

**China Steel Structure Co., Ltd.
and Subsidiaries**

**Consolidated Financial Statements for the
January 1 to September 30, 2022 and 2021 and
Independent Auditors' Review Report**

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Independent Auditors' Review Report

China Steel Structure Co., Ltd.:

Introduction

China Steel Structure Co., Ltd. (China Steel Structure) and its subsidiaries' Consolidated Balance Sheet as of September 30, 2022 and 2021, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and Notes to the Consolidated Financial Statement (including material accounting policies) from July 1 to September 30, and January 1 to September 30, 2022 and 2021 have been reviewed by the CPA.

Management is responsible for preparation and fair presentation of the Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Accounting Standards 34 "Interim Financial Reporting" endorsed and announced by Financial Supervisory Commission. The responsibility of CPA is to express a conclusion on the Consolidated Financial Statements based on reviews.

Scope of Review

The CPA has followed the auditing procedures laid down according to the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". The review procedures of Financial Statement consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Scope of review is less in scope of audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in audit procedures. Accordingly, CPA do not express an audit opinion.

Conclusion

In our opinion, nothing has come to our attention that cause us to believe that the Consolidated Financial Statements and mentioned above have not been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standards 34 "Interim Financial Reporting" endorsed and announced by Financial Supervisory Commission that do not present fairly, in all material, the financial position of the China Steel Structure and its subsidiaries as of

September 30, 2022 and 2021,.and its consolidated financial performance and its consolidated cash flow from July 1 to September 30, and January 1 to September 30, 2022 and 2021.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 2, 2022

Notice to Readers

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

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

China Steel Structure Co., Ltd. and Subsidiaries
Consolidated Balance Sheet

Unit: thousand NTD

Code	Asset	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	\$ 573,068	4	\$ 430,519	3	\$ 485,509	3
1120	Financial assets at fair value through other comprehensive income - current (Note 7)	285,218	2	377,621	3	387,769	3
1140	Contract assets - current (Note 23)	6,464,487	43	6,420,313	45	7,154,164	48
1150	Notes receivable (Note 8)	80,336	-	79,149	1	68,208	-
1170	Accounts receivable, net (Note 8)	1,935,656	13	1,061,428	8	994,944	7
1180	Accounts receivable - related parties (Note 8 and 29)	326,904	2	212,701	2	335,316	2
1200	Other receivables (Note 8 and 29)	17,021	-	23,661	-	42,905	-
1220	Current income tax assets	13,161	-	40	-	-	-
130X	Inventory (Note 9)	1,021,009	7	1,004,022	7	1,260,232	8
1410	Advance payments (Note 29)	108,314	1	114,854	1	180,553	1
1460	Non-current assets held for sale (Note 12 and 15)	81,226	-	81,226	1	-	-
1476	Other financial assets - current (Note 10 and 30)	59,200	-	128,042	1	128,797	1
1478	Refundable deposits (Note 30)	34,359	-	5,601	-	4,862	-
11XX	Total current assets	10,999,959	72	9,939,177	72	11,043,259	73
	Non-current assets						
1550	Investments accounted for using equity method (Note 12)	1,184,367	8	977,482	7	1,038,704	7
1600	Property, plant, and equipment (Note 13)	1,637,334	11	1,623,251	12	1,633,794	11
1755	Right-of-use assets (Note 14)	659,176	4	690,950	5	700,706	5
1760	Investment properties (Note 15)	262,769	2	262,769	2	263,326	2
1780	Intangible asset	5,075	-	4,365	-	4,508	-
1840	Deferred tax assets	241,477	2	274,105	2	241,268	2
1915	Prepayments for equipment	98,497	1	43,792	-	29,524	-
1920	Refundable deposits (Note 30)	30,579	-	36,209	-	36,190	-
1975	Net defined benefit assets (Note 4)	27,505	-	22,652	-	19,170	-
1980	Other financial assets - non-current (Note 10 and 30)	31,684	-	30,577	-	30,575	-
1990	Other non-current assets	35	-	62	-	150	-
15XX	Total non-current assets	4,178,498	28	3,966,214	28	3,997,915	27
1XXX	Total assets	\$ 15,178,457	100	\$ 13,905,391	100	\$ 15,041,174	100
	Liabilities and equity						
	Current liabilities						
2100	Short-term borrowing (Note 16)	\$ 3,656,034	24	\$ 778,388	6	\$ 1,328,679	9
2110	Short-term bills payable (Note 16)	1,888,764	12	2,649,574	19	2,769,511	19
2130	Contract liabilities - current (Note 23)	467,581	3	575,210	4	1,654,564	11
2150	Notes payable (Note 17 and 29)	74,826	-	45,152	-	30,576	-
2170	Accounts payable (Note 17)	2,247,842	15	2,448,391	18	2,424,403	16
2180	Accounts payable - related parties (Note 17 and 29)	86,395	1	137,133	1	218,973	1
2200	Other payables (Note 18 and 29)	404,050	3	584,501	4	383,504	3
2230	Current tax liabilities	-	-	90,673	1	16,904	-
2250	Liability provision - current (Note 4 and 19)	344,412	2	465,734	3	237,197	2
2280	Lease liabilities - current (Note 14)	18,385	-	23,778	-	23,691	-
2399	Other current liabilities (Note 12)	29,495	-	11,327	-	14,498	-
21XX	Total current liabilities	9,217,784	60	7,809,861	56	9,102,500	61
	Non-current liabilities						
2542	Long-term notes and bills payable (Note 16)	299,797	2	299,769	3	299,836	2
2570	Deferred tax liabilities	15,723	-	9,008	-	8,898	-
2580	Lease liabilities - non-current (Note 14)	446,713	3	452,393	3	467,687	3
2640	Net defined benefit liabilities (Note 4)	11,070	-	12,760	-	18,567	-
2645	Guarantee deposits received	163,986	1	138,089	1	159,050	1
25XX	Total non-current liabilities	937,289	6	912,019	7	954,038	6
2XXX	Total liabilities	10,155,073	66	8,721,880	63	10,056,538	67
	Equity attributable to owners of the Company (Note 22)						
3110	Ordinary share capital	2,000,000	13	2,000,000	14	2,000,000	13
3200	Capital surplus	1,363,799	10	1,363,683	10	1,363,490	9
	Retained earnings						
3310	Legal reserve	743,050	5	692,942	5	692,942	5
3320	Special surplus reserve	158,453	1	158,453	1	158,453	1
3350	Undistributed earnings	710,197	5	807,423	6	597,556	4
3300	Total retained earnings	1,611,700	11	1,658,818	12	1,448,951	10
3400	Other equity	47,885	-	161,010	1	172,195	1
31XX	Total equity	5,023,384	34	5,183,511	37	4,984,636	33
	Total liabilities and equity	\$ 15,178,457	100	\$ 13,905,391	100	\$ 15,041,174	100

The notes included below are part of the Consolidated Financial Statements.

China Steel Structure Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
(Reviewed, Not Audited)

Unit: thousand NTD,
except NTD for earnings per share

Code	July 1 to September 30, 2022		July 1 to September 30, 2021		January 1 to September 30, 2022		January 1 to September 30, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Note 23 and 29)								
4100 Sales revenue	\$ 490,821	10	\$ 645,419	15	\$ 1,679,341	12	\$ 1,829,405	16
4520 Construction revenues	4,527,424	87	3,425,341	82	11,961,409	85	9,026,669	80
4600 Service revenues	140,208	3	132,343	3	385,588	3	380,664	4
4800 Other operating revenues	4,720	-	2,866	-	10,260	-	8,273	-
4000 Total operating revenues	5,163,173	100	4,205,969	100	14,036,598	100	11,245,011	100
5000 Operating costs (Note 9, 24, and 29)	4,987,942	97	3,987,645	95	13,506,411	96	10,649,384	95
5900 Gross profit	175,231	3	218,324	5	530,187	4	595,627	5
Operating expenses (Note 8, 24, and 29)								
6100 Selling and marketing expenses	23,476	-	30,613	1	72,744	-	71,780	1
6200 General and administrative expenses	49,794	1	54,371	1	149,195	1	154,307	1
6300 Research and development expenses	3,324	-	5,824	-	10,739	-	14,856	-
6450 Expected credit impairment loss (profits)	-	-	-	-	-	-	123,527	1
6000 Total operating expenses	76,594	1	90,808	2	232,678	1	364,470	3
6900 Net operating profit	98,637	2	127,516	3	297,509	3	231,157	2
Non-operating income and expenses (Note 12 and 24)								
7100 Interest income	1,498	-	745	-	2,943	-	1,924	-
7010 Other income	34,552	1	3,994	-	38,388	-	7,245	-
7020 Other gains and losses	30,546	1	3,348	-	62,690	-	41,972	-
7050 Finance costs	(19,967)	-	(5,961)	-	(38,848)	-	(19,523)	-
7060 Share of profit/loss of associates	25,959	-	14,944	-	67,266	-	61,216	1
7000 Total	72,588	2	17,070	-	132,439	-	92,834	1
7900 Net profit before income tax	171,225	4	144,586	3	429,948	3	323,991	3
7950 Income tax expenses (Note 4 and 25)	27,140	1	19,717	-	71,463	1	35,645	-
8200 Net income for the period	144,085	3	124,869	3	358,485	2	288,346	3
Other comprehensive income (Note 22)								
8310 Items that will not be reclassified subsequently to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(18,694)	1	(35,251)	-	(92,403)	(1)	123,381	1
8320 Share of other comprehensive income/losses of associates	(6,348)	-	(12,521)	-	(35,659)	-	39,295	-

Code		July 1 to September 30, 2022		July 1 to September 30, 2021		January 1 to September 30, 2022		January 1 to September 30, 2021	
		Amount	%	Amount	%	Amount	%	Amount	%
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translating	\$ 2,698	-	\$ 473	-	\$ 5,452	-	\$ 2,452	-
8370	Share of other comprehensive income/losses of associates	5,279	-	695	-	10,135	-	3,484	-
8300	Other comprehensive annual income (net income after-tax)	(17,065)	1	(46,604)	-	(112,475)	(1)	168,612	1
8500	Total comprehensive income for the year	\$ 127,020	4	\$ 78,265	3	\$ 246,010	1	\$ 456,958	4
8600	Net profit attributable to:								
8610	Owners of the Company	\$ 144,085		\$ 124,869		\$ 358,485		\$ 288,346	
8700	Comprehensive income attributable to:								
8710	Owners of the Company	\$ 127,020		\$ 78,265		\$ 246,010		\$ 456,958	
	Earnings per share (Note 26)								
9710	Basic	\$ 0.72		\$ 0.62		\$ 1.79		\$ 1.46	
9810	Diluted	\$ 0.72		\$ 0.62		\$ 1.79		\$ 1.45	

The notes included below are part of the Consolidated Financial Statements.

China Steel Structure Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
(Reviewed, Not Audited)

Unit: thousand NTD

		Equity Attributable to Owners of the Corporation										
		Retained earnings						Other equity items				
								Exchange differences on translating foreign operations	Unrealized profit and losses on financial assets measured at fair value through other comprehensive profits and losses		Treasury stock	Total equity
Code		Ordinary share capital	Capital reserve	Statutory surplus reserve	Special surplus reserve	Undistributed earnings	Total			Total		
A1	Balance on January 1, 2022	\$ 2,000,000	\$ 1,363,683	\$ 692,942	\$ 158,453	\$ 807,423	\$ 1,658,818	\$ (34,573)	\$ 195,583	\$ 161,010	\$ -	\$ 5,183,511
	Appropriation of 2021 earnings (Note 22)											
B1	Legal reserve	-	-	50,108	-	(50,108)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(400,000)	(400,000)	-	-	-	-	(400,000)
		-	-	50,108	-	(450,108)	(400,000)	-	-	-	-	(400,000)
C17	Other changes to capital reserve	-	116	-	-	-	-	-	-	-	-	116
D1	Net profit (loss) for January 1 to September 30, 2022	-	-	-	-	358,485	358,485	-	-	-	-	358,485
D3	Other comprehensive income for January 1 to September 30, 2022, net of income tax	-	-	-	-	(2)	(2)	15,587	(128,060)	(112,473)	-	(112,475)
D5	Total comprehensive income for January 1 to September 30, 2022	-	-	-	-	358,483	358,483	15,587	(128,060)	(112,473)	-	246,010
Q1	Disposal of parent company stocks as treasury stock transactions	-	-	-	-	652	652	-	(652)	(652)	-	-
T1	Disposal of equity instruments in other comprehensive income measured at fair value through profit and loss by affiliated companies (Note 12)	-	-	-	-	(6,253)	(6,253)	-	-	-	-	(6,253)
Z1	Balance on September 30, 2022	\$ 2,000,000	\$ 1,363,799	\$ 743,050	\$ 158,453	\$ 710,197	\$ 1,611,700	\$ (18,986)	\$ 66,871	\$ 47,885	\$ -	\$ 5,023,384
A1	Balance on January 1, 2021	\$ 2,000,000	\$ 1,219,032	\$ 628,788	\$ 158,453	\$ 930,498	\$ 1,717,739	\$ (39,022)	\$ 45,471	\$ 6,449	\$ (136,162)	\$ 4,807,058
	Appropriation of 2020 earnings (Note 22)											
B1	Legal reserve	-	-	64,154	-	(64,154)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(560,000)	(560,000)	-	-	-	-	(560,000)
		-	-	64,154	-	(624,154)	(560,000)	-	-	-	-	(560,000)
D1	Net profit (loss) for January 1 to September 30, 2021	-	-	-	-	288,346	288,346	-	-	-	-	288,346
D3	Other comprehensive income for January 1 to September 30, 2021, net of income tax	-	-	-	-	(8)	(8)	5,936	162,684	168,620	-	168,612
D5	Total comprehensive income for January 1 to September 30, 2021	-	-	-	-	288,338	288,338	5,936	162,684	168,620	-	456,958
L7	Disposal of parent company stocks as treasury stock transactions (Note 22)	-	144,458	-	-	-	-	-	-	-	136,162	280,620
Q1	Disposal of equity instruments in other comprehensive income measured at fair value through profit and loss by affiliated companies	-	-	-	-	2,874	2,874	-	(2,874)	(2,874)	-	-
Z1	Balance on September 30, 2021	\$ 2,000,000	\$ 1,363,490	\$ 692,942	\$ 158,453	\$ 597,556	\$ 1,448,951	\$ (33,086)	\$ 205,281	\$ 172,195	\$ -	\$ 4,984,636

The notes included below are part of the Consolidated Financial Statements.

