)	(2,000,000)
Proceeds from long-term borrowings	3,600,000	-
Repayments of long-term borrowings	(3,307,778)	(2,720,000)
Proceeds from long-term bills payable	1,999,135	-
Repayments of long-term bills payable	-	(600,155)
Repayments of principal of lease liabilities	(8,113)	(7,977)
Interest paid	(107,656)	(122,256)
Net cash generated from (used in) financing activities	<u>321,924</u>	<u>(2,493,473)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(564,980)	(1,554,882)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,097,361</u>	<u>2,288,215</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 532,381</u>	<u>\$ 733,333</u>
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2024 and 2023:		
Cash and cash equivalents in the consolidated balance sheets	\$ 1,543,245	\$ 916,376
Bank overdraft	(1,010,864)	(183,043)
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 532,381</u>	<u>\$ 733,333</u>

(Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023 (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 June 30, 2024, and 2023, China Steel Corporation ("CSC"), the Corporation's parent and major shareholder (40.58%), controls the Corporation's management and operations.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation's board of directors and authorized for issue on August 1, 2024.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "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 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 1)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

- c. The 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>
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as 'other' only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group are continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRS Accounting Standards annual financial statements.

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries). All intra-Group transactions, balances, income and expenses are eliminated in full upon consolidation.

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%)		
			June 30, 2024	December 31, 2023	June 30, 2023
Chung Hung Steel Corporation Ltd.	Hung Kao Investment Corporation	General investment	100	100	100

c. Other significant accounting policies

Except for the following, refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2023.

1) Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Corporation and its subsidiaries do not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

2) Retirement benefits

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

3) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same material accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 390	\$ 640	\$ 640
Checking accounts and demand deposits	44,442	329,359	45,721
Cash equivalents (investments with original maturities of less than three months)			
Time deposits	100,000	967,232	300,000
Commercial papers with repurchase agreements	1,248,413	569,601	570,015
Bonds with repurchase agreements	<u>150,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,543,245</u>	<u>\$ 1,866,832</u>	<u>\$ 916,376</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2024	December 31, 2023	June 30, 2023
Current			
Domestic Listed shares	<u>\$ 793,698</u>	<u>\$ 927,699</u>	<u>\$ 973,412</u>
Noncurrent			
Domestic listed shares	\$ 23,192	\$ 27,108	\$ 29,517
Domestic unlisted shares	<u>45,086</u>	<u>45,588</u>	<u>46,212</u>
	<u>\$ 68,278</u>	<u>\$ 72,696</u>	<u>\$ 75,729</u>

8. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets for hedging - current</u>			
Foreign-currency deposits	<u>\$ 148,424</u>	<u>\$ 140,442</u>	<u>\$ 258,462</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. Refer to Note 29 for information relating to financial instruments for hedging.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Accounts receivable</u>			
Accounts receivable – non-related parties	<u>\$ 513,106</u>	<u>\$ 638,335</u>	<u>\$ 117,396</u>
Accounts receivable – related parties	<u>\$ 89,022</u>	<u>\$ 106,208</u>	<u>\$ 53,718</u>
<u>Other receivables (including related parties)</u>			
Receivables from price settlement	\$ 226,089	\$ 173,777	\$ 196,347
Receivables from disposal of scrap	31,828	47,893	39,788
Others	<u>17,303</u>	<u>6,087</u>	<u>15,325</u>
	<u>\$ 275,220</u>	<u>\$ 227,757</u>	<u>\$ 251,460</u>

a. Accounts receivable

Refer to Note 29 (d) for credit risk management policies. The expected credit losses on accounts receivable are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, 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.

June 30, 2024

	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	\$ 602,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 602,128
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 602,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,128</u>

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>\$ 744,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,453</u>

June 30, 2023

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 171,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,114
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 171,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,114</u>

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

	June 30, 2024	December 31, 2023	June 30, 2023
A company	\$ 222,420	\$ 69,510	\$ -
B company	93,437	170,970	-
C company	31,268	97,072	-
D company	24,512	30,105	52,308
E company	<u>3,873</u>	<u>77,116</u>	<u>64,750</u>
	<u>\$ 375,510</u>	<u>\$ 444,773</u>	<u>\$ 117,058</u>

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

Receivables sold for the six months ended June 30, 2024 and 2023 were as follows:

Buyer of Accounts Receivable	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected	Advances Received at Period - End	Interest Rates on Advances Received (%)	Credit Line
<u>For the Six Months Ended June 30, 2024</u>						
Mega Bank	\$ 85,722	\$ 220,323	\$ 200,117	\$ 105,928	2.11	NT\$485 million
Bank of Taiwan	<u>1,791</u>	<u>-</u>	<u>1,791</u>	<u>-</u>	-	-
	<u>\$ 87,513</u>	<u>\$ 220,323</u>	<u>\$ 201,908</u>	<u>\$ 105,925</u>		
<u>For the Six Months Ended June 30, 2023</u>						
Mega Bank	\$ 224,382	\$ 90,173	\$ 262,669	\$ 51,886	1.99	NT\$533.3 million
Bank of Taiwan	10,293	770	10,293	770	1.96	NT\$200 million
Bank of Taiwan	<u>9,108</u>	<u>-</u>	<u>9,108</u>	<u>-</u>	-	USD20 million
	<u>\$ 243,783</u>	<u>\$ 90,943</u>	<u>\$ 282,070</u>	<u>\$ 52,656</u>		

The above credit lines are revolving.

b. Other receivables

The expected credit losses on other receivables are estimated using expected credit loss rate based on the other receivables overdue days. As of June 30, 2024, December 31, 2023 and June 30, 2023, there was no allowance for doubtful accounts.

10. INVENTORIES

	June 30, 2024	December 31, 2023	June 30, 2023
Raw materials	\$ 5,232,070	\$ 5,474,468	\$ 6,655,518
Finished goods	2,191,570	2,112,065	2,387,924
Supplies	222,669	350,978	348,109
Work in progress	489,926	627,325	359,248
Others	11,898	6,770	9,636
Raw materials and supplies in transit	<u>421,141</u>	<u>477</u>	<u>427,819</u>
	<u>\$ 8,569,274</u>	<u>\$ 8,572,083</u>	<u>\$ 10,188,254</u>

The cost of inventories recognized as operating costs for the three months and six months ended June 30, 2024 and 2023 was NT\$8,302,565 thousand, NT\$9,748,922 thousand, NT\$17,197,809 thousand and NT\$18,556,882 thousand, respectively, including loss on inventory value decline of NT\$125,409 thousand, loss on inventory value decline of NT\$607,937 thousand, loss on inventory value decline of NT\$79,297 thousand and reversal of loss on inventories of NT\$667,501 thousand, respectively. The reversal of loss on inventories was mainly due to the net realizable value being lower than the cost that has disappeared.

11. PREPAYMENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Input tax	\$ 148,108	\$ 85,623	\$ 291,289
Tax overpaid retained for offsetting future tax payable	45,573	45,762	-
Prepayments for purchases	31,033	25,374	25,826
Others	<u>4,992</u>	<u>25,360</u>	<u>2,830</u>
	<u>\$ 229,706</u>	<u>\$ 182,119</u>	<u>\$ 319,945</u>

12. OTHER FINANCIAL ASSETS

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Pledged time deposits (Note 31)	\$ 800,000	\$ 500,000	\$ 800,000
Pledged demand deposits (Note 31)	300,000	300,000	300,000
One-year time deposits	<u>3,600</u>	<u>3,300</u>	<u>3,300</u>
	<u>\$ 1,103,600</u>	<u>\$ 803,300</u>	<u>\$ 1,103,300</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2024	December 31, 2023	June 30, 2023
Material associates			
Transglory Investment Corp. (TIC)	\$ 2,785,433	\$ 3,237,182	\$ 3,394,278
Associates that are not individually material	<u>233,528</u>	<u>224,587</u>	<u>218,226</u>
	<u>\$ 3,018,961</u>	<u>\$ 3,461,769</u>	<u>\$ 3,612,504</u>

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)		
			June 30, 2024	December 31, 2023	June 30, 2023
TIC	General investment	Taiwan	39.59	39.59	39.59

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

	June 30, 2024	December 31, 2023	June 30, 2023
Current assets	\$ 429,399	\$ 611,196	\$ 385,917
Non-current assets	6,605,929	7,565,260	8,187,206
Current liabilities	<u>-</u>	<u>(120)</u>	<u>-</u>
Equity	<u>\$ 7,035,328</u>	<u>\$ 8,176,336</u>	<u>\$ 8,573,123</u>
Proportion of the Group's ownership (%)	39.59	39.59	39.59
Equity attributable to the Group	<u>\$ 2,785,433</u>	<u>\$ 3,237,182</u>	<u>\$ 3,394,278</u>
Carrying amount	<u>\$ 2,785,433</u>	<u>\$ 3,237,182</u>	<u>\$ 3,394,278</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Operating revenue	<u>\$ 2,972</u>	<u>\$ 5,737</u>	<u>\$ 6,046</u>	<u>\$ 5,737</u>
Net profit for the period	\$ 756	\$ 721	\$ 1,619	\$ 1,264
Other comprehensive income	<u>(237,932)</u>	<u>(403,397)</u>	<u>(1,116,712)</u>	<u>(104,891)</u>
Total comprehensive income for the period	<u>\$ (237,176)</u>	<u>\$ (402,676)</u>	<u>\$ (1,115,093)</u>	<u>\$ (103,627)</u>
Comprehensive income attributable to the Group	<u>\$ (93,902)</u>	<u>\$ (159,428)</u>	<u>\$ (441,488)</u>	<u>\$ (35,264)</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
The Group's subsidiaries' share of				
Net profit for the period	\$ 1,525	\$ 3,573	\$ 985	\$ 3,623
Other comprehensive income	<u>6,972</u>	<u>5,496</u>	<u>20,319</u>	<u>26,476</u>
Total comprehensive income	<u>\$ 8,497</u>	<u>\$ 9,069</u>	<u>\$ 21,304</u>	<u>\$ 30,099</u>

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

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

14. PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended June 30, 2024

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2024	\$ 3,996,115	\$ 5,042,071	\$ 23,011,162	\$ 4,598,338	\$ 1,263,624	\$ 73,421	\$ 37,984,731
Additions	8,395	16,803	375,020	46,782	59,031	(48,956)	457,075
Disposals	-	-	(421,474)	(2,846)	(106,111)	-	(530,431)
Balance at June 30, 2024	<u>\$ 4,004,510</u>	<u>\$ 5,058,874</u>	<u>\$ 22,964,708</u>	<u>\$ 4,642,274</u>	<u>\$ 1,216,544</u>	<u>\$ 24,465</u>	<u>\$ 37,911,375</u>
Accumulated depreciation							
Balance at January 1, 2024	\$ -	\$ 2,409,230	\$ 19,915,909	\$ 4,326,177	\$ 728,315	\$ -	\$ 27,379,631
Depreciation expense	-	67,762	142,074	49,381	60,511	-	319,728
Disposals	-	-	(340,118)	(2,846)	(106,111)	-	(449,075)
Balance at June 30, 2024	<u>\$ -</u>	<u>\$ 2,476,992</u>	<u>\$ 19,717,865</u>	<u>\$ 4,372,712</u>	<u>\$ 682,715</u>	<u>\$ -</u>	<u>\$ 27,250,284</u>
Accumulated impairment							
Balance at January 1, 2024	\$ -	\$ -	\$ 1,042,217	\$ -	\$ 153,156	\$ -	\$ 1,195,373
Disposals	-	-	(81,356)	-	-	-	(81,356)
Balance at June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960,861</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,114,017</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>
Carrying amount at June 30, 2024	<u>\$ 4,004,510</u>	<u>\$ 2,581,882</u>	<u>\$ 2,285,982</u>	<u>\$ 269,562</u>	<u>\$ 380,673</u>	<u>\$ 24,465</u>	<u>\$ 9,547,074</u>

For the Six Months Ended June 30, 2023

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2023	\$ 4,008,281	\$ 5,014,510	\$ 23,224,815	\$ 4,580,353	\$ 1,230,418	\$ 47,783	\$ 38,106,160
Additions	-	25,396	36,453	8,418	16,519	12,970	99,756
Disposals	-	-	-	(4,521)	(70,217)	-	(74,738)
Reclassification	(12,166)	-	-	-	-	-	(12,166)
Balance at June 30, 2023	<u>\$ 3,996,115</u>	<u>\$ 5,039,906</u>	<u>\$ 23,261,268</u>	<u>\$ 4,584,250</u>	<u>\$ 1,176,720</u>	<u>\$ 60,753</u>	<u>\$ 38,119,012</u>
Accumulated depreciation							
Balance at January 1, 2023	\$ -	\$ 2,275,217	\$ 19,891,573	\$ 4,230,628	\$ 684,744	\$ -	\$ 27,082,162
Depreciation expense	-	67,314	166,889	51,434	53,590	-	339,227
Disposals	-	-	-	(4,521)	(70,217)	-	(74,738)
Balance at June 30, 2023	<u>\$ -</u>	<u>\$ 2,342,531</u>	<u>\$ 20,058,462</u>	<u>\$ 4,277,541</u>	<u>\$ 668,117</u>	<u>\$ -</u>	<u>\$ 27,346,651</u>
Accumulated impairment							
Balance at January 1 and June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,186</u>	<u>\$ -</u>	<u>\$ 153,156</u>	<u>\$ -</u>	<u>\$ 1,222,342</u>
Carrying amount at June 30, 2023	<u>\$ 3,996,115</u>	<u>\$ 2,697,375</u>	<u>\$ 2,133,620</u>	<u>\$ 306,709</u>	<u>\$ 355,447</u>	<u>\$ 60,753</u>	<u>\$ 9,550,019</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 warehouse at the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Corporation from registering the title of these farmlands in the Corporation's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Corporation in freely changing the land title to the Corporation or to other name under the Corporation's instructions. Meanwhile, the land has been pledged to the Corporation as collateral. As of June 30, 2024, December 31, 2023 and June 30, 2023, the carrying amount of the farmlands was NT\$27,749 thousand, NT\$19,354 thousand and NT\$19,354 thousand, recorded as land.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Carrying amounts</u>			
Land	\$ 83,298	\$ 67,295	\$ 59,341
Transportation equipment	<u>16,584</u>	<u>1,248</u>	<u>2,909</u>
	<u>\$ 99,882</u>	<u>\$ 68,543</u>	<u>\$ 62,250</u>
	For the Three Months Ended June 30	For the Six Months Ended June 30	
	2024	2023	2024
			2023
Additions to right-of-use assets			<u>\$ 38,948</u>
Depreciation charge for right-of-use assets			<u>\$ 22,165</u>
Land	\$ 3,374	\$ 3,173	\$ 6,556
Transportation equipment	<u>848</u>	<u>830</u>	<u>1,679</u>
	<u>\$ 4,222</u>	<u>\$ 4,003</u>	<u>\$ 8,235</u>
			<u>\$ 8,007</u>

