

Stock Code: 2002



# 2018 Annual Report



Printed on March 31, 2019

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

CSC Annual Report is available at:

[http://www.csc.com.tw/csc/ss/bd/bd\\_index.html](http://www.csc.com.tw/csc/ss/bd/bd_index.html)



歡迎蒞臨  
**中鋼公司**

member of CSC Group 中鋼集團

Notice to readers: This English-version annual report is a translation of the Chinese version.  
If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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<https://www.citiadr.idmanagedsolutions.com/stocks/profile.idms?cusip=Y15041125>

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Note: This annual report is prepared in accordance with the Regulations Governing Information to be Published in Annual Reports of Public Companies formulated by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.

## **Chapter I. Letter to Shareholders**

Dear Shareholders,

Thanks to stable global economy growth and steadily recovered steel demand, the Company's standalone net profit after taxes hit an 8-year high in 2018. U.S. domestic steel prices have increased due to tariffs imposed by the U.S. on steel and aluminum products since March 2018. With continuous reductions in production capacity and support from domestic demand, the crude steel output in Mainland China rose, but export volume dropped compared with last year, facilitating the development of the steel market in Asia and all over the world. Benefiting from rising international steel prices, the quoted price for steel imports into Taiwan has increased, and thus the import volume has dropped; as a result, the Company has increased list prices quarter by quarter. From the cost perspective, coking coal prices climbed to a new high due to supply concerns in Australia at the beginning of the year, and iron ore prices also rose higher at the start of the year due to strong demand from Mainland China. In the second and third quarters, raw material prices retreated and remained rangebound thereafter. In this backdrop, the Company's profit grew gradually in the first three quarters. In the fourth quarter, the intensifying US-China trade war and stalled domestic demand in Mainland China weakened the market confidence level, with international steel prices falling from the highs whereas raw material prices rose once again. This squeezed the profits of steel manufacturers. Overall, the Company still managed to achieve an outstanding profit performance in 2018 compared to the previous year.

Looking back on the entire year, global economic growth has driven the increase in steel demand and supported steel prices to remain high. However, the rise of trade protectionism in various countries has increased uncertainty in the steel market, as the European Union, Canada, and other countries set off a wave of restrictive measures following the erection of a tariff wall by the U.S. The development of US-China trade

war has put downward pressure on global economic growth, and has forced the downstream steel industry to adopt a wait-and-see mode. Facing intense changes in the market, the Company continued to implement cost reduction activities and achieved a total saving of NT\$4.69 billion in 2018. Furthermore, the Company has also committed to improving research and development capabilities in order to enhance the international competitiveness of our products, where high-end products account for 46.64% of the total order volume.

In line with the Corporate Governance Roadmap (2018-2020) set forth by the Financial Supervisory Commission (FSC), the Company appointed a Company Secretary in March 2019 and compiled and published English version of the Shareholders' Meeting related materials accordingly, showing the Company's commitment to enhance corporate governance and information disclosure. Based on the results of the 2017 Corporate Governance Evaluation announced in 2018, the Company once again ranked in the top 5%. In addition, the Company received the "Leader in Sustainability Award" from the British Standards Institution (BSI), thus highlighting the Company's efforts and its performance in sustainable governance for years.

As revenues from steel products account for more than 80% of the consolidated operating revenues of China Steel Corporation (CSC) Group, the global macroeconomic situation and changes in the steel market are highly related to the operations of the Group. As a result, this letter to the shareholders mainly analyzes the steel industry.

## **I. Business and Financial Performance in 2018**

### **(I) Implementation of Business Plan and Profitability Analysis**

Benefiting from the global steel demand growth, which led to rising domestic and overseas steel prices in 2018, the Company raised steel product prices quarter by quarter and experienced a higher sales volume compared with the previous year. With regard to costs, the Company's use of high-priced raw materials in the first quarter and consumption of externally purchased slabs during the blast furnace revamping period

resulted in higher costs. Starting from the second quarter, costs dropped in line with raw material prices until increasing again towards the end of the year. All in all, the profitability of the steel core business in the entire year increased significantly. The Company's consolidated sales volume of steel products was 15.79 million metric tons, an increase of 5% from 2017, whereas the Company's consolidated net profit after taxes was NT\$27.887 billion, an increase of 36% from 2017. Meanwhile, the Company's standalone sales volume of steel products was 11.24 million metric tons, an increase of 4% from 2017, whereas the Company's standalone net profit after taxes was NT\$24.454 billion, an increase of 45% from 2017.

Information on the Company's consolidated and standalone financial statements are as follows:

#### 1. Consolidated Financial Statements

Unit: NT\$ million

Item \ Year	2018	2017	Change	
	Amount	Amount	Amount	%
Operating Revenues	400,665	347,012	53,653	15
Gross Profit	48,838	39,339	9,499	24
Profit from Operations	33,579	24,922	8,657	35
Non-operating Income and Expenses	(1,657)	(1,518)	(139)	(9)
Profit before Income Tax	31,922	23,403	8,519	36
Net Profit for the Year	27,887	20,431	7,456	36

#### 2. Standalone Financial Statements

Unit: NT\$ million

Item \ Year	2018	2017	Change	
	Amount	Amount	Amount	%
Operating Revenues	235,403	207,099	28,304	14
Gross Profit	24,972	19,530	5,442	28
Profit from Operations	16,317	11,575	4,742	41
Non-operating Income and Expenses	10,081	6,946	3,135	45
Profit before Income Tax	26,397	18,521	7,876	43
Net Profit for the Year	24,454	16,906	7,548	45

## **(II) Research and Development (R&D)**

The Company completed a total of 37 new product R&D projects in 2018, a fruitful year for the Company in terms of research and development, and continued the efforts towards improving competitive advantage through product differentiation. Following international market trends and considering the development needs of the domestic steel-using industry, the Company has planned several R&D guidelines, including core technology for the electric vehicle industry, smart production technology, environmental protection and emission reduction technology, important industrial materials development, and key materials development for the "five-plus-two" industries. In 2018, the Company has accomplished outstanding R&D results; major R&D outcomes are listed as follows:

1. Core technology for the electric vehicle industry
  - (1) Development of electrical sheets: Through the establishment of key technologies, the Company has developed thin electrical sheets with lower iron loss, higher magnetic flux and higher strength for drive motors in electric vehicles. The Company has met the specifications for steel materials required for electric vehicles, and has become the sole supplier of electrical sheets for a well-known major manufacturer.
  - (2) Hot stamping technology and applications: To meet lightweight and safety requirements, hot stamping has become the most important technology development trend for automotive structural parts. The Company's manufacturing technology for hot stamping parts has successfully entered the vehicle supply system.
2. Smart production technology
  - (1) Development of autonomous cranes: The Company has established a complete autonomous crane technology, and has finished actual operational tests. In the future, the Company will gradually promote the construction of autonomous cranes in its plants. This technology can greatly reduce manpower needs for transportation in production lines.
  - (2) Smart decision-making support system for steelmaking scheduling: This



system optimizes steelmaking schedules based on different variables, including delivery period, equipment conditions, steel type, and dimensions. It fully utilizes the production capacity of basic oxygen furnaces, reduces the waiting time involved with various types of equipment, and maximizes the utilization of hot metal from blast furnaces.

- (3) Metallurgical process dynamic control system for bake hardening (BH) steel: This system dynamically fine-tunes the annealing temperature of hot dip galvanizing lines based on the measured components of upstream steelmaking, and eliminates variations in product properties caused by component variations, thereby enhancing product quality and reducing product rejection rates.

### 3. Environmental protection and emission reduction technology

- (1) Development of high-performance microbial denitrification technology for coking wastewater: The technology has successfully accelerated bacterial activity, which not only maintains a high rate of removal of chemical oxygen demand (COD) and ammonia nitrogen pollutants in wastewater, but also greatly reduces the impact from high-load water. This technology has been successfully implemented and applied, and complying with effluent-related regulations.
- (2) Establishment and application of power-saving technology for cooling towers: This technology identifies energy consumption issues involving cooling water from point of production to point of downstream use. The analysis technology developed by integrating new technologies, including Big Data and intelligent technology, provides scientific measures to improve energy conservation.

### 4. Development of important industrial materials

CSC Group continues to develop various types of industrial materials and products, including fine carbon materials, lithium battery materials, fine silver powder for the optoelectronics industry, and automotive aluminum sheets. As a key material in reducing the weight of vehicles, the use of automotive aluminum sheets increases with the prevalence of electric

vehicles. CSC Group's development and technology marketing of this product have obtained multiple certifications from international vehicle manufacturers; it has also entered the domestic and overseas automotive aftermarket (AM).

## **II. 2019 Business Plan and Business Development Strategies**

Looking into 2019, the International Monetary Fund (IMF) estimates that global economic growth rate will drop to 3.5%, a lower rate compared to the previous year, and growth momentum will gradually weaken. This is due to various risks including the Brexit, the US-China trade war, and concerns over an economic slowdown in Mainland China. Regarding the industry, international steel demand will continue to grow but at a growth rate lower than the previous year. Nonetheless, on the steel supply side, Mainland China continues to focus on the consolidation of steel enterprises and on the elimination of "zombie companies" this year, despite generally meeting the target for the reduction of production capacity last year. Mainland China is also continuously launching various types of policies related to production curtailment for environmental protection and ultra-low emission transformation, which facilitate discipline in the industry. In terms of raw materials, Brazil's mining disaster in January affected a portion of iron ore supply, resulting in increasing prices. With continuous moderate growth of global steel demand coupled with cost increases, the development of steel market in this year remains cautiously optimistic. In 2019, the sales volume of the CSC group is anticipated to remain stable.

CSC Group has mapped out its 2019-2023 operation and development strategies for the steel business as follows: (1) To foster corporate culture, launch succession plan, create LOHAS environment, and promote the image of CSC Group. (2) To optimize global logistics, forge strategic partnerships, employ blue ocean strategy, and refine overseas distribution. (3) To integrate resources of CSC Group, unite related industries, and enhance synergy of CSC Group. (4) To research and develop advanced products, high-efficiency processes and product application technologies, promote smart

manufacturing, and increase the value of the steel industry chain. (5) To strengthen engineering capabilities of CSC Group and develop green energy and rail businesses prudently. (6) To reduce costs and shorten delivery time continuously, elaborate on energy saving and environmental protection, strengthen occupational safety and health, and raise value and volumes of CSC Group's steel products.

The impact of trade barriers and the economic slowdown in various countries is exerting increasing operating pressure on steel manufacturers. In this regard, the Company has actively consolidated its position in the domestic market and expanded its export sales channels to penetrate into the global market. By focusing on "industrial upgrading" as the core theme and "enhancing the added value of products" as the goal, the CSC Group has integrated both internal and external R&D resources, and the R&D team of CSC Group walks from the factory towards customers, in order to assist domestic steel-using industries in transformation and upgrades and to increase international competitiveness. Furthermore, the Company plans to incorporate artificial intelligence into the manufacturing processes, while building a smart production and sales system and implementing lean production. Together, this will lay an important foundation for the prosperity of CSC Group in the next 50 years.

We would like to offer a big thank you to all shareholders who have supported us over the years. CSC has long been adhering to the spirit of R&D, deepening our core businesses, and practicing sustainable management and development so as to create higher value for all the shareholders.

Chao-Tung Wong  
Chairman



Hong-Nan Lin  
President



## Chapter II. Company Profile

China Steel Corporation (CSC), located in Kaohsiung City, was founded in December 1971. With annual crude steel production of 10 million metric tonnes, CSC's main products include plates, bars, wire rods, hot and cold rolled coils, electrogalvanized coils, electrical steel coils, hot-dip galvanized coils, and titanium/nickel-based alloy. The domestic market takes roughly 70% of CSC's production and the exports take the remaining 30%. CSC is the largest steel company in Taiwan with market share of more than 50% and export products mainly to Mainland China (including Hong Kong), Japan and Southeast Asia.

CSC is very active in innovation and has strong capability to put the innovations into practice. The company's vision is "We aspire to be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving and value-innovation." CSC actively puts into practice its corporate value of "teamwork, entrepreneurial approach, down-to-earthness and pursuit of innovation", as well as its operational beliefs of "promotion of social well-being, result orientation, implementation of teamwork, and emphasis on employees' self-realization." CSC keeps deepening the roots for its core business in steel, and is devoted to integrate the related downstream industries to foster healthy development and international competitiveness of Taiwan's steel related industry.

CSC was awarded the "National Quality Award" from the Executive Yuan (Cabinet) in 1991; the "Distinguished Innovation Accomplishment Award" from the Ministry of Economic Affairs in 2009; the only award of "Leading Company of Maintenance and Reliability KPIs Survey Project, 2013" from the World Steel Association; the World Steel Industry Leader by Dow Jones Sustainability Index (DJSI) in 2013 and 2017; the inclusion in the FTSE4Good Index by FTSE Russell in 2017; the Gold Class Sustainability leaders in the steel industry by ReboCoSAM in 2014 and 2018. In addition, CSC was also awarded the "Leader in Sustainability Award" from British Standards Institute in 2018. These achievements signifying that CSC's accomplishments in R&D, innovation, production, maintenance, and corporate social responsibility have long been acknowledged by the domestic and oversea industries and the public.

In order to enhance its operational synergy, CSC has diversified its businesses. Presently CSC and its 26 subsidiaries constitute the "CSC Group" in five business areas: steel, engineering and construction, industrial materials, logistics, and services & investments. The CSC Group, positioning its status toward "A group, which deems environmental protection and energy saving important, bases its headquarters in Taiwan, centers its development in Asia, and focuses on the business scope of steels and materials, engineering and services, and minerals and resources." is proactively making efforts to become a resource-saving and eco-friendly steel group of global distinction.

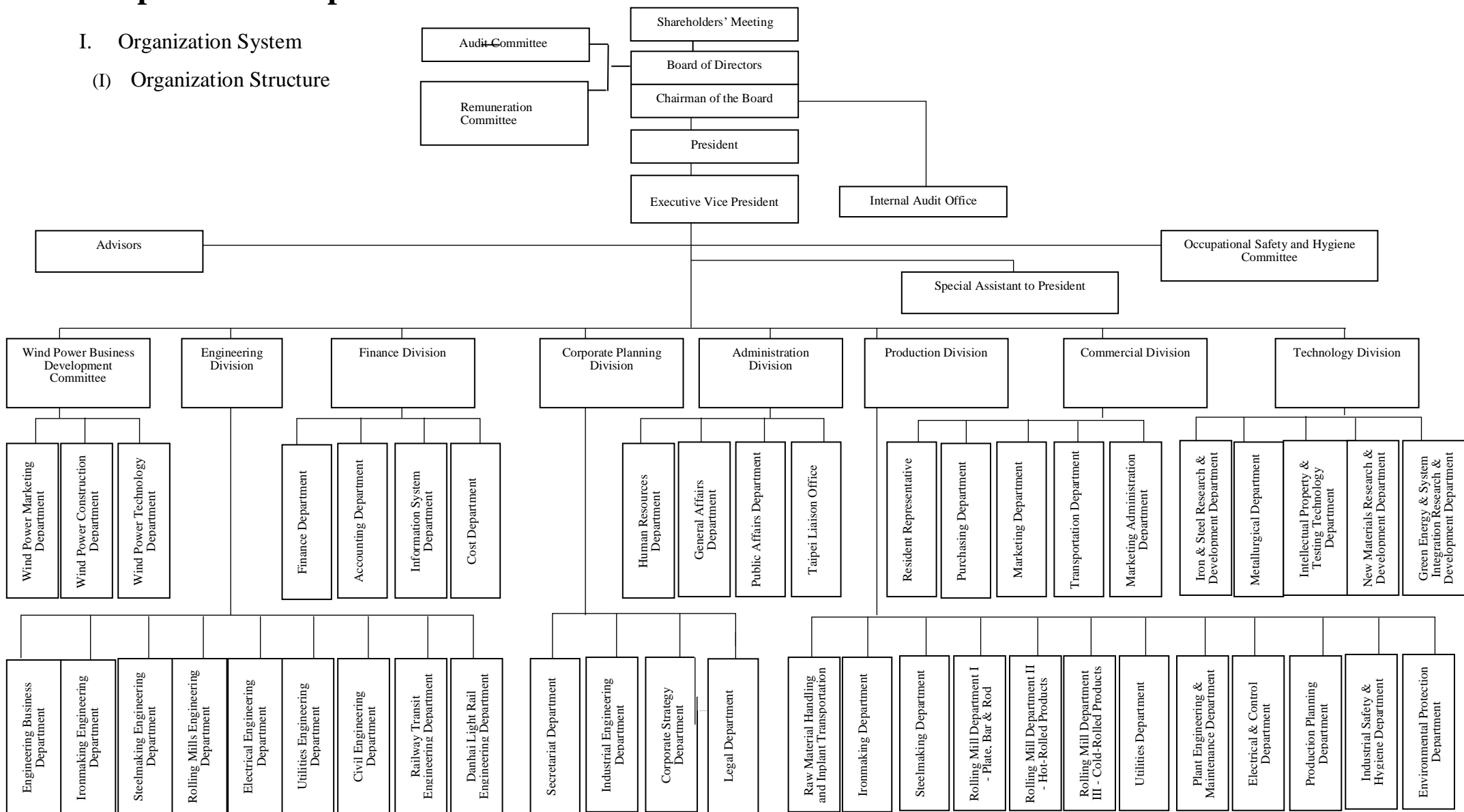
## **Company History**

December 3, 1971	China Steel Corporation was officially registered, with head office located in Taipei.
September 16, 1972	Kaohsiung Plant Site Office was established.
September 1, 1974	Phase I expansion project commenced.
December 26, 1974	CSC stock was listed on Taiwan Stock Exchange.
September 15, 1975	Head office relocated to Kaohsiung. Plant Site Office closed.
July 1, 1977	CSC became a state enterprise.
December 16, 1977	Phase I expansion project was completed, with capacity of 1.5Mt per year.
July 1, 1978	Phase II expansion project commenced.
June 30, 1982	Phase II expansion project was completed. Capacity reached 3.25Mt per year.
July 1, 1984	Phase III expansion project commenced.
April 30, 1988	Phase III expansion project was completed. Capacity reached 5.652Mt per year.
July 15, 1993	Phase IV expansion project commenced.
April 12, 1995	CSC was privatized.
May 31, 1997	Phase IV expansion project was completed. Capacity reached 8.054Mt per year.
June 2, 1998	CSC Group's identity system of was formally introduced to the public.
April 15, 2006	Annual production capacity was officially increased to 9.86Mt owing to success in equipment renovations and improvements carried out over the years.
November 22, 2006	Groundbreaking for the China Steel Building took place.
October 6, 2008	Dragon Steel Corporation became a wholly owned subsidiary of CSC.
June 30, 2010	DSC's Stage II phase 1 expansion project was completed. CSC Group's capacity reached 13.36Mt per year.
March 5, 2013	DSC's stage II phase 2 expansion project was completed. CSC Group's capacity reached 15.86 Mt per year.
October 22, 2013	China Steel Building was inaugurated.
December 20, 2017	The Board of Directors approved the initiation of the revamping plan of coke ovens (Phase I and II).
December 31, 2018	CSC Group's operating revenues in 2018 sets the record of exceeding NT\$400 billion.

# Chapter III. Corporate Governance

## I. Organization System

### (I) Organization Structure



## (II) Functions of Major Divisions

1. The Production Division is responsible for the planning, execution and supervision of in-plant transportation, steel products manufacturing, utilities, automation engineering, equipment maintenance, production planning, industrial safety & hygiene, and environmental protection.
2. The Commercial Division is responsible for the planning, execution and supervision of purchasing, marketing and transportation.
3. The Technology Division is responsible for the planning, execution and supervision of research and development, quality control, metallurgical technology, green energy and system integration technology, and intellectual property and testing technology.
4. The Finance Division is responsible for the planning, execution and supervision of finance, accounting, information system and cost.
5. The Administration Division is responsible for the planning, execution and supervision of human resources, general affairs (including guard and fire brigade), public affairs and Taipei liaison business.
6. The Corporate Planning Division is responsible for the planning, execution and supervision of secretariat, industrial engineering, corporate strategy and legal affairs.
7. The Engineering Division is responsible for the planning, execution and supervision of the Company's major engineering projects, and handling contracting of external projects.
8. The Wind Power Business Development Committee takes charge of the planning, execution and supervision of development of wind power businesses, and wind power construction and technology.