China Steel Structure Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

(Reviewed, Not Audited)

Unit: thousand NTD

Code		January 1 to September 30,2022	January 1 to September 30,2021
	Cash Flows from Operating Activities		
A10000	Profit before income tax	\$ 429,948	\$ 323,991
A20010	Income and expense items		
A20100	Depreciation expenses	135,265	139,552
A20200	Amortization expenses	1,340	1,817
A20300	Expected credit impairment	-	123,527
A20900	Finance costs	38,848	19,523
A21200	Interest income	(2,943)	(1,924)
A21300	Dividend income	(33,115)	(3,205)
A22300	Share of profit/loss of associates	(67,266)	(61,216)
A22500	Gain (loss) on disposal of property, plant, and equipment	68	(199)
A23000	Gain on disposal of noncurrent assets held for sale	-	(33,545)
A23700	Loss on inventory devaluation (gain on price recovery)	613	(474)
A29900	Gain on disposal of subsidiaries and associates	(8,329)	(24,258)
A29900	Reversed unrealized loss from construction	(122,625)	(85,847)
A29900	Provision (reversal) for liability provisions	1,303	(53,192)
A29900	Gains from lease modifications	(10)	-
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(44,174)	630,166
A31130	Notes receivable	(1,187)	(63,064)
A31150	Accounts receivable	(874,228)	(325,629)
A31160	Accounts receivable - related parties	(114,203)	(5,298)
A31180	Other receivables	6,697	106,735
A31200	Inventory	(17,600)	(567,293)
A31230	Advance payments	6,540	(647)
A31990	Net defined benefit assets	(4,853)	(1,007)
A32125	Contract liabilities	(107,629)	731,836
A32130	Notes payable	29,674	(1,460)
A32150	Accounts payable	(200,549)	(194,164)
A32160	Accounts payable - related parties	(50,738)	44,761
A32180	Other payables	(174,671)	(240,203)
A32200	Liability provision - current	-	(382)
A32230	Other current liabilities	18,168	1,949
A32240	Net defined benefit liabilities	(1,690)	(3,673)
A33000	Cash generated from operations	(1,157,346)	457,177
A33500	Income taxes paid	(135,914)	(101,479)
AAAA	Net cash inflow (outflow) from operating activities	\$ (1,293,260)	355,698
	Cash Flows from Investing Activities		
B01800	Acquisition of investments accounted for using the equity method	(250,000)	(60,000)

Code		January 1 to September 30,2022	January 1 to September 30,2021
B02300	Disposal of subsidiaries	\$ 8,329	\$ 24,258
B02400	Proceeds from the capital reduction on investments accounted for using equity method	-	847
B02600	Proceeds from disposal of non-current assets held for sale	-	176,233
B02700	Acquisition of property, plant, and equipment	(183,702)	(94,979)
B02800	Proceeds from disposal of property, plant, and equipment	251	455
B03800	Decrease (increase) in refundable deposits	(23,128)	24,721
B04500	Acquisition of intangible assets	(2,023)	(1,229)
B05350	Acquisition of right-of-use assets	-	(1,376)
B06600	Decrease (increase) in other financial assets	67,735	(143,645)
B07500	Interest received	2,886	1,960
B07600	Dividends received from subsidiaries and associates	78,603	56,807
B07600	Dividends received from others	33,115	3,205
BBBB	Net cash inflow (outflow) from investing activities	(267,934)	(12,743)
	Cash flow from financing activities		
C00100	Decrease (increase) in short-term loans	2,877,646	527,152
C00600	Decrease in short-term bills	(760,000)	(530,000)
C01600	Borrowing long-term loans	-	300,000
C01700	Repaying long-term loans	-	(300,000)
C03000	Increase in guarantee deposits received	25,897	15,021
C04020	Repayments of principal of lease liabilities	(7,646)	(6,219)
C04500	Distribution of cash dividends	(400,000)	(559,995)
C05000	Disposal of treasury stock	-	280,620
C05600	Interest paid	(37,562)	(19,495)
C09900	Return of overdue uncollected dividends	116	-
CCCC	Net cash inflow (outflow) from financing activities	1,698,451	(292,916)
DDDD	Effect of exchange rate changes on cash and cash equivalents	5,292	4,283
EEEE	Net increase in cash and cash equivalents	142,549	54,322
E00100	Cash and cash equivalents of the beginning of the period	430,519	431,187
E00200	Cash and cash equivalents of the end of the period	\$ 573,068	\$ 485,509

The notes included below are part of the Consolidated Financial Statements.

China Steel Structure Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Report
January 1 to September 30, 2022 and 2021
(In thousands of New Taiwan Dollars unless otherwise specified)
(Reviewed, Not Audited)

I. Company history

The Company was established within the plant area of China Steel Corporation (parent company) in February 1978. The Guantian Plant was constructed in 1989 and Kaohsiung Plant was moved to Yanchao in May 2012. The Company operates the design, processing, manufacturing, assembly, and sales of various steel sections and steel frames and provides technical services for steel structure engineering, import and export of metal products and construction materials, and real estate leasing.

The Company's parent company is China Steel Corporation (with actual control) which held 33.24% of the Company's ordinary shares as of September 30, 2022 and 2021.

The Company's stocks are listed on the Taiwan Stock Exchange.

The Consolidated Financial Report is shown in NTD, which is the Company's functional currency.

II. Date and procedures of approval of the financial statements

The Consolidated Financial Report were approved by the Board of Directors on November 2, 2022.

III. Application of new standards, amendments, and interpretations

- (I) The first application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter "IFRSs") endorsed by the Financial Supervisory Commission (hereinafter "FSC").

Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”

The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. The amendment specifies that when assessing whether that contract is onerous, the “cost of fulfilling a contract” must include the incremental costs of fulfilling that contract (e.g., direct manpower and materials) and an allocation of other costs that relate directly to fulfilling contracts

(e.g., allocation of the cost of depreciation for the use of property, plant, and equipment for fulfilling the contract).

The Group is not expected to have a material impact.

In addition to the aforementioned impact, the applicability of the aforementioned revised IFRSs endorsed and announced by the FSC should not result in major changes to the accounting policies of the Group.

(II) IFRSs endorsed by FSC in 2023

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Published by IASB (Note)</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the Consolidated Financial Report was reported to the Board of Directors, the Group shall continue to assess the effects of revisions of other standards and interpretations on the financial status and financial performance. Related effects shall be disclosed upon the completion of the assessment.

(III) IFRSs announced by the IASB yet to be endorsed, published, and effected by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Published by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 -Comparative Information”	January 1, 2023
Amendment to IAS 1 to “Classify Liabilities as Current or Non-current”	January 1, 2023

Note 1: Unless otherwise specified, the aforementioned new/revised/amended standards and interpretations shall be effective for the reporting period of the fiscal year after the specified dates.

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

As of the date the Consolidated Financial Report was reported to the Board of Directors, the Group shall continue to assess the effects of revisions of other standards and interpretations on the financial status and financial performance. Related effects shall be disclosed upon the completion of the assessment.

IV. Summary of significant accounting policies

(I) Statement of compliance

The Consolidated Financial Report was formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed, published, and effected by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual financial statements.

(II) Basis of preparation

Please refer to Note 11 and Appendix 7 for the details, shareholding ratio, and business items of subsidiaries.

(III) Other significant accounting policies

Except for the following, refer to the summary of significant accounting policies and basis of preparation in the consolidated financial statements for the year ended December 31, 2021.

1. Liability provision - onerous contract

When the Group expects that the unavoidable costs of the performance of contractual obligations to exceed the expected economic benefits that may be gained from the contract, the Group recognizes liability provisions for the performance of its obligations in the onerous contract. Before 2021, assessing whether a contract is onerous, the cost of fulfilling a contract contains only the incremental costs of fulfilling that contract. Since 2022, the cost of fulfilling a contract must include the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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.

V. Significant accounting judgments, estimates and main uncertainty assumptions

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2021.

VI. Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and working capital	\$ 4,964	\$ 5,134	\$ 6,205
Checking accounts and demand deposits	342,682	116,971	192,937
Cash equivalents			
Commercial papers with repurchase agreements	-	230,004	205,039
Bank time deposits with original maturity date within 3 months	225,422	78,410	81,328
	<u>\$ 573,068</u>	<u>\$ 430,519</u>	<u>\$ 485,509</u>

VII. Financial assets at fair value through other comprehensive income

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic investments			
Listed stocks	<u>\$ 285,218</u>	<u>\$ 377,621</u>	<u>\$ 387,769</u>

The Group invests in domestic and foreign common stocks for long-term strategic purposes and expects to profit from long-term investments. The management of the Group believes that if the short-term fair value changes of such investments were listed as profit and loss, it would be inconsistent with the aforementioned long-term investment plans. Therefore, the Group elects to designate such investment to be measured at fair value through other comprehensive income.

VIII. Notes and accounts receivable (including related parties), Other receivables (including related parties), and overdue receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable			
Arising from operations	<u>\$ 80,336</u>	<u>\$ 79,149</u>	<u>\$ 68,208</u>
Accounts receivable			
Non-related parties	\$ 2,059,183	\$ 1,184,955	\$ 1,118,471
Minus: Loss provisions	123,527	123,527	123,527
	<u>\$ 1,935,656</u>	<u>\$ 1,061,428</u>	<u>\$ 994,944</u>
Accounts receivable - related parties	<u>\$ 326,904</u>	<u>\$ 212,701</u>	<u>\$ 335,316</u>
Other receivables	<u>\$ 17,021</u>	<u>\$ 23,661</u>	<u>\$ 42,905</u>

	September 30, 2022	December 31, 2021	September 30, 2021
Overdue receivables (recognized under other financial assets - non-current)			
Arising from operations	\$ -	\$ 47,904	\$ 86,249
Minus: Loss provisions	-	47,904	86,249
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(I) Receivables and overdue receivables

The Group's notes and accounts receivable are financial assets at amortized cost.

The Group's credit period for product sales is 30 to 90 days. Payment requests for construction projects and provision of labor services are based on the milestones specified in the contract. To lower the credit risk, management of the Group appoints designated department to handle decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As such, the management concludes that the credit risk of the Group has been significantly reduced.

The Group recognizes the loss provisions for accounts receivable based on lifetime expected credit losses. Lifetime expected credit losses are calculated based on the bad debt provision matrix, which accounts for the customer's past default records, current financial status, economic conditions, and outlook of the industry. Since the Group's historical experience of credit loss indicates no significant difference in the loss patterns between customer segments, the Group does not classify customers into different segments but determines the expected credit loss rate based on the overdue days of accounts receivable.

The Group writes off accounts receivable when there is information indicating that the customer is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables after enforcement procedures are implemented. The Group shall list related accounts receivable as overdue receivables but will continue to engage in enforcement activities. Where recoveries are made from enforcement activities, they are recognized in profit or loss.

The Group's loss provisions for accounts receivable and overdue receivables based on the provision matrix are as follows:

September 30, 2022

	Transaction counterparty shows no signs of default						Transaction counterparty shows signs of default	Total
	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 180 days	Overdue for 181 to 365 days	Overdue for more than 365 days		
Expected credit loss rate (%)	-	-	-	-	-	5	100	
Total book value	\$ 2,241,174	\$ 101,722	\$ -	\$ -	\$ -	\$ -	123,527	\$ 2,466,423
Allowance for losses (lifetime expected credit losses)	-	-	-	-	-	-	(123,527)	(123,527)
Amortized cost	<u>\$ 2,241,174</u>	<u>\$ 101,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,342,896</u>

December 31, 2021

	Transaction counterparty shows no signs of default						Transaction counterparty shows signs of default	Total
	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 180 days	Overdue for 181 to 365 days	Overdue for more than 365 days		
Expected credit loss rate (%)	-	-	-	-	-	5	100	
Total book value	\$ 1,353,278	\$ -	\$ -	\$ -	\$ -	\$ -	171,431	\$ 1,524,709
Allowance for losses (lifetime expected credit losses)	-	-	-	-	-	-	(171,431)	(171,431)
Amortized cost	<u>\$ 1,353,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,353,278</u>

September 30, 2021

	Transaction counterparty shows no signs of default						Transaction counterparty shows signs of default	Total
	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 180 days	Overdue for 181 to 365 days	Overdue for more than 365 days		
Expected credit loss rate (%)	-	-	-	-	-	5	100	
Total book value	\$ 1,387,941	\$ 10,527	\$ -	\$ -	\$ -	\$ -	209,776	\$ 1,608,244
Allowance for losses (lifetime expected credit losses)	-	-	-	-	-	-	(209,776)	(209,776)
Amortized cost	<u>\$ 1,387,941</u>	<u>\$ 10,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,398,468</u>

Information regarding changes in the loss provisions of accounts receivable (including related parties and overdue receivables) is as follows:

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	\$ 171,431	\$ 86,249
Recognition in current year	-	123,527
Write-off in current year	(47,904)	-
Closing balance	<u>\$ 123,527</u>	<u>\$ 209,776</u>

(II) Other receivables

The loss provisions for other receivables are analyzed based on experience and the current financial conditions to estimate the unrecoverable amount. No balance of the loss provision remains as of September 30, 2022, December 31, 2021, and September 30, 2021.