Except for the addition and recognition of depreciation expenses listed above, the Group's right-of-use assets did not undergo significant sub-lease and impairment for the six months ended June 30, 2024 and 2023.

b. Lease liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Carrying amounts</u>			
Current	\$ 14,747	\$ 13,626	\$ 13,598
Non-current	<u>85,806</u>	<u>56,092</u>	<u>49,743</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Land(%)	0.65-1.59	0.65-1.50	0.65-1.50
Transportation equipment(%)	0.75-1.37	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.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Expenses relating to short-term leases	<u>\$ 3,687</u>	<u>\$ 4,420</u>	<u>\$ 7,958</u>	<u>\$ 8,079</u>
Expenses relating to low-value assets leases	<u>\$ 278</u>	<u>\$ 318</u>	<u>\$ 639</u>	<u>\$ 637</u>
Total cash outflow for leases			<u>\$ 17,299</u>	<u>\$ 17,133</u>

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

16. INVESTMENT PROPERTIES

For the six months ended June 30, 2024

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and June 30, 2024	<u>\$ 5,971,240</u>	<u>\$ 42,710</u>	<u>\$ 6,013,950</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2024	\$ -	\$ 20,340	\$ 20,340
Depreciation expense	<u>-</u>	<u>470</u>	<u>470</u>
Balance at June 30, 2024	<u>\$ -</u>	<u>\$ 20,810</u>	<u>\$ 20,810</u>
Carrying amount at December 31, 2023	<u>\$ 5,971,240</u>	<u>\$ 22,370</u>	<u>\$ 5,993,610</u>
Carrying amount at June 30, 2024	<u>\$ 5,971,240</u>	<u>\$ 21,900</u>	<u>\$ 5,993,140</u>

For the six months ended June 30, 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>-</u>	<u>12,166</u>
Balance at June 30, 2023	<u>\$ 5,971,240</u>	<u>\$ 41,067</u>	<u>\$ 6,012,307</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 18,732	\$ 18,732
Depreciation expense	<u>-</u>	<u>444</u>	<u>444</u>
Balance at June 30, 2023	<u>\$ -</u>	<u>\$ 19,176</u>	<u>\$ 19,176</u>
Carrying amount at June 30, 2023	<u>\$ 5,971,240</u>	<u>\$ 21,891</u>	<u>\$ 5,993,131</u>

The Corporation as lessor leased land in Longdong section in Kaohsiung on June 30, 2010 for 20 years under an operating lease agreement; the Corporation collects rental monthly. The amounts of rental revenue for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023 were NT\$22,044 thousand, NT\$21,604 thousand, NT\$44,089 thousand and NT\$43,209 thousand, respectively, and were included in other income. As of June 30, 2024, December 31, 2023 and June 30, 2023, the Corporation received the same margin of NT\$35,000 thousand base on the lease contract.

As of June 30, 2024, December 31, 2023 and June 30, 2023, notes receivable and advance rental were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivable received	\$ 7,669	\$ 53,683	\$ 7,519
Less: Advance rental	<u>7,669</u>	<u>53,683</u>	<u>7,519</u>
Carrying amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	June 30, 2024	December 31, 2023	June 30, 2023
Year 1	\$ 99,724	\$ 100,765	\$ 97,490
Year 2	90,890	89,996	89,108
Year 3	92,708	91,796	90,890
Year 4	94,562	93,632	92,708
Year 5	96,452	95,504	94,562
Later than 5 years	<u>215,508</u>	<u>263,892</u>	<u>311,960</u>
	<u>\$ 689,844</u>	<u>\$ 735,585</u>	<u>\$ 776,718</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, land development analysis approach. The important assumptions and fair value were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value	<u>\$ 14,882,964</u>	<u>\$ 14,882,964</u>	<u>\$ 13,734,829</u>
Expense rate (%)	28.86	28.86	27.52
Depreciation rate (%)	1.90-2.71	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

	June 30, 2024	December 31, 2023	June 30, 2023
Unsecured loans	\$ 2,200,000	\$ 1,530,000	\$ -
Letters of credit	1,559,589	2,485,244	2,644,357
Bank overdrafts (Note 31)	<u>1,010,864</u>	<u>769,471</u>	<u>183,043</u>
	<u>\$ 4,770,453</u>	<u>\$ 4,784,715</u>	<u>\$ 2,827,400</u>
Interest rate (%)	0.93-1.78	0.79-1.65	0.79-1.71

b. Short-term bills payable

	June 30, 2024	December 31, 2023	June 30, 2023
Short-term bills payable	\$ 900,000	\$ 2,500,000	\$ 4,900,000
Less: Unamortized discounts	<u>2,335</u>	<u>4,326</u>	<u>6,097</u>
	<u>\$ 897,665</u>	<u>\$ 2,495,674</u>	<u>\$ 4,893,903</u>
Interest rate (%)	1.67-1.71	1.58-1.65	1.41-1.64

As of June 30, 2024, December 31, 2023 and June 30, 2023, all short-term bills payable were non-guarantee commercial paper, and promissory institutions included Mega Bills, CBF Bills, Taching Bills, Union Bank, Bank SinoPac and Taishin Bank.

c. Long-term borrowings

	June 30, 2024	December 31, 2023	June 30, 2023
Credit bank loans			
Due on various dates through December 2028	\$ 2,800,000	\$ 2,600,000	\$ 1,880,000
Syndicated bank loans			
Due on various dates through March 2029	<u>100,000</u>	<u>-</u>	<u>-</u>
	2,900,000	2,600,000	1,880,000
Less: Syndicated loans fee	7,778	-	-
Current portion	<u>-</u>	<u>-</u>	<u>600,000</u>
	<u>\$ 2,892,222</u>	<u>\$ 2,600,000</u>	<u>\$ 1,280,000</u>
Interest rate (%)	1.73-2.04	1.62-1.76	1.62-1.76

The Corporation entered into a syndicated credit facility agreement with nine financial institutions including Yushan Bank for a NT\$ 6 billion of credit line in September 2023. Under the agreement, the Corporation should meet certain financial ratios and criteria based on audited consolidated annual financial statement.

d. Long-term bills payable

	June 30, 2024	December 31, 2023	June 30, 2023
Long-term bills payable	\$ 3,900,000	\$ 1,900,000	\$ 1,900,000
Less: Unamortized discount	<u>1,501</u>	<u>636</u>	<u>1,714</u>
	<u>\$ 3,898,499</u>	<u>\$ 1,899,364</u>	<u>\$ 1,898,286</u>
Interest rate (%)	1.78-1.93	1.67	1.65

The Corporation entered into commercial paper contracts with bank. The duration of the contracts is two to four years, during which the Corporation only has to pay service fees and interest. As of June 30, 2024, December 31, 2023 and June 30, 2023, all long-term bills payable were non-guarantee commercial papers.