## II. Information on Directors and Management Team

### (I) Information on Directors

As of March 31, 2019

Title	Nationality	Name	Gender	Date of Appointment	Term	Date of Initial Appointment	Shareholding on Date of Appointment		Current Shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Other Current Assignments/Positions	Spouse or Relative within the Second Degree of Relationship Holding A Position as Manager, Director or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Taiwan, R.O.C.	Ministry of Economic Affairs	--	2016.06.23	3 years	1971.12.03	3,154,709,357	20	3,154,709,357	20	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Chao-Tung Wong (Note 1)	Male	Assumed office on 2016.10.26	3 years	Assumed office on 2016.06.23	1,000,875	0.01	1,000,875	0.01	191,355	0	0	0	PhD in Resource Engineering, National Cheng Kung University President, China Steel Corporation	Chairman, China Steel Corporation; Chairman, China Prosperity Development Corporation; Director, Dragon Steel Corporation; Director, China Steel Chemical Corporation; Director, Chung Hung Steel Corporation; Director, China Ecotek Corporation; Chairman, Ascetek Venture Capital Corporation	None	None	None
Director	Taiwan, R.O.C.	Ministry of Economic Affairs	--	2016.06.23	3 years	1971.12.03	3,154,709,357	20	3,154,709,357	20	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Wen-Sheng Tseng (Note 2)	Male	Assumed office on 2018.05.14	3 years	Assumed office on 2018.05.14	0	0	0	0	0	0	0	0	Bachelor of Civil Engineering, National Taiwan University Director-General of Economic Development Bureau, Kaohsiung City Government	Deputy Minister, Ministry of Economic Affairs	None	None	None
Director	Taiwan, R.O.C.	Ministry of Economic Affairs	--	2016.06.23	3 years	1971.12.03	3,154,709,357	20	3,154,709,357	20	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Fong-Sheng Wu (Note 3)	Male	2016.06.23	3 years	Assumed office on 2003.08.07	0	0	0	0	0	0	0	0	Master of Sociology, National Taiwan University Counselor, Ministry of Economic Affairs	Vice Chairperson, State-Owned Enterprise Commission, Ministry of Economic Affairs; Acting Chairman, Tang Eng Iron Works Co., Ltd.	None	None	None
Director	Taiwan, R.O.C.	Chiun Yu Investment Corporation	--	2016.06.23	3 years	Elected on 1997.12.30 Assumed office on 1998.05.26	1,548,289	0.01	1,623,289	0.01	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Horng-Nan Lin (Note 4)	Male	Assumed office on 2016.10.26	3 years	Assumed office on 2014.02.01	18,579	0	77,576	0	0	0	0	0	MBA in International Management, Thunderbird School of Global Management, U.S.A. Executive Vice President, China Steel Corporation	President, China Steel Corporation; Director, Dragon Steel Corporation; Director, China Steel Chemical Corporation; Director, China Ecotek Corporation; Chairman, Transglory Investment Corporation; Director, Formosa Ha Tinh Steel Corporation	None	None	None
Director	Taiwan, R.O.C.	Ever Wealthy International Corporation	--	2016.06.23	3 years	2004.06.17	2,226,265	0.01	4,226,265	0.03	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable



Title	Nationality	Name	Gender	Date of Appointment	Term	Date of Initial Appointment	Shareholding on Date of Appointment		Current Shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Other Current Assignments/Positions	Spouse or Relative within the Second Degree of Relationship Holding A Position as Manager, Director or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
	Taiwan, R.O.C.	Representative: Shyi-Chin Wang	Male	2016.06.23	3 years	Assumed office on 2015.10.01	141,474	0	256,010	0	0	0	0	0	PhD in Materials Science, National Sun Yat-sen University Vice President of Technology Division, China Steel Corporation	Executive Vice President, China Steel Corporation; Chairman, Dragon Steel Corporation; Director, China Steel Chemical Corporation; Director, China Steel Express Corporation; Director, Taiwan High Speed Rail Corporation; Director, Formosa Ha Tinh Steel Corporation	None	None	None
Director	Taiwan, R.O.C.	Hung Kao Investment Corporation	--	2016.06.23	3 years	2010.06.23	1,003,980	0.01	1,003,980	0.01	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Cheng-I Weng (Note 5)	Male	2016.06.23	3 years	2001.05.31	0	0	9,000	0	0	0	0	0	PhD in Mechanical Engineering, University of Rochester, U.S.A. President, National Cheng Kung University President, Fo Guang University	Adjunct Chair Professor, Kun Shan University; Honorary Professor, Department of Mechanical Engineering, National Cheng Kung University	None	None	None
Director	Taiwan, R.O.C.	Gau Ruei Investment Corporation	--	2016.06.23	3 years	Elected on 1997.12.30 Assumed office on 1998.05.26	1,335,318	0.01	1,493,318	0.01	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Yueh-Kun Yang (Note 6)	Male	Assumed office on 2018.10.31	3 years	Assumed office on 2018.10.31	32,427	0	32,427	0	599	0	0	0	Master of Business Management, National Sun Yat-sen University Assistant Vice President of Finance Division, China Steel Corporation	Vice President of Finance Division, China Steel Corporation; Director, C.S.Aluminium Corporation; Director, Gains Investment Corporation; Director, Kaohsiung Rapid Transit Corporation	None	None	None
Director	Taiwan, R.O.C.	Labor Union of China Steel Corporation, Kaohsiung City	--	2016.06.23	3 years	2001.05.31	7,221,487	0.05	7,221,487	0.05	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Chun-Sheng Chen (Note 7)	Male	Assumed office on 2018.01.05	3 years	Assumed office on 2018.01.05	21,743	0	19,743	0	0	0	0	0	Electrical Engineering, National Taitung Junior College Technician, China Steel Corporation	President, Labor Union of China Steel Corporation, Kaohsiung City; Director, Kang Fu Recreation Co., Ltd.	None	None	None
Independent Director	Taiwan, R.O.C.	Shyue-Bin Chang	Male	2016.06.23	3 years	2016.06.23	0	0	0	0	0	0	0	0	PhD in Mechanical and Aerospace Engineering, Cornell University, U.S.A. Technology Consultant, Department of Industrial Technology, Ministry of Economic Affairs; Supervisor, China Engine Corporation; Executive Director, Ship and Ocean Industries R&D Center; Supervisor, Metal Industries Research & Development Centre; Director, Air Asia Company Limited	Vice President and Dean of College of Informatics, Kao Yuan University; Director, Hua's Aero Industry Development Foundation; Independent Director, Hiwin Mikro system Corp.	None	None	None
Independent Director	Taiwan, R.O.C.	Min-Hsiung Hon	Male	2016.06.23	3 years	2016.06.23	0	0	0	0	5,000	0	0	0	PhD in Materials Science and Engineering, North Carolina State University, U.S.A. President, Dayeh University Professor, Department of Materials Science and Engineering, National Cheng Kung University	Emeritus Professor, Department of Materials Science and Engineering, National Cheng Kung University; Independent Director and Member of Remuneration Committee, INPAQ Technology Co., Ltd.	None	None	None

Title	Nationality	Name	Gender	Date of Appointment	Term	Date of Initial Appointment	Shareholding on Date of Appointment		Current Shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Other Current Assignments/Positions	Spouse or Relative within the Second Degree of Relationship Holding A Position as Manager, Director or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	Taiwan, R.O.C.	Lan-Feng Kao	Female	2016.06.23	3 years	2016.06.23	4,216	0	4,216	0	1,000	0	0	0	PhD in Accounting, National Cheng Kung University Chairman, Department of Finance, National University of Kaohsiung	Professor, Department of Finance, National University of Kaohsiung	None	None	None

- Note 1: Mr. Chao-Tung Wong has assumed the position as Director of the Company from June 23, 2016 to date, however the juristic person he represented has changed during the period. He was elected as the Chairman on October 26, 2016.
- Note 2: The Ministry of Economic Affairs appointed Mr. Wen-Sheng Tseng as its representative on May 14, 2018.
- Note 3: Mr. Fong-Sheng Wu first became a Director of the Company on August 7, 2003 until his dismissal on November 15, 2006. He resumed as a Director of the Company on June 23, 2016 to date.
- Note 4: Mr. Horng-Nan Lin first became a Director of the Company on February 1, 2014 until his dismissal on June 23, 2016. He resumed as a Director of the Company on October 26, 2016 to date, however the juristic person he represented has changed during the period.
- Note 5: Mr. Cheng-I Weng has assumed the position as Director of the Company from May 31, 2001 to date, however the juristic person he represented has changed during the period.
- Note 6: Gau Ruei Investment Corporation appointed Mr. Yi-Lang Lin to replace Mr. Jih-Gang Liu as its representative on March 31, 2018, and appointed Mr. Yueh-Kun Yang to replace Mr. Yi-Lang Lin as its representative on October 31, 2018.
- Note 7: Labor Union of China Steel Corporation, Kaohsiung City appointed Mr. Chun-Sheng Chen to replace Mr. Chao-Chin Wei as its representative on January 5, 2018.

## Information on Directors

Condition	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Not an employee of the Company or any of its affiliates	Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, which is appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary	Not a shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total shares issued by the Company or ranks as one of its top ten natural-person shareholders	Not a spouse, relative within the second degree of relationship, or lineal blood relative within the third degree of relationship of individuals listed in the preceding three criteria.	Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total shares issued by the Company or ranks as one of its top five shareholders	Not a director, supervisor, managerial officer, or shareholder holding five percent or more of shares of a specified company or institution that has a financial or business relationship with the Company	Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution, that provides commercial, legal, financial, accounting services or consultation to the Company or to any of its affiliates, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX"	Not having a marital relationship, or a relative within the second degree of relationship to any other director of the Company	Not been a person of any conditions defined in Article 30 of the Company Act	Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act	
Name														
Chairman Chao-Tung Wong	No	No	Yes			✓	✓	✓		✓	✓	✓		0
Director Wen-Sheng Tseng	No	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓		0
Director Fong-Sheng Wu	No	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓		0
Director Horng-Nan Lin	No	No	Yes			✓	✓		✓	✓	✓	✓		0
Director Shyi-Chin Wang	No	No	Yes			✓	✓		✓	✓	✓	✓		0
Director Cheng-I Weng	Yes	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓		0
Director Yueh-Kun Yang	No	No	Yes			✓	✓		✓	✓	✓	✓		0
Director Chun-Sheng Chen	No	No	Yes		✓	✓	✓		✓	✓	✓	✓		0
Independent Director Shyue-Bin Chang	Yes	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓	✓	1
Independent Director Min-Hsiung Hon	Yes	No	No	✓	✓	✓	✓		✓	✓	✓	✓	✓	1
Independent Director Lan-Feng Kao	Yes	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓	✓	0

Note: If a Director meets the following criteria in the two years prior to the date of appointment and during term of office, tick "✓" in the box under each criteria.

Table 1: Major shareholders of institutional shareholders

As of March 31, 2019

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Chiun Yu Investment Corporation	Eminence Investment Corporation 25%; China Steel Structure Co., Ltd. 35%; China Ecotek Corporation 40%
Ever Wealthy International Corporation	China Steel Chemical Corporation 100%
Gau Ruei Investment Corporation	Eminence Investment Corporation 25%; China Steel Chemical Corporation 40%; CHC Resources Corporation 35%
Hung Kao Investment Corporation	Chung Hung Steel Corporation 100%

Table 2: Major shareholders of the entities from Table 1 that are institutions

As of March 31, 2019

Institutional Shareholders	Major Shareholders of Institutional Shareholders
Eminence Investment Corporation	Gains Investment Corporation 100%
China Steel Structure Co., Ltd.	China Steel Corporation 33.24%; IHI Corporation 5.53%; Berlin Co., Ltd. 4.86%; United Steel Engineering & Construction Corporation 3.40%; Yung Chi Paint & Varnish MFG Co., Ltd. 3.00%; Employee's Stock Ownership Trust of China Steel Structure Co., Ltd. under the custody of Mega International Commercial Bank Co., Ltd. 2.66%; Great Grandeul Steel Co., Ltd. 1.76%; Dragon Steel Corporation 1.75%; C. Hao Corporation 0.96%; New Labor Pension Fund 0.66%
China Ecotek Corporation	China Steel Corporation 44.76%; Hua Eng Wire & Cable Co., Ltd. 9.57%; Chun Yu Works & Co., Ltd. 3.50%; Nan Shan Life Insurance Co., Ltd. 3.11%; Great Grandeul Steel Co., Ltd. 3.04%; Chin Ho Fa Steel & Iron Co., Ltd. 2.92%; Bai Chien Investment Co., Ltd. 2.43%; Chun Yuan Steel Industry Co., Ltd. 2.42%; Taiwan Sugar Corporation 2.33%; Trust Asset Fund of China Ecotek Corporation under the custody of Mega International Commercial Bank Co., Ltd. 1.35%
China Steel Chemical Corporation	China Steel Corporation 29.04%; Matthews Asia Dividend Fund under the custody of HSBC Bank (Taiwan) Limited 6.48%; China Synthetic Rubber Corporation 4.96%; Fubon Life Insurance Co., Ltd. 4.21%; Ever Wealthy International Corporation 2.01%; C.C.T. Investment Co., Ltd. 1.46%; Cathay Life Insurance Co., Ltd. 1.09%; Chin Hung Investment Co., Ltd. 1.06%; Nanshan Life Insurance Co., Ltd. 1.01%; Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank Taipei Branch 0.96%
CHC Resources Corporation	China Steel Corporation 19.83%; Taiwan Cement Corporation 12.15%; China Steel Structure Co., Ltd. 9.33%; Asia Cement Corporation 9.17%; Universal Cement Corporation 6.85%; China Steel Chemical Corporation 6.04%; Southeast Cement Corporation 5.26%; Cathay Life Insurance Co., Ltd. 3.33%; Der Ching Investment Corporation 1.94%; Employee's Stock Trust of CHC Resources Corporation under the custody of Mega International Commercial Bank Co., Ltd. 1.94%
Chung Hung Steel Corporation	China Steel Corporation 40.59%; Taiwan Life Insurance Co., Ltd. 1.76%; DFA Emerging Markets Core Equity Portfolio under the custody of Citibank (Taiwan) Limited 0.87%; Employee's Stock Trust of Chung Hung Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. 0.83%; New Labor Pension Fund 0.82%; CTBC Bank Co., Ltd. 0.77%; Merrill Lynch International investment account under the custody of HSBC Bank (Taiwan) Limited 0.59%; DAF Investment Trust Company under the custody of Citibank (Taiwan) Limited 0.53%; First Trust Emerging Markets Small Cap AlphaDEX Fund under the custody of Standard Chartered Bank (Taiwan) Limited 0.40%; DFA Emerging Markets Value Portfolio under the custody of Citibank (Taiwan) Limited 0.39%

Note: The data of Table 1 &amp; Table 2 has been updated to the latest book closure date.

## (II) Information on Management Team

As of March 31, 2019

Title	Nationality	Name	Gender	Date of Assumption of Office	Shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Academic and Career Background	Positions Currently Held in Other Companies	Managers with spouses or relatives within the second degree of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Taiwan, R.O.C.	Hong-Nan Lin	Male	2018.03.31 2018.10.09 (Note 1)	77,576	0	0	0	0	0	MBA in International Management, Thunderbird School of Global Management, U.S.A. Executive Vice President, China Steel Corporation	Director, China Steel Corporation; Director, Dragon Steel Corporation; Director, China Steel Chemical Corporation; Director, China Ecotek Corporation; Chairman, Transglory Investment Corporation; Director, Formosa Ha Tinh Steel Corporation	None	None	None
Executive Vice President	Taiwan, R.O.C.	Shyi-Chin Wang	Male	2015.10.01	256,010	0	0	0	0	0	PhD in Materials Science, National Sun Yat-sen University Vice President of Technology Division, China Steel Corporation	Director, China Steel Corporation; Chairman, Dragon Steel Corporation; Director, China Steel Chemical Corporation; Director, China Steel Express Corporation; Director, Taiwan High Speed Rail Corporation; Director, Formosa Ha Tinh Steel Corporation	None	None	None
Vice President, Administration Division	Taiwan, R.O.C.	Chiu-Po Chang	Male	2018.01.01	132,232	0	0	0	0	0	Master of Human Resource Management, National Kaohsiung University of Science and Technology Assistant Vice President of Administration Division, China Steel Corporation	Supervisor, Dragon Steel Corporation; Director, China Steel Security Corporation	None	None	None
Vice President, Commercial Division	Taiwan, R.O.C.	Chien-Chih Hwang	Male	2018.07.01	33,233	0	0	0	0	0	Bachelor of Economics, Tunghai University Assistant Vice President of Commercial Division, China Steel Corporation	Chairman, China Steel Global Trading Corporation; Director, China Steel Structure Co., Ltd.; Director, China Steel Express Corporation; Director, CSBC Corporation, Taiwan	None	None	None
Vice President, Finance Division	Taiwan, R.O.C.	Yueh-Kun Yang	Male	2018.07.01	32,427	0	599	0	0	0	Master of Business Management, National Sun Yat-sen University Assistant Vice President of Finance Division, China Steel Corporation	Director, China Steel Corporation; Director, C.S.Aluminium Corporation; Director, Gains Investment Corporation; Director, Kaohsiung Rapid Transit Corporation	None	None	None

Title	Nationality	Name	Gender	Date of Assumption of Office	Shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Academic and Career Background	Positions Currently Held in Other Companies	Managers with spouses or relatives within the second degree of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Vice President, Corporate Planning Division/ Company Secretary	Taiwan, R.O.C.	Pai-Chien Huang	Male	2018.11.12 (Note 2)	122,848	0	1,213	0	0	0	Bachelor of Business Administration, National Cheng Kung University Chairman, Gains Investment Corporation	Chairman, Gains Investment Corporation; Chairman, Eminent II Venture Capital Corporation; Director, China Steel Machinery Corporation; Director, Kaohsiung Rapid Transit Corporation	None	None	None
Vice President, Technology Division	Taiwan, R.O.C.	Song-Jau Tsai	Male	2018.01.01	158,582	0	461	0	0	0	Master of Power Mechanical Engineering, National Tsing Hua University Assistant Vice President of Technology Division, China Steel Corporation	Chairman, ThinTech Materials Technology Co., Ltd.; Director, C.S.Aluminium Corporation; Director, InfoChamp System Corporation	None	None	None
Vice President, Engineering Division	Taiwan, R.O.C.	Hsin-Chin Kuo	Male	2018.03.31	10,415	0	0	0	0	0	Executive Master of Business Administration, National Sun Yat-sen University Vice President of Production Division, China Steel Corporation	Director, Taiwan Rolling Stock Co., Ltd.	None	None	None
Vice President, Production Division	Taiwan, R.O.C.	Chih-Tai Chang	Male	2018.03.31	46,543	0	0	0	0	0	Master of Business Management, National Sun Yat-sen University Assistant Vice President of Production Division, China Steel Corporation	Chairman, CHC Resources Corporation; Director, Dragon Steel Corporation; Director, China Steel Express Corporation; Director, Tang Eng Iron Works Co., Ltd.	None	None	None
Assistant Vice President, Finance Division/ General Manager, Finance Department	Taiwan, R.O.C.	Hung-Tai Chou	Male	2016.10.01 2018.07.01 (Note 3)	1,032	0	0	0	0	0	Master of International Studies, University of Wyoming, U.S.A. Vice President of Management Division, China Steel Sumikin Vietnam Joint Stock Company	Supervisor, Dragon Steel Corporation Director, InfoChamp Systems Corporation	None	None	None
General Manager, Accounting Department	Taiwan, R.O.C.	Kai-Ching Huang	Male	2018.01.01	0	0	0	0	0	0	Master of Business Administration, National Cheng Kung University Manager of Group Accounting Section, Accounting Department, China Steel Corporation	Director, HIMAG Magnetic Corporation Supervisor, Betacera Inc.	None	None	None

Note 1: Mr. Horng-Nan Lin became President of the Company on March 31, 2018 until his retirement on September 30, 2018; the Board of Directors approved the appointment of Mr. Horng-Nan Lin to hold a concurrent post as President of the Company while serving as one of the Directors on October 9, 2018.

Note 2: The Board of Directors approved the appointment of Mr. Pai-Chien Huang, Vice President of Corporate Planning Division, to hold a concurrent post as Company Secretary.

Note 3: Mr. Hung-Tai Chou assumed the position of General Manager, Finance Department on October 1, 2016 and was promoted to Assistant Vice President of Finance Division on July 1, 2018, while concurrently serving as the General Manager of Finance Department.



2. Gau Ruei Investment Corporation appointed Mr. Yi-Lang Lin to replace Mr. Jih-Gang Liu as its representative on March 31, 2018, and appointed Mr. Yueh-Kun Yang to replace Mr. Yi-Lang Lin as its representative on October 31, 2018.
3. Labor Union of China Steel Corporation, Kaohsiung City appointed Mr. Chun-Sheng Chen to replace Mr. Chao-Chin Wei as its representative on January 5, 2018.
4. Remuneration to Directors of the Company is fully received by juristic person directors. The travel expenses for the Ministry of Economic Affairs are shared by juristic person and its representatives in an agreed ratio, whereas the travel expenses for Labor Union of China Steel Corporation are received by juristic person.
5. Consolidated entities include the Company, however where juristic person directors of the Company are one of the consolidated entities, various types of compensations received by juristic persons shall be eliminated under the column headed "Consolidated Entities".
6. Directors of the Company (juristic persons and representatives) do not receive or contribute to severance pay and pension upon resignation or retirement. Meanwhile, for representatives of juristic person who serve as employees at the Company, the total amount of severance pay and pension contributed in 2018 according to the law was NT\$282 thousand.

### Range of Compensation

Range of compensation paid to Directors of the Company	Directors' Name			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Under NT\$2,000,000	Chao-Tung Wong, Wen-Sheng Tseng, Fong-Sheng Wu, Horng-Nan Lin, Shyi-Chin Wang, Cheng-I Weng, Jih-Gang Liu, Yi-Lang Lin, Yueh-Kun Yang, Chao-Chin Wei, Chun-Sheng Chen, Shyue-Bin Chang, Min-Hsiung Hon and Lan-Feng Kao	Chao-Tung Wong, Wen-Sheng Tseng, Fong-Sheng Wu, Horng-Nan Lin, Shyi-Chin Wang, Cheng-I Weng, Jih-Gang Liu, Yi-Lang Lin, Yueh-Kun Yang, Chao-Chin Wei, Chun-Sheng Chen, Shyue-Bin Chang, Min-Hsiung Hon, Lan-Feng Kao, Chiun Yu Investment Corporation, Ever Wealthy International Corporation, Hung Kao Investment Corporation, and Gau Ruei Investment Corporation	Wen-Sheng Tseng, Fong-Sheng Wu, Cheng-I Weng, Yueh-Kun Yang, Chao-Chin Wei, Chun-Sheng Chen, Shyue-Bin Chang, Min-Hsiung Hon, and Lan-Feng Kao	Wen-Sheng Tseng, Fong-Sheng Wu, Cheng-I Weng, Yueh-Kun Yang, Chao-Chin Wei, Chun-Sheng Chen, Shyue-Bin Chang, Min-Hsiung Hon, Lan-Feng Kao, Chiun Yu Investment Corporation, Ever Wealthy International Corporation, Hung Kao Investment Corporation, and Gau Ruei Investment Corporation
NT\$2,000,000 (inclusive) - NT\$5,000,000 (not inclusive)	Chiun Yu Investment Corporation, Ever Wealthy International Corporation, Hung Kao Investment Corporation, Gau Ruei Investment Corporation, and Labor Union of China Steel Corporation, Kaohsiung City	Labor Union of China Steel Corporation, Kaohsiung City	Jih-Gang Liu, Yi-Lang Lin, Chiun Yu Investment Corporation, Ever Wealthy International Corporation, Hung Kao Investment Corporation, Gau Ruei Investment Corporation, and Labor Union of China Steel Corporation, Kaohsiung City	Jih-Gang Liu, Yi-Lang Lin, and Labor Union of China Steel Corporation, Kaohsiung City
NT\$5,000,000 (inclusive) - NT\$10,000,000 (not inclusive)	None	None	Chao-Tung Wong, Horng-Nan Lin, and Shyi-Chin Wang	Chao-Tung Wong, Horng-Nan Lin, and Shyi-Chin Wang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (not inclusive)	Ministry of Economic Affairs	Ministry of Economic Affairs	Ministry of Economic Affairs	Ministry of Economic Affairs
NT\$15,000,000 (inclusive) - NT\$30,000,000 (not inclusive)	None	None	None	None
NT\$30,000,000 (inclusive) - NT\$50,000,000 (not inclusive)	None	None	None	None
NT\$50,000,000 (inclusive) - NT\$100,000,000 (not inclusive)	None	None	None	None
NT\$100,000,000 and above	None	None	None	None
Total	20	20	20	20

Note: Remuneration to Directors of the Company is fully received by juristic person directors. Compensation paid to representatives of juristic person directors who serve as employees also include salaries and remuneration to employees.