IX. Inventory

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 817,581	\$ 728,500	\$ 1,174,997
Raw materials in transit	72,641	56,134	85,235
Construction land	91,694	183,388	-
Prepayments for land	39,093	36,000	-
	<u>\$ 1,021,009</u>	<u>\$ 1,004,022</u>	<u>\$ 1,260,232</u>

Inventory-related costs of sales amounted to NT\$438,232 thousand, NT\$550,566 thousand, NT\$1,463,515 thousand, and NT\$1,535,846 thousand, respectively, in July 1 to September 30, 2022 and 2021, and in January 1 to September 30, 2022 and 2021. The cost of inventories included loss on inventory devaluation NT\$337 thousand, gain from price recovery of NT\$129 thousand, loss on inventory devaluation NT\$613 thousand, and gain from price recovery of NT\$474 thousand, respectively. The cause of price recovery was the increase in steel prices.

In January and September 2021, the subsidiary United Steel Construction purchased land from a non-related person through a resolution of the board of directors. The transaction amount is NT\$275,731 thousand. It is expected to be used for sale after construction development. As of December 31, 2021, the land payment of NT\$219,388 thousand has been paid, and the construction land NT\$183,388 thousand and the prepaid land payment of NT\$36,000 thousand have been accounted for respectively.

Some of the above construction lands are expected to be sold to China Prosperity Construction Corporation in April 2022 through a resolution of the board of directors in March 2022. As a cooperative development and use, the transaction amount is NT\$91,694 thousand. As of September 30, 2022, the land payment of NT\$222,481 thousand has been paid, and the amount after deducting above sale price is NT\$130,787 thousand. The construction land NT\$91,694 thousand and the prepaid land payment of NT\$39,093 thousand have been accounted for respectively, and the outstanding amount is NT\$53,250 thousand.

X. Other financial assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 59,200	\$ -	\$ -
Deposits for projects (Note 30)	<u>-</u>	<u>128,042</u>	<u>128,797</u>
	<u>\$ 59,200</u>	<u>\$128,042</u>	<u>\$128,797</u>
<u>Non-current</u>			
Pledged time deposits (Note 30)	<u>\$ 31,684</u>	<u>\$ 30,577</u>	<u>\$ 30,575</u>

XI. Subsidiary

Subsidiaries included in the Consolidated Financial Report

The entities of the Consolidated Financial Report are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Remarks
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	United Steel Engineering & Construction Corp. (USEC)	Contracting for civil engineering and management	100	100	100	
	China Steel Structure Holding Co., Ltd. (CSSHCL)	Investment holding	100	100	100	
USEC	United Steel Investment Pte Ltd. (USIPL)	Investment holding	100	100	100	
	United Steel Construction (Vietnam) Co., Ltd. (USCVC)	Contracting for civil engineering and management	100	100	100	

Note : The Group sold all its shares in China Steel Structure Investment Co., Ltd. in May 2020. According to the agreement, the Group adjusted the transaction consideration. Gain on disposal of subsidiaries amounted to NT\$8,329 thousand and NT\$24,258 thousand, respectively, in January 1 to September 30, 2022 and 2021.

XII. Investments recognized under the equity method

Investment in affiliate enterprises

	September 30, 2022	December 31, 2021	September 30, 2021
Material affiliate enterprises			
CHC Resources Corporation (CHC) \$	532,420	\$ 537,549	\$ 523,009
Individual immaterial affiliate enterprises	651,947	439,933	515,695
	<u>\$ 1,184,367</u>	<u>\$ 977,482</u>	<u>\$ 1,038,704</u>

(I) Material affiliate enterprises are as follows:

Company name	Shareholding and voting rights ratio		
	September 30, 2022	December 31, 2021	September 30, 2021
CHC (%)	9	9	9

The aforementioned affiliate enterprise in which the Company holds less than 20% of the shares is determined to have material influence after considering the shares held by the affiliates of CSC Group. It is therefore valued based on the equity method. Please refer to the table in Appendix 7 "Information on Investees" for information on the nature of its business, its area of operations, and country of company registry of the above affiliates.

The information on the level 1 fair value of the affiliate enterprises with open market quotes is as follows:

Company name	September 30, 2022	December 31, 2021	September 30, 2021
CHC	<u>\$ 1,047,860</u>	<u>\$ 1,051,337</u>	<u>\$ 1,040,905</u>

The following summary financial information is prepared based on the IFRSs Consolidated Financial Reports of affiliate enterprises and already reflects adjustments made when the equity method is adopted.

CHC

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 2,261,345	\$ 2,798,678	\$ 3,018,359
Non-current assets	10,119,957	10,329,853	10,410,866
Current liabilities	(2,136,014)	(2,762,857)	(3,039,599)
Non-current liabilities	(4,316,589)	(4,380,828)	(4,566,042)
Equity	5,928,699	5,984,846	5,823,584
Non-controlling equity	(222,156)	(223,329)	(217,912)
	<u>\$ 5,706,543</u>	<u>\$ 5,761,517</u>	<u>\$ 5,605,672</u>

Shareholding ratio of the Company (%)	9	9	9
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Equity attributable to the Company	\$ 532,420	\$ 537,549	\$ 523,009
Investment book value	<u>\$ 532,420</u>	<u>\$ 537,549</u>	<u>\$ 523,009</u>

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Operating revenue	<u>\$ 2,781,829</u>	<u>\$ 2,719,517</u>	<u>\$ 8,573,400</u>	<u>\$ 8,007,201</u>
Net income	\$ 213,602	\$ 165,065	\$ 615,293	\$ 537,810
Other comprehensive income	12,649	(35,546)	(37,269)	207,049
Total comprehensive income	<u>\$ 226,251</u>	<u>\$ 129,519</u>	<u>\$ 578,024</u>	<u>\$ 744,859</u>

(II) Summary of individual immaterial affiliate enterprises

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Share attributable to the Group				
Net income (loss)	\$ 5,990	\$ (173)	\$ 9,945	\$ 11,742
Other comprehensive income	(1,743)	(8,432)	(21,031)	24,330
Total comprehensive income	<u>\$ 4,247</u>	<u>\$ (8,605)</u>	<u>\$ (11,086)</u>	<u>\$ 36,072</u>

The company participated in the cash capital increase of Sing Da Marine Structure Corporation (SDMS) in January 2022. To consider that the parent company of the company has control over SDMS, it is treated as a transaction of equity, and the difference between the investment cost and the net equity value is reduced to retain the surplus NT\$ 6,253 thousand.

The board of directors of the subsidiary USIPL decided to sell the entire equity of Chungkang Steel Structure (Cambodia) Co., Ltd (China Steel Structure Cambodia) in October 2021, and it is expected to complete the disposal process within 12 months. French investment NT\$81,226 thousand is classified as non-current assets for sale. USIPL has been received NT\$17,261 thousand in April 2022, which were record as other current liabilities.

The sale price is expected to exceed the book value held, so unrecognized impairment losses.

XIII. Property, plant, and equipment

January 1 to September 30, 2022

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>Cost</u>							
Balance as of January 1, 2022	\$ 439,351	\$ 1,755,410	\$ 1,448,623	\$ 7,741	\$ 127,594	\$ 1,325	\$ 3,780,044
Addition	24,603	33,591	55,286	-	7,938	(269)	121,149
Disposal	-	(182)	(6,474)	-	(541)	-	(7,197)
Net exchange differences	-	316	-	-	-	-	316
Balance as of September 30, 2022	<u>\$ 463,954</u>	<u>\$ 1,789,135</u>	<u>\$ 1,497,435</u>	<u>\$ 7,741</u>	<u>\$ 134,991</u>	<u>\$ 1,056</u>	<u>\$ 3,894,312</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2022	\$ -	\$ 1,076,331	\$ 961,023	\$ 6,386	\$ 113,053	\$ -	\$ 2,156,793
Depreciation expenses	-	49,574	53,270	144	3,816	-	106,804
Disposal	-	(182)	(6,195)	-	(501)	-	(6,878)
Net exchange differences	-	259	-	-	-	-	259
Balance as of September 30, 2022	<u>\$ -</u>	<u>\$ 1,125,982</u>	<u>\$ 1,008,098</u>	<u>\$ 6,530</u>	<u>\$ 116,368</u>	<u>\$ -</u>	<u>\$ 2,256,978</u>
Net amount as of December 31, 2021	<u>\$ 439,351</u>	<u>\$ 679,079</u>	<u>\$ 487,600</u>	<u>\$ 1,355</u>	<u>\$ 14,541</u>	<u>\$ 1,325</u>	<u>\$ 1,623,251</u>
Net amount as of September 30, 2022	<u>\$ 463,954</u>	<u>\$ 663,153</u>	<u>\$ 489,337</u>	<u>\$ 1,211</u>	<u>\$ 18,623</u>	<u>\$ 1,056</u>	<u>\$ 1,637,334</u>

January 1 to September 30, 2021

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>Cost</u>							
Balance as of January 1, 2021	\$ 439,351	\$ 1,742,008	\$ 1,442,423	\$ 7,171	\$ 124,812	\$ 635	\$ 3,756,400
Addition	-	10,414	54,386	-	3,053	(634)	67,219
Disposal	-	(145)	(28,509)	(560)	(33)	-	(29,247)
Net exchange differences	-	250	-	-	-	-	250
Balance as of September 30, 2021	<u>\$ 439,351</u>	<u>\$ 1,752,527</u>	<u>\$ 1,468,300</u>	<u>\$ 6,611</u>	<u>\$ 127,832</u>	<u>\$ 1</u>	<u>\$ 3,794,622</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2021	\$ -	\$ 1,004,994	\$ 952,871	\$ 6,832	\$ 109,332	\$ -	\$ 2,074,029
Depreciation expenses	-	54,731	57,583	81	3,197	-	115,592
Disposal	-	(121)	(28,279)	(558)	(33)	-	(28,991)
Net exchange differences	-	198	-	-	-	-	198
Balance as of September 30, 2021	<u>\$ -</u>	<u>\$ 1,059,802</u>	<u>\$ 982,175</u>	<u>\$ 6,355</u>	<u>\$ 112,496</u>	<u>\$ -</u>	<u>\$ 2,160,828</u>
Net amount as of September 30, 2021	<u>\$ 439,351</u>	<u>\$ 692,725</u>	<u>\$ 486,125</u>	<u>\$ 256</u>	<u>\$ 15,336</u>	<u>\$ 1</u>	<u>\$ 1,633,794</u>

The property, plant, and equipment of the Group are depreciated based on the straight-line method as per their useful life listed below:

	Self-use
Buildings	
Houses and buildings	20 to 60 years
Building auxiliary equipment	2 to 50 years
Machinery and equipment	
Mobile crane equipment	3 to 15 years
Cutting machine equipment	5 to 15 years
Arc welding equipment	2 to 15 years
Substation equipment	10 to 15 years
Transportation equipment	
Transportation and communication equipment	2 to 5. years
Transportation equipment for production	5 to 10 years
Other equipment	
Computer equipment	3 to 5 years
Fire safety equipment	5 years
Other equipment	2 to 15 years

XIV. Lease agreements

(I) Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
Book value of right-of-use assets			
Land	\$ 657,069	\$ 685,238	\$ 694,204
Transportation equipment	2,107	5,712	6,502
	<u>\$ 659,176</u>	<u>\$ 690,950</u>	<u>\$ 700,706</u>
	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022
Additional right-of-use assets			\$ -
Depreciation expenses of right-of-use assets			
Land	\$ 8,714	\$ 7,955	\$ 26,383
Transportation equipment	499	806	2,078
	<u>\$ 9,213</u>	<u>\$ 8,761</u>	<u>\$ 28,461</u>
			<u>\$ 23,960</u>

Except for the aforementioned additions and recognition of depreciation expenses, there were no significant transfer or impairment of the Group's right-of-use assets in January 1 to September 30, 2022, and 2021.

(II) Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Book value of lease liabilities			
Current	\$ 18,385	\$ 23,778	\$ 23,691
Non-current	\$ 446,713	\$ 452,393	\$ 467,687

The discount rate (%) of lease liabilities is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land	0.8~1.605	0.8~1.605	0.8~1.605
Transportation equipment	0.7	0.7	0.7

(III) Important lease activities and terms

The Group's plant area in Yanchao is leased from Taiwan Sugar Corporation and the lease tenor is 30 years from October 2010 to October 2040. The lease is calculated as 10% of the declared land price of the current year. The Group does not have the right of first refusal regarding the leased land at the end of lease tenor.

(IV) Other lease information

Please refer to Note 15 for the Group's agreements for the operating lease of investment properties.