18. BONDS PAYABLE

	June 30, 2024	December 31, 2023	June 30, 2023
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost of bonds payable	989	1,556	2,124
Current portion	<u>2,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 999,011</u>	<u>\$ 2,998,444</u>	<u>\$ 2,997,876</u>

The major terms of unsecured domestic bonds are as follows:

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

19. ACCOUNTS PAYABLE

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Accounts payable</u>			
Operating - non related parties	<u>\$ 65,099</u>	<u>\$ 68,322</u>	<u>\$ 422,591</u>
Operating - related parties	<u>\$ 289,167</u>	<u>\$ 578,527</u>	<u>\$ 592,508</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	June 30, 2024	December 31, 2023	June 30, 2023
Salaries and incentive bonus	\$ 161,119	\$ 221,594	\$ 219,675
Dividends	143,554	-	502,441
Outsourced repair and construction	127,992	129,406	80,706
Utilities	80,435	75,085	68,882
Freight expense	40,348	65,860	44,057
Others	<u>119,029</u>	<u>122,518</u>	<u>165,535</u>
	<u>\$ 672,477</u>	<u>\$ 614,463</u>	<u>\$ 1,081,296</u>

21. PROVISIONS - CURRENT

	June 30, 2024	December 31, 2023	June 30, 2023
Onerous contracts	<u>\$ 43,500</u>	<u>\$ 137,900</u>	<u>\$ 32,900</u>
		For the Six Months Ended June 30	
		2024	2023
Balance at beginning of the period		\$ 137,900	\$ 133,700
Reversal		<u>(94,400)</u>	<u>(100,800)</u>
Balance at end of the period		<u>\$ 43,500</u>	<u>\$ 32,900</u>

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

22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2023 and 2022, and the amounts were NT\$3,672 thousand, NT\$3,691 thousand, NT\$7,344 thousand and NT\$7,382 thousand for the three months ended June 30, 2024 and 2023, and for the six months ended June 30, 2024 and 2023, respectively.

23. EQUITY

a. Ordinary shares

	June 30, 2024	December 31, 2023	June 30, 2023
Numbers of shares authorized (in thousands) Shares authorized	<u>2,043,160</u> <u>\$ 20,431,600</u>	<u>2,043,160</u> <u>\$ 20,431,600</u>	<u>2,043,160</u> <u>\$ 20,431,600</u>
Numbers of shares issued and fully paid (in thousands) Shares issued	<u>1,435,544</u> <u>\$ 14,355,444</u>	<u>1,435,544</u> <u>\$ 14,355,444</u>	<u>1,435,544</u> <u>\$ 14,355,444</u>

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

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

b. Capital surplus

	June 30, 2024	December 31, 2023	June 30, 2023
Additional paid-in capital	<u>\$ 903</u>	<u>\$ 903</u>	<u>\$ 903</u>

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

Such capital surplus may be used only to offset deficits.

c. Retained earnings and dividend policy

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

The amendments to the Corporation's Articles of Incorporation 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 2023 and 2022 were approved by the shareholders' meeting in June 2024 and 2023, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve	\$ 6,212	\$ -		
Special reserve	72,914	-		
Cash dividends	143,554	502,441	<u>\$ 0.10</u>	<u>\$ 0.35</u>

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

d. Exchange differences on translating foreign operations

	<u>For the Six Months Ended June 30</u>	
	<u>2024</u>	<u>2023</u>
Balance at beginning of the period	\$ 317	\$ 386
Recognized during the period		
Share from associates accounted for using the equity method	<u>(113)</u>	<u>(105)</u>
Balance at end of the period	<u>\$ 204</u>	<u>\$ 281</u>

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

	<u>For the Six Months Ended June 30</u>	
	<u>2024</u>	<u>2023</u>
Balance at beginning of the period	<u>\$ (76,424)</u>	<u>\$ 298,690</u>

(Continued)

	For the Six Months Ended June 30	
	2024	2023
Recognized during the period		
Unrealized gains and losses - equity instruments	\$ (138,419)	\$ (8,596)
Share from associates accounted for using the equity method	<u>(421,700)</u>	<u>(9,189)</u>
Other comprehensive income recognized for the period	<u>(560,119)</u>	<u>(17,785)</u>
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(15,934)</u>	<u>(6,608)</u>
Changes in equity of associates accounted for using equity method	<u>-</u>	<u>(5,505)</u>
Balance at end of the period	<u>\$ (652,477)</u>	<u>\$ 268,792</u> (Concluded)

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

	For the Six Months Ended June 30	
	2024	2023
Balance at beginning of the period	<u>\$ 3,193</u>	<u>\$ (8,854)</u>
Recognized for the period		
Foreign currency risk-foreign currency deposits	7,981	20,285
Foreign currency risk-foreign exchange forward contracts	-	2,166
Income tax effect	<u>(1,596)</u>	<u>(4,491)</u>
Other comprehensive income recognized for the period	<u>6,385</u>	<u>17,960</u>
Balance at end of the period	<u>\$ 9,578</u>	<u>\$ 9,106</u>

24. OPERATING REVENUES

a. Contract balances

	June 30, 2024	December 31, 2023	June 30, 2023	January 1, 2023
Accounts receivable	<u>\$ 602,128</u>	<u>\$ 744,543</u>	<u>\$ 171,114</u>	<u>\$ 289,350</u>
Contract liabilities				
Sale of goods	<u>\$ 76,369</u>	<u>\$ 40,310</u>	<u>\$ 25,535</u>	<u>\$ 102,146</u>

b. Disaggregation of revenue

For the Six Months Ended June 30, 2024

<u>Type of goods or services</u>	Reportable segments		
	Chung Hung	Others	Total
Sale of goods	\$ 17,105,870	\$ -	\$ 17,105,870
Rendering of services	166,010	159	166,169
Others	<u>36,446</u>	<u>-</u>	<u>36,446</u>
	<u>\$ 17,308,326</u>	<u>\$ 159</u>	<u>\$ 17,308,485</u>