## (II) Compensations Paid to President and Vice Presidents

Unit: NT\$ thousands, as of December 31, 2018

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Remuneration to Employees(D)				Sum of A, B, C and D as A Percentage of Net Income (%)		Compensation Paid by Non-consolidated Affiliates	
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities		
								Cash	Stock	Cash	Stock				
Managers	President	Jih-Gang Liu	30,655	30,655	400	400	10,627	12,150	26,161	0	26,161	0	0.277	0.284	None
		Horng-Nan Lin													
	Executive Vice President	Shyi-Chin Wang													
		Chiu-Po Chang													
	Vice President	Shin-Min Lee													
		Chien-Chih Hwang													
		Ming-Hsien Wu													
		Yueh-Kun Yang													
		Yi-Lang Lin													
		Pai-Chien Huang													
		Song-Jau Tsai													
		Chung-Te Chen													
		Hsin-Chin Kuo													
Chih-Tai Charng															

Note: Consolidated entities include the Company.

## Range of Compensation

Range of compensation paid to Presidents and Vice Presidents of the Company	Name of President and Vice President	
	The Company	Consolidated Entities
Under NT\$2,000,000	Pai-Chien Huang and Chung-Te Chen	Pai-Chien Huang and Chung-Te Chen
NT\$2,000,000 (inclusive) - NT\$5,000,000 (not inclusive)	Jih-Gang Liu, Shin-Min Lee, Chien-Chih Hwang, Ming-Hsien Wu, and Yueh-Kun Yang	Jih-Gang Liu, Shin-Min Lee, Chien-Chih Hwang, Ming-Hsien Wu, and Yueh-Kun Yang
NT\$5,000,000 (inclusive) - NT\$10,000,000 (not inclusive)	Horng-Nan Lin, Shyi-Chin Wang, Chiu-Po Chang, Yi-Lang Lin, Song-Jau Tsai, Hsin-Chin Kuo, and Chih-Tai Charng	Horng-Nan Lin, Shyi-Chin Wang, Chiu-Po Chang, Yi-Lang Lin, Song-Jau Tsai, Hsin-Chin Kuo, and Chih-Tai Charng
NT\$10,000,000 (inclusive) - NT\$15,000,000 (not inclusive)	None	None
NT\$15,000,000 (inclusive) - NT\$30,000,000 (not inclusive)	None	None
NT\$30,000,000 (inclusive) - NT\$50,000,000 (not inclusive)	None	None
NT\$50,000,000 (inclusive) - NT\$100,000,000 (not inclusive)	None	None
NT\$100,000,000 and above	None	None
Total	14	14

## (III) Employee Remuneration Distributed to Managers and Distribution Situation

As of December 31, 2018

Unit: NT\$ thousands

	Title	Name	Amount of Stock	Amount of Cash	Total	Total Amount as A Percentage of Net Income (%)
Managers	President	Jih-Gang Liu	0	27,047	27,047	0.111
		Horng-Nan Lin				
	Executive Vice President	Shyi-Chin Wang				
	Vice President	Chiu-Po Chang				
		Shin-Min Lee				
		Chien-Chih Hwang				
		Ming-Hsien Wu				
		Yueh-Kun Yang				
		Yi-Lang Lin				
		Pai-Chien Huang				
		Song-Jau Tsai				
		Chung-Te Chen				
		Hsin-Chin Kuo				
		Chih-Tai Charng				
		Assistant Vice President, Finance Division/General Manager, Finance Department				
General Manager, Accounting Department	Kai-Ching Huang					
Directors	President of Labor Union	Chao-Chin Wei				
		Chun-Sheng Chen				

(IV) Analysis on proportion of compensation paid to Directors, President and Vice Presidents of the Company to net income in the most recent two years; description of policies, standards and portfolios of compensation payments; procedures for determining compensation and correlation of such compensation with business performance and future risks:

In 2018, total compensation paid to Directors, President and Vice Presidents of the Company accounted for 0.47% of the Company's net income. In 2017, total compensation paid to Directors, President and Vice Presidents of the Company constituted 0.54% of the Company's net income. The policies and standards for compensations paid by the Company to Directors, President and Vice Presidents are clearly stated in Paragraph 1, Article 6 of the Company's Articles of Incorporation, which stipulates that "If there is profit in any given fiscal year, the Company shall set aside no less than 0.1% as the remuneration in stock or cash for employees, and no more than 0.15% as the remuneration for Directors...." With regard to employee remuneration for Presidents and Vice Presidents, the Board of Directors has approved that 1.5% of the total amount of employee remuneration shall be distributed to them. Travel expenses for Directors are determined referring to the standards set by industry peers. In addition, incentives for President and Vice Presidents are distributed according to a certain proportion of the Company's profit in the previous year. Correlation of compensations paid to Directors, President and Vice Presidents of the Company with future risks: None.

#### IV. Implementation of Corporate Governance

##### (I) Operation of the Board of Directors

1. In 2018, the 16th Board of Directors convened 7 meetings. Attendance of Directors is listed as follows:

(January 1, 2018 to December 31, 2018)

Title	Name	Attendance in Person	Attendance by Proxy	Required Attendance	Percentage of Attendance in Person (%)	Remarks	
Chairman	Representative of Ministry of Economic Affairs Chao-Tung Wong	7	0	7	100.0%	None	
Director	Representative of Ministry of Economic Affairs Wen-Sheng Tseng	1	4	5	20.0%	Took office on 2018.05.14	
Director	Representative of Ministry of Economic Affairs Fong-Sheng Wu	6	1	7	85.7%	None	
Director	Representative of Chiun Yu Investment Corporation Horng-Nan Lin	6	1	7	85.7%	None	
Director	Representative of Ever Wealthy International Corporation Shyi-Chin Wang	7	0	7	100.0%	None	
Director	Representative of Hung Kao Investment Corporation Cheng-I Weng	7	0	7	100.0%	None	
Director	Representative of Gau Ruei Investment Corporation	Jih-Gang Liu	1	0	1	100.0%	2018.03.31 Yi-Lang Lin was appointed to replace Jih-Gang Liu as representative 2018.10.31 Yueh-Kun Yang was appointed to replace Yi-Lang Lin as representative
Director		Yi-Lang Lin	4	0	4	100.0%	
Director		Yueh-Kun Yang	2	0	2	100.0%	
Director	Representative of Labor Union of China Steel Corporation, Kaohsiung City Chun-Sheng Chen	7	0	7	100.0%	None	
Independent Director	Shyue-Bin Chang	7	0	7	100.0%	None	
Independent Director	Min-Hsiung Hon	7	0	7	100.0%	None	
Independent Director	Lan-Feng Kao	7	0	7	100.0%	None	

Other matters to be noted:

1. If any of the following applies to the operation of Board of Directors, the date and session of the Board Meeting, the content of proposals, Independent Directors' opinions, and the Company's actions in response to Independent Directors' opinions shall be stated:

- (1) Items listed in Article 14-3 of the Securities and Exchange Act: Please refer to section 1. (1) of "Other matters to be noted" in the "Operation of Audit Committee" on Page 28-32 of this annual report.
- (2) In addition to the preceding matter, other resolutions of the Board Meetings on which Independent Directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements: None.

2. Recusal of Directors due to conflict of interests (the name of the Directors, the content of the proposals, reasons for recusal, and participation in voting shall be stated):

According to Paragraph 1, Article 20 of China Steel Corporation Rules of Procedure for Board of Directors Meetings, which is applicable to the Directors of the Company and stipulates that "With regard

to Board Meeting agendas, a Director shall explain, to the Board of Directors, the important content of interests if he/she, the corporate he/she represents or the following persons and enterprises have conflict of interests in such agendas. If there are concerns that such conflict of interests may impair the interests of the Company, the Director shall not take part in discussion and voting, nor exercise voting rights on behalf of other Directors, and shall recuse him/herself from discussion and voting: 1. The Director's spouse, parents, children or other relatives within the third degree of relationship; 2. Enterprises in which the persons in the preceding subparagraph who directly or indirectly enjoy significant financial interests. 3. Enterprises in which the person him/herself serves as Chairman, Executive Director or Senior Executive. However, the above does not apply to enterprises which are affiliates of the Company."

- (1) The 16th meeting of the 16th Board of Directors on March 28, 2018: Directors Horng-Nan Lin and Shyi-Chin Wang recused themselves according to applicable laws during the proposal regarding the nomination of Horng-Nan Lin, Chairman of China Steel Chemical Corporation, to take over as the President of the Company.
  - (2) The 16th meeting of the 16th Board of Directors on March 28, 2018: Director Shyi-Chin Wang recused himself according to applicable laws during the proposal regarding the adjustment of certain managements.
  - (3) The 17th meeting of the 16th Board of Directors on May 9, 2018: Directors Horng-Nan Lin, Shyi-Chin Wang, and Yi-Lang Lin recused themselves according to applicable laws during the proposal regarding the salary and benefit adjustment for appointed managements.
  - (4) The 17th meeting of the 16th Board of Directors on May 9, 2018: Directors Horng-Nan Lin, Shyi-Chin Wang, and Yi-Lang Lin recused themselves according to applicable laws during the proposal regarding amendments to the remuneration distribution system for appointed managements.
  - (5) The 17th meeting of the 16th Board of Directors on May 9, 2018: Directors Shyi-Chin Wang and Yi-Lang Lin recused themselves according to applicable laws during the proposal regarding the 2017 Year-End Performance Evaluation of President, Executive Vice President, and Vice Presidents (From January to December).
  - (6) The 18th meeting of the 16th Board of Directors on June 21, 2018: Directors Horng-Nan Lin, Shyi-Chin Wang, and Yi-Lang Lin recused themselves according to applicable laws during the proposal regarding salary adjustment for Chairman, President, and Executive Vice President.
  - (7) The 19th meeting of the 16th Board of Directors on August 10, 2018: Directors Horng-Nan Lin, Shyi-Chin Wang, and Yi-Lang Lin recused themselves according to applicable laws during the proposal regarding the 2018 salary adjustment for appointed managements.
  - (8) The 19th meeting of the 16th Board of Directors on August 10, 2018: Directors Horng-Nan Lin, Shyi-Chin Wang, and Yi-Lang Lin recused themselves according to applicable laws during the proposal regarding the 2018 Mid-Year Performance Evaluation of President, Executive Vice President, and Vice Presidents (From January to June).
3. Measures for strengthening the functions of Board of Directors in the current year and the most recent year, and relevant implementation assessment:
- (1) In March 2019, the Company established the position of the Company Secretary, whose main duties are to prepare meeting minutes and handle matters related to Board Meetings and Shareholders' Meetings, to assist Directors in onboarding and continuous training, to provide Directors with information required for business execution, and to assisting Directors in legal compliance as well as other matters stipulated in the Articles of Incorporation or contracts.
  - (2) The Company discloses the important resolutions of the Board Meetings on the corporate website, and maintains directors and officers (D&O) liability insurance for Directors.

(II) Participation of the Audit Committee in the Operation of Board of Directors

The Company established the Audit Committee on June 23, 2016. In 2018, the Audit Committee of the 16th Board of Directors convened 7 meetings, while the attendance of Independent Directors is listed as follows:

(2018.01.01~2018.12.31)

Title	Name	Attendance in Person	Attendance by Proxy	Percentage of Attendance in Person (%)	Remarks
Independent Director	Shyue-Bin Chang	7	0	100%	None
Independent Director	Min-Hsiung Hon	7	0	100%	None
Independent Director	Lan-Feng Kao	7	0	100%	None

Annual focus of the Audit Committee:

1. For investments involving related party transactions, request the proposing unit to specify the procedures for price negotiation with related and non-related parties in order to verify the reasonableness and rigor of such cases.
2. Recommend to include smart manufacturing in the planning investment in equipment replacement.
3. Supervise and enhance the post-investment management of subsidiaries.

Other matters to be noted:

1. If any of the following applies to the operation of Audit Committee, the date and session of the Board Meeting, the content of proposals, resolutions of the Audit Committee, and the Company's actions in response to opinions from the Audit Committee shall be specified.

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Date and Session of Board Meeting	Proposal	Resolution of the Board of Directors	Resolution of the Audit Committee
2018.03.28 The 16th meeting of the 16th Board of Directors	Discussion Item 1: The Company's 2017 Business Report and Financial Statements	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 2: Proposal for Distribution of 2017 Profits	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 7: Amendments to the Company's Procedures for Acquisition or Disposal of Assets	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 9: Proposal to continue the appointment of Deloitte Taiwan for the audit and attestation of the Company's Financial Statements and income tax returns, and to adjust the CPA fee to NT\$21.59 million per year for a period of	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.

Date and Session of Board Meeting	Proposal	Resolution of the Board of Directors	Resolution of the Audit Committee
	5 years		
	Discussion Item 10: Proposal to invest NT\$489,368 thousand in the Construction of New Sinter Indoor Warehouse	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 11: Proposal to invest NT\$3.421 billion in establishing a jacket substructure manufacturing company and building a production line of substructures for offshore wind turbines in the Marine Science and Technology Industry Innovation Zone in Singda Harbour, Kaohsiung	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 12: Proposal to invest in the establishment of Taiwan International Windpower Training Corporation Ltd. (TIWTC) led by Taiwan International Ports Corporation. The Company would invest NT\$15 million, with a shareholding percentage of 15%.	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 13: Proposal to provide loans totaled NT\$5.19 billion to 6 subsidiaries, including C.S.Aluminium Corporation, etc.	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 14: Proposal to sell 1,590 shares held in Allied Material Technology Corp. at a price of NT\$10 per share	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 15: Proposal to adjust investment structure from indirect holding of China Steel Precision Metals Kunshan Co., Ltd. (via United Steel International Co., Ltd. through the Company's wholly-owned subsidiary China Steel Asia Pacific Holdings Pte Ltd) into direct holding.	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 17: The Company's "2017 Statement on Internal Control System"	All the 10 Directors present agreed without any dissent.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 23: Proposal to release the prohibition on Director, Mr. Shyi-Chin Wang from holding the position of Changzhou China Steel Precision Materials Co., Ltd. to protect the investment rights of the Company	Unanimously approved by all the Directors present.	The 10th meeting of the Audit Committee of the 16th Board of Directors on March 23, 2018: Passed and unanimously approved by all the committee members present.
2018.05.09 The 17th meeting of the 16th Board of Directors	Discussion Item 1: Proposal to invest NT\$486,332 thousand in the replacement of inner shell and furnace lining of No. 31 Hot Stove of No. 3 Blast Furnace	Unanimously approved by all the Directors present.	The 11th meeting of the Audit Committee of the 16th Board of Directors on May 7, 2018: Passed and unanimously approved by all the committee

Date and Session of Board Meeting	Proposal	Resolution of the Board of Directors	Resolution of the Audit Committee
			members present.
	Discussion Item 2: Proposal to invest NT\$292,524 thousand in the replacement of No. 1 Reheating Furnace of Plate Mill at Rolling Mill Department I	Unanimously approved by all the Directors present.	The 11th meeting of the Audit Committee of the 16th Board of Directors on May 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 3: Proposal to add NT\$30.013 million to the budget for the upgrading of the process control and electrical control system of the No.2 Hot Strip Mill and extend the construction period by 2 years to December 2020	Unanimously approved by all the Directors present.	The 11th meeting of the Audit Committee of the 16th Board of Directors on May 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 6: Proposal to provide loans totaled NT\$6.05 billion to 13 subsidiaries, including C.S.Aluminium Corporation, etc.	Unanimously approved by all the Directors present.	The 11th meeting of the Audit Committee of the 16th Board of Directors on May 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 10: Proposal to release the prohibition on Chairman, Mr. Chao-Tung Wong from holding the position of Taiwan High Speed Rail Corporation to protect the investment rights of the Company	Unanimously approved by all the Directors present.	The 11th meeting of the Audit Committee of the 16th Board of Directors on May 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 11: Proposal to release the prohibition on Director, Mr. Horng-Nan Lin from holding the position of Director of China Ecotek Corporation, Formosa Ha Tinh Cayman Limited, and Formosa Ha Tinh Steel Corporation to protect the investment rights of the Company	Unanimously approved by all the Directors present.	The 11th meeting of the Audit Committee of the 16th Board of Directors on May 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 12: Proposal to release the prohibition on Director, Mr. Yi-Lang Lin from holding the position of China Steel Machinery Corporation and New Energy Wind Power Co., Ltd. to protect the investment rights of the Company	Unanimously approved by all the Directors present.	The 11th meeting of the Audit Committee of the 16th Board of Directors on May 7, 2018: Passed and unanimously approved by all the committee members present.
2018.06.21 The 18th meeting of the 16th Board of Directors	Discussion Item 1: Proposal to invest NT\$5 million in establishing China Steel Power Holding Corporation to facilitate the joint development of No. 29 Offshore Wind Farm	Unanimously approved by all the Directors present.	The 12th meeting of the Audit Committee of the 16th Board of Directors on June 20, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 2: Proposal to provide endorsement/guarantee, with a maximum of NT\$3 billion, to China Steel Power Holding Corporation based on the proportion of shareholding	Unanimously approved by all the Directors present.	The 12th meeting of the Audit Committee of the 16th Board of Directors on June 20, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 4: Proposal to appoint China Ecotek Corporation for the modification of coal and iron ore transportation processes with a contract amount of NT\$481 million	Unanimously approved by all the Directors present.	The 12th meeting of the Audit Committee of the 16th Board of Directors on June 20, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 9: Proposal to promote Mr. Yueh-Kun Yang, Assistant Vice	Unanimously approved by all the	The 12th meeting of the Audit Committee of the 16th Board of

Date and Session of Board Meeting	Proposal	Resolution of the Board of Directors	Resolution of the Audit Committee
	President of the Finance Division, to succeed Mr. Ming-Hsien Wu, Vice President of the Finance Division, who would be dismissed from the position due to mandatory retirement on June 30, 2018 for operation needs with effect from July 1, 2018.	Directors present.	Directors on June 20, 2018: Passed and unanimously approved by all the committee members present.
2018.08.10 The 19th meeting of the 16th Board of Directors	Report Item 4: The Company's 2018 2nd quarter Consolidated Financial Statements and Standalone Financial Statements.	Acknowledged by all the Directors present.	The 13th meeting of the Audit Committee of the 16th Board of Directors on August 9, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 1: Proposal to invest NT\$6,368,928 thousand in the revamping of the 3rd Campaign of No. 2 Blast Furnace	Unanimously approved by all the Directors present.	The 13th meeting of the Audit Committee of the 16th Board of Directors on August 9, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 2: Proposal to invest NT\$461,438 thousand in the replacement of area auxiliary equipments at finishing rolling mill of No. 1 Hot Strip Mill	Unanimously approved by all the Directors present.	The 13th meeting of the Audit Committee of the 16th Board of Directors on August 9, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 3: Proposal to authorize the Chairman to invest NT\$204 million in the concession company jointly established with China Ecotek Corporation, after the corporate alliance between the Company and China Ecotek Corporation is selected as the best applicant for the "BTO Project of LinHai Sewage Treatment Plant and Reclaimed Water of Kaohsiung City with Private Participation"	Unanimously approved by all the Directors present.	The 13th meeting of the Audit Committee of the 16th Board of Directors on August 9, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 4: Proposal to provide endorsement/guarantee, with a maximum of US\$3.8 million and 1-year period, to Sakura Ferroalloys Sdn. Bhd. based on 19% shareholding, to assist the company in obtaining a loan extension from Mizuho Bank	Unanimously approved by all the Directors present.	The 13th meeting of the Audit Committee of the 16th Board of Directors on August 9, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 5: Amendments to the "Internal Control System Provisions" of the Company	Unanimously approved by all the Directors present.	The 13th meeting of the Audit Committee of the 16th Board of Directors on August 9, 2018: Passed and unanimously approved by all the committee members present.
2018.10.09 The 20th meeting of the 16th Board of Directors	Discussion Item 1: Proposal to NT\$988,002 thousand in the replacement of No. 3 Reheating Furnace in No. 1 Hot Strip Mill	Unanimously approved by all the Directors present.	The 14th meeting of the Audit Committee of the 16th Board of Directors on October 5, 2018: Passed and unanimously approved by all the committee members present.
2018.11.12 The 21st meeting of the 16th Board of	Discussion Item 1: Proposal to invest NT\$2,076,579 thousand in the replacement of No. 3 and No. 4 Ship-unloaders	Unanimously approved by all the Directors present.	The 15th meeting of the Audit Committee of the 16th Board of Directors on November 7, 2018: Passed and unanimously



Date and Session of Board Meeting	Proposal	Resolution of the Board of Directors	Resolution of the Audit Committee
Directors			approved by all the committee members present.
	Discussion Item 2: Proposal to invest NT\$263,870 thousand in the replacement of A4151 crane at the BOF Plant	Unanimously approved by all the Directors present.	The 15th meeting of the Audit Committee of the 16th Board of Directors on November 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 3: Proposal to invest NT\$646,137 thousand in the installation of ultra-high pressure water jet system for rust removal in No. 1 Hot Strip Mill	Unanimously approved by all the Directors present.	The 15th meeting of the Audit Committee of the 16th Board of Directors on November 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 4: Proposal to invest NT\$732,709 thousand in the installation of flue gas desulfurization system for No. 1 Sinter Plant	Unanimously approved by all the Directors present.	The 15th meeting of the Audit Committee of the 16th Board of Directors on November 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 5: Proposal to invest NT\$1,199,346 thousand in the equipment replacement of No. 1 and No. 2 Sinter Plants	Unanimously approved by all the Directors present.	The 15th meeting of the Audit Committee of the 16th Board of Directors on November 7, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 6: Proposal to provide loans totaled NT\$5.89 billion to 12 subsidiaries, including C.S.Aluminium Corporation, etc.	Unanimously approved by all the Directors present.	The 15th meeting of the Audit Committee of the 16th Board of Directors on November 7, 2018: Passed and unanimously approved by all the committee members present.
2018.12.17 The 22nd meeting of the 16th Board of Directors	Discussion Item 3: Proposal to participate in cash capital increase by Overseas Investment & Development Corp. by investing no more than NT\$290 million	Unanimously approved by all the Directors present.	The 16th meeting of the Audit Committee of the 16th Board of Directors on December 14, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 4: Proposal to provide endorsement/guarantee, with a maximum of US\$306,825,000 (approximately NT\$9,512 million), to a 5-year and a 7-year syndicated loans involving Formosa Ha Tinh CSCC (Cayman) International Limited based on the proportion of shareholding	Unanimously approved by all the Directors present.	The 16th meeting of the Audit Committee of the 16th Board of Directors on December 14, 2018: Passed and unanimously approved by all the committee members present.
	Discussion Item 5: Proposal to promote Auditor Mr. Shih-Tshung Chang to succeed Mr. Hua-Chieh Wang, Chief Auditor, who would be dismissed from the position due to mandatory retirement on February 28, 2019	Unanimously approved by all the Directors present.	The 16th meeting of the Audit Committee of the 16th Board of Directors on December 14, 2018: Passed and unanimously approved by all the committee members present.
The Company's actions in response to opinions from the Audit Committee: The proposals above were first approved by the majority of the members of the Audit Committee before they were submitted to the Board of Directors for resolution.			