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Short-term and low-value asset lease expenses	\$ 7,525	\$ 3,991	\$ 20,322	\$ 12,133
Total cash outflow from lease			(\$ 33,596)	(\$ 25,441)

The Group opts not to recognize the right-of-use assets and lease liabilities of short-term land and house leases and certain office equipment meeting criteria as low-value asset leases, which are eligible for exemption from recognition.

XV. Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1 to September 30, 2022</u>			
Cost			
Balance as of January 1 and September 30, 2022	\$ 378,489	\$ 184,164	\$ 562,653
Accumulated depreciation			
Balance as of January 1 and September 30, 2022	-	170,775	170,775
Accumulated impairment			
Balance as of January 1 and September 30, 2022	129,109	-	129,109
Net amount as of September 30, 2022	\$ 249,380	\$ 13,389	\$ 262,769
Net amount as of December 31, 2021	\$ 249,380	\$ 13,389	\$ 262,769
<u>January 1 to September 30, 2021</u>			
Cost			
Balance as of January 1, 2021	\$ 521,177	\$ 184,164	\$ 705,341
Reclassified to held for sale	(142,688)	-	(142,688)
Balance as of September 30, 2021	378,489	184,164	562,653
Accumulated depreciation			
Balance as of January 1 and September 30, 2021	-	170,775	170,775
Accumulated impairment			
Balance as of January 1 and September 30, 2021	128,552	-	128,552
Net amount as of September 30, 2021	\$ 249,937	\$ 13,389	\$ 263,326

The lease tenor of investment properties is 2 to 7 years. All operating lease contracts include a provision for the lessor to adjust the rent based on prevailing market rates when the lessee exercises its right for lease renewal. The lessee does not have the right of first refusal regarding the real estate at the end of lease tenor.

The total rent payments for the operating lease of investment properties to be collected in the future are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
1st year	\$ 9,678	\$ 9,681	\$ 9,078
2nd year	4,410	6,339	6,337
3rd year	891	2,112	1,961
4th year	-	960	960
5th year	-	1,160	1,100
Over 5 years	-	5,480	5,780
	<u>\$ 14,979</u>	<u>\$ 25,732</u>	<u>\$ 25,216</u>

Investment properties are depreciated based on the straight-line method as per their useful life of 25 years.

The accumulated impairment balance as of September 30, 2022, December 31, 2021, and September 30, 2021 was NT\$129,109 thousand, NT\$129,109 thousand, and NT\$128,552 thousand, respectively.

The fair value of the Group's investment properties as of September 30, 2022, December 31, 2021, and September 30, 2021 was NT\$271,266 thousand, NT\$271,266 thousand, and NT\$269,123 thousand, respectively. The fair value was based on the level 3 input value of the appraisal made by the real estate appraiser in 2021 and 2019. The appraisal was based on the actual transaction price of land in the same section and the significant unobservable input included the earnings capitalization rate and related expense ratio.

All investment properties of the Group are from self-owned equity.

The USEC Board of Directors approved to dispose of the investment property in January 2021, and the disposal would be completed within 12 months. Therefore, reclassified investment property to held for sale. Disposal of the investment property was complete in May 2021. The price of disposal was NT\$176,233 and proceeds from disposal was NT\$33,545.

XVI. Borrowings

(I) Short-term borrowings and bank overdrafts

	September 30, 2022	December 31, 2021	September 30, 2021
Credit loans	\$ 3,330,000	\$ 690,000	\$ 945,000
L/C loans	326,034	88,388	383,679
	<u>\$ 3,656,034</u>	<u>\$ 778,388</u>	<u>\$ 1,328,679</u>
Annual interest rate (%)	0.6978~1.57	0.35~0.92	0.35~1.08

(II) Short-term bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial papers payable	\$ 1,890,000	\$ 2,650,000	\$ 2,770,000
Minus: Unamortized discounts	1,236	426	489
	<u>\$ 1,888,764</u>	<u>\$ 2,649,574</u>	<u>\$ 2,769,511</u>
Annual interest rate (%)	1.328~1.588	0.448~0.498	0.318~0.388

The balance as of September 30, 2022, December 31, 2021 and September 30, 2021 includes the issuance of commercial papers that do not require collaterals totaling NT\$1,840,000 thousand, NT\$2,650,000 thousand and NT\$2,770,000 thousand, respectively. The guarantee institution is China Bills Finance Corporation.

(III) Long-term bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial papers payable			
Taiwan Cooperative Bills Finance Corp.	\$ 300,000	\$ 300,000	\$ 300,000
Minus: Unamortized discounts	203	231	164
	<u>\$ 299,797</u>	<u>\$ 299,769</u>	<u>\$ 299,836</u>
Annual interest rate (%)	1.217	0.7243	0.7173

The aforementioned commercial papers payable can be used on a revolving basis within the credit limit specified in the contract and a certain amount of drawdown must be maintained. The balance as of September 30, 2022, December 31, 2021, and September 30, 2021 were attributed to the issuance of commercial papers.

XVII. Notes and accounts payable (including related parties)

	September 30, 2022	December 31, 2021	September 30, 2021
Notes payable			
Arising from operations			
Non-related parties	\$ 74,826	\$ 44,974	\$ 30,576
Related parties	-	178	-
	<u>\$ 74,826</u>	<u>\$ 45,152</u>	<u>\$ 30,576</u>
Accounts payable	<u>\$ 2,247,842</u>	<u>\$ 2,448,391</u>	<u>\$ 2,424,403</u>
Accounts payable - related parties	<u>\$ 86,395</u>	<u>\$ 137,133</u>	<u>\$ 218,973</u>

(I) Notes payable

They are used for the purchase of raw materials, other payables for construction (except for retention bond), and rents payable for the lease of land for Guantian Plant. The credit period is 30 to 60 days. The Group has established a financial risk management policy to ensure all payables are paid within the agreed credit periods. Therefore, no additional interest was paid.

(II) Accounts payable

Accounts payable include construction retention bonds payable for construction contracts. The construction retention bonds do not accrue interest and will be recovered upon the expiry of retention period stipulated in individual construction contracts. The retention period is the Group's normal operation cycle, which is usually more than 1 year.

XVIII. Notes and accounts payable (including related parties)

	September 30, 2022	December 31, 2021	September 30, 2021
Wages and bonuses payable	\$ 282,706	\$ 416,301	\$ 275,357
Remuneration of employees and directors payable	21,452	31,176	18,477
Charges for machinery usage	13,966	13,831	15,390
Business tax payable	13,024	38,863	11,941
Freight and miscellaneous charges payable	10,281	17,255	15,834
Payable on equipment	262	8,110	1,236
Other (consisting mainly of wages for outsourced operations, employee benefits, and employee insurance premiums)	62,359	58,965	45,269
	<u>\$ 404,050</u>	<u>\$ 584,501</u>	<u>\$ 383,504</u>

XIX. Liability provision - current

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Warranty (I)	\$ 100,194	\$ 98,891	\$ 93,272
Onerous contract - losses on construction contracts (II)	244,218	366,843	143,925
	<u>\$ 344,412</u>	<u>\$ 465,734</u>	<u>\$ 237,197</u>
		Onerous contract - losses on construction contracts	Total
Balance as of January 1, 2022	\$ 98,891	\$ 366,843	\$ 465,734
New addition (reversal) in current period	1,303	(122,625)	(121,322)
Balance as of September 30, 2022	<u>\$ 100,194</u>	<u>\$ 244,218</u>	<u>\$ 344,412</u>
Balance as of January 1, 2021	\$ 146,846	\$ 229,772	\$ 376,618
Reversal in current period	(53,192)	(85,847)	(139,039)
Paid	(382)	-	(382)
Balance as of September 30, 2021	<u>\$ 93,272</u>	<u>\$ 143,925</u>	<u>\$ 237,197</u>

- (I) The Group allocates project warranty liability provisions for possible warranty expenditures in the warranty period after the completion of an EPC project. The estimate is based on past warranty experience and adjusted based on the scale of the project and the complexity of the construction.
- (II) When the Group's unavoidable costs of the performance of contractual obligations exceeds the expected economic benefits that may be gained from the contract, the Group recognizes liability provisions for the onerous contract. The estimate may be changed due to changes in future construction conditions.

XX. Post-retirement benefit plan

Employee benefit expenses defined post-retirement benefit plan were calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020. As of July 1 to September 30, and January 1 to September 30, 2022 and 2021, the amounts of retirement benefit were NT\$502 thousand, NT\$594 thousand, NT\$1,507 thousand and NT\$1,783 thousand, respectively.

XXI. Asset and liability maturity analysis

The Group's assets and liabilities related to the steel structure construction business are classified as current or non-current based on the business cycle. Except for the construction

retention bonds in accounts payable and receivable (including related parties) which are detailed in Note 17, other related recognized amounts expected to be recovered or paid within 12 months or more than 12 months after the balance sheet date are listed below:

		Within 12 months	After 12 months	Total
<u>September 30, 2022</u>				
Asset				
Contract assets - current	\$	6,413,778	\$ 50,709	\$ 6,464,487
Notes and accounts receivable (including related parties)		2,342,896	-	2,342,896
Inventory		1,021,009	-	1,021,009
Construction guarantee deposits paid		29,957	4,402	34,359
	\$	<u>9,807,640</u>	\$ <u>55,111</u>	\$ <u>9,862,751</u>
Liabilities				
Contract liabilities – current	\$	467,581	\$ -	\$ 467,581
Notes and accounts payable (including related parties)		1,938,512	470,551	2,409,063
Liability provision – current		269,435	74,977	344,412
	\$	<u>2,675,528</u>	\$ <u>545,528</u>	\$ <u>3,221,056</u>
<u>December 31, 2021</u>				
Asset				
Contract assets - current	\$	6,420,313	\$ -	\$ 6,420,313
Notes and accounts receivable (including related parties)		1,353,278	-	1,353,278
Inventory		1,004,022	-	1,004,022
Construction guarantee deposits paid		3,173	2,428	5,601
	\$	<u>8,780,786</u>	\$ <u>2,428</u>	\$ <u>8,783,214</u>
Liabilities				
Contract liabilities – current	\$	575,210	\$ -	\$ 575,210
Notes and accounts payable (including related parties)		2,446,136	184,540	2,630,676
Liability provision – current		372,706	93,028	465,734
	\$	<u>3,394,052</u>	\$ <u>277,568</u>	\$ <u>3,671,620</u>
<u>September 30, 2021</u>				
Asset				
Contract assets - current	\$	7,029,888	\$ 124,276	\$ 7,154,164
Notes and accounts receivable (including related parties)		1,398,468	-	1,398,468
Inventory		1,260,232	-	1,260,232
Construction guarantee deposits paid		393	4,469	4,862
	\$	<u>9,688,981</u>	\$ <u>128,745</u>	\$ <u>9,817,726</u>

	Within 12 months	After 12 months	Total
Liabilities			
Contract liabilities – current	\$ 1,654,564	\$ -	\$ 1,654,564
Notes and accounts payable (including related parties)	2,369,464	304,488	2,673,952
Liability provision – current	115,057	122,140	237,197
	<u>\$ 4,139,085</u>	<u>\$ 426,628</u>	<u>\$ 4,565,713</u>

XXII. Equity

(I) Ordinary share capital

	September 30, 2022	December 31, 2021	September 30, 2021
Authorized shares (thousand shares)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Authorized share capital	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (thousand shares)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Issued share capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

The Company's common shares have a face value of NT\$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital reserve

	September 30, 2022	December 31, 2021	September 30, 2021
Capital reserve that may only be used for making up for losses or cash distribution or allocation to share capital (Note)			
Stock issuance premium	\$ 1,070,016	\$ 1,070,016	\$ 1,070,016
Treasury stock transactions	292,353	292,353	292,353
Donated assets received	26	26	26
Capital reserve that may only be used for making up for losses			
Stock issuance premium	\$ 394	\$ 394	\$ 394
Others	1,010	894	701
	<u>\$ 1,363,799</u>	<u>\$ 1,363,683</u>	<u>\$ 1,363,490</u>

Note: The capital surplus may be used to cover losses and may also be used for the

distribution of cash or capital replenishment when the Company has no losses. However, the capital replenishment is restricted to a certain ratio of paid-in capital each year.

(III) Retained earnings and dividend policy

According to the regulations on the distribution of dividends in the Articles of Incorporation, in the event of surplus earnings after closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as statutory reserve. However, in the event that the accumulated statutory reserve is equivalent to or exceeds the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special reserve in accordance with laws and regulations. The Board of Directors shall draft the proposal for shareholder dividend allocation based on the remaining profit, if any, along with the accumulated undistributed earnings for the previous year, and submit the draft to the shareholder's meeting, which shall determine whether to distribute dividends or retain the earnings.

As the Company operates in a complicated industry environment, and its corporate life cycle falls within a period of maturity, the Board of Directors shall consider the stability of dividends when formulating the dividend distribution proposal. Except for financial needs, the dividends for ordinary shares should be at least 50% of the aforementioned distributable earnings. The distribution of dividends and bonuses shall be no less than 50% in cash and no more than 50% in shares.

The statutory surplus reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve that exceeds 25% of the total paid-in capital may be appropriated in cash in addition to being transferred to capital stock.

The Company appropriates and reverses special reserve in accordance with the "Q&A on the Applicability of the Appropriation of Special Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)" and related regulations.