For the Six Months Ended June 30, 2023

<u>Type of goods or services</u>	Reportable segments		
	Chung Hung	Others	Total
Sale of goods	\$ 18,966,164	\$ -	\$ 18,966,164
Rendering of services	256,972	624	257,596
Others	<u>34,911</u>	<u>-</u>	<u>34,911</u>
	<u>\$ 19,258,047</u>	<u>\$ 624</u>	<u>\$ 19,258,671</u>

25. NET PROFIT FOR THE PERIOD

Profit before income tax consisted of following items:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Rental income	\$ 23,623	\$ 23,129	\$ 47,702	\$ 46,379
Dividend income	750	700	750	700
Others	<u>8,002</u>	<u>5,813</u>	<u>21,280</u>	<u>37,854</u>
	<u>\$ 32,375</u>	<u>\$ 29,642</u>	<u>\$ 69,732</u>	<u>\$ 84,933</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Net foreign exchange gain	\$ 10,258	\$ 13,856	\$ 27,480	\$ 14,717

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Gain on disposal of property, plant and equipment	\$ 22,730	\$ -	\$ 22,730	\$ -
Fees	(2,123)	(2,287)	(4,806)	(4,479)
Others	<u>(8,178)</u>	<u>(2,070)</u>	<u>(8,896)</u>	<u>(4,047)</u>
	<u>\$ 22,687</u>	<u>\$ 9,499</u>	<u>\$ 36,508</u>	<u>\$ 6,191</u>

(Concluded)

The components of net foreign exchange gain were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Foreign exchange gain	\$ 25,985	\$ 47,076	\$ 58,644	\$ 70,386
Foreign exchange loss	<u>(15,727)</u>	<u>(33,220)</u>	<u>(31,164)</u>	<u>(55,669)</u>
Net exchange gain	<u>\$ 10,258</u>	<u>\$ 13,856</u>	<u>\$ 27,480</u>	<u>\$ 14,717</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Interest on bank overdrafts and loans	\$ 52,474	\$ 52,948	\$ 102,711	\$ 104,554
Interest on lease liabilities	<u>358</u>	<u>215</u>	<u>589</u>	<u>440</u>
Total interest expense financial liabilities measured at amortized cost	52,832	53,163	103,300	104,994
Less: Amounts included in the cost of qualifying assets	<u>125</u>	<u>408</u>	<u>945</u>	<u>859</u>
	<u>\$ 52,707</u>	<u>\$ 52,755</u>	<u>\$ 102,355</u>	<u>\$ 104,135</u>

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Capitalized amounts	\$ 125	\$ 408	\$ 945	\$ 859
Capitalized annual rates (%)	1.43-1.52	1.34-1.41	1.38-1.52	1.34-1.41

d. Depreciation

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Property, plant and equipment	\$ 160,206	\$ 163,736	\$ 319,728	\$ 339,227
Investment properties	234	222	470	444
Right-of-use assets	4,222	4,003	8,235	8,007
	\$ 164,662	\$ 167,961	\$ 328,433	\$ 347,678
Analysis of depreciation by function				
Operating costs	\$ 161,638	\$ 164,864	\$ 322,400	\$ 341,297
Operating expenses	2,790	2,875	5,563	5,937
Deduction of other income	234	222	470	444
	\$ 164,662	\$ 167,961	\$ 328,433	\$ 347,678

e. Operating expenses directly related to investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Direct operating expenses of investment properties that generated rental income	\$ 2,839	\$ 2,859	\$ 5,799	\$ 5,797
Direct operating expenses of investment properties that did not generate rental income	2,417	2,391	4,800	4,783
	\$ 5,256	\$ 5,250	\$ 10,599	\$ 10,580

f. Employee benefits

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Short-term employee benefits				
Salaries	\$ 210,696	\$ 237,850	\$ 457,696	\$ 542,259
Labor and health insurance	21,801	22,897	44,189	45,881
Others	35,289	43,466	78,140	82,684
	267,786	304,213	580,025	670,824
Post-employment benefits				
Defined contribution plans	7,496	7,263	14,833	14,380
Defined benefit plans (Note 22)	3,672	3,691	7,344	7,382
	11,168	10,954	22,177	21,762
	\$ 278,954	\$ 315,167	\$ 602,202	\$ 692,586

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Analysis of employee benefits expense by function				
Operating costs	\$ 233,151	\$ 264,494	\$ 502,305	\$ 575,444
Operating expenses	<u>45,803</u>	<u>50,673</u>	<u>99,897</u>	<u>117,142</u>
	<u>\$ 278,954</u>	<u>\$ 315,167</u>	<u>\$ 602,202</u>	<u>\$ 692,586</u> (Concluded)

g. Compensation of employees and remuneration of directors

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

For the three months ended June 30, 2024 and 2023, and for the six months ended June 30, 2024 and 2023, the compensation of employees and remuneration of directors were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Amount</u>				
Compensation of employees	\$ (2,683)	\$ 2,949	\$ -	\$ 20,955
Remuneration of directors	(543)	(1,600)	-	2,000

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:

	For the Year Ended December 31, 2023
<u>Amount</u>	
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 statements for the year ended December 31, 2023.

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

26. INCOME TAX

- a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Current tax				
In respect of the current period	\$ (1)	\$ (2)	\$ -	\$ -
In respect of the prior periods	(65)	(31,277)	(6,066)	(31,841)
Deferred tax				
In respect of the current period	<u>(51,815)</u>	<u>(1,850)</u>	<u>(45,438)</u>	<u>87,594</u>
	<u>\$ (51,881)</u>	<u>\$ (33,129)</u>	<u>\$ (51,504)</u>	<u>\$ 55,753</u>

- b. No income tax was recognized in equity.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Deferred tax				
Gains and losses on hedging instruments	\$ 411	\$ 1,146	\$ 1,596	\$ 4,491

- d. Income tax assessments

The Group's income tax returns through 2022 have been assessed by the tax authorities.

27. EARNINGS (LOSS) PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Basic earnings (loss) per share	<u>\$(0.19)</u>	<u>\$(0.15)</u>	<u>\$(0.14)</u>	<u>\$ 0.13</u>
Diluted earnings (loss) per share	<u>\$(0.19)</u>	<u>\$(0.15)</u>	<u>\$(0.14)</u>	<u>\$ 0.13</u>

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

Net profit (loss) for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Attributable to owners of the Corporation	\$ <u>(267,191)</u>	\$ <u>(214,113)</u>	\$ <u>(207,266)</u>	\$ <u>180,728</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares in computation of basic earnings per share	1,435,544	1,435,544	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:				
Compensation of employees	<u>-</u>	<u>-</u>	<u>-</u>	<u>859</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>1,435,544</u>	<u>1,435,544</u>	<u>1,435,544</u>	<u>1,436,403</u>

The Corporation may settle the compensation paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. In consideration of the net loss for the three months end June 30, 2024 and 2023 and six months ended June 30, 2024, 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>June 30, 2024</u>				
Financial assets at FVOCI				
Domestic listed shares	\$ 816,890	\$ -	\$ -	\$ 816,890
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>45,086</u>	<u>45,086</u>
	<u>\$ 816,890</u>	<u>\$ -</u>	<u>\$ 45,086</u>	<u>\$ 861,976</u>
<u>December 31, 2023</u>				
Financial assets at FVOCI				
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>June 30, 2023</u>				
Financial assets at FVOCI				
Domestic listed shares	\$1,002,929	\$ -	\$ -	\$1,002,929
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>46,212</u>	<u>46,212</u>
	<u>\$1,002,929</u>	<u>\$ -</u>	<u>\$ 46,212</u>	<u>\$1,049,141</u>

There was no transfer between Level 1 and Level 2 for the six months ended June 30, 2024 and 2023.