- (2) Except for the aforementioned matters, other resolutions which were not being approved by the Audit Committee but resolved by more than two-thirds of all the Directors: None.

2. Recusal of Independent Directors due to conflict of interests (the name of the Independent Directors, the content of the proposals, reasons for recusal, and participation in voting shall be stated): None.
3. Communication between Independent Directors, Chief Auditor, and CPAs

(1) Communication between Independent Directors and Chief Auditor:

The Company's Chief Auditor sits in on regular Audit Committee meetings and Board Meetings, and reports the implementation of internal audit work. The Internal Audit Office regularly submits audit reports and follow-up reports to Independent Directors for inspection.

Communication between Chief Auditor and Independent Directors in 2018 is listed as follows:

Date and Session of Board Meeting	Proposal	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2018.03.28 The 16th meeting of the 16th Board of Directors	The 1st Internal Audit Report in 2018	No opinion.	Not applicable
	The 2017 Statement on Internal Control System	Unanimously approved.	Not applicable
2018.05.09 The 17th meeting of the 16th Board of Directors	The 2nd Internal Audit Report in 2018	No opinion.	Not applicable
2018.06.21 The 18th meeting of the 16th Board of Directors	The 3rd Internal Audit Report in 2018	No opinion.	Not applicable
2018.08.10 The 19th meeting of the 16th Board of Directors	The 4th Internal Audit Report in 2018	No opinion.	Not applicable
2018.11.12 The 21st meeting of the 16th Board of Directors	The 5th Internal Audit Report in 2018	No opinion.	Not applicable
2018.12.17 The 22nd meeting of the 16th Board of Directors	The 6th Internal Audit Report in 2018	No opinion.	Not applicable
	Review and approval of the 2019 Audit Plan	Unanimously approved.	Not applicable
2018.03.23 The 10th meeting of the Audit Committee of the 16th Board of Directors	2017 Internal Audit Work Report	1. How are whistleblower cases handled? 2. What is the mechanism for signing the Statement on Internal Control System? 3. What is the labor force status at the Internal Audit Office?	The questions raised by Independent Directors were answered.
	The "2017 Statement on Internal Control System" of the Company	In the future, all units are required to add titles to the risk assessment sections of self-assessment reports to clarify the topic so that readers can understand them easily.	Followed up according to the points raised by Independent Directors

(2) Communication between Independent Directors and CPAs:

The CPAs of the Company quarterly sit in on regular meetings of the Audit Committee and Board Meetings to communicate and discuss matters related to financial statements. Based on their professional judgment, the CPAs may request to communicate with the Audit Committee members in regular meeting or with Independent Directors in one-on-one meeting.

Communication between CPAs and Independent Directors in 2018 is listed as follows:

Date and Session of Board Meeting	Proposal	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2018.03.28 The 16th meeting of the 16th Board of Directors	Reporting and communication on the 2017 Consolidated Financial Statements and Standalone Financial Statements	Unanimously approved the financial statements.	Not applicable
2018.05.09 The 17th meeting of the 16th Board of Directors	Reporting and communication on the 2018 1st quarter Consolidated Financial Statements and Standalone Financial Statements	No opinion.	Not applicable
2018.08.10 The 19th meeting of the 16th Board of Directors	Reporting and communication on the 2018 2nd quarter Consolidated Financial Statements and Standalone Financial Statements	No opinion.	Not applicable
2018.11.12 The 21th meeting of the 16th Board of Directors	Reporting and communication on the 2018 3rd quarter Consolidated Financial Statements and Standalone Financial Statements	Raised questions and discussed.	The questions raised by Independent Directors were answered.
Date and Session of Audit Committee Meeting	Key Points	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2018.03.23 The 10th meeting of the Audit Committee of the 16th Board of Directors	Discussion and communication on the 2017 Consolidated Financial Statements and Standalone Financial Statements	1. Raised questions and discussed 2. Unanimously approved the financial statements	The questions raised by Independent Directors were answered.
2018.05.07 The 11th meeting of the Audit Committee of the 16th Board of Directors	Discussion and communication on the 2018 1st Consolidated Financial Statements and Standalone Financial Statements	Raised questions and discussed	The questions raised by Independent Directors were answered.
2018.08.09 The 13th meeting of the Audit Committee of the 16th Board of Directors	Discussion and communication on the 2018 2nd quarter Consolidated Financial Statements and Standalone Financial Statements	1. Raised questions and discussed 2. Unanimously approved the financial statements	The questions raised by Independent Directors were answered.
2018.11.07 The 15th meeting of the Audit Committee of the 16th Board of Directors	Discussion and communication on the 2018 3rd quarter Consolidated Financial Statements and Standalone Financial Statements	Raised questions and discussed	The questions raised by Independent Directors were answered.
Date and Session of Other Meeting	Key Points	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2018.11.07 Communication between CPAs and those charged with governance	Communication of key audit matters in the 2018 CPAs' audit report	Raised questions and discussed	The Company did not send any representative to participate in this meeting as it was a one-on-one meeting between CPAs and Independent Directors.
2018.11.12 Communication between CPAs and the managements	Communication of key audit matters in the 2018 CPAs' audit report	Raised questions and discussed	The questions raised by Independent Directors were answered.

(III) Implementation of corporate governance, discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such discrepancies

1. CSC's standalone Information

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	Yes		In March 2017, the Company formulated the Corporate Governance Best-Practice Principles and reported it to the 2017 AGM. The principle is now disclosed on the Market Observation Post System and corporate website. The Company made amendments to the Corporate Governance Best Practice Principles in March 2019, and will report the amendments to the 2019 Shareholders' Meeting.	No significant difference
II. Shareholding Structure and Shareholders' Rights (I) Has the Company formulated internal operating procedures to handle shareholders' recommendations, questions, disputes, and litigations, and implemented these measures accordingly? (II) Does the Company possess the list of its major shareholders and the beneficial owners of these major shareholders? (III) Has the Company established and executed risk management and firewall system between the Company and its affiliated companies? (IV) Has the Company formulated internal regulations to prohibit insider trading?	(I) Yes (II) Yes (III) Yes (IV) Yes		(I) The Company has formulated our own internal operating procedure manual so that personnel can carry out their duties accordingly. If shareholders want to convey any recommendation or dispute associated with stock-related affairs to the Company, the Company has appointed dedicated personnel and a stock transfer agent to handle related matters. (II) The Company was originally a state-owned enterprise. After undergoing privatization in 1995, the shareholding percentage of the Ministry of Economic Affairs (MOEA) has gradually declined to 20% until today. Besides, the Chairman of the Company has been appointed by MOEA. The Legislative Yuan has decided that the government should maintain its shareholding percentage in the Company at 20% and above; thus, MOEA remains the largest shareholder of the Company. In addition, the Company has the list of remaining major shareholders. (III) The Company has formulated the Guidelines for Related Party Transactions to govern various types of transactions between affiliates, and has set up a dedicated department to take charge of the development and management of our investment businesses. This department regularly monitors the operation and financial status of subsidiaries to ensure that the responsible persons of subsidiaries exercise the due care of a good administrator. Furthermore, this department is also	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>responsible for coordinating operations between the Company and affiliates.</p> <p>(IV) The Company strictly prohibited personnel from insider trading, and has formulated related regulations, including the "Codes of Ethics for Directors", the "Codes of Ethics for First Echelon Supervisors and Executives" (refer to Page 54-58 in this annual report for more details), the "Guidelines for Recusal Due to Conflict of Interests" (refer to Page 146 in this annual report for more details).</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors drawn up diversity policy for the composition of board members and implemented it accordingly?</p> <p>(II) Other than the remuneration committee and audit committee required by the law, has the Company voluntarily established other functional committees?</p> <p>(III) Has the Company formulated any rules and methods for evaluating the performance of the Board of Directors and implemented such evaluations every year?</p> <p>(IV) Does the Company regularly evaluate the independence of CPAs?</p>	<p>(I) Yes</p> <p>(III) Yes</p> <p>(IV) Yes</p>	<p>(II) No</p>	<p>(I) According to the Sample Template for Procedures for Election of Directors and Supervisors released by TWSE, the Company has incorporated the concept of diversity in the Rules Governing the Election of Directors with the aim of appointing Directors from different genders, ages, professional knowledge, and background. The Board of Directors is composed of 11 Directors, including 1 female Director (and 3 Independent Directors), whose professional knowledge and skills cover different areas, including steel, resource engineering, business management, sociology, machinery, materials, electrical engineering, aerospace, and accounting, which fully implements the concept of diversity in the composition of Board of Directors, and benefits the Company's development goals, including succession planning, equipment replacement, research and development of advanced products, construction of high-value industry chain, creation of smart production and sale, and commitment to circular economy in the future.</p> <p>(II) In addition to establishing the Audit Committee and the Remuneration Committee (which are composed by 3 Independent Directors each), the Company has incorporated corporate governance and corporate culture and values into various internal regulations, which covered administration, collective bargaining, training, audit, etc. Therefore, the Company doesn't set up other functional committees.</p> <p>(III) In 2011, the Company has formulated the Organization Regulations for Audit Committee and set up the Remuneration Committee. Since Independent Directors and other</p>	<p>The Company does not establish other functional committee except for the Audit Committee and Remuneration Committee required by laws. Other practices are not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>non-executive Directors do not participate in the daily operations of the Company, it is of no significance to evaluate their performance. In other words, the Remuneration Committee only carries out performance evaluation on Chairman, President, Executive Vice President and Vice Presidents.</p> <p>(IV) To ensure the reliability of the Company's financial statements, the Board of Directors reviews the CPA independence assessment questionnaire at the beginning of each year, and requires CPAs to provide a declaration of independence to ensure that CPAs do not have other financial interests and business relationships with the Company, other than fees associated with attestation and taxation, and that CPAs, their spouses, their dependent children and relatives do not violate the independence requirements. Outcomes of the assessment in the most recent two years were reported to the Board Meeting on March 28, 2018 and March 25, 2019 respectively.</p>	
IV. Does the TWSE/TPEX listed company have a full-time (or part-time) corporate governance unit or personnel in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters related to Board Meetings and Shareholders' Meetings, handling company registration and change registration, and producing minutes of Board Meetings and Shareholders' meetings)?	Yes		<p>The Company engages in corporate governance-related matters such as affairs related to Shareholders' Meetings, Board Meetings and Directors, company registration, and change registration according to the duties and responsibilities of the Legal Office, the Secretariat Department and the Finance Department.</p> <p>On March 25, 2019, the Board of Directors approved to establish the position of Company Secretary, which is to be concurrently held by the Vice President of the Corporate Planning Division. The main duties of this position are to prepare meeting minutes and handle matters related to Board Meetings and Shareholders' Meetings, to assist Directors in onboarding and continuous training, to provide Directors with information required for business execution, and to assisting Directors in legal compliance as well as other matters stipulated in the Articles of Incorporation or contracts. For more details regarding continuing education of Company Secretary, please refer to "Continuing education and training related to corporate</p>	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			governance participated by managers" from Page 46-47. The Company engages in corporate governance-related matters according to the duties and responsibilities of the Legal Department, the Secretariat Department, and the Finance Department, such as notifying Directors seven days before the Board Meeting, providing meeting materials, registering the date of Board Meetings and preparing meeting notice, annual reports, meeting handbooks, and meeting minutes within the required time frame, and handling company registration and changes in registration.	
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholders section on corporate website and adequately responded to stakeholders' inquiries on material corporate social responsibility (CSR) issues?	Yes		Respecting the rights and interests of stakeholders, the Company identifies stakeholders and learns about their expectations and needs through appropriate communications and engagements. Besides, the Company responds appropriately to material CSR issues which are of concern to stakeholders. Various divisions are responsible for stakeholder communication, and report to the Board of Directors occasionally: (I) Shareholders 1. Annual General Meeting is convened in the 2nd quarter of each year. Each proposal is voted on a case-by-case basis. Shareholders can exercise their voting rights by electronic means, allowing them to fully participate in the voting process. 2. Publish annual report and operation report every year for investors' reference. 3. Disclose consolidated revenues, revenues breakdown and preliminary results on MOPS and corporate website monthly. 4. Shareholders can communicate with the Company through our toll-free telephone line and email address for shareholders. 5. Communicates with domestic and foreign institutional investors, and attends investor conferences held by domestic and foreign brokers. (II) Employees	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>Collective agreement (amended every three years); labor-management meeting (every month); regular factory (department) communication meeting (every two to three months); appointment of labor union representatives as Directors; communication meeting held by Chairman and President; Employee Welfare Committee meeting (every two months); Stock-holding Trustees Committee meeting (every six months); Occupational Safety and Hygiene Committee meeting (every two months); Human Resources Development Committee meetings (every year); Retirement Reserve Fund Supervisory Committee meeting (every quarter); Rewards and Punishments Review Committee meeting (unscheduled).</p> <p>(III) Local Communities Visit and negotiate with local communities, legislators, councilors, and governmental authorities through the Public Affairs Department, the Labor Union of China Steel Corporation, the CSC Group Education Foundation, and CSC employee clubs.</p> <p>(IV) Customers</p> <ol style="list-style-type: none"> <li>1. Production-sales meeting (every quarter) and customer satisfaction survey (every year).</li> <li>2. Obtain feedback from customers through customer briefings, R&amp;D alliances, professional training, market surveys, visits and customer interviews (unscheduled).</li> <li>3. Provide total solution for customers' businesses through electronic supply chain and e-Sales system.</li> <li>4. Expand customer services through integration of the marketing resources of CSC Group.</li> <li>5. Enhance technical services, actively engage in technical marketing, respond real-time to customer needs, and provide customized specifications.</li> <li>6. Understand customers' needs and assist customers with process improvement and materials use, and keep improving the quality of products and services.</li> <li>7. Hold technical seminars and high-level business management seminars (every year) in order to improve the flexibility of steel supply chain in Taiwan to trends.</li> </ol>	



Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>8. Conduct surveys on demands for development of new products, and improvement of quality, and trends of materials use of different steel-using industries.</p> <p>In addition to the stakeholder communication channels mentioned above, the Company regularly discloses information on corporate governance, energy and environmental management, and commitment to social harmony in the annual report, operation report and corporate website.</p> <p>CSC has set up stakeholders and CSR sections on corporate website, and publishes CSR report annually as an important channel to disclose information and respond to issues of concern to stakeholders.</p>	
VI. Does the Company commission a professional stock transfer agent to handle Shareholders' Meetings related affairs?	Yes		The Company has appointed KGI Securities as our stock transfer agent. According to regulations, a stock transfer agent cannot serve as a solicitor when election of directors is on the Shareholders' Meeting agenda. However, the stock transfer agent continues to assist the Company in the verification of proxies and other affairs associated with the Shareholders' Meeting.	No significant difference
<p>VII. Information Disclosure</p> <p>(I) Has the Company established a website to disclose information on financials, business and corporate governance?</p> <p>(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?</p>	<p>(I) Yes</p> <p>(II) Yes</p>		<p>(I) Sections including "Stockholder Service", "Customer Service" and "Corporate Governance" have been set up on the corporate website, thereby fully disclosing information on the Company's financials, business and corporate governance.</p> <p>(II) The Company has also set up an English website, appointed dedicated personnel to collect and disclose company information, implemented the spokesperson system, and posted information on investor conferences on our corporate website:</p> <ol style="list-style-type: none"> <li>1. The Company has set up multi-language websites (including traditional Chinese, simplified Chinese and English), which are updated simultaneously during any announcements. For example, the Company's revenues breakdown and preliminary results are updated on all the websites simultaneously every month so that domestic and foreign investors can obtain the latest information.</li> <li>2. The Company has established a public information online filing system in accordance with the Guidelines for Online Filing of Public Information by Public Companies, and has</li> </ol>	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			appointed dedicated personnel to carry out the disclosure of various data and material information.	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, continuing education for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	Yes		Related information is summarized as follows.	No significant difference

(I) Continuing education for Directors of the 16th Board of Directors

As of March 31, 2019

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
Director	Chao-Tung Wong	2016/06/23	2018/12/03	2018/12/03	Taiwan Corporate Governance Association	Trend and analysis of the latest amendments to the Company Act	3.0
			2018/06/04	2018/06/04	Taiwan Corporate Governance Association	The duties and risk management of directors under the latest Corporate Governance Roadmap	3.0
			2017/11/29	2017/11/29	Taiwan Corporate Governance Association	Group governance	3.0
			2017/06/13	2017/06/13	Taiwan Corporate Governance Association	The guide to superintend a good risk management and crisis management of companies for directors and supervisors	3.0
			2016/11/30	2016/11/30	Taiwan Corporate Governance Association	Offensive and defensive warfare in business secret protection	3.0

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
Director	Fong-Sheng Wu	2016/06/23	2017/07/20	2017/07/20	Chinese National Association of Industry and Commerce, Taiwan	The guide to superintend a good risk management and crisis management of companies for directors and supervisors	3.0
			2017/07/18	2017/07/18	Chinese National Association of Industry and Commerce, Taiwan	Common challenges and future trends of M&A	3.0
Director	Horng-Nan Lin	2016/10/26	2018/12/03	2018/12/03	Taiwan Corporate Governance Association	Trend and analysis of the latest amendments to the Company Act	3.0
			2018/06/04	2018/06/04	Taiwan Corporate Governance Association	The duties and risk management of directors under the latest Corporate Governance Roadmap	3.0
			2017/11/29	2017/11/29	Taiwan Corporate Governance Association	Group governance	3.0
			2017/06/13	2017/06/13	Taiwan Corporate Governance Association	The guide to superintend a good risk management and crisis management of companies for directors and supervisors	3.0
			2017/05/25	2017/05/25	Taiwan Institute of Directors	Opportunities and challenges of global tax governance and new business models	3.0
			2016/11/30	2016/11/30	Taiwan Corporate Governance Association	Offensive and defensive warfare in business secret protection	3.0
			2016/10/20	2016/10/20	Financial Supervisory Commission	11th Taipei corporate governance forum	3.0
Director	Shyi-Chin Wang	2016/06/23	2018/12/03	2018/12/03	Taiwan Corporate Governance Association	Trend and analysis of the latest amendments to the Company Act	3.0
			2018/06/04	2018/06/04	Taiwan Corporate Governance Association	The duties and risk management of directors under the latest Corporate Governance Roadmap	3.0
			2017/11/29	2017/11/29	Taiwan Corporate Governance Association	Group governance	3.0

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
			2017/06/13	2017/06/13	Taiwan Corporate Governance Association	The guide to superintend a good risk management and crisis management of companies for directors and supervisors	3.0
			2016/11/30	2016/11/30	Taiwan Corporate Governance Association	Offensive and defensive warfare in business secret protection	3.0
Director	Yueh-Kun Yang	2018/10/31	2018/12/11	2018/12/11	Securities and Futures Institute	Case study on financial statement fraud	3.0
			2018/12/11	2018/12/11	Securities and Futures Institute	Performance of duties and business judgment principles for Directors and Supervisors	3.0
			2018/12/03	2018/12/03	Taiwan Corporate Governance Association	Trend and analysis of the latest amendments to the Company Act	3.0
			2018/06/04	2018/06/04	Taiwan Corporate Governance Association	The duties and risk management of directors under the latest Corporate Governance Roadmap	3.0
Director	Chun-Sheng Chen	2018/01/05	2018/12/03	2018/12/03	Taiwan Corporate Governance Association	Trend and analysis of the latest amendments to the Company Act	3.0
			2018/08/03	2018/08/03	Securities and Futures Institute	Insider share transaction compliance seminar for listed and public companies	3.0
			2018/06/04	2018/06/04	Taiwan Corporate Governance Association	The duties and risk management of directors under the latest Corporate Governance Roadmap	3.0
Independent Director	Shyue-Bin Chang	2016/06/23	2019/03/26	2019/03/26	Accounting Research and Development Foundation	Professional workshop on corporate governance and securities regulations	3.0
			2018/03/02	2018/03/02	Taiwan Corporate Governance Association	Approaches for Directors to guide enterprises in response to an environment of rapid technological changes	3.0
			2018/01/26	2018/01/26	Taiwan Corporate Governance Association	Key messages and responsibilities analysis of annual report: From a director/supervisor's perspective	3.0
			2017/07/07	2017/07/07	Securities and Futures Institute	Insider share transaction compliance seminar	3.0

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
			2017/06/13	2017/06/13	Taiwan Corporate Governance Association	The guide to superintend a good risk management and crisis management of companies for directors and supervisors	3.0
			2016/10/13	2016/10/13	Business Council for Sustainable Development of Taiwan	Trend of low carbon development after the Paris agreement	3.0
			2016/09/02	2016/09/02	Taiwan Corporate Governance Association	Operation and effectiveness of resolutions of board of directors	3.0
			2016/08/26	2016/08/26	Taiwan Corporate Governance Association	Corporate governance structure and operation of board of directors	3.0
			2016/07/14	2016/07/14	Taiwan Corporate Governance Association	Discussion on the legal liabilities of independent directors	3.0
Independent Director	Min-Hsiung Hon	2016/06/23	2018/05/04	2018/05/04	Taiwan Corporate Governance Association	Operating practices of Audit Committee	3.0
			2018/04/27	2018/04/27	Securities and Futures Institute	2018 The prevention of insider trading seminar	3.0
			2017/10/27	2017/10/27	Securities and Futures Institute	2017 Insider trading and corporate social responsibility forum	3.0
			2017/07/13	2017/07/13	Chinese National Association of Industry and Commerce, Taiwan	Challenges and opportunities of corporate sustainable development	3.0
			2017/04/11	2017/04/11	Taiwan Corporate Governance Association	Competencies of independent directors and operating practices of audit committee	3.0
			2016/11/24	2016/11/24	Taiwan Corporate Governance Association	Unleashing the effectiveness of independent directors	3.0
			2016/09/01	2016/09/01	Securities and Futures Institute	Ethical corporate management and corporate social responsibility forum	3.0

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
Independent Director	Lan-Feng Kao	2016/06/23	2018/07/19	2018/07/19	Securities and Futures Institute	Advanced practical seminar for Directors and supervisors - Analysis of financial information and its application in decision-making	3.0
			2018/06/04	2018/06/04	Taiwan Corporate Governance Association	The duties and risk management of directors under the latest Corporate Governance Roadmap	3.0
			2017/10/11	2017/10/11	Accounting Research and Development Foundation	Latest developments, key audit matters and related case analysis in cross-straits taxation laws to be learned by internal auditors	6.0
			2017/05/22	2017/05/22	Accounting Research and Development Foundation	Discussion on the assessment, hedging, and supervision of "exchange rate risk" by internal auditors	6.0
			2017/02/22	2017/02/22	Taiwan Corporate Governance Association	Talk about the Mega International Commercial Bank incident - Corporate compliance and directors' supervisory obligations	3.0
			2016/11/29	2016/11/29	Taiwan Corporate Governance Association	Group governance	3.0
			2016/11/29	2016/11/29	Taiwan Corporate Governance Association	Risk management, internal control and information management practices	3.0
			2016/08/05	2016/08/05	Securities and Futures Institute	Insider share transaction compliance seminar	3.0
			2016/07/29	2016/07/29	Taiwan Corporate Governance Association	Practices of independent directors and functional committees	3.0
			2016/07/22	2016/07/22	Taiwan Corporate Governance Association	Unleashing the effectiveness of independent directors	3.0
			2016/07/14	2016/07/14	Taiwan Corporate Governance Association	Discussion on the legal liabilities of independent directors	3.0

The above mentioned only discloses the courses attended by directors since their appointment on June 23, 2016.