The appropriations of 2021 and 2020 earnings had been approved in the shareholders' meeting in June 2022 and August 2021, respectively. The earnings per share are as follows:

	Earnings appropriation proposal		Dividends per share (NTD)	
	2021	2020	2021	2020
Statutory surplus reserve	\$ 50,108	\$ 64,154		
Cash dividends	400,000	560,000	\$ 2	\$ 2.8

(IV) Other equity items

1. Translation differences in financial statements from foreign operations

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	\$ (34,573)	\$ (39,022)
Currency translation differences from conversion of net assets of foreign operations	5,452	2,452
Difference in the translation of profits on equity-accounted affiliate enterprises	10,135	3,484
Closing balance	\$ (18,986)	\$ (33,086)

2. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	\$ 195,583	\$ 45,471
Accrued in the current year		
Unrealized gains and losses - equity instruments	(92,403)	123,381
Share of profit/loss on equity-accounted affiliate companies	(35,657)	39,303
Other comprehensive income of the year	(128,060)	162,684
Gains and losses from disposal of assets reclassified as retained earnings	(652)	(2,874)
Closing balance	\$ 66,871	\$ 205,281

(V) Treasury stock

The shares of the Company held by subsidiaries are processed as treasury stocks. Except for ineligibility for participation in the Company's cash capital increase and absence of voting rights, holders of such shares have the same rights as general shareholders.

USEC sold all shares of the Company held by its in March 2021. The disposal proceeds was NT\$280,620 thousand, and the Company recognized capital reserve-treasury stock in NT\$144,458 thousand.

XXIII. Revenues

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Contract revenue				
Sales revenue	\$ 4,527,424	\$ 3,425,341	\$ 11,961,409	\$ 9,026,669
Construction revenues	490,821	645,419	1,679,341	1,829,405
Service revenues	140,208	132,343	385,588	380,664
	<u>5,158,453</u>	<u>4,203,103</u>	<u>14,026,338</u>	<u>11,236,738</u>
Other operating revenues	4,720	2,866	10,260	8,273
	<u>\$ 5,163,173</u>	<u>\$ 4,205,969</u>	<u>\$ 14,036,598</u>	<u>\$ 11,245,011</u>

(I) Contract balance

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Notes and accounts receivable (including related parties)	<u>\$ 2,342,896</u>	<u>\$ 1,353,278</u>	<u>\$ 1,398,468</u>	<u>\$ 1,128,004</u>
Contract assets				
Construction	\$ 5,554,857	\$ 5,321,965	\$ 6,047,967	\$ 6,529,880
Construction retention bonds receivable	<u>909,630</u>	<u>1,098,348</u>	<u>1,106,197</u>	<u>1,254,450</u>
	<u>\$ 6,464,487</u>	<u>\$ 6,420,313</u>	<u>\$ 7,154,164</u>	<u>\$ 7,784,330</u>
Contract liabilities				
Construction	\$ 460,070	\$ 571,999	\$ 1,653,180	\$ 922,450
Product sales	<u>7,511</u>	<u>3,211</u>	<u>1,384</u>	<u>278</u>
	<u>\$ 467,581</u>	<u>\$ 575,210</u>	<u>\$ 1,654,564</u>	<u>\$ 922,728</u>

Changes in contract assets and contract liabilities are mainly derived from the timing of the completion of contract performance obligations and the timing of customers' payments. There are no material changes in the Group's contract assets and contract liabilities in January 1 to September 30, 2022 and 2021.

(II) Detailed items of revenues from contracts with customers

January 1 to September 30, 2022

	CSSC	USEC	Others	Total
Main products/services				
Construction revenues	\$ 7,718,515	\$ 4,242,727	\$ 167	\$ 11,961,409
Revenue from trading of steel products	1,679,341	-	-	1,679,341
Service revenues	385,588	-	-	385,588
Others	10,260	-	-	10,260
	<u>\$ 9,793,704</u>	<u>\$ 4,242,727</u>	<u>\$ 167</u>	<u>\$ 14,036,598</u>

January 1 to September 30, 2021

	CSSC	USEC	Others	Total
Main products/services				
Construction revenues	\$ 6,487,344	\$ 2,537,026	\$ 2,299	\$ 9,026,669
Revenue from trading of steel products	1,829,405	-	-	1,829,405
Service revenues	380,664	-	-	380,664
Others	8,273	-	-	8,273
	<u>\$ 8,705,686</u>	<u>\$ 2,537,026</u>	<u>\$ 2,299</u>	<u>\$ 11,245,011</u>

(III) Contracts with customers that are partially completed

As of September 30, 2022, December 31, 2021 and September 30, 2021, the transaction price allocated to contract performance obligations that have not been completed totaled NT\$23,940,663 thousand, NT\$34,531,156 thousand and NT\$28,416,718 thousand, respectively. The Company shall gradually recognize revenues based on the completion status of the projects. The revenues from the contracts are expected to be recognized before the end of 2024.

XXIV. Net income for the year

(I) Interest income

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Bank deposits	\$ 1,498	\$ 489	\$ 2,894	\$ 1,215
Loans to related parties (Note 29)	-	256	41	709
Others	-	-	8	-
	<u>\$ 1,498</u>	<u>\$ 745</u>	<u>\$ 2,943</u>	<u>\$ 1,924</u>

(II) Other revenue

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Dividend income	\$ 33,115	\$ 3,205	\$ 33,115	\$ 3,205
Revenues from claims	662	405	662	1,273
Rental income	264	72	354	390
Others	511	312	4,257	2,377
	<u>\$ 34,552</u>	<u>\$ 3,994</u>	<u>\$ 38,388</u>	<u>\$ 7,245</u>

(III) Other gains and losses

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Net currency exchange losses	\$ 30,457	\$ (687)	\$ 60,916	\$ (10,076)
Investment gains from disposal of subsidiaries (Note 11)	2,640	6,245	8,329	24,258
Gain (loss) on disposal of property, plant, and equipment	(9)	(193)	(68)	199
Fees and charges	(1,779)	(1,923)	(5,701)	(5,320)
Gain on disposal of held for sale (Note 15)	-	-	-	33,545
Others	(763)	(94)	(786)	(634)
	<u>\$ 30,546</u>	<u>\$ 3,348</u>	<u>\$ 62,690</u>	<u>\$ 41,972</u>

The aforementioned net currency exchange gains and losses are as follows:

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Total foreign exchange gains	\$ 30,457	\$ 1,276	\$ 65,956	\$ 6,810
Total foreign exchange losses	-	(1,963)	(5,040)	(16,886)
Net gain (loss)	<u>\$ 30,457</u>	<u>\$ (687)</u>	<u>\$ 60,916</u>	<u>\$ (10,076)</u>

(IV) Finance costs

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Interest on bank overdrafts and bank borrowings	\$ 18,099	\$ 4,031	\$ 33,220	\$ 13,810
Interest on lease liabilities	1,868	1,930	5,628	5,713
	<u>\$ 19,967</u>	<u>\$ 5,961</u>	<u>\$ 38,848</u>	<u>\$ 19,523</u>

(V) Impairment loss (reversal gain) on non-financial assets (recognized under operating costs)

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Loss on inventory devaluation (reversed gains)	<u>\$ 337</u>	<u>(\$129)</u>	<u>\$ 613</u>	<u>(\$474)</u>

(VI) Depreciation and amortization

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Property, plant, and equipment	\$ 34,830	\$ 37,136	\$ 106,804	\$ 115,592
Right-of-use assets	9,213	8,761	28,461	23,960
Intangible assets	444	485	1,313	1,731
Other non-current assets	9	26	27	86
	<u>\$ 44,496</u>	<u>\$ 46,408</u>	<u>\$ 136,605</u>	<u>\$ 141,369</u>
Depreciation expenses summarized by functions				
Operating costs	\$ 40,162	\$ 42,097	\$ 123,350	\$ 125,293
Operating expenses	3,881	3,800	11,915	14,259
	<u>\$ 44,043</u>	<u>\$ 45,897</u>	<u>\$ 135,265</u>	<u>\$ 139,552</u>
Amortization expenses summarized by functions				
Operating costs	\$ 302	\$ 353	\$ 938	\$ 1,364
Operating expenses	142	135	375	376
Non-operating income and expenses	9	23	27	77
	<u>\$ 453</u>	<u>\$ 511</u>	<u>\$ 1,340</u>	<u>\$ 1,817</u>

(VII) Direct operating expenses of investment property

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Direct operating expenses incurred by investment properties that generate rent income	<u>\$ 526</u>	<u>\$ 542</u>	<u>\$ 1,564</u>	<u>\$ 1,546</u>

(VIII) Employee benefit expenses

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Short-term employee benefits				
Salary	\$ 257,204	\$ 286,464	\$ 734,349	\$ 719,343
Labor and health insurance	15,698	15,461	51,716	52,266
Others	5,984	16,340	47,919	48,539
	<u>278,886</u>	<u>318,265</u>	<u>833,984</u>	<u>820,148</u>
Post-retirement benefits				
Defined contribution plans	7,202	7,080	23,626	23,362
Defined benefit plans (Note 20)	502	594	1,507	1,783
	<u>7,704</u>	<u>7,674</u>	<u>25,133</u>	<u>25,145</u>
Termination benefits	1	-	24	548
	<u>\$ 286,591</u>	<u>\$ 325,939</u>	<u>\$ 859,141</u>	<u>\$ 845,841</u>
Summarized by functions				
Operating costs	\$ 233,109	\$ 264,671	\$ 699,734	\$ 683,310
Operating expenses	53,482	61,268	159,407	162,531
	<u>\$ 286,591</u>	<u>\$ 325,939</u>	<u>\$ 859,141</u>	<u>\$ 845,841</u>

The Company's Articles of Incorporation specifies that the remuneration for employees and Directors shall be no lower than 0.1% and no higher than 1% of the earnings before tax of the year before deducting remuneration for employees and Directors. As of July 1 to September 30 and January 1 to September 30, 2022 and 2021, the employees' compensation and remuneration of directors were as follows:

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Employees' remuneration	<u>\$ 6,512</u>	<u>\$ 5,412</u>	<u>\$16,169</u>	<u>\$ 12,914</u>
Directors' remuneration	<u>\$1,296</u>	<u>\$ 1,081</u>	<u>\$ 3,227</u>	<u>\$ 2,581</u>

If there are changes made to the amount after the issuance of Consolidated Financial Report, the changes shall be accounted for as changes in accounting estimates and recognized in the financial statements of the following year.

The employees' compensation and remuneration of directors (all in cash) in 2021 and 2020, which passed by the board meetings in February 2022 and 2021, were as follows:

	Paid in cash	
	2021	2020
Employees' remuneration	\$ 22,187	\$ 28,327
Directors' remuneration	4,437	5,665

The Company's actual distributed employee and Directors' remuneration in 2020 based on the resolutions passed in the board meetings in February 2021 were consistent with the amount recognized in the Consolidated Financial Report. The differences are adjusted in the profit and loss for January 1 to September 30, 2021.

	2021		2020	
	Employees' remuneration	Directors' remuneration	Employees' remuneration	Directors' remuneration
Amount distributed based on resolutions of board meetings	<u>\$ 22,187</u>	<u>\$ 4,437</u>	<u>\$ 28,327</u>	<u>\$ 5,665</u>
Amount recognized in the annual financial report	<u>\$ 22,187</u>	<u>\$ 4,437</u>	<u>\$ 28,857</u>	<u>\$ 5,771</u>

Please refer to the "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's remuneration for employees and Directors passed in the Board of Directors meeting.

XXV. Income tax

(I) Income tax recognized in profit or loss

The main composition of income tax expenses are as follows:

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Current income tax				
Accrued in the current period	\$ 12,797	\$ 4,667	\$ 32,263	\$ 32,914
Adjustments from previous years	<u>-</u>	<u>-</u>	<u>(143)</u>	<u>168</u>
	<u>12,797</u>	<u>4,667</u>	<u>32,120</u>	<u>33,082</u>
Deferred income tax				
Accrued in the current period	14,343	5,624	39,328	(11,913)
Adjustments from previous years	<u>-</u>	<u>9,426</u>	<u>15</u>	<u>14,476</u>
	<u>14,343</u>	<u>15,050</u>	<u>39,343</u>	<u>2,563</u>
	<u>\$ 27,140</u>	<u>\$ 19,717</u>	<u>\$ 71,463</u>	<u>\$ 35,645</u>

(II) The Group does not have income tax directly recognized in profit or loss.

(III) Income tax approval status

The profit-seeking enterprise income tax settlement applications of the Company as of the end of 2020 and domestic subsidiaries as of the end of 2019 have been approved by the taxation authorities.

XXVI. Earnings per share

The profits and weighted average number of common stocks used for the calculation of EPS are as follows:

Net income

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Net profit attributable to owners of the Company	<u>\$ 144,085</u>	<u>\$ 124,869</u>	<u>\$ 358,485</u>	<u>\$ 288,346</u>

Number of Shares

	Unit: thousand shares			
	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Weighted average number of ordinary shares outstanding	200,000	200,000	200,000	200,000
Minus: Shares of the Company held by subsidiaries regarded as treasury stocks	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,910</u>
Weighted average number of shares used for the calculation of basic EPS	200,000	200,000	200,000	198,090
Plus: Dilutive potential ordinary shares - employee remuneration	<u>307</u>	<u>206</u>	<u>380</u>	<u>393</u>
Weighted average number of shares used for the calculation of diluted EPS	<u>200,307</u>	<u>200,206</u>	<u>200,380</u>	<u>198,483</u>

If the Company can choose between stocks and cash for the appropriation of employee compensation, it shall assume the employee compensation would be appropriated in stocks for the calculation of diluted EPS. The dilutive potential common stocks shall be incorporated in the weighted average number of stocks outstanding when calculating the diluted EPS. The dilutive effect of such potential common stocks shall continue to be considered when calculating the diluted EPS before resolving the number of stocks to be distributed as employee compensation in the following year.