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

	Financial Assets at Fair value through Other Comprehensive Income - Equity Instruments
<u>For the six months ended June 30, 2024</u>	
Balance at beginning of the period	\$ 45,588
Total profit or loss Recognized in other comprehensive income	<u>(502)</u>
Balance at end of the period	<u>\$ 45,086</u>
<u>For the six months ended June 30, 2023</u>	
Balance at beginning of the period	\$ 41,163
Total profit or loss Recognized in other comprehensive income	<u>5,049</u>
Balance at end of the period	<u>\$ 46,212</u>

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

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

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

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

c. Categories of financial instruments

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets</u>			
Financial assets for hedging	\$ 148,424	\$ 140,442	\$ 258,462
Measured at amortized cost (see 1 below)	3,530,368	3,652,213	2,451,587
Financial assets at fair value through other comprehensive income			
Equity instruments	861,976	1,000,395	1,049,141
<u>Financial liabilities</u>			
Measured at amortized cost (see 2 below)	16,493,979	16,246,128	16,324,902

- 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 (excluding dividends payable), refund liabilities, bonds payable (including current portion), long-term borrowings (including current portion), long-term bills payable, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include financial assets for hedging, accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable (including current portion), 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 Six Months Ended	
	June 30	
	2024	2023
Profit (loss) before income tax (Note 1)	\$ 3,893	\$ (4,098)
Equity (Note 2)	1,484	2,585

Note1: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable, accounts payable and other payables, which were not hedged at the balance sheet date.

Note2: 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:

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value interest rate risk			
Financial liabilities	\$ 3,997,229	\$ 5,563,836	\$ 7,955,120
Cash flow interest rate risk			
Financial assets	1,144,442	1,431,559	1,124,847
Financial liabilities	11,561,174	9,284,079	6,605,686

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 six months ended June 30, 2024 and 2023 would have been lower/higher by NT\$13,021 thousand and NT\$6,851 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

If equity price of fair value through other comprehensive income financial assets had been lower by one dollar, the pre-tax other comprehensive income, for the six months ended June 30, 2024 and 2023 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 was no bad debt in the recent years; therefore, the credit risk is very low.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of June 30, 2024, the unutilized credit facility of the Group was NT\$47.9 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:

June 30, 2024	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Short-term borrowings	\$ 4,834,972	\$ -	\$ -	\$ 4,834,972
Short-term bills payable	900,000	-	-	900,000
Accounts payable (including related parties)	354,266	-	-	354,266
Other payables	657,503	-	-	657,503
Refund liabilities	117,940	-	-	117,940
Lease liabilities	16,119	57,737	32,507	106,363
Bonds payables	2,018,040	1,001,549	-	3,019,589
Long-term bank borrowings	51,713	2,966,241	-	3,017,954
Long-term bills payable	-	3,900,000	-	3,900,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,950,553</u>	<u>\$ 7,925,527</u>	<u>\$ 67,507</u>	<u>\$ 16,943,587</u>

December 31, 2023	Less Than 1 Year	1-5 Years	Over 5 Years	Total
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 payables	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>
<u>June 30, 2023</u>				
Short-term borrowings	\$ 2,862,782	\$ -	\$ -	\$ 2,862,782
Short-term bills payable	4,900,000	-	-	4,900,000
Accounts payable (including related parties)	1,015,099	-	-	1,015,099
Other payables	1,067,819	-	-	1,067,819
Refund liabilities	198,483	-	-	198,483
Lease liabilities	14,349	36,177	15,681	66,207
Bonds payables	22,100	3,028,600	-	3,050,700
Long-term bank borrowings	627,108	1,304,386	-	1,931,494
Long-term bills payable	-	1,900,000	-	1,900,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 10,707,740</u>	<u>\$ 6,269,163</u>	<u>\$ 50,681</u>	<u>\$ 17,027,584</u>

(Concluded)

4) Cash flow hedging

June 30, 2024

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	\$ 148,424	\$ -	\$ 7,981

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	<u>\$ (7,981)</u>	<u>\$ 11,973</u>	<u>\$ -</u>

For the Six Months Ended June 30, 2024

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	\$ 7,981	\$ -	-	\$ -	\$ -

June 30, 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	\$ 8,300	NA	NA	Financial assets for hedging	\$ 258,462	\$ -	\$ 20,285

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	\$ (20,285)	\$ 11,383	\$ -
Foreign exchange forward contracts/Forecast purchases of raw materials	(2,166)	-	-
	\$ (22,451)	\$ 11,383	\$ -

For the Six Months Ended June 30, 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	\$ 22,451	\$ -	-	\$ -	\$ -

30. TRANSACTIONS WITH RELATED PARTIES

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

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

<u>Company</u>	<u>Relationship</u>
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow subsidiaries
CHC Resources Corporation (CHC)	Fellow subsidiaries
Info Champ Systems Corporation (ICSC)	Fellow subsidiaries
CSC Steel SDN. BHD. (CSSB)	Fellow subsidiaries
China Steel Global Trading Corporation (CSGT)	Fellow subsidiaries
Himag Magnetic Corporation (HMC)	Fellow subsidiaries
China Steel Machinery Corporation (CSMC)	Fellow subsidiaries
China Ecotek Corporation	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
China Steel Express Corporation	Fellow subsidiaries
China Steel Structure Co., Ltd	Fellow subsidiaries
Universal Exchange Inc.	Fellow subsidiaries
China Steel Chemical Corporation	Fellow subsidiaries
Yu Cheng Lime Corporation	Fellow subsidiaries
CSC Solar Corporation	Fellow subsidiaries
China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiaries
Thintech Materials Technology Co., Ltd.	Fellow subsidiaries
China Prosperity Development Corporation	Fellow subsidiaries
Kaohsiung Rapid Transit Corporation	Fellow subsidiaries
United Steel Engineering & Construction Corporation	Fellow subsidiaries
ChinaSteel Management Consulting Corporation	Fellow subsidiaries
Pro-Ascentek Investment Corporation	Associates
Pacific Harbour Stevedoring Corporation	Other related parties

b. Sale of goods

Account Items	Related Parties Types / Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2024	2023	2024	2023
Sales	Parent entity	\$ 708	\$ -	\$ 2,824	\$ -
	Fellow subsidiaries related to others				
	CSSB	428,623	259,813	703,909	490,609
	Others	5,495	16,029	7,361	18,617
		<u>434,118</u>	<u>275,842</u>	<u>711,270</u>	<u>509,226</u>
		\$ 434,826	\$ 275,842	\$ 714,094	\$ 509,226
Service Revenue	Parent entity	\$ 75,397	\$ 137,988	\$ 151,746	\$ 243,320
	Fellow subsidiaries related to others	7	-	7	7
		<u>75,404</u>	<u>137,988</u>	<u>151,753</u>	<u>243,327</u>