- (II) The 16th Board of Directors convened seven meetings in 2018. Refer to Page 26 of this annual report for details on the attendance of directors.
- (III) The Company have formulated the Codes of Ethics for Directors. This code clearly specifies the Directors' duty of loyalty, and its scope includes: ① transactions with the Company, ② utilization of company assets, information and opportunities, ③ competition with the Company. If Directors wish to be exempted from the applicability of

such duty, Directors shall fully disclose, to the Board of Directors, the interested persons or enterprises and the interest of each legal act, and the reasons why this is not detrimental to the Company and it conforms to regular business practice, and shall seek approval from the Board of Directors.

(IV) Directors of the Company follow the provisions of Paragraph 1, Article 20 of China Steel Corporation Rules of Procedure for Board of Directors' Meetings, which stipulates that "With regard to Board Meeting agendas, a Director shall explain, to the Board of Directors, the important content of interests if he/she, the juristic person he/she represents or the following persons and enterprises have conflict of interests in such agendas. If there are concerns that such conflict of interests may impair the interests of the Company, the Director shall take no part in discussion and voting, nor exercise voting rights on behalf of other directors, and shall recuse him/herself from discussion and voting:

1. The Director's spouse, parents, children or other relatives within the third degree of relationship.
2. Enterprises in which the persons in the preceding subparagraph who directly or indirectly enjoy significant financial interests.
3. Enterprises in which the person him/herself serves as Chairman, Executive Director or Senior Executive. However, the above does not apply to enterprises which are affiliated enterprises of the Company.

(Refer to Page 26-27 and 33 of this annual report for details on the recusal of Directors due to conflict of interests in Board Meetings)

(V) The Company maintains D&O insurance for Directors.

(VI) Continuing education and training related to corporate governance participated by managers:

1. Course title: The duties and risk management of directors under the latest Corporate Governance Roadmap
  - (1) Date: June 4, 2018
  - (2) Training hours: 3 hours
  - (3) Participating managers: Personnel designated as directors and supervisors of invested companies, and managers of subsidiaries, including senior executives and vice presidents of the Company.

Information on the participants of this training course is as follows:

Name	Title
Horng-Nan Lin	President
Shyi-Chin Wang	Executive Vice President
Chiu-Po Chang	Vice President, Administration Division
Ya-Tang Liang	Assistant Vice President, Administration Division
Hsin-Min Li	Vice President, Commercial Division (assigned to a subsidiary on July 1, 2018)
Yi-Chung Han	Assistant Vice President, Commercial Division (assigned to a subsidiary on July 1, 2018)
Chien-Chih Hwang	Assistant Vice President, Commercial Division (promoted to Vice President, Commercial Division on July 1, 2018)
Ming-Hsien Wu	Vice President, Finance Division (retired on June 30, 2018)
Yueh-Kun Yang	Assistant Vice President, Finance Division (promoted to Vice President, Finance Division on July 1, 2018)
Ching-Chung Cheng	Chairman, Wind Power Business Development Committee
Yi-Lang Lin	Vice President, Corporate Planning Division (retired on October 31, 2018)
Song-Jau Tsai	Vice President, Technology Division
Yie-Shing Hwang	Assistant Vice President, Technology Division
Hsin-Chin Kuo	Vice President, Engineering Division
Hsien-Cheng Wu	Assistant Vice President, Engineering Division (retired on March 1, 2019)
Huo-Kun Chen	Assistant Vice President, Engineering Division

Chih-Tai Charng	Vice President, Production Division
Chun-Yen Li	Assistant Vice President, Production Division (assigned to a subsidiary on August 1, 2018)
Sheng-Chih Chou	Vice President, Production Division (retired on August 31, 2018)
Wen-Chi Lo	Assistant Vice President, Production Division (assigned to an investee company on October 21, 2018)
Hung-Tai Chou	General Manager, Finance Department (promoted to Assistant Vice President, Finance Division cum General Manager, Finance Department on July 1, 2018)
Kai-Chin Huang	General Manager, Accounting Department

2. Course title: Trend and analysis of the latest amendments to the Company Act

(1) Date: December 3, 2018

(2) Training hours: 3 hours

(3) Participating managers: Personnel designated as directors and supervisors of invested companies, and managers of subsidiaries, including senior executives and vice presidents of the Company.

Information on the participants of this training course is as follows:

Name	Title
Horng-Nan Lin	President
Shyi-Chin Wang	Executive Vice President
Chiu-Po Chang	Vice President, Administration Division
Ya-Tang Liang	Assistant Vice President, Administration Division
Chien-Chih Hwang	Vice President, Commercial Division
Chin-Kang Fan Chiang	Assistant Vice President, Commercial Division (retired on January 31, 2019)
Min-Hsiung Liu	Assistant Vice President, Commercial Division
Yueh-Kun Yang	Vice President, Finance Division
Hung-Tai Chou	Assistant Vice President, Finance Division cum General Manager, Finance Department
Ching-Chung Cheng	Chairman, Wind Power Business Development Committee
Pai-Chien Huang	Vice President, Corporate Planning Division
Song-Jau Tsai	Vice President, Technology Division
Yie-Shing Hwang	Assistant Vice President, Technology Division
Huo-Kun Chen	Assistant Vice President, Engineering Division
Chih-Tai Charng	Vice President, Production Division
Li-Chih Pan	Assistant Vice President, Production Division
Huan-Wen Wang	Assistant Vice President, Production Division
Kuan-Ching Wu	Assistant Vice President, Production Division
Kai-Chin Huang	General Manager, Accounting Department



(VII) Implementation of diversity policy for members of the Board of Directors:

Core Diversity Element  Name of Director	Composition							Business Management	Decision-Making	Industry Knowledge	Finance and Accounting	Marketing	Technology	
	Gender	Employed by the Company	Ages			Tenure of Independent Directors								
			50 ~ 59	60 ~ 69	> 70	< 3yrs	4~8yrs							> 9yrs
Chairman Chao-Tung Wong	Male			V				V	V	V		V		
Director Wen-Sheng Tseng	Male		V					V	V	V				
Director Fong-Sheng Wu	Male			V				V	V	V				
Director Horng-Nan Lin	Male			V				V	V	V				
Director Shyi-Chin Wang	Male	V		V				V	V	V			V	
Director Cheng-I Weng	Male				V				V	V			V	
Director Yueh-Kun Yang	Male	V	V					V	V	V	V			
Director Chun-Sheng Chen	Male	V	V					V	V	V				
Independent Director Shyue-Bin Chang	Male				V	V		V	V	V			V	
Independent Director Min-Hsiung Hon	Male				V	V		V	V	V			V	
Independent Director Lan-Feng Kao	Female		V			V					V			

(VIII) Succession plan of managements:

The succession plan of the Company requires that the successors shall be well equipped with professional and management skills, share the same value as the Company and have a sense of honesty, integrity, creativity and action. In order to develop their management skills, the training for senior managements includes the training courses of management and professional skills, job rotation, assignment to subsidiaries, etc.

IX. Improvements made in the most recent year in response to the results of Corporate Governance Evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved:

The status of improvements proposed for the results of the 4th (2017) Corporate Governance Evaluation announced in April 2018 are as follows:

1. #2.8 Does the Company upload the English version of annual report 7 days before the Annual General Meeting of Shareholders?

The Company's 2018 Annual General Meeting of Shareholders was held on June 21, and the English version of the annual report was uploaded in May before the meeting.

2. #2.10 Has the Company established internal rules and disclosed them on the corporate website to prohibit insiders such as company Directors or employees from taking advantage of information not available in the market to make profits?

In order to strengthen the prevention of insider trading, the Company is currently in the process of establishing Procedures for Handling of Material Internal Information to avoid improper disclosure of information and ensure the consistency and correctness of information disclosed by the Company.

3. #3.14 Directors and supervisors shall meet the requirements for training hours

When receiving information on external education courses organized for directors and supervisors, the Company will forward such information to our Directors and encourage them to participate in such courses. In addition, the Company will organize a three-hour workshop for directors and supervisors in the first half and second half of each year, respectively. The main participants of these workshops are Directors of the Company, as well as directors and supervisors assigned to invested companies. In the future, Directors of the Company will be encouraged to participate in relevant continuing education courses.

## 2. Information on Subsidiaries

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	Yes		All the listed subsidiaries, namely Chung Hung Steel, China Steel Chemical, China Steel Structure, CHC Resources, and China Ecotek, have formulated and disclosed Corporate Governance Best Practice Principles.	No significant difference
II. Shareholding Structure and Shareholders' Rights (I) Has the Company formulated internal operating procedures to handle shareholders' recommendations, questions, disputes, and litigations, and implemented these measures accordingly? (II) Does the Company process the list of its major shareholders and the beneficial owners of these major shareholders? (III) Has the Company established and executed risk management and firewall system between the Company and its affiliated companies? (IV) Has the Company formulated internal regulations to prohibit insider trading?	(I) Yes (II) Yes (III) Yes (IV) Yes		(I) Listed subsidiaries have established a spokesperson system, and have appointed dedicated personnel and a stock transfer agent to handle stock-related affairs. (II) Listed subsidiaries have the list of major shareholders, while the appointed stock transfer agents help to manage such matters. (III) Regulations for transactions such as loaning of funds and endorsements and guarantees with affiliates have been formulated in accordance with applicable laws. In addition, the regulations for internal control and internal audit of subsidiaries have also been formulated to control risks. (IV) Listed subsidiaries have also established rules and regulations, including the Codes of Ethics for Directors (Supervisors) and Senior Executives, the Guidelines for Recusal Due to Conflict of Interests, and the Regulations Governing Handling of Material Internal Information and Prevention of Insider Trading. Personnel of these companies are prohibited from insider trading.	No significant difference
III. Composition and Responsibilities of the Board of Directors (I) Has the Board of Directors drawn up diversity policy for the composition of board members and implemented it accordingly? (II) Other than the remuneration committee and audit committee required by the law, has the Company voluntarily established other functional committees? (III) Has the Company formulated any rules and methods for evaluating the performance of the Board of Directors and implemented such evaluations every	(I) Yes (II) Yes (III) No		(I) Taking into consideration diversity, the Board of Directors at listed subsidiaries are composed of members of different professional backgrounds, genders or work areas, while these members possess the knowledge, skills and qualities required to perform their duties. (II) Chung Hung Steel, CHC Resources, and China Steel Structure have set up the Audit Committee. The remaining listed subsidiaries will set up the Audit Committee in compliance with the regulations by the end of 2020. Meanwhile, CHC Resources, China Steel Structure, China Steel Chemical and China Ecotek have voluntarily set up the Corporate Social Responsibility	The implementation is basically consistent with the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies except that the Regulations Governing Performance Evaluation of Board of Directors is yet to be established.

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
year? (IV) Does the Company regularly evaluate the independence of CPAs?	(IV) Yes		Committee. (III) Subsidiaries are yet to establish the Regulations Governing Performance Evaluation of Board of Directors. However, all directors thoroughly supervise and understand the implementation of the companies' operational plans. (IV) The independence of CPAs is regularly assessed by each consolidated entity. Each year, listed subsidiaries will assess the independence of CPAs, and report to the Board Meeting to ensure that CPAs do not have other financial interests and business relationships with the specific company, other than fees associated with attestation and taxation. Rotation of CPAs is in accordance with the relevant regulations.	
IV. Does the TWSE/TPEX listed company have a full-time (or part-time) corporate governance unit or personnel in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters related to Board Meetings and Shareholders' Meetings, handling company registration and change registration, and producing minutes of Board Meetings and Shareholders' meetings)?	Yes		On March 19, 2019, the Board of Directors of Chung Hung Steel Corporation approved to establish the position of Company Secretary, which is to be concurrently held by the Vice President of Administration Division. Other listed subsidiaries are responsible for handling matters related to the Shareholders' Meeting, Board Meetings, directors (supervisors), as well as dealing with company registration and change registration based on the scope of authority and responsibility of their internal units.	No significant difference
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholders section on corporate website and adequately responded to stakeholders' inquiries on material corporate social responsibility (CSR) issues?	Yes		Refer to Page 38-40 of this annual report for details on communication between the Company and stakeholders. Business units at other consolidated entities maintain smooth communication channels with stakeholders based on the scope of authority and responsibility of these business units. Listed subsidiaries have set up the stakeholders section on their corporate websites in order to respond to important issues of concern to stakeholders.	No significant difference
VI. Has the Company commissioned a professional shareholder services agency to handle shareholders' meetings?	Yes		Listed subsidiaries are entrusted to the Stock Registrar for handling shareholders' meetings and related matters.	No significant difference
VII. Information Disclosure (I) Has the Company established a website to disclose information on financials, business and corporate	(I) Yes		(I) Listed subsidiaries have established sections such as shareholder service, corporate governance and customer service on their corporate websites, thereby fully disclosing information on	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
governance? (II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	(II) Yes		financials, business and corporate governance. (II) Listed subsidiaries have set up Chinese and English version websites, appointed dedicated personnel to collect and disclose company information, and implemented a spokesperson system. Presentation information on investor conferences are also posted on corporate websites according to the regulations. In addition, these companies have established a public information online filing system in accordance with the "Guidelines for Online Filing of Public Information by Public Companies", and also file various data and disclose material information according to the regulations.	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, continuing education for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	Yes		Related information is summarized as follows.	No significant difference
<p>(I) Listed subsidiaries have formulated the Codes of Ethics for Directors. This code clearly specifies the Directors' duty of loyalty, and its scope includes: ① transactions with the Company, ② utilization of company assets, information and opportunities, ③ competition with the Company. If Directors wish to be exempted from the applicability of such duty, Directors shall fully disclose, to the Board of Directors, the interested persons or enterprises and the interest of each legal act, and the reasons why this is not detrimental to the Company and it conforms to regular business practice, and shall seek approval from the Board of Directors.</p> <p>(II) Investor relations: Listed subsidiaries disclose their financials, business and corporate governance information on their corporate websites for investors' reference. Investors can express their opinions through channels such as a dedicated spokesperson's phone number, email address or fax number so that they can learn about the business overview of the Company.</p> <p>(III) Listed subsidiaries have formulated the following provisions in the Rules of procedure for Board of Directors Meetings: With regard to Board Meeting agendas, a Director shall explain, to the Board of Directors, the important content of interests if he/she, the juristic person he/she represents or the following persons and enterprises have conflict of interests in such agendas. If there are concerns that such conflict of interests may impair the interests of the Company, the Director shall take no part in discussion and voting, nor exercise voting rights on behalf of other directors, and shall recuse him/herself from discussion and voting: 1. The Director's spouse, parents, children or other relatives within the third degree of relationship. 2. Enterprises in which the persons in the preceding subparagraph who directly or indirectly enjoy significant financial interests. 3. Enterprises in which the person him/herself serves as Chairman, Executive Director or Senior Executive.</p>				

- (IV) Continuing education for directors, supervisors and managers: please refer to the annual reports of subsidiaries.
- (V) Listed subsidiaries maintain D&O insurance for directors and supervisors.
- (VI) Relevant certifications obtained by finance, accounting, and internal audit personnel at listed subsidiaries: Refer to Page 88 of this annual report.
- IX. Improvements made in the most recent year in response to the results of Corporate Governance Evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.
- As of the end of 2018, listed companies have completed the formulation of the "Corporate Social Responsibility Code of Practice." In addition, directors and supervisors of China Steel Structure Co., Ltd. and China Steel Chemical Corporation have completed required training hours of continuing education.
- In addition, the following improvement for evaluation indicators will be continuously promoted: 1. Meeting the required training hours for directors and supervisors; 2. Encouraging directors to participate in Shareholders' Meeting; 3. Uploading the English version of meeting notice, meeting handbook, annual report, and financial statements before the Shareholders' Meeting; 4. Establishing full-time (or part-time) units in charge of corporate social responsibility and ethical corporate management.

# China Steel Corporation Codes of Ethics for Directors

Established on December 20, 2005

Amended on May 10, 2017

## Chapter 1 General Provisions

Article 1 This Code has been especially formulated for Directors to promote honest and ethical conduct and to establish sound corporate governance.

## Chapter 2 Standards of Ethical Conduct

Article 2 When performing their duties, Directors shall comply with the following basic principles:

- I. Safeguarding the rights and interests of shareholders.
- II. Enhancing the authority of the Board of Directors.
- III. Respecting the rights and interests of stakeholders.
- IV. Improving information transparency.

Article 3 While performing their duties, Directors shall have the pursuit of the Company's overall benefits as their objective, and must not harm the Company's rights and interests for the benefit of a specific individual or specific group. Moreover, when performing their duties they shall treat all shareholders fairly.

Article 4 Directors shall exercise the due care of a good administrator, emphasize the principles of integrity and fairness, maintain a high degree of self-discipline and adhere to the law, the Company's Articles of Incorporation and the resolutions of the Shareholders' Meeting.

Article 5 Directors shall faithfully perform their duties for the best interests of all shareholders. In the event that their own personal interests conflict with the interests of the Company, they shall give priority to interests of the Company, and shall avoid using their authority to enable the following personnel or enterprises to receive improper benefits:

- I. The person him/herself, his/her spouse, parents, children or relatives within the third degrees of relationship
- II. Enterprises in which the persons in the preceding paragraph who directly or indirectly enjoy significant financial interests.
- III. Enterprises in which the person him/herself serves as Chairman, Executive Director or Senior Executive.

The Company shall pay particular attention to lending of funds, material asset transactions, purchase (sales) relationships, or the making of guarantees to the persons or enterprises listed in the preceding paragraph.

Article 6 To maintain the interests of the Company, Directors shall give priority to providing the Company any opportunity regarding procurement, supply, cooperation, strategic alliances, mergers and acquisitions or other business opportunities or profit-making opportunity of which they are aware due to performance of their duties, and must not take advantage of such opportunities to seek personal gains for themselves or the third party.

Article 7 If a Director engages in competition with the Company, he/she shall report to the Shareholders' Meeting in advance and obtain approval in accordance with Paragraph 1, Article 209 of the Company Act.

- Article 8 Directors shall assume the obligation to maintain the confidentiality of the Company's classified information except when disclosure is authorized or legally required, and must not use the aforementioned classified information to seek personal gain for themselves or the third party.
- Article 9 Directors shall maintain the rights and interests of shareholders, and shall respect the rights and interests of stakeholders including banks with which the Company has business dealings, creditors, employees, consumers, suppliers, subsidiaries and communities.
- Article 10 Directors shall comply with the laws concerning the prevention of insider trading and other securities laws concerning equity trading and handling of confidential business information. Directors who are in possession of material undisclosed information must not engage in trading of related securities.
- Article 11 If any proposal at a Board Meeting involves a Director him/herself or the interested parties set forth in Articles 5 and 6 where there are concerns about impairing the interests of the Company, the Director shall immediately and voluntarily recuse him/herself, and take no part in voting, nor exercise the voting right as proxy for another Director.

### Chapter 3 Supplementary Rules

- Article 12 Natural persons appointed by juristic person directors to perform their duties shall comply with this Code.
- The provisions of this Code shall apply *mutatis mutandis* to the juristic person directors represented.
- Article 13 If a Director wishes to be exempted from the applicability of Article 5, he/she shall fully disclose, to the Board of Directors, the persons or enterprises listed in Article 5 and the interest of each legal act, and the reasons why this is not detrimental to the Company and it conforms to regular business practice, and shall seek approval from the Board of Directors. However, if such an instance falls under the legal acts between a Director and the Company as stipulated in Article 223 of the Company Act, the convener of the Audit Committee shall serve as the representative of the Company.
- If a Director wishes to be exempted from the applicability of Article 6, he/she shall explain, to the Board of Directors, the specific details of such opportunity and the reasons why there are no conflicts with or no effects on the interests of the Company, and shall seek approval from the Board of Directors.
- Upon approval by a resolution of the Board of Directors of exemption from applicability as provided in the preceding two paragraphs, the Company shall immediately disclose information including the titles and names of the personnel exempted, the date when the exemption is approved by the Board of Directors, the term of exemption from applicability, the reasons for exemption from applicability, and the standard(s) for exemption from applicability on MOPS.
- Article 14 The Company shall disclose the Code it has adopted, as well as any amendments to it, in its annual reports and prospectuses and on the MOPS.
- Article 15 The Code, as well as any amendments to it shall enter into force after it has been adopted by the Board of Directors and reported to the Shareholders' Meeting.