XXVII. Capital risk management

The Group implements capital management under the premises of ensuring sustainable development of the companies of the Group to maximize the benefit for its shareholders by optimizing debts and equity.

The capital structure of the Group consists of net debts and equity and the Group is not required to abide by other externally imposed capital requirements.

XXVIII. Financial instruments

(I) Fair value information - financial instruments not measured at fair value

The management of the Group believes that book value of financial assets and liabilities not assessed at fair value is a close approximation of their fair value.

(II) Fair value information - financial instruments measured at fair value based on a recurring basis

Fair value level

September 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Investment in equity instrument - domestic listed stocks	<u>\$285,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$285,218</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Investment in equity instrument - domestic listed stocks	<u>\$377,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$377,621</u>

September 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Investment in equity instrument - domestic listed stocks	<u>\$387,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$387,769</u>

There were no transfers between assets of level 1 and 2 fair value measurement in January 1 to September 30, 2022 and 2021.

(III) Financial instrument categories

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 3,088,807	\$ 2,007,887	\$ 2,127,306
Financial assets at fair value through other comprehensive income - investment in equity instruments	285,218	377,621	387,769
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	8,821,678	7,080,981	7,614,516

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, guarantee deposits paid, and other financial assets.

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables (excluding dividends payable), long-term notes and bills payable, and guarantee deposits received.

(IV) Financial risk management objectives and policy

The Group's main financial instruments include notes and accounts receivable, investment in equity instruments, other financial assets, notes and accounts payable, short-term borrowings, short-term notes and bills payable, lease liabilities, and long-term notes and bills payable. The finance management department of the Company provides services to business units and coordinates operations in the domestic and overseas financial markets by supervising internal risk exposure reports and managing financial risks related to the operations of the Company in accordance with the analysis of the risk level and scope. Such risks include market risks (including exchange rate risks, interest rate risks, and other price risks), credit risks, and liquidity risks.

1. Market risks

The main financial risks in the operations of the Group are foreign currency exchange rate variation risks (refer to (1) below), interest rate risks (refer to (2) below), and other price risks (refer to (3) below).

The management and assessment methods of the Group of market risks for financial instruments and risk exposure remain unchanged.

(1) Foreign exchange risks

The Group conducts sales in foreign currencies and therefore the Group is exposed to risks in exchange rate variation. The management of the Group's exchange rate risk exposure is implemented through foreign-currency bank deposit management based on the permitted scope of policies.

Refer to Note 32 for the book value of the Group's currency assets denominated in non-functional currencies as of the balance sheet date.

The Group's financial assets denominated in foreign currencies are mainly affected by the volatility in USD exchange rate. The following table is the sensitivity analysis of the Group based on the impact of a 3% increase or decrease in USD exchange rate against the functional currency. 3% represents the range of changes in exchange rates deemed reasonable by the Group.

The sensitivity analysis only includes outstanding monetary items denominated in foreign currencies. Scenario 1 in the table below represents the impact of a 3% increase in the exchange rate of the functional currency relative to the USD on the Group's profit and loss; scenario 2 represents the impact of a 3% decrease in the exchange rate of the functional currency relative to the USD on the Company's profit and loss:

	Impact of USD (Note)	
	January 1 to September 30, 2022	January 1 to September 30, 2021
Profit or loss under scenario 1	(\$ 14,927)	(\$ 9,570)
Profit or loss under scenario 2	14,927	9,570

Note: The profit or loss is mainly derived from the outstanding cash and cash equivalents, accounts receivable, and borrowings denominated

in USD as of the balance sheet date for which cash flow hedge is not implemented.

The management believes that the sensitivity analysis does not represent the inherent risks of exchange rates and the risk exposure of foreign currencies on the balance sheet date therefore cannot reflect the risk exposure.

(2) Interest rate risks

The entities of the Group borrow funds at floating interest rates, which creates interest rate risk exposure. The book value of financial assets exposed to interest rate risks and book value of financial liabilities of the Group on the balance sheet date are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Financial liabilities at fair value with interest rate risks			
Financial assets	\$ 197,413	\$ 231,679	\$ 206,713
Financial liabilities	465,098	476,171	491,378
Financial assets and liabilities cash flow with interest rate risks			
Financial assets	350,152	332,581	365,790
Financial liabilities	3,955,831	1,078,157	1,628,515

If the interest rate of financial liabilities increases by 1% while all other variables remain unchanged, the Group's net profit before tax in January 1 to September 30, 2022 and 2021 would decrease by NT\$29,669 thousand and NT\$12,214 thousand, respectively.

(3) Other price risks

The Group's investments in listed equity and securities expose the Company equity price risks. The prices of equities are mainly concentrated in stocks in Taiwan. The Group appraises the value of securities based on the closing price each month.

If the price of equities decreases by 1%, the other comprehensive income before tax of January 1 to September 30, 2022 and 2021 would decrease by NT\$2,852 thousand and NT\$3,878 thousand, respectively.

2. Credit risks

Credit risks refer to risks that cause financial loss of the Group due to the counterparty's delay in performing contractual obligations. As of the balance

sheet date, the largest credit risk exposure for the Group due to the counterparty's failure to perform obligations and financial losses caused by the financial guarantees provided by the Group originates mainly from (not considering collaterals, other credit enhancement tools, or the maximum risk exposure amount) the book value of financial assets recognized in the Consolidated Balance Sheet and the contingent liabilities derived from the financial guarantees provided by the Group. The Group provides affiliate enterprises with financing endorsements and guarantees for contract performance. Refer to Note 29 and Appendix 2 for the maximum off-balance-sheet credit risk guarantee.

The policies adopted by the Group only apply to transactions with reputable counterparties. When necessary, sufficient collateral must be obtained to reduce the risk of financial losses from customers' delayed payments. The Group shall use publicly obtainable financial information and past transaction records to evaluate main customers. The Group also continues to monitor credit risk exposure and the credit ratings of counterparties and distributes total transaction amounts among qualified customers only. It also controls credit risk exposure based on the credit limit of transaction counterparties each year. The Group's customers with significant concentrated credit risks refer to those with individual balance of accounts receivable over 10% of the total accounts receivable:

	September 30, 2022	December 31, 2021	September 30, 2021
Company A	\$ 598,265	\$ -	-
Company B	217,140	75,042	268,732
Company C	176,141	191,184	161,904
Company D	78,908	37,574	138,586
Company E	46,370	274,611	116,183
Company F	39,551	24,802	147,429
	<u>\$ 1,156,375</u>	<u>\$ 603,213</u>	<u>\$ 832,834</u>

The maximum credit risk exposure amounts provided by the Group to affiliate enterprises are as follows:

	<u>Book value</u>	<u>Maximum credit exposure amount</u>
<u>December 31, 2021</u>		
Off-balance sheet pledges and guarantees	\$ -	\$ 11,648
<u>September 30, 2021</u>		
Off-balance sheet pledges and guarantees	\$ -	\$ 10,862

3. Liquidity risks

The Group supports business operations of the Group and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. The Company's management has supervised bank financing conditions and ensured compliance with loan contracts. The Group has already obtained short-term financing limits sufficient for future operation requirements. There are therefore no liquidity risks arising from immediate future cash requirements for fulfilling contractual obligations.

Bank borrowings are regarded by the Group as an important source of liquidity. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's unused short-term bank financing credit limit totaled NT\$22,464,208 thousand, NT\$27,811,702 thousand and NT\$27,802,642 thousand, respectively.

The following table contains the analysis of financial liabilities with repayment periods the Group has agreed to in accordance with the maturity date and undiscounted value upon maturity:

September 30, 2022

	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Non-interest-bearing liabilities	\$ 2,342,562	\$ 634,537	\$ -	\$ 2,977,099
Floating interest rate instruments	3,659,697	300,000	-	3,959,697
Fixed interest rate instruments	1,890,000	-	-	1,890,000
Lease liabilities	28,126	64,509	528,957	621,592
	<u>\$ 7,920,385</u>	<u>\$ 999,046</u>	<u>\$ 528,957</u>	<u>\$ 9,448,388</u>

Additional information on the maturity analysis of lease liabilities is provided below:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Lease liabilities	<u>\$ 28,126</u>	<u>\$ 64,509</u>	<u>\$ 76,615</u>	<u>\$ 76,615</u>	<u>\$ 76,102</u>	<u>\$299,625</u>

December 31, 2021

	Within 1 year	1 to 5 years	More than 5 years	Total
Non-interest-bearing liabilities	\$ 3,030,637	\$ 322,629	\$ -	\$ 3,353,266
Floating interest rate instruments	778,610	300,000	-	1,078,610
Fixed interest rate instruments	2,650,000	-	-	2,650,000
Lease liabilities	31,244	76,028	529,513	636,785
Non-interest-bearing liabilities	11,648	-	-	11,648
	<u>\$ 6,502,139</u>	<u>\$ 698,657</u>	<u>\$ 529,513</u>	<u>\$ 7,730,309</u>

Additional information on the maturity analysis of lease liabilities is provided below:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Lease liabilities	<u>\$ 31,244</u>	<u>\$ 76,028</u>	<u>\$ 76,615</u>	<u>\$ 76,615</u>	<u>\$ 76,201</u>	<u>\$300,082</u>

September 30, 2021

	Within 1 year	1 to 5 years	More than 5 years	Total
Non-interest-bearing liabilities	\$ 2,752,968	\$ 463,538	\$ -	\$ 3,216,506
Floating interest rate instruments	1,329,068	300,000	-	1,629,068
Fixed interest rate instruments	2,770,000	-	-	2,770,000
Lease liabilities	31,244	78,378	544,280	653,902
Non-interest-bearing liabilities	10,862	-	-	10,862
	<u>\$ 6,894,142</u>	<u>\$ 841,916</u>	<u>\$ 544,280</u>	<u>\$ 8,280,338</u>

Additional information on the maturity analysis of lease liabilities is provided below:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Lease liabilities	<u>\$ 31,244</u>	<u>\$ 78,378</u>	<u>\$ 76,615</u>	<u>\$ 76,615</u>	<u>\$ 76,301</u>	<u>\$314,749</u>

XXIX. Related party transactions

(I) Names and relations of related parties

Name of related party	Relationship with the Group
China Steel Corporation	Parent company of the Company
China Steel Chemical Corporation	Sister companies
Dragon Steel Corporation (DSC)	Sister companies
Chung Hung Steel Corporation	Sister companies
China Ecotek Corporation	Sister companies
China Steel Security Co., Ltd.	Sister companies
China Steel Management Consulting Corporation	Sister companies
Steel Castle Technology Corporation	Sister companies
China Steel Machinery Corporation	Sister companies
China Prosperity Development Corporation	Sister companies
CSC Solar Corporation	Sister companies
InfoChamp Systems Corporation	Sister companies
Pao Good Industrial Co., Ltd.	Sister companies
Universal Exchange Inc.	Sister companies
China Steel Precision Metals Kunshan Co., Ltd.	Sister companies
China Steel Resources Corporation	Sister companies
C.S. Aluminium Corporation	Sister companies
Taiwan Intelligent Transportation Co., Ltd.	Sister companies
Sing Da Marine Structure Corporation (SDMS)	Affiliate enterprise
HIMAG Magnetic Corporation	Affiliate enterprise
Kaohsiung Rapid Transit Corporation	Affiliate enterprise
CHC Resources Corporation (CHC)	Affiliate enterprise
Wabo Global Trading Corporation	Affiliate enterprise
Nikken & CSSC Metal Products Co., Ltd.	Affiliate enterprise
Chungkang Steel Structure (Cambodia) Co., Ltd	Affiliate enterprise
Kaohsiung Arena Development Corporation	Affiliate enterprise
Ascentek Venture Capital Corporation	Affiliate enterprise
China Prosperity Construction Corporation	Affiliate enterprise
Pro-Ascentek Investment Corporation	Affiliate enterprise
IHI Corporation	Director of the Company
Great Grandeul Steel Co., Ltd.	Director of the Company
Grace Investment Co., Ltd.	Director of the Company
CSC Educational Foundation	Other related party
Honley Auto. Parts Co., Ltd.	Other related party

(II) Operating revenue

January 1 to September 30, 2022

Account	Category/name of related parties	Construction project			
		Total contract price	Revenue recognized		Accumulated revenue recognized
			July 1 to September 30	January 1 to September 30	
Construction revenues	Parent company	\$ 7,506,855	\$ 571,122	\$ 1,594,929	\$ 4,970,882
	Sister companies				
	DSC	7,365,475	230,721	542,122	5,529,621
	Others	1,242,946	-	7,734	1,234,025
	Affiliate enterprise	3,347,220	143,434	300,913	2,924,159
		<u>\$ 19,462,496</u>	<u>\$ 945,277</u>	<u>\$ 2,445,698</u>	<u>\$ 14,658,687</u>

January 1 to September 30, 2021

Account	Category/name of related parties	Construction project			
		Total contract price	Revenue recognized		Accumulated revenue recognized
			July 1 to September 30	January 1 to September 30	
Construction revenues	Parent company	\$ 6,322,832	\$ 288,863	\$ 996,501	\$ 3,418,601
	Sister companies				
	DSC	7,365,475	172,635	520,803	4,697,441
	Others	4,358,641	223,664	286,519	4,092,868
	Affiliate enterprise	938,575	6,477	8,281	755,520
		<u>\$ 18,985,523</u>	<u>\$ 691,639</u>	<u>\$ 1,812,104</u>	<u>\$ 12,964,430</u>

The construction contracts signed by the Group for projects of related parties are different from each other. Therefore, the price cannot be compared with those of other non-related parties. The payment collection conditions specify that the Group receive payments within a specified period after the issuance of the administrative price estimation form and invoice in accordance with the contract. There is no significant difference between the terms and those of regular customers.