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

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

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

Account Items	Related Parties Types / Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2024	2023	2024	2023
Other operating revenue	Parent entity	\$ -	\$ 210	\$ -	\$ 1,000
	Fellow subsidiaries related to others				
	DSC	10,024	11,301	22,827	21,568
	HMC	3,577	4,063	6,195	6,995
		<u>13,601</u>	<u>15,364</u>	<u>29,022</u>	<u>28,563</u>
		\$ 13,601	\$ 15,574	\$ 29,022	\$ 29,563

The Group sold supplies and oxidized iron powder to parent entity and the fellow subsidiaries related to others.

c. Purchase of goods

Related Parties Types/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Parent entity	\$ 1,439,480	\$ 1,204,053	\$ 3,860,745	\$ 2,834,982
Fellow subsidiaries related to others				
DSC	3,054,602	4,863,666	6,361,457	8,702,132
Others	<u>7,692</u>	<u>12,873</u>	<u>11,281</u>	<u>20,273</u>
	<u>3,062,294</u>	<u>4,876,539</u>	<u>6,372,738</u>	<u>8,722,405</u>
	<u>\$ 4,501,774</u>	<u>\$ 6,080,592</u>	<u>\$ 10,233,483</u>	<u>\$ 11,557,387</u>

The purchases were mainly slabs and hot rolling coil. The payment terms and prices of other related parties were no different from those of unrelated parties for the six months ended June 30, 2024 and 2023.

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

Account Items	Related Parties Types/Name	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable from related parties	Parent entity	\$ 24,512	\$ 30,105	\$ 52,308
	Fellow subsidiaries related to others			
	CSSB	57,297	71,984	-
	Others	<u>7,213</u>	<u>4,119</u>	<u>1,410</u>
		<u>64,510</u>	<u>76,103</u>	<u>1,410</u>
		<u>\$ 89,022</u>	<u>\$ 106,208</u>	<u>\$ 53,718</u>
Other receivables from related parties	Parent entity	\$ 226,520	\$ 174,052	\$ 200,970
	Fellow subsidiaries related to others			
	CHC	24,588	36,530	32,712
	Others	<u>7</u>	<u>4</u>	<u>-</u>
		<u>24,595</u>	<u>36,534</u>	<u>32,712</u>
	Associates	<u>12,362</u>	<u>-</u>	<u>5,214</u>
		<u>\$ 263,477</u>	<u>\$ 210,586</u>	<u>\$ 238,896</u>

No guarantee had been received for accounts receivable and other receivable from related parties. For the six months ended June 30, 2024 and 2023, no impairment losses were recognized for accounts receivable and other receivables from related parties.

e. Accounts payable to related parties

Account Items	Related Parties Types/Name	June 30, 2024	December 31, 2023	June 30, 2023
Accounts payable to related parties	Parent entity	\$ 271,672	\$ 569,720	\$ 577,935

(Continued)

Account Items	Related Parties Types/Name	June 30, 2024	December 31, 2023	June 30, 2023
Accounts payable to related parties	Fellow subsidiaries related to others	\$ 15,113	\$ 3,804	\$ 8,431
	Other related parties	<u>2,382</u>	<u>5,003</u>	<u>6,142</u>
		<u>\$ 289,167</u>	<u>\$ 578,527</u>	<u>\$ 592,508</u>
Other payables	Parent entity	\$ 2,005	\$ 2,215	\$ 2,204
	Fellow subsidiaries related to others	14,243	20,350	11,385
	Other related parties	<u>1,647</u>	<u>1,301</u>	<u>3,195</u>
		<u>\$ 17,895</u>	<u>\$ 23,866</u>	<u>\$ 16,784</u>

(Concluded)

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)

Interest revenue

Related Party Types	For the Six Months Ended June 30	
	2024	2023
Parent entity	<u>\$ -</u>	<u>\$ 2,150</u>

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

- g. Other transactions with related parties

- 1) Authorization fees

In May 2003, the parent company, Sumitomo Metal Industries, Ltd. (renamed to Nippon Steel Corporation in April, 2019) and Sumitomo Corporation entered into a joint venture agreement and established the joint venture company East Asia United Steel Corporation (EAUS) in July 2003. The parent company thus has a stable supply of good quality slab through this joint venture. The parent company then signed a contract with the Corporation, transferring to the Corporation the right to buy slab from EAUS. The Corporation should pay authorization fees to the parent company under the contract. These fees (included in the purchase cost of materials) were NT\$11,430 thousand, NT\$16,053 thousand, NT\$26,226 thousand and NT\$29,880 thousand for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024, December 31, 2023 and June 30, 2023, authorization fees payable (included in payables to related parties) were NT\$7,678 thousand, NT\$9,636 thousand and NT\$12,272 thousand, respectively. The calculation of slab purchase prices was based on the formula stated in the agreement.

2) Leases

- a) The Corporation entered into a contract with fellow subsidiaries related to others on the lease of the Corporation's part of the land, roof and warehouse. The rental revenue for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023 were NT\$1,435 thousand, NT\$1,509 thousand, NT\$3,062 thousand and NT\$2,967 thousand, respectively.
- b) The Corporation entered into a contract with parent entity on the lease of the Corporation's part of the land and warehouse. The rental revenue for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023 were NT\$1,526 thousand, NT\$1,526 thousand, NT\$3,052 thousand and NT\$2,877 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.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
a) Other expenditures				
Parent entity	\$ 14,706	\$ 24,748	\$ 30,879	\$ 50,030
Others related parties	22,756	30,496	49,865	57,317
Fellow subsidiaries related to others	27,566	31,780	53,159	50,698
	\$ 65,028	\$ 87,024	\$ 133,903	\$ 158,045
b) Capital expenditure				
Fellow subsidiaries related to others				
CSMC	\$ -	\$ -	\$ 14,000	\$ 2,400
CSGT	27,120	8,030	28,420	8,030
Others	5	-	5	-
	\$ 27,125	\$ 8,030	\$ 42,425	\$ 10,430

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Fellow subsidiaries related to others				
CHC	\$ 76,335	\$ 110,969	\$ 166,073	\$ 209,080
Others	58	-	58	-
	\$ 76,393	\$ 110,969	\$ 166,131	\$ 209,080

h. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 3,479	\$ 4,795	\$ 8,569	\$ 16,343
Post-employment benefits	<u>186</u>	<u>437</u>	<u>373</u>	<u>881</u>
	<u>\$ 3,665</u>	<u>\$ 5,232</u>	<u>\$ 8,942</u>	<u>\$ 17,224</u>