# China Steel Corporation Codes of Ethics for First Echelon Supervisors and Executives

Established on December 20, 2005

Amended on March 25, 2019

## Chapter 1 General Provisions

- Article 1 This Code has been specifically formulated to guide the conduct of first echelon supervisors and executives at the Company so that it conforms to ethical standards, to prevent illegal conducts, and to enable the stakeholders of the Company to better understand the Company's ethical standards.
- Article 2 First echelon supervisors and executives as referred to in this Code include President, Executive Vice President, Vice Presidents at each division, the Special Assistant to President, Assistant Vice Presidents, first echelon supervisors and salaried advisors at each unit, Sr. Engineering Experts, Sr. Administration Experts, Sr. Fellow and Fellows.

## Chapter 2 Standards of Ethical Conduct

### Article 3 Honest and Ethical Conduct:

First echelon supervisors and executives shall perform their duties with an honest and non-deceptive attitude and conduct that adheres to professional standards, including the handling of actual or obvious personal conflicts of interest against their duties in an impartial manner.

### Article 4 Prevention of Conflicts of Interest:

First echelon supervisors and executives shall engage in businesses in an objective and efficient manner, and avoid using the positions they hold at the Company to enable the following personnel or enterprises to receive improper benefits:

- I. The person him/herself, his/her spouse, parents, children or relatives within the third-degree of relationship.
- II. Enterprises in which the persons in the preceding paragraph who directly or indirectly enjoy significant financial interests.
- III. Enterprises in which the person him/herself serves as Chairman, Executive Director or Senior Executive.

The Company shall pay particular attention to lending of funds, material asset transactions, purchase (sales) relationships, or the making of guarantees to the persons or enterprises listed in the preceding paragraph.

### Article 5 Avoidance of Opportunities for Personal Gain:

When the Company has an opportunity to gain profit, first echelon supervisors and executives have the responsibility to preserve and increase the legitimate profit that the Company is able to obtain, and shall avoid the following conduct:

- I. Opportunities for seeking personal gain for themselves or the third party through the use of the Company's property or information or by taking advantages of one's position.
- II. Use of the company's property or information or taking advantages of one's position to obtain personal gain for themselves or the third party.
- III. Engaging in competition with the company.

Article 6 Keeping Business Secrets:

First echelon supervisors and executives shall be bound by the obligation to maintain the confidentiality of any undisclosed information regarding the Company itself, its suppliers or customers, except when authorized or legally required. Confidential information includes any undisclosed information that might be exploited by competitors or could result in damage to the Company, suppliers or customers once let out.

Article 7 Engagement in Fair Trade:

The Company is dedicated to market competition based on superior management and high-quality products and service, and does not achieve results by illegal or unethical methods. First echelon supervisors and executives shall treat all customers, suppliers, competitors and employees fairly, and must not obtain improper benefits through manipulation, concealment, or abuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

Article 8 Protection and Legitimate Use of Company Assets:

The Company's assets shall be protected and shall be effectively used only for the Company's legal commercial purposes. First echelon supervisors and executives have the responsibility to safeguard company assets, to ensure that they can be effectively and legally used for business purposes, and to avoid any theft, negligence in care, or waste of the assets that directly impact the Company's profitability.

Article 9 Compliance with Laws and Regulations:

First echelon supervisors and executives shall observe and promote the Securities and Exchange Act and other laws and regulations which standardize corporate activities, and must not intentionally violate any laws, engage in conduct to intentionally mislead, manipulate or unfairly obtain advantages from the Company's customers or suppliers, or make untrue statements regarding the Company's products or services.

Article 10 Compliance with regulations in Prevention of Insider Trading:

First echelon supervisors and executives shall observe laws concerning the prevention of insider trading and other securities laws concerning equity trading and handling of confidential business information. First echelon supervisors and executives who are in possession of important undisclosed information must not engage in trading of related securities. Insider trading is both illegal and unethical, and the Company will resolutely intervene to deal with such incidents.

Article 11 Encouraging the reporting of any conduct that is illegal or that violates the Code of Ethical Conduct:

The Company shall raise awareness of ethics internally and encourage employees to report to the Chief Auditor or other appropriate individual upon suspicion or discovery of any activity in violation of a law, regulation or the Code of Ethical Conduct. The company shall keep informants' identities confidential and ensure their safety at its best to protect them from reprisals and threat.

Chapter 3 Supplementary Rules

Article 12 Procedures for Exemption from Applicability:

If a first echelon supervisor or executive wishes to be exempted from the applicability of Article 4, he/she shall fully disclose, to the Board of Directors, the persons or enterprises listed in Article 4 and the interest of each legal act, and the reasons why this is not detrimental to the Company and it conforms to regular business practice, and shall seek approval from the Board of Directors.

If a first echelon supervisor or executive wishes to be exempted from the applicability of Article 5, he/she shall explain, to the Board of Directors, the specific details of the opportunity information or competition with the Company, and the reasons why there are no conflicts with or no effects on the Company's interests, and shall seek approval from the Board of Directors.

Upon approval by a resolution of the Board of Directors of exemption from applicability as provided in the preceding two paragraphs, the Company shall immediately disclose information including the titles and names of the personnel exempted, the date when the exemption is approved by the Board of Directors, the term of exemption from applicability, the reasons for exemption from applicability, and the standard(s) for exemption from applicability on the MOPS.

#### Article 13 Disciplinary Measures:

If a first echelon supervisor or executive violates the Code, he/she shall be disciplined directly in accordance with the rewards and punishments set forth in Part 4, Chapter 2 of the Personnel Management System, with the exception of serious cases required be reported to the Board of Directors for deliberation.

If the disciplined personnel in the preceding paragraph considers the Company's disposition to be improper and it infringes on his/her legal interests, he/she may submit an appeal through the administrative system in accordance with the provisions for handling an appeal in Part 7, Chapter 4 of the Personnel Management System, to seek remedy.

Article 14 The Standards of Ethical Conduct which first echelon supervisors and executives shall observe includes the provisions of the Code and other relevant regulations of the Company.

Article 15 The Company shall disclose the Code it has adopted, as well as any amendments to it, in its annual reports and prospectuses and on the MOPS.

Article 16 The Code, as well as any amendments to it shall enter into force after it has been adopted by the Board of Directors and submitted to the Shareholders' Meeting.

(IV) Remuneration Committee

The Company approved the formulation of the Organization Regulations for Remuneration Committee in the 8th meeting of the 14th Board of Directors held on August 23, 2011 in accordance with Paragraph 1, Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

The Remuneration Committee is mainly responsible for formulating performance evaluation policies for Chairman and Management Team, reviewing the performance of each personnel, as well as formulating and regularly assessing the remuneration of Directors and Management Team and the structure and system of remuneration.

1. Information on Remuneration Committee

Title	Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Member Concurrently Serves as a Remuneration Committee Member	Remarks	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant or Other Professional or Technical Specialists Who Has Passed a National Examinations and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, Accounting or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8			
Independent Director	Shyue-Bin Chang	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Min-Hsiung Hon	Yes	No	No	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Lan-Feng Kao	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note: Please tick the corresponding boxes that apply to a member during the two years before being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, which is appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of total shares issued by the Company or ranks as one of its top ten natural-person shareholders.
- (4) Not a spouse, relative within the second degree of relationship, or lineal blood relative within the third degree of relationship of individuals listed in the preceding three criteria.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total shares issued by the Company or ranks as one of its top five shareholders.
- (6) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding five percent or more of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional, owner, partner, director (member of the governing board), supervisor (member of the supervisory board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consultation services to the Company or to any of its affiliates, or a spouse thereof.
- (8) Not been a person of any conditions defined in Article 30 of the Company Act.

## 2. Operation of Remuneration Committee

- (1) The Remuneration Committee of the Company is composed of three members.
- (2) Current members of the Remuneration Committee assumed office from June 23, 2016 to June 22, 2019. In the most recent year, the Remuneration Committee convened four meetings (A). The qualifications and attendance of members are listed as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Percentage of Attendance in Person (%) (B/A)	Remarks
Convener	Shyue-Bin Chang	4	0	100%	Scope of Authority: Discuss and vote on matters related to remuneration at the Company, and submit proposals and recommendations to the Board of Directors.
Committee Members	Min-Hsiung Hon	4	0	100%	
	Lan-Feng Kao	4	0	100%	

Other matters to be noted:

- I. If the Board of Directors does not adopt or amend the recommendations made by the Remuneration Committee, the date, session, the content of proposals, resolutions of the Board Meeting and the Company's action in response to opinions from the Remuneration Committee shall be specified (if the remuneration approved by the Board of Directors is better than that recommended by the Remuneration Committee, the discrepancies and related reasons shall be specified): None.
- II. If any member of the Remuneration Committee has dissenting opinion or qualified opinion on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date, session, the content of proposals, all the members' opinions of the meeting of the Remuneration Committee, and the action in response to these opinions shall be specified: None.

### (3) Discussion and Resolution of the Remuneration Committee, and the Company's Actions in Response to Members' Opinions

Remuneration Committee Date and Session	Proposal	Members' Opinions and Resolution	Actions in Response to Members' Opinions
2018.03.23 The 5th meeting of the Remuneration Committee of the 16th Board of Directors	Proposal to adjust the range of remuneration for newly appointed Vice President.	Unanimously approved by all the committee members present.	Not applicable
	Proposal for the Company's 2017 remuneration distribution of Directors.	Unanimously approved by all the committee members present.	Not applicable
2018.05.07 The 6th meeting of the Remuneration Committee of the 16th Board of Directors	Proposal to adjust the salary and benefits of appointed managements.	Unanimously approved by all the committee members present.	Not applicable
	Amendments to the remuneration distribution system for appointed managements.	The proposal was approved by all the committee members present	Not applicable
	Proposal for the 2017 year-end performance evaluation of President, Executive Vice President, and Vice Presidents of all devisions (from January to December).	The proposal was approved by all the committee members present	Not applicable
2018.06.21 The 7th meeting of the Remuneration Committee of the 16th Board of Directors	Proposal to adjust the salary of the Chairman, President, and Executive Vice President.	Unanimously approved by all the committee members present.	Not applicable
2018.08.09 The 8th meeting of the Remuneration Committee of the 16th Board of Directors	Proposal for the 2018 salary adjustment for appointed managements.	Unanimously approved by all the committee members present.	Not applicable
	Proposal for the 2018 mid-year performance evaluation of the President, Executive Vice President, and Vice Presidents at all devisions (from January to June).	Unanimously approved by all the committee members present.	Not applicable

(V) Implementation of Corporate Social Responsibility - CSC and Subsidiaries

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>I. Corporate Governance Implementation</p> <p>(I) Has the Company formulated CSR policy or system and reviewed the effectiveness of its implementation?</p> <p>(II) Does the Company hold CSR training regularly?</p> <p>(III) Has the Company established an exclusively (or concurrently) dedicated unit under supervision of senior management authorized by the Board of Directors to promote CSR and report its implementation to the Board of Directors?</p> <p>(IV) Has the Company established a reasonable compensation policy, integrated employee performance appraisal system with CSR policy, and established a precise and effective reward and disciplinary system?</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p> <p>(IV) Yes</p>		<p>(I) The Company formulated the CSR policy in 2012 and the Corporate Social Responsibility Code of Practice in May 2017, which was implemented upon approval of the Board of Directors, and was reported to the Shareholders' Meeting. The formulation and review of related systems or management policies, as well as specific promotion plans and related implementation effectiveness are detailed in CSR reports and the CSR section on the corporate website.</p> <p>The Company also formulated the Regulation of CSC Group Green Living Evaluation and carries out the evaluation in March each year to examine the effectiveness of green living for all employees of CSC Group. In addition, to help employees understand personal carbon footprints, CSC developed a low-carbon living recorder, which record food and transport carbon emissions during working hours, for Group employees in 2016. Listed companies and main subsidiaries of CSC Group have incorporated CSR policy into their operating policies, while each unit has set work targets accordingly, and regularly review the implementation results. All the listed subsidiaries of CSC Group have formulated Corporate Social Responsibility Code of Practice. CHC, CSSC, CSCC and CEC have established the CSR Management Committee to promote CSR-related work and review its implementation effectiveness. In addition to the Company, companies in CSC Group, including CHSC, CSCC, CHC, CEC, CSSC, DSC, CSE, CSAC, CSMC, ICSC, HIMAG, CSVC and CSC Steel, publish CSR reports every year disclosing their operations and reviewing their implementation effectiveness, and all these reports are posted on their corporate websites.</p> <p>(II) 1.The Company conducts regular CSR training for members of the CSR Core Working Group. For new employees, the Company provides human rights and energy conservation courses, covering issues such as personal rights and environmental, safety and health management. 2.In compliance with “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, CSC conducts six-hour continuing education courses for directors and supervisors every year, which targets not only senior management of the Company, but also directors, supervisors and</p>	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>personnel in related fields of subsidiaries.</p> <p>3.Main subsidiaries of CSC Group regularly and irregularly conduct CSR training, and send exclusive personnel to relevant trainings at professional institutions.</p> <p>(III) The Company divides up the CSR-promotion work among employees of administration, commercial, finance, corporate planning, technology, and production divisions according to the nature of various works. Vice presidents of these divisions are responsible for supervising and reporting to the Board of Directors. For example, the production division is in charge of material issues and work planning about environmental protection and sustainable development, preparation of CSR reports, etc. Listed companies and main subsidiaries of CSC Group have also established exclusively or concurrently dedicated units in charge of CSR promotion. CHC, CSSC, CCCC and CEC have established the CSR Management Committee, which regularly convenes meetings and reports the implementation of CSR to the Chairman or the Board of Directors.</p> <p>(IV)The Company and our subsidiaries have included indicators such as energy conservation and environmental protection, occupational and environmental safety, and community communication in the key performance indicators (KPIs) for performance appraisal of related units and employees, where the results of performance appraisal are linked to the salary system.</p>	
<p>II. Sustainable Environment Development</p> <p>(I) Is the Company committed to improving resource utilization efficiency and to the use of renewable materials with low environmental impact?</p> <p>(II) Has the Company established an appropriate environmental management system based on the characteristics of its industry?</p> <p>(III) Does the Company monitor the impact of climate change on operations, implement greenhouse gas (GHG), inventory and formulate energy saving and carbon</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p>		<p>(I) Based on the life cycle of steel, the Company is committed to the development of various resourceization technologies for various types of waste generated during production. The Company replaces certain raw materials in the steelmaking process according to the composition characteristics of different wastes, so as to implement proper resourceization of waste. In 2018, the Company produced 69.97 kilograms of waste per ton of steel products. In order to achieve the effects of resource recycling and sustainable development, the Company prioritizes waste as a usable resource, and sorts, collects, and processes waste. Through different material requirements and processing technologies for each production process, the Company's in-plant recycling and offsite reutilization rate has reached 85.5% and 14.5% of the total volume of waste generated respectively.</p>	No significant difference

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
reduction strategies?			<p>Listed companies and main subsidiaries of CSC Group are also committed to reducing environmental carrying capacity and adopt the following methods: keep reducing resource and energy consumption during production, increase resource reuse ratio, give priority to the procurement of green mark certified products, produce green products, and develop eco-friendly pharmaceuticals and technologies.</p> <p>(II) The Company has set up an environmental protection dedicated unit in accordance with the "Employment Management Regulations of Environmental Dedicated Units or Personnel" upon approval by the Environmental Protection Administration (EPA) to carry out works to maintain the environment.</p> <p>Since the establishment of the Environmental Management System (EMS) in 1996, the Company has identified all the environmental impact arising from activities and operations through identification of environmental aspects.</p> <p>In 2018, the Company's ISO-14001:2015 environmental management system passed the verification conducted by the British Standards Institute (BSI) Taiwan Branch. Introducing the concept of risk assessment, the Company proposes and implements countermeasures based on the type and degree of environmental impact and risk level from medium to high, and reduces the environmental impact using the PDCA way of continuous improvement. In addition, the Company also actively participates in meetings related to the development and amendment of environmental protection regulations, provides opinions on amendments, and masters the trend of regulations, so that the Company can develop countermeasures in advance to effectively control environmental risks.</p> <p>All the listed companies of CSC Group have established dedicated units to assist in the promotion, planning and implementation of environmental protection works, and have set up a sound environmental management system. Meanwhile, Chung Hung Steel Corporation has established the Environmental and Energy Management Committee, which regularly reports environmental and energy management performance to the president.</p> <p>(III) The Company and our subsidiaries have included climate change as one of the impact factors of operations and are committed to the promotion of</p>	



Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>energy saving and carbon reduction in the hope of reducing impact of climate change on operations, where its implementation is explained as follows:</p> <p>1. Impacts of climate change: The Company has identified potential legal, physical, and reputational risks from climate change and their corresponding opportunities. The response strategies are developed respectively in three aspects: management and development of water resource, response and adaptation to disasters, and reinforcement of city and value-chain cooperation. Response strategies are listed as follows:</p> <ol style="list-style-type: none"> <li>(1) Optimize use of water resources.</li> <li>(2) Ensure stable procurement of raw materials.</li> <li>(3) Reduce raw material loss and prevent pollution.</li> <li>(4) Respond to regulations and manage carbon rights.</li> <li>(5) Develop green steel products.</li> <li>(6) Promote green living among employees.</li> </ol> <p>2. Greenhouse gas inventory and carbon right management:</p> <p>In order to manage and reduce greenhouse gas emissions properly, the Company conducted the 2017 organizational-level GHG inventory audit (including scope 1 and 2) and passed third-party verification. Complying with relevant policies, the Company reports information regarding greenhouse gases to the national greenhouse gas registry platform set up by the Environmental Protection Administration annually. The Company has also completed the 2018 organizational-level GHG inventory internal audit. Subsidiaries of CSC Group, such as CSMC, CSSC, CSCC, CHC, DSC, CSAC, CHSC and CSE, also follow the same approach.</p> <p>The Company continues to manage the amount of greenhouse gas reduction, where a balance of 4,583,930 tons of CO<sub>2</sub>e was recorded at the end of 2018. The offset project for change of the transportation mode in the Hualien Stone Material Yard has been registered and approved. The project passed the verification process conducted by the verification agencies in the first year of project period (a total quota of 2,273 tons of CO<sub>2</sub>e). In 2019, the Company will submit quota application to the Environmental Protection Administration based on this verification result. Moreover, the Company conducted carbon footprint inventory</p>	

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>audit for 23 types of products, and got verifications by third-party verification agencies. In cooperation with the Environmental Protection Administration and the Industrial Development Bureau, the Company provides specific suggestions on performance standards, product benchmarks, cap on greenhouse gas emission, planning of the carbon trade market, in order to ensure the feasibility and reasonableness of policies.</p> <p>3. Strategies for energy saving and carbon reduction:</p> <p>(1) Adopting the best available technology (BAT) so that the carbon emission intensity of steel products (tons CO<sub>2</sub>e/tons of slab) reaches the level of worldwide top steel manufacturers.</p> <p>(2) Internal energy saving and carbon reduction (continue to promote the five-year energy saving plan).</p> <p>(3) High-quality utilization of self-produced gas.</p> <p>(4) Using low-carbon energy (e.g., biomass, fuel cell, wind power, etc.)</p> <p>(5) District Energy Integration.</p> <p>(6) Actively disclosing information on greenhouse gas management for stakeholders' reference. Apart from entering inventory results into the National Greenhouse Gas Registry and disclosing such results in CSR reports, the Company continues to participate in the Climate Action Programme hosted by the World Steel Association, and the climate change questionnaire set by the CDP (formerly the Carbon Disclosure Project) to continuously improve climate change response and carbon reduction management performance.</p>	
<p>III. Preserving Social Welfare</p> <p>(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?</p> <p>(II) Has the Company established employee appeal procedure and channel, and handled employee appeals appropriately?</p> <p>(III) Does the Company provide a safe and healthy work environment and regularly</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p>		<p>(I) Complying with the "Universal Declaration of Human Rights," the "United Nations Global Compact," the "Declaration on Fundamental Principles and Rights at Work" adopted by the International Labor Organization (ILO), and other international codes on human rights, the Company and subsidiaries of CSC Group have been treating and respecting all current employees and personnel of business partners equally, as well as eradicating any infringement and violation of human rights. The specific action includes incorporating the policies and specific management solutions for safeguarding human rights into the Company's "Personnel Management System," and enhancing employees' understanding of human rights protection through training:</p>	<p>The Company carefully evaluates each supplier before engaging in a business but doesn't include the record of impacts to environment and the society as one of the evaluation items. Other implementations are not significantly different from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX</p>

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
offer safety and health training to its employees?				Listed Companies.
(IV) Has the Company established mechanisms to regularly communicate with employees and appropriately notified any operational change which may bring material impact to employees?	(IV) Yes		1. Formulate labor conditions in accordance with labor-related government regulations.	
(V) Has the Company established an effective training program for its employees to cultivate capabilities essential for career developmental?	(V) Yes		2. Provide equal employment opportunities to all job seekers in accordance with the Employment Service Act, where no violation of human rights or discrimination occurred during employee recruitment in 2018.	
(VI) Has the Company established consumer protection policies and appeals procedures for research and development, purchasing, production, operations and service processes?	(VI) Yes		3. Establish complaint channels in accordance with the "Guidelines for Handling Complaints," with the purpose of protecting the human rights of employees and providing employees with the relevant channels when their legal rights have been infringed or improperly handled and such incidents cannot be resolved reasonably. No discriminatory incidents or grievances and violations of human rights regulations were recorded in 2018.	
(VII) Does the Company comply with relevant laws and international standards in the marketing and labeling of its products and services?	(VII) Yes		4. Establish the "Rewards and Punishments Review Committee," with the purpose of reviewing major rewards and punishments for employees, in accordance with the "Guidelines for Establishing Rewards and Punishments Review Committee."	
(VIII) Does the company evaluate the record of suppliers' impact on environment and society before engaging with them?		(VIII) No	5. Formulate the "Workplace Sexual Harassment Prevention, Grievance, and Disciplinary Action Regulations" in accordance with Article 13 of the "Act of Gender Equality in Employment" and the "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" to provide employees, dispatched workers, interns, and job seekers with a work environment free of sexual harassment and to prohibit the incidence of sexual harassment at the workplace.	
(IX) Do the Company's contracts with major suppliers include termination clauses that take effect if suppliers violate corporate social responsibility policies and cause significant environmental and social impact?	(IX) Yes		6. All new employees receive courses on human rights during induction training. Our senior employees have all received the same training as well. In 2018, the Company provided 1,975 hours of training on human rights, while a total of 1,540 employees received the training.	
			(II) The Company has established many mechanisms as follows, to properly deal with employee complaints: 1. Establish the Rewards and Punishments Review Committee to handle major rewards and punishments for employees. 2. Formulate the Workplace Sexual Harassment Prevention, Grievance, and Disciplinary Action Regulations and set up the Sexual Harassment Complaint Committee to provide employees and job seekers with a work	