Account	Category of related parties	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Sales revenue, service revenue, and other operating revenue	Parent company	\$ 111,901	\$ 102,202	\$ 303,122	\$ 296,599
	Sister companies	28,448	29,028	82,879	83,227
	Affiliate enterprise	-	1,250	-	1,250
		<u>\$ 140,349</u>	<u>\$ 132,480</u>	<u>\$ 386,001</u>	<u>\$ 381,076</u>

The Group's sales and provision of labor services with the parent company, sister companies and affiliate enterprise are processed based on regular transaction terms. The payment collection terms allow the Group to collect payment within 30 days of the issuance of the invoice.

(III) Procurement

Category/name of related parties	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Parent company	\$ 933,272	\$ 1,204,499	\$ 2,754,731	\$ 3,130,796
Sister companies				
DSC	497,537	424,864	989,079	1,166,219
Others	1,210	27,237	15,189	39,471
Affiliate enterprise	1,480	2,911	9,705	24,935
	<u>\$ 1,433,499</u>	<u>\$ 1,659,511</u>	<u>\$ 3,768,704</u>	<u>\$ 4,361,421</u>

The Group purchases goods from related parties. Except for steel plates and aluminum coils for which the Group does not purchase from non-related parties and thus has no comparable transaction prices, all other purchases are implemented in accordance with general transaction terms. Except for the issuance of L/C or advance payments to the parent company and certain sister companies, all other payments are paid in accordance with the Group's regulations after inspection and acceptance. There is no significant difference between the payment terms and those of regular suppliers.

(IV) Accounts receivable - related parties (excluding loans to related parties)

Account	Category/name of related parties	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable - related parties	Parent company	\$ 217,140	\$ 75,042	\$ 268,732
	Sister companies			
	DSC	109,608	98,599	41,413
	Others	156	-	138
	Affiliate enterprise			
	SDMS	-	35,999	23,737
	Others	-	3,061	1,296
		<u>\$ 326,904</u>	<u>\$ 212,701</u>	<u>\$ 335,316</u>
Other receivables - related parties	Parent company	\$ 72	\$ 896	\$ 330
	Sister companies			
	DSC	2,221	1,473	10,473
	Others	16	-	-
	Affiliate enterprise	505	677	540
		<u>\$ 2,814</u>	<u>\$ 3,046</u>	<u>\$ 11,343</u>

Collateral is not provided for outstanding receivables from related parties and no bad debt allowance was recognized in the accounts receivable from related parties in January 1 to September 30, 2022 and 2021.

(V) Accounts payable - related parties (excluding loans from related parties)

Account	Category of related parties	September 30, 2022	December 31, 2021	September 30, 2021
Notes and accounts payable	Parent company	\$ 29,892	\$ 76,423	\$ 87,135
	Sister companies	55,662	60,888	130,608
	Affiliate enterprise	841	-	1,230
		<u>\$ 86,395</u>	<u>\$ 137,311</u>	<u>\$ 218,973</u>
Other payables	Parent company	\$ 1,227	\$ 1,661	\$ 968
	Sister companies	5,466	2,003	1,748
	Other stakeholders	1,210	1,661	969
		<u>\$ 7,903</u>	<u>\$ 5,325</u>	<u>\$ 3,685</u>

Collateral is not provided for the balance of outstanding payables to related parties, which shall be repaid in cash.

(VI) Advance payments

Account	Category of related parties	September 30, 2022	December 31, 2021	September 30, 2021
Advance payments	Parent company	\$ 26,659	\$ 13,393	\$ 10
	Affiliate enterprise	120	120	120
		<u>\$ 26,779</u>	<u>\$ 13,513</u>	<u>\$ 130</u>

(VII) Loans to related parties and interest (recognized under other receivables - related parties)

Name of related parties	September 30, 2022	December 31, 2021	September 30, 2021
Chungkang Steel Structure (Cambodia) Co., Ltd.	<u>\$ -</u>	<u>\$ 17,416</u>	<u>\$ 17,523</u>

The subsidiary provides unsecured short-term loans to affiliate enterprises with a loan interest rate no lower than the maximum interest rate of loans obtained by the subsidiaries from regular financial institutions. The interest rate as of December 31 and September 30, 2021 was 5.8%. The interest revenue amounted as below:

Name of related parties	July 1 to September 30, 2022	July 1 to September 30,2021	January 1 to September 30,2022	January 1 to September 30, 2021
Chungkang Steel Structure (Cambodia) Co., Ltd.	\$ -	\$ 256	\$ 41	\$ 709

(VIII) Endorsements and guarantees

Category/name of related parties	September 30, 2022	December 31, 2021	September 30, 2021
Chungkang Steel Structure (Cambodia) Co., Ltd.			
Guarantee amount	\$ -	\$ 133,002	\$ 133,820
Actual amount drawn down	-	11,648	10,862

The Company provides financing guarantee for the affiliate enterprise due to the investment relationship.

(IX) Other related-party transactions

1. Revenue from recycling of substandard steel materials

	July 1 to September 30, 2022	July 1 to September 30,2021	January 1 to September 30,2022	January 1 to September 30, 2021
DSC	\$ 2,671	\$ 9,577	\$ 16,703	\$ 15,987

2. Scrap revenues

	July 1 to September 30, 2022	July 1 to September 30,2021	January 1 to September 30,2022	January 1 to September 30, 2021
DSC	\$ 1,779	\$ 6,384	\$ 11,190	\$ 10,656

3. Subcontracting construction payment

	July 1 to September 30, 2022	July 1 to September 30,2021	January 1 to September 30,2022	January 1 to September 30, 2021
Sister companies	\$ 12,389	\$ (51)	\$ 70,821	\$ 3,514
Affiliate enterprise	257	-	257	72
	\$ 12,646	\$ (51)	\$ 71,078	\$ 3,586

4. Other expenses

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Parent company	\$ 989	\$ 777	\$ 2,963	\$ 2,086
Sister companies	13,245	7,273	38,050	18,540
Affiliate enterprise	630	464	1,990	1,897
Other stakeholders	594	513	1,684	1,293
	<u>\$ 15,458</u>	<u>\$ 9,027</u>	<u>\$ 44,687</u>	<u>\$ 23,816</u>

(X) Remuneration of key management personnel

The total remuneration to Directors and key management was as follows:

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Short-term employee benefits	\$ 5,833	\$ 4,018	\$ 17,438	\$ 18,008
Post-retirement benefits	5	4	15	12
	<u>\$ 5,838</u>	<u>\$ 4,022</u>	<u>\$ 17,453</u>	<u>\$ 18,020</u>

XXX. Pledged assets

The Group has already provided the following assets as collateral for project tendering and project warranty:

	September 30, 2022	December 31, 2021	September 30, 2021
Other financial assets - current (time deposit certificates mainly for project warranty bonds)	\$ -	\$ 128,042	\$ 128,797
Guarantee deposits paid - current (consisting mainly of bid bonds)	34,359	5,601	4,862
Guarantee deposits paid - non-current (consisting mainly of project warranty bonds)	30,579	36,209	36,190
Other financial assets - non-current (time deposit certificates mainly for project warranty bonds)	31,684	30,577	30,575
	<u>\$ 96,622</u>	<u>\$ 200,429</u>	<u>\$ 200,424</u>

XXXI. Significant contingent liabilities and unrecognized contractual commitments

In addition to the description in other notes, the Group has the following significant commitments and contingent liabilities as of September 30, 2022:

- (I) Except for the guarantee deposits paid, all other amounts of the Group's construction guarantee totaling NT\$2,436,076 thousand are provided by the Bank.

(II) The signed or pledged contract amount of capital expenditures total NT\$177,050 thousand and the amount for which the contract has not been performed is approximately NT\$77,003 thousand.

(III) The unused L/C amount for the Group's purchase of materials totals NT\$360,065 thousand.

(IV) Refer to Appendix 2 for the construction performance financing guarantee amount provided by the Company for subsidiaries and investees and the construction performance bond provided by the subsidiary USEC for the Company.

XXXII. Significant assets and liabilities denominated in foreign currencies

The following information was summarized based on foreign currencies other than the functional currency of the Group's entities. The exchange rates were ones used to translate the foreign currencies into the functional currency. Foreign-currency financial assets and liabilities with significant influence are as follows:

Unit: Foreign currency in thousands

	Foreign currencies	Exchange rate	Book value
<u>September 30, 2022</u>			
Monetary items of foreign-currency assets			
USD	\$ 15,672	31.75 (USD: NTD)	\$ 497,578
JPY	118,148	0.2201 (JPY: NTD)	26,004
RMB	1,805	4.473 (RMB: NTD)	8,072
<u>December 31, 2021</u>			
Monetary items of foreign-currency assets			
USD	\$ 13,042	27.68 (USD: NTD)	\$ 360,992
Non-monetary items			
Equity-accounted affiliate enterprises and joint ventures			
USD	2,934	27.68 (USD: NTD)	81,226
<u>September 30, 2021</u>			
Monetary items of foreign-currency assets			
USD	11,454	27.85 (USD: NTD)	319,002
Non-monetary items			
Equity-accounted affiliate enterprises and joint ventures			
USD	3,000	27.85 (USD: NTD)	83,564

The Group's net foreign exchange in July 1 to September 30 and January 1 to September 30, 2022 and 2021 were gain in NT\$30,457 thousand, loss in NT\$687 thousand, gain in NT\$60,916 thousand, and loss in NT\$10,076 thousand, respectively. As the Group's entities use numerous types of functional currencies, the Group is unable to disclose foreign exchange gain/loss based on their material impact.

XXXIII. Supplementary disclosures

(I) Information on significant transactions and (II) related information on investees

1. Fund lending: Refer to Appendix 1.
2. Provision of endorsements/guarantees to others: Refer to Appendix 2.
3. Status of holding securities at the end of the year (excluding investment in subsidiaries and affiliate enterprises): Refer to Appendix 3.
4. Aggregate trading value on the same securities (including purchase and sales) reaching NT\$300 million or 20 percent of paid-in capital or more: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to Appendix 4.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Appendix 5.
9. Trade of derivatives: None.
10. Others: Business relationship and significant transactions between the parent company and subsidiaries and between subsidiaries: Refer to Appendix 6.
11. Information on investees: Refer to Appendix 7.

(III) Information on Investments in Mainland China: None.

(IV) Information on main shareholders: Refer to Appendix 8 for the names of shareholders with more than 5% of shares and the number and percentage of shares held.

XXXIV. Segment information

The information is provided to the main business decision-maker to allocate resources and assess the performance of each department and focus on type of product or service delivered or provided. The Group's reportable segments are as follows:

- The Company (CSSC) - steel and iron products and steel structure engineering industry.
- USEC and CKSS Kunshan - refer to explanation in Note 11 for information on main business operations.

(I) Segment revenue and operations

The analysis of Group's revenue and business performance for reportable segments are as follows:

	CSSC	USEC	Others	Adjustment and offsetting	Consolidated
<u>January 1 to September 30, 2022</u>					
Revenue from customers other than the parent company and consolidated subsidiaries	\$ 9,793,704	\$ 4,242,727	\$ 167	\$ -	\$ 14,036,598
Revenue from the parent company and consolidated subsidiaries	342,255	260	-	(342,515)	-
Total revenue	<u>\$ 10,135,959</u>	<u>\$ 4,242,987</u>	<u>\$ 167</u>	<u>\$ (342,515)</u>	<u>\$ 14,036,598</u>
Segment gains (losses)	\$ 270,882	\$ 29,673	\$ (3,406)	\$ 360	\$ 297,509
Interest income	793	389	1,761	-	2,943
Other income	26,520	12,281	-	(413)	38,388
Other gains and losses	47,316	(4,017)	19,338	53	62,690
Finance costs	(33,853)	(4,995)	-	-	(38,848)
Share of profits of subsidiaries and affiliates accounted for using equity method	107,264	21,512	-	(61,510)	67,266
Net profit before tax	418,922	54,843	17,693	(61,510)	429,948
Income tax expenses	60,437	11,058	(32)	-	71,463
Net profit	<u>\$ 358,485</u>	<u>\$ 43,785</u>	<u>\$ 17,725</u>	<u>\$ (61,510)</u>	<u>\$ 358,485</u>
<u>January 1 to September 30, 2021</u>					
Revenue from customers other than the parent company and consolidated subsidiaries	\$ 8,705,686	\$ 2,537,026	\$ 2,299	\$ -	\$ 11,245,011
Revenue from the parent company and consolidated subsidiaries	6,799	2	-	(6,801)	-
Total revenue	<u>\$ 8,712,485</u>	<u>\$ 2,537,028</u>	<u>\$ 2,299</u>	<u>\$ (6,801)</u>	<u>\$ 11,245,011</u>
Segment gains (losses)	\$ 169,500	\$ 62,431	\$ (1,134)	\$ 360	\$ 231,157
Interest income	37	336	1,551	-	1,924
Other income	5,294	2,364	-	(413)	7,245
Other gains and losses	(5,572)	30,781	16,710	53	41,972
Finance costs	(18,409)	(1,114)	-	-	(19,523)
Share of profits of subsidiaries and affiliates accounted for using equity method	161,575	4,621	7,610	(112,590)	61,216
Net profit before tax	312,425	99,419	24,737	(112,590)	323,991
Income tax expenses	24,079	11,538	28	-	35,645
Net profit	<u>\$ 288,346</u>	<u>\$ 87,881</u>	<u>\$ 24,709</u>	<u>\$ (112,590)</u>	<u>\$ 288,346</u>

Segment income (loss) refers to the profits earned by each segment. The assessment is provided to the main business decision maker to allocate resources to segments and assess their performance.