31. ASSETS PLEDGED AS COLLATERAL OR SECURITY

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

	June 30, 2024	December 31, 2023	June 30, 2023
Time deposits (included in other financial assets - current)	\$ 800,000	\$ 500,000	\$ 800,000
Demand deposits (included in other financial assets - current)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ 1,100,000</u>	<u>\$ 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 June 30, 2024 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$1,612,169 thousand.
- b. The Group had signed agreements to buy equipment for NT\$470,449 thousand, of which NT\$186,572 thousand had been paid (included in construction-in-progress and prepayments for equipment).
- c. The Group provided letters of credits for NT\$60,364 thousand guaranteed by financial institutions for purchase agreements. Guarantee notes for NT\$174,500 thousand were provided for purchases of raw material.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>June 30, 2024</u>				
Monetary financial assets				
USD	\$ 17,339	32.450	(USD:NTD)	\$ 562,643
Monetary financial liabilities				
USD	770	32.450	(USD:NTD)	24,990
<u>December 31, 2023</u>				
Monetary financial assets				
USD	28,486	30.710	(USD:NTD)	874,649
Monetary financial liabilities				
USD	14,385	30.710	(USD:NTD)	441,694
<u>June 30, 2023</u>				
Monetary financial assets				
USD	8,832	31.140	(USD:NTD)	275,024
Monetary financial liabilities				
USD	13,691	31.140	(USD:NTD)	426,328

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, realized and unrealized net foreign exchange gains were NT\$10,258 thousand, NT\$13,856 thousand, NT\$27,480 thousand and NT\$14,717 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

34. SEPARATELY DISCLOSED ITEMS

- a. For the six months ended June 30, 2024, information about significant transactions and b. investees:
- 1) Financing provided to others (None)
 - 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (None)
 - 11) Information on investees (Table 4)
- c. Information on investments in mainland China (None)
- d. Information of major shareholders (Table 5)

35. SEGMENT INFORMATION

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

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

Segment revenues and operating results

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

	The Corporation	Others	Adjustment and Elimination	Total
For the six months ended June 30, 2024				
Revenues from external customers	<u>\$ 17,308,326</u>	<u>\$ 159</u>	<u>\$ -</u>	<u>\$ 17,308,485</u>
Segment profit (loss)	\$ (280,978)	\$ (80)	\$ 60	\$ (280,998)
Interest income	16,686	31	-	16,717
Other income	69,792	-	(60)	69,732
Other gains and losses	36,508	-	-	36,508
Finance costs	(102,355)	-	-	(102,355)
Share of the profit of associates	<u>1,577</u>	<u>-</u>	<u>49</u>	<u>1,626</u>
Profit (loss) before income tax for the period	(258,770)	(49)	49	(258,770)
Income tax benefits	<u>(51,504)</u>	<u>-</u>	<u>-</u>	<u>(51,504)</u>
Net profit (loss) for the period	<u>\$ (207,266)</u>	<u>\$ (49)</u>	<u>\$ 49</u>	<u>\$ (207,266)</u>

(Continued)

	The Corporation	Others	Adjustment and Elimination	Total
<u>For the six months ended June 30, 2024</u>				
Identifiable assets	\$ 29,373,979	\$ 28,660	\$ -	\$ 29,402,639
Investments accounted for using equity method	<u>3,047,190</u>	<u>-</u>	<u>(28,229)</u>	<u>3,018,961</u>
Total assets	<u>\$ 32,421,169</u>	<u>\$ 28,660</u>	<u>\$ (28,229)</u>	<u>\$ 32,421,600</u>
Total liabilities	<u>\$ 17,077,113</u>	<u>\$ 431</u>	<u>\$ -</u>	<u>\$ 17,077,544</u>
<u>For the six months ended June 30, 2023</u>				
Revenues from external customers	<u>\$ 19,258,047</u>	<u>\$ 624</u>	<u>\$ -</u>	<u>\$ 19,258,671</u>
Segment profit (loss)	\$ 219,409	\$ (53)	\$ 60	\$ 219,416
Interest income	25,938	23	-	25,961
Other income	84,993	-	(60)	84,933
Other gains and losses	6,191	-	-	6,191
Finance costs	(104,135)	-	-	(104,135)
Share of the profit of associates	<u>4,085</u>	<u>-</u>	<u>30</u>	<u>4,115</u>
Profit before income tax for the period	236,481	(30)	30	236,481
Income tax expense	<u>55,753</u>	<u>-</u>	<u>-</u>	<u>55,753</u>
Net profit (loss) for the period	<u>\$ 180,728</u>	<u>\$ (30)</u>	<u>\$ 30</u>	<u>\$ 180,728</u>
Identifiable assets	\$ 30,217,252	\$ 37,613	\$ -	\$ 30,254,865
Investments accounted for using equity method	<u>3,648,317</u>	<u>-</u>	<u>(35,813)</u>	<u>3,612,504</u>
Total assets	<u>\$ 33,865,569</u>	<u>\$ 37,613</u>	<u>\$ (35,813)</u>	<u>\$ 33,867,369</u>
Total liabilities	<u>\$ 17,154,939</u>	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ 17,156,739</u>

(Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2024

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	JUNE 30, 2024				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>793,698</u>	-	\$ <u>793,698</u>	
	Ordinary Shares Taiwan Ves-Power Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	134,167	\$ 38,526	2	\$ 38,526	2024.5.31 net value
	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	6,560	5	6,560	2024.5.31 net value
					\$ <u>45,086</u>		\$ <u>45,086</u>	
Hung Kao Investment Corporation	Ordinary Shares China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	\$ <u>23,192</u>	-	\$ <u>23,192</u>	

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE PERIOD ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Chung Hung Steel Corporation	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	\$ 6,361,457	40	Letter of credit at sight	\$ -		\$ -	-	
	China Steel Corporation	Parent company	Purchase of goods	3,860,745	24	Letter of credit at sight/Payment after final acceptance	-		(271,672)	(77)	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(703,909)	(4)	T/T within 7 business days after lading date (not included)	-		57,297	10	
	China Steel Corporation	Parent company	Service revenue	(151,587)	(1)	T/T as the end of the month of after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED	24,512	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
 JUNE 30, 2024
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Periodote (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 226,088	(Note 1)	\$ -		\$ 143	\$ -

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

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE PERIOD ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
				Chung Hung Steel Corporation	Hung Kao Investment Corporation	Taiwan	General investment	\$ 26,000			
Chung Hung Steel Corporation	Transglory Investment Corporation	Taiwan	General investment	2,001,152	2,001,152	337,554,151	39.59	2,785,433	1,619	641	Associates
Chung Hung Steel Corporation	Pro-Ascentek Investment Corporation	Taiwan	General investment	200,000	200,000	20,000,000	16.67	233,528	5,909	985	Associates

Note: Amount was eliminated in the consolidated financial statements.

CHUNG HUNG STEEL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

JUNE 30, 2024

Name of The Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership(%)
China Steel Corporation	582,673,153	40.58

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

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