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>environment free of sexual harassment.</p> <p>3. Formulate the Guidelines on Handling Complaints, and establish a complaint handling committee. Any employee, who suffers from infringement of legal rights, improper treatment, or difficulties at work, and is unable to resolve reasonably after raising them through the administrative system, may lodge complaints.</p> <p>Listed companies of CSC Group have established their own Guidelines for Handling Complaints, and regularly promote the guidelines so that employees can lodge complaints while facing unequal treatment.</p> <p>(III) The Company conducts training and education on occupational safety and health to promote workplace safety every year, and have a computerized safety and health training management system in place, which allows instant updates of data and online enquiries. The Company also regularly organizes relevant industrial safety training and invites medical professionals from time to time to give a talk about health-related issues to employees. For detailed information on workplace safety and healthy work environment for employees, please refer to 5. Protection Measures for Workplace and Employees' Safety under V. Operational Highlights in this annual report.</p> <p>Listed companies of CSC Group all provide employees with a safe and healthy work environment in compliance with or better than the standard set in the Occupational Safety and Health Act by conducting safety and health training and organizing regular health examinations and additional health examination items for employees every year.</p> <p>(IV) To enhance internal consensus and brainstorm, the Company pays particular attention to employees' opinions. Diversified channels for employee participation include the following:</p> <ol style="list-style-type: none"> <li>1. On May 31, 2001, labor directors joined the Company's Board of Directors for the first time as labor union representatives to participate in corporate governance.</li> <li>2. Chairman and President of the Company conduct forums to communicate with our coworkers from time to time, and listen to opinions on business management from the representatives of all units.</li> <li>3. Convenes labor-management meeting every month, Employee Welfare Committee meeting and Occupational Safety and Hygiene Committee</li> </ol>	

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>meeting once every two months.</p> <p>4. Convenes Retirement Reserve Fund Supervisory Committee meeting every quarter.</p> <p>5. Convenes factory (department) communication meeting (once every two months for the Production Division, and once every three months for the remaining divisions).</p> <p>6. Regularly convenes Human Resources Development Committee meetings.</p> <p>Listed companies and main subsidiaries of CSC Group regularly hold communication meetings and labor-management meetings so as to provide employees with a diversified two-way communication channels. For example, DSC, CHSC and CSSC regularly organize Management Team-Employee communication meetings to listen to employees' opinions face-to-face.</p> <p>(V) The Company reviews each employee's career development plan while conducting employee performance appraisal every six months. All positions are provided with relevant competency training. Through the implementation of training programs, employees can effectively develop professional skills in their current positions and future career paths. Each year, listed companies of CSC Group formulate training plans according to their needs, and arrange appropriate courses for personnel and newcomers in different positions so that employees can acquire the skills required for career development.</p> <p>(VI)1. The Company has established a complete pricing system. After setting domestic prices, the Company will announce the price change in the corporate website, ensuring fairness in acquiring price information through fully disclosure to customers. In addition, the Company sets up the Technical Service Section-Metallurgy to dedicatedly provide technical consultation and quality complaint services before, during, and after sales. Besides, Marketing Administration Department is in charge of customer service email. Customers can protect their rights thorough the complaint system established by CSC. Furthermore, the Company has expanded customer services by integrating marketing resources in CSC Group.</p> <p>2. The Company commissions academic institutions to conduct customer</p>	

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>satisfaction survey every year to keep improving the quality of customer service.</p> <p>3.Listed companies of CSC Group have established procedures to protect consumer rights, such as setting up a specific complaint channel, conducting customer satisfaction surveys regularly, or setting up an e-commerce system. Furthermore, listed subsidiaries have formulated standards for procurement in order to ensure the raw materials and the quality of products meeting international and domestic regulations.</p> <p>(VII) Six major products sold by the Company, including plates, wire rods, hot-rolled products, cold-rolled products, coated products, and special alloys, all comply with the relevant international product standards (e.g., CNS, JIS, ASTM, EN, etc.), and the specifications agreed by both the Company and customers. CSC also follows REACH (Registration, Evaluation Authorization and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances) and the permitted concentrations regulated in other international regulations of hazardous substances to sell, produce, pack and label the products. Products of subsidiaries in the steel industry are also labeled according to the abovementioned regulations.</p> <p>(VIII) All the counterparties involved in the Company's domestic transactions are government-registered suppliers, which are subject to the government regulations and audit by local government authorities such as the Labor Affairs Bureau and the Environmental Protection Department. With more than 30,000 suppliers, the Company does not conduct assessment of these suppliers in advance because who affects the environment and society will be punished or forced to suspend operations according to current government regulations. The current practices of listed companies and main subsidiaries of CSC Group include: 1. Evaluating record of affecting the environment and society before engaging with suppliers 2. Formulating regulations governing green procurement, thus giving priority to suppliers with environmental protection or energy conservation performance.</p> <p>(IX)1.All operating activities and investment agreements of the Company are handled in accordance with the laws of corresponding countries. Meanwhile, the content of agreements signed with suppliers, contractors</p>	

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>and other business partners also comply with national regulations. According to current government regulations, suppliers affecting the environment and the society shall be punished or forced to suspend operations; hence, contracts agreed by the Company do not include any other terms associated with contract termination or rescission. However, in-plant subcontractors are regularly audited. If any workplace safety, environmental or human rights violation is found, disciplinary actions such as fines or termination of contract will be taken against those involved depending on the circumstance.</p> <p>2.Listed companies of CSC Group also follow the abovementioned practice. In addition, CHC and CHSC have termination clauses in procurement contracts that take effect if suppliers or contractors violate corporate social responsibility policies and cause significant environmental and social impact.</p>	
<p>IV. Enhancing Information Disclosure</p> <p>(I) Does the Company disclose relevant and reliable CSR information on corporate website and MOPS?</p>	(I) Yes		<p>(I) The Company regularly discloses the relevant CSR information in the annual reports, business reports and the corporate website. Since 2012, the Company has established a complete CSR section on the corporate website to disclose the implementation of corporate governance, environment and issues regarding stakeholders. In addition, a stakeholder section has been set up on the corporate website, with hopes of enhancing the accessibility, transparency, timeliness, completeness and interactivity of information, thereby enabling the Company to learn about issues of concern to stakeholders, respond to them appropriately, and engage in continuous improvement by referring to feedback from all parties. Before the end of June each year, the Company will post our CSR report on the corporate website and upload it to MOPS for investor inquiries.</p> <p>Listed companies of CSC Group, as well as DSC, CSE, CSAC, CSMC, ICSC, HIMAG, CSCCSS, TTMC and CSC Steel, have also set up a CSR section on their corporate websites to disclose CSR-related information.</p>	No significant difference
<p>V. If the Company has formulated its own Corporate Social Responsibility Code of Practice in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and its discrepancies between the Principles:</p> <p>The Company has formulated the Corporate Social Responsibility Code of Practice in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and disclosed it on MOPS and the corporate website. All the implementation complies with the Corporate Social Responsibility Best Practice Principles.</p>				

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
VI. Other important information to facilitate a better understanding of the Company's CSR practices:				
(I) Environmental protection and energy saving:			<p>The Company is committed to not only the reduction of traditional pollutants, but also reducing the temperature of the Earth and energy saving &amp; carbon reduction. In 1997, the Company obtained ISO 14001 certification for Environmental Management System (EMS) and was approved for registration, which will be renewed every three years. The Company was externally audited by the British Standards Institute (BSI) Taiwan Branch, where no deficiencies were found, and successfully passed the ISO 14001:2015 Edition certification. By continuously upholding the spirit of continuous improvement demonstrated by ISO 14001 - Environmental Management System, the Company gradually improved environmental management performance in all operations. Besides, the Company conducts internal and external audits every year to ensure that all the operations comply with the ISO 14001 standard. In addition, the Company successfully obtained the ISO 50001 - Energy Management System in 2011, as the first steel company in Taiwan to obtain this certification. The Company also required companies of CSC Group to pass the ISO 50001 certification to ensure the energy saving performance of CSC Group. Besides, the Company continues to develop high-grade, high-strength green steel and provide them to steel-using industries to reduce the carbon footprint of steel products. The Company not only continuously reduces water used in production, but also actively recycles industrial and urban wastewater to reduce the use of raw water, thereby decreasing the water footprint.</p> <p>The Company's vision on energy and the environment is "To be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving, and value innovation." Our energy and environmental management philosophy is as follows:</p> <ol style="list-style-type: none"> <li>1. To be eco-friendly by achieving KPI (key performance indicator) targets at/close to top international standards.</li> <li>2. To demonstrate synergy through effective use of internal and external energy and resources.</li> <li>3. To achieve low-carbon, low-pollution, and high-value targets by accelerating Best Available Techniques and renewable energy applications.</li> <li>4. To support the governmental low-carbon economy policy by developing energy-efficient and emission-reducing products and engaging in new green businesses.</li> </ol> <p>In addition, the Company has established cross-departmental "Energy Conservation Committee" and "Environmental, Safety and Health Management Committee", to enhance communication and coordination, thereby increasing overall effectiveness.</p>	
(II) Community involvement:			<ol style="list-style-type: none"> <li>1. Sponsors schools in Hsiao Kang District for teaching equipment renewal and assists with greening, plantation, and landscaping.</li> <li>2. Offers scholarships for academic achievements and education assistance to underprivileged schoolchildren in Hsiao Kang District.</li> <li>3. Assists in school anniversaries, art activities, and related educational activities.</li> <li>4. Sponsors charity events of local communities.</li> </ol>	
(III) Social contribution:			<p>The Company has long assisted Kaohsiung City and local communities in organizing arts and cultural events such as "Jurassic Park" and "Love Actually" in the 2018 Kaohsiung Spring Art Festival, the 2018 Kaohsiung Lantern Festival, etc., thereby injecting high-quality artistic and cultural momentum into Kaohsiung City.</p>	
(IV) Social welfare:			<ol style="list-style-type: none"> <li>1. Distributes scholarships for underprivileged schoolchildren and aids on major festivals and for emergency relief to low-income families in Hsiao Kang District. Hosts neighborhood movie sessions every Saturday, opens our swimming pool to nearby residents and invites the locals to join the CSC Anniversary Fair.</li> <li>2. Participates and assists in organizing various local festivals of respect for the elderly, farmers and fishermen, folk festivals during Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival, as well as charity events.</li> <li>3. Assists local agencies in Hsiao Kang District in organizing charity meetups and outdoor activities.</li> <li>4. Organizes the "Steel Journey" fieldtrip, and invites sixth grade students to visit the production process of the Company enhancing students' understanding of our production process and various environmental protection measures, thereby building a good image for the Company.</li> </ol>	



Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>5. Organizes summer camps for elementary school students in Hsiao Kang District, with the purpose of promoting the balanced development of body and mind and encouraging the habit of regular exercise.</p> <p>6. Organizes the awarding ceremony for filial model recognition and presented scholarships to the outstanding students in Hsiao Kang District to promote filial piety.</p> <p>(V) Giving back to the local community: With the belief of "Giving back to society what society gave us", the Company shows our utmost care and concern for the society, the community and the disadvantaged, and takes practical actions in various aspects such as engaging in environmental protection, community care services, and charity activities.</p> <p>(VI) Education foundation:  To further fulfill corporate social responsibility and enhance the international image of CSC Group, the Company approved the establishment of the "CSC Group Education Foundation" in the 11th meeting of the 12th Board of Directors in 2006. The foundation began operations on January 1, 2007, and is funded through donations made by the Company and subsidiaries of CSC Group. The CSC Group Education Foundation is composed of nine directors, and is concurrently chaired by the Chairman of CSC. Six of these seats consist of representatives from the Management Team of CSC and subsidiaries of CSC Group, whereas the three remaining seats comprise external experts and scholars. The foundation has an executive director who is concurrently assumed by Vice President of Administration Division at the Company, a vice executive director, an executive secretary and an accountant. As a non-profit organization (NPO), the CSC Group Education Foundation is a national foundation, whose competent authority is the Ministry of Education. The goals of the Foundation are to promote steel-related education and talent cultivation, express concerns about ecology conservation, improve the spirit of humanity, and pursue sustainable development.  In 2018, the Company donated a total of NT\$11.06 million to the CSC Group Education Foundation for its operations. The services launched by the CSC Group Education Foundation in 2018 are as follows:</p> <ol style="list-style-type: none"> <li>1. Humanities lecture series: Organized 6 CSC citizen lectures, jointly hosted 6 campus lectures with United Daily News, and jointly held 4 spiritual lectures with Teacher Chang Foundation.</li> <li>2. Environmental Education Bus: Made a total of 50 bus trips to rural elementary schools in Tainan, Kaohsiung, and Pingtung.</li> <li>3. Established the steelmaking talent scholarship, conducted special courses on steel manufacturing processes at well-known universities and organized steel science education activities such as the CSC Camp to promote steel education and talent cultivation.</li> <li>4. Organized charity concerts such as Wheelchairs Concert and Concert in Prison with music-related organizations, and held high quality concerts to residents and group employees and families.</li> </ol> <p>(VII) Consumer rights:</p> <ol style="list-style-type: none"> <li>1. Enhance customer service quality  The Company provides multi-phase services for before, during, and after sale and supplies steel products in the right quality and quantity and at the right time. The Company makes proper use of outward service workforce, in-plant technical support, and R&amp;D experts to fulfill customers' needs and assist them in solving product use and technical problems to promote the growth of steel-using industries.  With the vision of winning customers' trusts and helping them succeed, the Technical Service Section of Metallurgical Department which is responsible for handling technical services to customers aims to assist customers in technical advancement and promote steel industry upgrade. Customer service engineers are representatives of customers internally to request for development and supply of products, while acting on behalf of CSC externally to provide application knowledge and problem solving in product use.  (1) To strengthen and realize customer service: The Technical Service Section-Metallurgy has set clear targets and reviews performances every month.  (2) To enhance the quality of customer service: The Company holds quarterly production-sales meetings with major downstream steel industry associations or professional groups, customer interviews, and technical seminars and workshops in order to learn about customers' needs, in the hope of improving technologies in the downstream</li> </ol>				

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons						
	Yes	No	Summary							
			<p>industry through integration of the Company's capabilities. The Company also offers differentiated services and customized products for different customers. Furthermore, the Company actively seeks investment opportunities with customers in downstream steel mills or steel-using industries. CSC's customer service achievements in 2018 is as follows:</p> <table border="1"> <tr> <td>• Conducted 28 cases of market quality feedback, and 121 cases of technical exchange for key customers;</td> </tr> <tr> <td>• Completed 11 cases of industrial material usage trend surveys, and 9 new product demand surveys and quality function deployments;</td> </tr> <tr> <td>• Organized 11 sessions of domestic and international technical seminars and workshops;</td> </tr> <tr> <td>• Sent a total of 603 people from technical team to Vietnam, Malaysia, Indonesia, Thailand, the Philippines, India, Germany, Italy, Japan, South Korea, Mexico, and Mainland China to conduct interviews with customers and introduce our products to them;</td> </tr> <tr> <td>• Launched 24 new products to assist in market expansion, and strived for orders totaled 1.27 million metric tons;</td> </tr> <tr> <td>• Completed a total of 226 improvement projects, including 36 cases of six major strategies for cost reduction, such as quality improvement.</td> </tr> </table>	• Conducted 28 cases of market quality feedback, and 121 cases of technical exchange for key customers;	• Completed 11 cases of industrial material usage trend surveys, and 9 new product demand surveys and quality function deployments;	• Organized 11 sessions of domestic and international technical seminars and workshops;	• Sent a total of 603 people from technical team to Vietnam, Malaysia, Indonesia, Thailand, the Philippines, India, Germany, Italy, Japan, South Korea, Mexico, and Mainland China to conduct interviews with customers and introduce our products to them;	• Launched 24 new products to assist in market expansion, and strived for orders totaled 1.27 million metric tons;	• Completed a total of 226 improvement projects, including 36 cases of six major strategies for cost reduction, such as quality improvement.	
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• Completed a total of 226 improvement projects, including 36 cases of six major strategies for cost reduction, such as quality improvement.										
			<p>2. Customer satisfaction</p> <p>The Company commissions academic institutions to conduct satisfaction survey on domestic and foreign customers every year. The issues of concern, including quantity and billing, product price, R&amp;D, quality, response to customer claim, customer service, communication, delivery period, shipping and e-commerce service, are reviewed as an important reference for developing operational guidelines. In 2018, the satisfaction score is 73.6 for domestic customers and 72.0 for foreign customers. The collection of survey questionnaire is still ongoing. The top 3 high satisfaction items for domestic customers are service attitude, speed of response to inquiry, and professional product knowledge. The top 3 high satisfaction items for foreign customers are service attitude, professional product knowledge, and speed of response to inquiry. For issues raised by domestic and foreign customers and items with the lowest three satisfaction scores, responsible units are required to propose and implement corrective action plans, specify the status of implementation in the "Improvement Report for Customer Suggestions in Customer Satisfaction Survey," and discuss the implementation at the "Steel Product System Management Review Meeting" to track the effectiveness. After compiling customer suggestions in the satisfaction survey, improvement results of the relevant units, and policy descriptions, the information will be published on the e-commerce system and sent to customers with the survey questionnaire for the following year at the same time. Such a feedback measure demonstrates our utmost respect and attention to customers and eliminates customers' concerns, thereby enhancing consensus and mutual understanding and trust.</p> <p>In the future, the Company will continue to uphold the belief of "Giving back to society what society gave us", show our utmost care and concern for the society, the community and the disadvantaged, and take practical actions in various aspects such as engaging in environmental protection, community care services, and charity activities. For detailed information on the operation of CSR, please refer to the CSR report of CSC or the CSR section on the CSC corporate website. For more details on the operation of CSR at listed companies of CSC Group as well as DSC, CSE, CSAC, CSMC, ICSC, HIMAG, CSCCSS, TTMC and CSC Steel, please refer to the CSR reports of these companies and the CSR section on their corporate websites.</p>							

Assessment Item	Status of Implementation			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>VII. Descriptions shall be provided if the Company's CSR report complies with verification standards of relevant certification bodies:</p> <p>(I) The 2018 CSR report of CSC is aligned with the Global Reporting Initiative (GRI) G4 Guidelines and is third-party assured by British Standards Institution (BSI) in accordance with type 1 of AA 1000 AS (2008).</p> <p>(II) The Company's efforts on CSR have won us the following honors from domestic and foreign professional institutions, showing that the Company is highly recognized by the international rating agencies and socially responsible investment (SRI) institutions in the aspects including corporate sustainability, corporate governance transparency, etc.:</p> <ol style="list-style-type: none"> <li>1. The Company has won the 2018 Leader in Sustainability Award by the British Standards Institute (BSI).</li> <li>2. The Company was one of the winners of 2018 Outstanding Energy Saving Performance Award.</li> <li>3. The Company has won the 2018 Most Prestigious Sustainability Awards-Top Ten Domestic Corporate of Taiwan Corporate Sustainability Awards (TCSA).</li> <li>4. The Company was included in the DJSI (Dow Jones Sustainability Index) Emerging Markets for the 7th consecutive year.</li> <li>5. The Company has been ranked in the top 5% in the 2017 Corporate Governance Evaluation.</li> <li>6. The Company was ranked as RobecoSAM Gold Class Sustainability leaders in the steel industry in 2018.</li> </ol> <p>(III) The CSR reports prepared by subsidiaries of CSC Group have been verified by the following third-party verification agencies:</p> <ol style="list-style-type: none"> <li>1. The CSR reports of CHC, DSC, CEC, CSAC, and CSMC have been verified by BSI.</li> <li>2. The CSR reports of CSE have been verified by Lloyd's Register Quality Assurance (LRQA) from the United Kingdom.</li> <li>3. The CSR reports of CSCC have been verified by SGS Taiwan Ltd.</li> </ol>				

(VI) Implementation of Ethical Corporate Management - CSC and Subsidiaries

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>I. Formulation of Ethical Corporate Management Policies and Programs</p> <p>(I) Does the Company specify ethical corporate management policies and measures in its regulations and external documents and the commitment on active implementation of such policies of Board of Directors and the management team?</p> <p>(II) Does the Company establish programs to prevent unethical conduct, specifying procedures, guidelines, punishments for violations and appeals policies, and implement them accordingly?</p> <p>(III) Does the Company take precautions against business activities stipulated in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE /TPEX Listed Companies or those with higher risks of being involved in an unethical conduct?</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p>		<p>(I)&amp;(II)</p> <ol style="list-style-type: none"> <li>1. The Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" to be complied with by companies and organizations of CSC Group. In addition, the Company has formulated provisions related to the prevention of unethical conduct in various regulations, including the "Codes of Ethics for Directors", the "Codes of Ethics for First Echelon Supervisors and Executives" (refer to Page 54-58 of this annual report), and the " Integrity and Ethics Directions for Employees of CSC Group ", as well as the "Internal Control System Provisions" and part of the human resource management system (refer to Page 145-148 for more information). The Company has also clearly specified provisions related to eradicating bribery or kickbacks in various engineering, procurement and subcontractor contracts.</li> <li>2. The Company promotes moral values and ethics, as well as compliance with discipline and company regulations through internal publications, and implements corporate culture concepts and practices focusing on teamwork, entrepreneurial approach, down-to-earthness and pursuit of innovation, thereby encouraging employees to speak and act conscientiously and create an honest and upright atmosphere.</li> <li>3. Upon approval of the suggestions for improvement proposed by the Internal Audit Office, the suggestions are keyed into the Company's "Audit Management System", and are controlled and managed electronically to continuously track the progress of related improvements. After completing the improvement measure for each audit item, the result is reported to Independent Directors for review in accordance with applicable regulations. This is an important mechanism for the Board of Directors to supervise the implementation of the Company's ethical corporate management policy.</li> <li>4. The Company has formulated the "Ethical Corporate Management Best Practice Principles", and the " Integrity and Ethics Directions for Employees of China Steel Group ", which are applicable to companies and organizations of CSC Group, including subsidiaries, foundations in which the Company has directly or indirectly contributed 50% of the total</li> </ol>	No Significant Difference