(II) Total assets and liabilities of segments:

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Segments assets</u>			
CSSC	\$ 12,728,731	\$ 12,197,986	\$ 13,088,355
USEC	4,062,290	3,551,520	3,759,244
Others	253,601	211,955	211,212
Adjustment and offsetting	(1,866,165)	(2,056,070)	(2,017,637)
	<u>\$ 15,178,457</u>	<u>\$ 13,905,391</u>	<u>\$ 15,041,174</u>
<u>Segment liabilities</u>			
CSSC	\$ 7,705,347	\$ 7,014,475	\$ 8,103,719
USEC	2,673,536	1,947,837	2,189,681
Others	34,181	15,713	16,836
Adjustment and offsetting	(257,991)	(256,145)	(253,698)
	<u>\$ 10,155,073</u>	<u>\$ 8,721,880</u>	<u>\$ 10,056,538</u>

China Steel Structure Co., Ltd. and Subsidiaries
Fund Lending
January 1 to September 30, 2022

Appendix 1

Unit: thousand NTD
(Unless otherwise noted)

No.	Lender	Borrower	Transaction account	Related party	Highest balance in the current year	Closing balance	Actual amount drawn down	Interest rate range (%)	Nature of loan	Amount of transaction	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Limit on total lender's loans granted	Remarks
													Name	Value			
1	United Steel Investment Pte Ltd.	Chungkang Steel Structure (Cambodia) Co., Ltd.	Other receivables	No	\$17,252	\$ -	\$ -	5.8	Note 1	-	Working capital for operations	\$ -	None	\$ -	\$50,000	\$55,672	Note 2

Note 1: Short-term financing is necessary.

Note 2: According to the Operating Procedures for Fund Lending established by the subsidiary, the total loans to others shall not exceed 40% of the subsidiary's net worth. For parties in need of short-term financing, an individual loan shall not exceed NT\$50,000 thousand. However, this restriction does not apply to wholly owned subsidiaries of the Company. In addition to the aforementioned requirements, the maximum loans for individual counterparties shall not exceed 40% of the subsidiary's net worth.

China Steel Structure Co., Ltd. and Subsidiaries
Provision of endorsements/guarantees to others
January 1 to September 30, 2022

Appendix 2

Unit: thousand NTD
(Unless otherwise noted)

No.	Name of company providing endorsement or guarantee	Entity for which the endorsement/guarantee is made		Limit on endorsements/guarantees to a single enterprise	Highest balance of endorsements/guarantees during the current year	Closing balance of endorsements/guarantees	Actual amount drawn down	Amount with property as collateral	Cumulative endorsed/guaranteed amount as a percentage of the net value in the most recent financial statements (%)	Maximum endorsed/guaranteed amount	Endorsement/guarantee made by the parent company for a subsidiary	Endorsement/guarantee made by a subsidiary for the parent company	Endorsement guarantees for entities in Mainland China	Remarks
		Company name	Relationship											
0	The Company	Chungkang Steel Structure (Cambodia) Co. Ltd.	A company for which all capital-contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages	\$1,674,461	\$141,628	\$-	\$-	\$-	-	9,544,430	N	N	N	Note 2
1	United Steel Engineering & Construction Corp.	The Company	A company which directly and indirectly holds more than 50% of the voting shares of the Company	20,831,316	71,300	-	-	-	-	20,831,316	N	Y	N	Note 1 and 3

Note 1: Construction performance bond.

Note 2: According to the Procedures for Making Endorsements and Guarantees established by the Company, the maximum amount for making endorsements and guarantees to others is 1.9 times the Company's net worth. The maximum guarantee for a single enterprise is one third of the Company's net worth. However, the maximum guarantees for the subsidiary USEC were 1.9 times the Company's net worth.

Note 3: According to the Procedures for Making Endorsements and Guarantees established by the subsidiary, the maximum endorsement/guarantee amount for others and for a single enterprise is 15 times its net worth.

China Steel Structure Co., Ltd. and Subsidiaries
 Securities Held at End of Year
 September 30, 2022

Appendix 3

Unit: thousand NTD
 (Unless otherwise noted)

Securities held by	Type and name of marketable securities	Relationship with securities issuer	General ledger account	End of period				Remarks
				Number of shares/units	Book value	Shareholding ratio (%)	Fair value	
The Company	Ordinary shares China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	6,936,878	\$185,215	-	\$185,215	
United Steel Engineering & Construction Corp.	Ordinary shares China Steel Corporation	Ultimate parent company	Financial assets at fair value through other comprehensive income - current	3,745,446	<u>100,003</u>	-	<u>100,003</u>	
					<u>\$285,218</u>		<u>\$285,218</u>	

China Steel Structure Co., Ltd. and Subsidiaries
Amount of Purchases from and Sales to Related Parties in Excess of NT\$100 Million or 20% of Paid-in Capital
January 1 to September 30, 2022

Appendix 4

Unit: thousand NTD
(Unless otherwise noted)

Purchaser/seller	Transaction counterparty	Relationship	Transaction status				Differences in transaction terms compared to third party transactions and reasons		Notes/accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage of total purchases (sales) (%)	Credit period			Balance	Percentage of total notes/accounts receivable (payable) (%)	
China Steel Structure Co., Ltd.	China Steel Corporation	Parent company	Procurement	\$2,754,731	61	Letter of credit/advance payment before shipping	\$ -	Note 2	(\$29,892)	(2)	
	Dragon Steel Corporation	Sister companies	Procurement	989,079	22	Letter of credit	-	Note 2	(41,599)	(3)	Note 1
	Dragon Steel Corporation	Sister companies	Construction revenue	(438,079)	(4)	Contract period	-		53,693	4	
	China Steel Corporation	Parent company	Service revenues	(303,122)	(3)	Contract period	-		32,614	2	Note 1
	China Steel Corporation	Parent company	Construction revenue	(297,038)	(3)	Contract period	-		21,570	2	
	Sing Da Marine Structure Corporation	Affiliate enterprise	Construction revenue	(294,297)	(3)	Contract period	-		-	-	Note 1
	United Steel Engineering & Construction Corp.	Subsidiary	Construction revenue	(342,255)	(3)	Contract period	-		-	-	Note 1 and 3
United Steel Engineering & Construction Corp.	China Steel Corporation	Ultimate parent company	Construction revenue	(1,297,891)	(31)	Contract period	-		162,956	16	Note 1
	Dragon Steel Corporation	Sister companies	Construction revenue	(104,043)	(2)	Contract period	-		43,770	4	Note 1

Note 1: Construction revenue recognized under the percentage of completion method.

Note 2: Regular suppliers use monthly settlements and payments are made on the seventh day of the following month.

Note 3: All transactions were written off in the preparation of the consolidated financial statements

China Steel Structure Co., Ltd. and Subsidiaries
 Receivables from Related Parties in Excess of NT\$100 Million or 20% of Paid-in Capital
 January 1 to September 30, 2022

Appendix 5

Unit: thousand NTD
 (Unless otherwise noted)

Creditor	Transaction counterparty	Relationship	Balance of receivables from related parties	Turnover Rate (%)	Overdue receivables		Receivables from related parties	Allowance for doubtful accounts
					Amount	Processing method	Subsequent collection amount	
United Steel Engineering & Construction Corp.	China Steel Corporation	Ultimate parent company	\$162,956	16	\$ -	-	\$25	\$ -

China Steel Structure Co., Ltd. and Subsidiaries
Relationships between Parent Company and Subsidiaries and Significant Transactions
January 1 to September 30, 2022

Appendix 6

Unit: thousand NTD
(Unless otherwise noted)

No.	Company name	Counterparty	Relationship with the company	Transaction			
				Item	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (%)
0	The Company	United Steel Engineering & Construction Corp.	Parent company to subsidiary	Construction revenues	\$342,255	Determined by the contract	2

China Steel Structure Co., Ltd. and Subsidiaries

Information on Investees

January 1 to September 30, 2022

Appendix 7

Unit: thousand NTD

(Unless otherwise noted)

Name of investor	Name of investee	Location	Main business item	Original investment amount		Held at end of period			Net profit (loss) of investee company in the current period	Investment gains (losses) recognized in the current period	Remarks
				End of this period	End of previous year	Number of Shares	(%)	Book value			
The Company	CHC Resources Corporation	Taiwan	Production and sales of blast furnace slag (BFS) powder and granulated blast furnace slag cement (GBFS), air-cooled BFS aggregates, basic oxygen furnace slag, soil and groundwater pollution control, solidification of hazardous industrial waste, resource recycling	\$132,715	\$132,715	23,182,738	9	\$532,420	\$614,533	\$57,321	
The Company	United Steel Engineering & Construction Corp.	Taiwan	Contracting for civil engineering and management	410,000	410,000	80,000,000	100	1,388,754	43,785	43,785	Note
The Company	China Steel Structure Holding Co., Ltd.	Samoa	Investment holding	-	-	10	100	21,495	10,685	10,685	Note
The Company	Chiun Yu Investment Corporation	Taiwan	General investment	12,453	12,453	1,046,500	35	24,898	6,924	2,423	
The Company	Sing Da Marine Structure Corporation	Taiwan	Foundation of offshore wind power	250,000	-	20,000,000	8	228,731	(219,085)	(15,016)	
The Company	HIMAG Magnetic Corporation	Taiwan	Production and trade of magnetic materials, specialty chemicals, and iron oxides	17,080	17,080	769,829	3	19,394	91,699	2,558	
The Company	Chi-Yi Investment Corporation	Taiwan	General investment	6,000	6,000	600,000	30	14,354	5,003	1,501	
The Company	Li-Ching-Long Investment Corporation	Taiwan	General investment	6,000	6,000	600,000	30	14,258	4,968	1,490	
The Company	Wabo Global Trading Corporation	Taiwan	Brokerage and trading of steel products	1,500	1,500	714,000	6	8,439	27,903	1,674	
The Company	Nikken & CSSC Metal Products Co., Ltd.	Taiwan	Wholesale of construction materials, wholesale of pollution controlling equipment	6,750	6,750	675,000	45	4,347	(976)	(439)	
The Company	Pro-Ascentek Investment Corporation	Taiwan	General investment	40,000	40,000	4,000,000	3	37,795	38,441	1,282	
United Steel Engineering & Construction Corp.	United Steel Investment Pte Ltd	Singapore	Investment holding	126,806	126,806	4,180,000	100	139,181	9,184	9,184	Note
United Steel Engineering & Construction Corp.	United Steel Construction (Vietnam) Co., Ltd.	Vietnam	Contracting for civil engineering and management	33,129	33,129	-	100	58,744	(2,144)	(2,144)	Note
United Steel Engineering & Construction Corp.	Kaohsiung Arena Development Corporation	Taiwan	Skill contests and recreational sports development	100,000	100,000	10,000,000	4	122,518	150,751	6,030	
United Steel Engineering & Construction Corp.	China Prosperity Construction Corporation	Taiwan	Real estate development	53,550	53,550	5,355,000	40	59,612	(2,387)	(955)	
United Steel Engineering & Construction Corp.	Overseas investment and development company	Taiwan	General investment	44,100	44,100	4,410,000	5	55,258	37,832	3,350	
United Steel Engineering & Construction Corp.	Shin Mau Investment Corporation	Taiwan	General investment	13,754	13,754	1,196,000	40	27,067	6,829	2,732	
United Steel Engineering & Construction Corp.	Kaohsiung Rapid Transit Corporation	Taiwan	Public rapid transit	15,433	15,433	1,543,276	1	16,322	486,384	2,675	
United Steel Engineering & Construction Corp.	Pro-Ascentek Investment Corporation	Taiwan	General investment	20,000	20,000	2,000,000	2	18,954	38,441	640	

Note: All transactions were written off in the preparation of the consolidated financial statements

Appendix 8

Note 1: The information on main shareholders in this table is based on the information provided by Taiwan Depository & Clearing Corporation on shareholders holding more than 5% of the Company's ordinary shares (including treasury stocks) that have been registered by the Company as of the final transaction date of the quarter. The share capital recorded in the Company's Consolidated Financial Report and the actual number of shares registered and delivered may be different due to the different basis for preparation and calculation.

Note 2: Where the aforementioned information involves a shareholder, who entrusts the shares he/she holds to a trust, it shall be disclosed based on individual trust accounts of the trustors opened by the trustees. Regarding to the reporting of insider shareholding information in accordance with the Securities and Exchange Act for insiders holding more than 10% of the shares, the number of shares includes the number of shares held by the insider and the number of shares in the trust properties for which the insider retains decision-making powers. Refer to the Market Observation Post System for the reported information on the shares held by insiders.