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>donation amount, and other institutions or legal persons that the Company has substantive control over. In addition, listed companies and main subsidiaries of CSC Group have formulated the following policies related to ethical corporate management, including the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, Guidelines for Recusal Due to Conflict of Interests, the Codes of Ethics for Directors (Supervisors) and Executives, and Work Rules.</p> <p>(III)</p> <ol style="list-style-type: none"> <li>1. The Company has formulated the "Guidelines on Handling Acceptance of Valued Gifts, Invitations to Banquets and Requests for Making An Intercession" to fulfill good corporate culture and maintain company image, thereby serving as a basis for employees while handling acceptance of valued gifts, invitations to banquets and requests for making an intercession. In the event that an employee receives a valued gift from persons related to his/her position, the employee shall refuse or return the gift, unless otherwise specified. When the gift cannot be returned, the employee shall fill out the "Report on Handling Acceptance of Valued Gifts", and submit the form to a first echelon supervisor for review. The employee shall also deliver the valued gift to the General Affairs Department for subsequent processing.</li> <li>2. The Company has formulated the "Guidelines on Hosting Business Banquets", where any employee at the Company who has to host banquets to develop business relationships shall comply with these guidelines.</li> <li>3. Listed companies of CSC Group have formulated the following regulations: the Employee Code of Ethics, the Codes of Ethics for Directors (Supervisors) or Executives, the Guidelines for Recusal Due to Conflict of Interests, and the Guidelines on Handling Acceptance of Valued Gifts, Invitations to Banquets and Requests for Making an Intercession.</li> <li>4. To prevent unethical conduct, the Company has taken specific measures, such as organizing internal training associated with the issue of ethical corporate management (including courses related to the corporate culture, quality system, internal auditor training, etc.), training 4,406 people involving a total of 17,876 man-hours.</li> </ol>	

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
II. Implementation of Ethical Corporate Management (I) Does the Company evaluate the ethical records of counterparties and specify ethical conduct clauses in business contracts? (II) Does the company establish an exclusively (or concurrently) dedicated unit under the Board of Directors to be in charge of ethical corporate management and report its implementation to the Board of Directors regularly? (III) Does the company formulate policies to prevent conflict of interests and provide appropriate reporting channels, and implement it accordingly? (IV) Has the Company established effective accounting and international control systems to implement ethical corporate management, which is regularly audited by internal audit unit or CPAs? (V) Does the Company regularly hold internal and external trainings on ethical corporate management?	(I) Yes (II) Yes (III) Yes (IV) Yes (V) Yes		(I) The Company assesses the ethical record of counterparties in accordance with the "Guidelines for Handling Business Partners in Violation of Ethical Principles at the Purchasing Department", to enhance the management of business partners. Ethic clauses are included in the terms of transaction stipulated in sales contracts. In case of violations by customers, there are relevant penalties stipulated, including confiscation of guarantee payments and termination of discounts. For construction contracts, the Company conducts credit investigation of qualified business partners registered in the most recent 3 years quarterly. For subcontractor agreements, the ethical corporate management related policies are specified in the universal conditions. After the Company has successfully obtained the authorized economic operator (AEO) certification in March 2012, subcontractors, with which the Company has dealings, have been included as targets of regular audit. In addition, some subcontractors have also successfully obtained the AEO certification, and are regularly audited by the customs, where the audit content covers a wide range including ethical conduct and those who violate is subject to punishment for withdrawal of certification. In 2018, no penalty imposed on transportation business partners due to violation of ethic clauses was recorded by the Company. However, one engineering business partner was found to have records of dishonored bills. Therefore, the Company has blacklisted and suspended dealings with it, and has notified relevant units of this issue. In the first, second, third and fourth quarters of 2018, the Company has halted business dealings with two, two, one, and zero companies in violation of ethical principles, respectively. If a business partner is involved in any of the following circumstances, the Purchasing Department and the Engineering Business Department may permanently blacklist such partner upon approval by Vice President: <ol style="list-style-type: none"> <li>1. The business partner commits breach of contract, causing significant detriment to the rights and interests of the Company.</li> <li>2. The business partner intentionally causes an employee of the Company or the Company to receive penal or disciplinary punishment by falsely accusing the employee or the Company to a competent public official.</li> <li>3. The business partner is found engaging in illegal conducts such as</li> </ol>	No Significant Difference

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>manipulation and collusion upon investigation.</p> <p>4. The business partner is found offering bribes, gifts, commissions, remuneration, appreciation or other improper benefits to the executives, employees, part-time employees at the Company or their spouses and lineal relatives, or consultants and business partners providing design and planning services, upon investigation.</p> <p>Or</p> <p>The project contracting by a business partner is identified as unqualified in a performance appraisal conducted by the project organizer after a contract project is officially inspected and accepted.</p> <p>Listed companies and other subsidiaries of CSC Group have included ethical records as an important condition for screening business partners, which is implemented using the following methods:</p> <ol style="list-style-type: none"> <li>1. Specify ethical conduct clauses in contracts.</li> <li>2. Permanently blacklist or request payment of punitive damages from business partners which are found engaging in unlawful conduct such as breach of contract or violation of ethical principles upon investigation.</li> <li>3. Formulate regulations such as the "Regulations Governing Evaluation of Contractors and Suppliers", and the "Regulations Governing Customer Credit Management."</li> </ol> <p>(II) To ensure sound ethical corporate management, internal units of the Company are responsible for handling the following matters:</p> <ol style="list-style-type: none"> <li>1. Legal Department: Establish prevention plans to ensure ethical corporate management in accordance with the legal system, and formulate the relevant standard operating procedures and guidelines for conduct in various plans.</li> <li>2. Human Resources Department: Promote and coordinate education and training on ethical policies.</li> <li>3. Internal Audit Office: <ol style="list-style-type: none"> <li>(1) Develop a whistleblowing system, and ensure effective implementation.</li> <li>(2) Assist the Board of Directors and the Management Team in reviewing and assessing whether the prevention measures established for the purpose of ethical corporate management are</li> </ol> </li> </ol>	

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>effectively implemented, and regularly assess relevant processes compliance with the standards and report the review results to the Board of Directors.</p> <p>Status of implementation in 2018: The Company organized internal trainings related to ethical corporate management issues with a total of 4,406 counts of participation involving 17,876 man-hours. The implementation of various works was reported to the Board of Directors in March, May, June, August, November, and December 2018. Internal units at companies of CSC Group take charge of ethical corporate management according to their own duties by formulating relevant prevention plans or promoting ethical policies. The implementation of ethical corporate management is supervised and audited through internal control and audit mechanisms, and the review results will be regularly reported to the Board of Directors.</p> <p>(III)</p> <ol style="list-style-type: none"> <li>1. The Company has formulated the following regulations: <ol style="list-style-type: none"> <li>(1) Codes of Ethics for Directors (refer to Page 54-55 of this annual report): Directors shall faithfully perform their duties for the best interests of all shareholders. Article 11 of the Codes of Ethics for Directors specifies that “If any proposal at a Board Meeting involves a Director him/herself or the interested parties set forth in Articles 5 and 6 where there are concerns about impairing the interests of the Company, the Director shall immediately and voluntarily recuse him/herself, and take no part in voting, nor exercise the voting right as proxy for another Director.”</li> <li>(2) Codes of Ethics for First Echelon Supervisors and Executives (refer to Page 56-58 of this annual report): To prevent first echelon supervisors and executives up to the position of President from using their positions at the Company to seek improper gains. Article 4 of the Codes of Ethics for First Echelon Supervisors and Executives specifies provisions related to the prevention of conflict of interests.</li> <li>(3) Directions for Recusal Due to Conflict of Interests in Chapter 6, Part 4 of the Human Resource Management System: To prevent employees from using their powers or their identities or news they</li> </ol> </li> </ol>	



Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>obtain due to their positions at the Company to seek personal gains.</p> <p>(4) Guidelines on Handling Acceptance of Valued Gifts, Invitations to Banquets and Requests for Making An Intercession: To fulfill excellent corporate culture, maintain company image, and serve as a basis for employees while handling acceptance of valued gifts, invitations to banquets and requests for making an intercession.</p> <p>(5) Guidelines on Hosting Business Banquets: Any employee at the Company who has to host banquets to develop business relationships shall comply with these guidelines.</p> <p>2. The Company plans internal organization, structure, and functions, and establishes mutual supervised check-and-balance mechanisms for business activities with high risk of being involved in an unethical conduct within the business scope. The Internal Audit Office assists the Board of Directors and the Management Team in examining and assessing whether the implementation of the check-and-balance mechanism is effective. Besides, the Company regularly assesses relevant business processes compliance with the standards, and reports the results to the Board of Directors.</p> <p>3. For more details on reporting channels, refer to Item 3 - "Implementation of Whistleblowing System" in this form.</p> <p>4. Listed companies of CSC Group have established the Directions for Recusal Due to Conflict of Interests. In the event of conflict of interests involving a Director him/herself and his/her relatives, the Director shall recuse him/herself, and is encouraged to report any conduct that is illegal or that violates the Codes of Ethics. In addition, the Company has also formulated regulations including the Employee Code of Ethics, and the Codes of Ethics for Directors (Supervisors) or Senior Executives, verified effectiveness of internal control implementation annually, and had the audit unit responsible for accepting and handling appeals.</p> <p>(IV) Accounting system:</p> <p>1. The Company formulates our accounting system based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers published by Financial Supervisory Commission (FSC), the Business Entity Accounting Act, the Regulations on</p>	

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>Business Entity Accounting Handling and other relevant regulations. Taking into consideration the Company's operating policies, actual business conditions and development, and actual management needs, as well as coordinating with information systems, the Company expects to fully utilize accounting in assisting corporate management, enhance the operating efficiency of the Company, and achieve a fair presentation of the Company's financial status, operating results and cash flows.</p> <p>2. The Company's accounting system includes procedures for 13 items, including general accounting, cash, notes and financial asset accounting, materials accounting, long-term equity investment accounting under equity method, capital expenditure accounting, fixed asset accounting, long-term and short-term financing and equity accounting, operating income accounting, operating expense accounting, payroll accounting, profit-seeking enterprise income tax accounting, consolidated financial statement accounting, and reconciliation of transactions with affiliates. Besides, the Company has also formulated a cost system.</p> <p>3. The Company's accounting system mainly governs the Company's accounting standards, procedures, accounting items and accounts, accounting documents, accounting books, as well as the types and methods of preparing and using accounting reports, in order to protect the Company's property security, prevent errors and fraud, clarify work procedures and responsibilities, provide relevant and objective financial accounting information, serve as the basis for establishing a comprehensive information system, and to comply with the International Financial Reporting Standards (IFRSs). In addition, the Company supervises the formulation of subsidiaries' accounting systems that comply with IFRSs in accordance with Paragraph 2, Article 2 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers stipulates: "The accounting system referred to in the preceding paragraph shall separately provide items based on the nature of the issuer's business operations, and in a way that meets the needs of preparation of the consolidated financial reports and consistency of the accounting policies of the issuer and its</p>	

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>subsidiaries".</p> <p>4. The accounting affairs of each division at the Company are handled in accordance with the provisions of this accounting system, and are reviewed by the responsible managers.</p> <p>Internal control system:</p> <p>1. Establish an effective internal control system:</p> <p>(1) The Company establishes the Internal Control System Provisions as the basis for all relevant units and personnel to implement the internal control system upon approval by the Board of Directors.</p> <p>(2) The Company formulates the "Internal Control System Self-Assessment Procedures" to implement self-assessment of internal control. Before the end of February each year, each first echelon unit will conduct self-review of its management status, and submit the factory (department) management review report to the Internal Audit Office for review upon approval of the Vice President of its division.</p> <p>2. Fully implement internal audit:</p> <p>(1) Subordinated to the Board of Directors, the Internal Audit Office assesses whether the Company's various plans, organizations and supervision procedures can effectively achieve the Company's goals, examine whether supervisors at all levels set operating standards to balance the economic nature and effectiveness of various resources, including human resource, equipment and materials, and evaluate whether to analyze the reasons and adopt improvement measures with regard to personnel with low efficiency and equipment and materials with low utilization rates.</p> <p>(2) The Internal Audit Office formulated the "2018 Audit Plan", and the plan was approved by the Board of Directors. In 2018, the Internal Audit Office fully implemented internal audit, reviewed all transaction cycle operation items, and completed the audit report, which comprised a total of 49 operation items, including 28 internal operation items at the Company, and 21 field surveys at subsidiaries under CSC Group. In the report above, a total of 439 suggestions for improvement were made with regard to deficiencies and abnormal items.</p>	

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>(3) After the audit report was approved, the report was keyed into the Company's "Audit Management System", and was controlled and managed electronically to continuously track the progress of related improvements.</p> <p>(4) After completing the improvement measures for each audit item, the results were reported to Independent Directors for review in accordance with applicable regulations.</p> <p>In addition, listed companies of CSC Group have established appropriate accounting systems in accordance with the Business Entity Accounting Act, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company Act and the Securities and Exchange Act. These companies have also established and implemented an internal control system in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, as well as audit the implementation of internal control and report it to their Board of Directors.</p> <p>(V) The Company promotes moral values and ethics, as well as compliance with discipline and company regulations through internal publications, and implements corporate culture concepts and practices focusing on teamwork, entrepreneurial approach, down-to-earthness and pursuit of innovation, thereby encouraging employees to speak and act conscientiously and create an honest and upright atmosphere. Corporate culture courses are also conducted during induction training for new employees. Furthermore, the Company regularly conducts continuing education and training related to corporate governance every year, which targets not only senior managements of the Company but also related personnel of subsidiaries.</p>	
<p>III. Implementation of Whistleblowing System</p> <p>(I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? Does the Company establish a specific whistleblowing and reward system, set up</p>	(I) Yes		<p>(I)</p> <p>1. The "Employee Work Rules" and the " Integrity and Ethics Directions for Employees of CSC Group " specify the following matters:</p> <p>(1) Employees shall live in harmony, help and care for each other. However, to maintain the overall interests of the Company, employees shall assume the responsibility of reporting any graft and fraud. Considering legitimacy, the Company may reject anonymous accusation.</p>	No Significant Difference

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>convenient whistleblowing channels, and designate appropriate responsible individuals to handle investigations?</p> <p>(II) Does the Company establish standard operating procedures for investigating reported cases and related confidentiality mechanisms?</p> <p>(III) Does the Company adopt measures to protect whistleblowers?</p>	<p>(II) Yes</p> <p>(III) Yes</p>		<p>(2) Employees shall clearly present specific facts through a proper channel when reporting unlawful conduct, and shall not report such conduct anonymously or present fictional facts to the Company in order to punish others intentionally.</p> <p>2. The Internal Audit Office is responsible for accepting complaints about improper handling of business, fraud, harm to the interests of CSC and violation of the rules or regulations of CSC is in charge of accepting appeals regarding improper conduct such as graft, fraud, impairing the interests of the Company, violation of company regulations. The Company has set up the following appeals channels: Tel.: 07-8021111 ext 2191; Fax: 07-8010736; Mailbox: P.O. Box 47-13 Kaohsiung.</p> <p>3. The Company clearly specifies the following information for reporting fraud, bribery and deception in the quotation notice section of the procurement inquiry form (in the e-commerce system): Tel.: 07-8021111 ext 2191; Fax: 07-8010736; Mailbox: P.O. Box 47-13 Kaohsiung.</p> <p>4. In 2018, the Company handled a total of 31 appeals, which were handled properly by the relevant units upon duly investigation. No unethical behavior (zero percent) was found during the investigation of these 31 appeals.</p> <p>5. Listed companies of CSC Group have established complete appeals channels, including appeal hotline, email and reporting system on website. Also, audit unit is designated to accept and handle appeals, while some companies further formulate regulation on rewards for whistleblowers.</p> <p>(II)</p> <p>1. The Internal Audit Office shall fill out the "Record of Appeal" form after accepting an employee's appeal.</p> <p>2. Upon duly investigation by the Internal Audit Office, the case will be properly handled by the relevant unit, and submitted to the supervisor for review.</p> <p>3. The Internal Audit Office regularly reports the number of appeals to the Board of Directors.</p> <p>4. The identity of the whistleblower is kept absolutely confidential.</p> <p>5. Listed companies of CSC Group fully maintain confidentiality while</p>	

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>handling appeals.</p> <p>(III)</p> <ol style="list-style-type: none"> <li>1. "Employee Work Rules", and " Integrity and Ethics Directions for Employees of CSC Group ": <ol style="list-style-type: none"> <li>(1) Employees shall live in harmony, help and care for each other. However, to maintain the overall interests of the Company, employees shall assume the responsibility of reporting any graft and fraud. Considering legitimacy, the Company may reject anonymous accusation.</li> <li>(2) Employees shall clearly present specific facts through a proper channel when reporting unlawful conduct, and shall not report such conduct anonymously or present fictional facts to the Company in order to punish others intentionally.</li> </ol> </li> <li>2. CSC and listed companies of CSC Group fully maintain the absolute confidentiality of whistleblowers, protecting them from retaliatory action for filing an appeal.</li> </ol>	
<p>IV. Strengthening Information Disclosure</p> <p>(I) Does the Company disclose its ethical corporate management policies and the results of its implementation on corporate website and MOPS?</p>	(I) Yes		<p>(I) The Company discloses information on ethical corporate management in the "Corporate Governance" section under "Investor Relations" on corporate website, www.csc.com.tw, and on MOPS, including "Codes of Ethics", "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" in the "Corporate Governance Regulations". Various internal units of the Company are responsible for ensuring sound ethical corporate management, while the Internal Audit Office is responsible for monitoring the implementation and regularly reporting the relevant results to the Board of Directors. The implementation is disclosed in the "Internal Auditing" section on the corporate website.</p> <p>The implementation of ethical corporate management for listed companies of CSC Group, DSC and CSE is disclosed on their corporate websites, MOPS, annual reports or CSR reports respectively.</p>	No Significant Difference
<p>V. If the Company has formulated its own Ethical Corporate Management Best Practice Principles in accordance with the " Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies ", please describe the implementation and its discrepancies between the Principles:</p> <p>As the Company is a private enterprise in which 20% of share capital is held by the government, the Company especially specifies in the "Ethical Corporate Management Best Practice Principles" that the Company shall not make political donations in accordance with Subparagraph 1, Paragraph 1, Article 7 of the Political Donations Act. Hence, this practice is different from those specified in the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."</p>				

Assessment Item	Status of Implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>VI. Other important information to facilitate a better understanding of the Company's ethical corporate management practices (e.g. reviews and amends its Ethical Corporate Management Best Practice Principles).</p> <p>1. The Company's General Penal Provisions for Subcontractors stipulate the following:</p> <p>(1) Subcontractors and personnel related to contracts are executives, employees, part-time employees of the Company or their spouses and lineal relatives, or consultants and business partners providing design and planning services, but the responsible units are not notified in writing.</p> <p>(2) Subcontractors offer bribes, gifts, commissions, remuneration, appreciation or other improper benefits to executives, employees, part-time employees of the Company or their spouses and lineal relatives, or consultants and business partners providing design and planning services.</p> <p>(3) For the violations mentioned above, the Company may terminate or rescind the relevant contract in part or in whole without notice based on the reason that the subcontractor has violated the warranty, and may seek compensation for all the losses suffered by the Company. In the event of serious violations by a subcontractor, the Company could terminate or rescind other contracts signed with the subcontractor.</p> <p>2. The Company's domestic procurement agreement stipulates that "The seller may not offer any commission or similar gift to personnel on the buyer side. If the buyer finds that the seller violates the provisions of this paragraph, the commission or similar gift is treated as an equivalent allowance provided to the buyer or deducted an equivalent amount from the payment of goods to be paid by the buyer, while anything illegal regarding such violations shall be handled in accordance with the law. Any seller violation of the provisions above shall be deemed as a breach of contract, the buyer may terminate or rescind the contract from the date when such violations are found and may permanently blacklist the seller. For the items or quantity purchased but yet to be delivered according to the Contract, the buyer may cancel the order, and at the same time unconditionally terminate or rescind other contracts signed with the seller without notice. The Company's foreign procurement agreement stipulates the following content: "TERMS AND CONDITIONS OF CONTRACT(WARRANTY AGAINST CONTINGENT FEES、OFFICIALS AND EMPLOYEES NOT TO BENEFIT)"</p>				

(VII) Access and Search Method of the Corporate Governance Best-Practice Principles and Related Regulations

1. Corporate Governance Principles and Related Regulations:

- (1) The Company has formulated the following rules and regulations in accordance with the regulations announced by the Financial Supervisory Commission (FSC) under the Executive Yuan: ① Internal Control System Provisions, ② Procedures for Acquisition or Disposal of Assets, ③ Procedures for Endorsements and Guarantees, ④ Procedures for Loaning of Funds, ⑤ Rules of Procedure for Board of Directors Meetings (it specifies the matters to be performed by the Chairman and Management Team as authorized by the Board of Directors, and stipulates the level of authority for the Board of Directors and Management Team and the delegation of authority between the Board of Directors, Chairman, and President), ⑥ Organization Regulations for Remuneration Committee, and ⑦ Organization Regulations for Audit Committee
- (2) The Company has formulated the following rules and regulations in accordance with the rules and regulations and templates formulated by Taiwan Stock Exchange Corporation: ① Rules Governing Procedures for Shareholders' Meeting, ② Code of Ethics for Directors, ③ Code of Ethics for First Echelon Supervisors and Executives, ④ Rules Governing the Election of Directors, ⑤ Guidelines for Related Party Transactions, ⑥ Ethical Corporate Management Best Practice Principles, ⑦ Procedures for Ethical Management and Guidelines for Conduct, ⑧ Corporate Governance Best-Practice Principles, ⑨ Procedures for Trading Halt and Suspension and ⑩ Corporate Social Responsibility Code of Practice.

2. Search methods:

- (1) Listed companies of CSC Group: These rules and regulations can be downloaded from "Rules and Regulations Related to Corporate Governance" under the "Corporate Governance" section on MOPS (<http://mops.twse.com.tw/mops/web/index>).
- (2) The Company's official website (<http://www.csc.com.tw/index.html>):  
These rules and regulations can be downloaded from the "Investor Relations" section → "Corporate Governance" → "Corporate Governance Regulations".



(VIII) Other Important Information to Facilitate a Better Understanding of the Implementation of Corporate Governance at the Company:

Domestic and foreign certifications obtained by finance, accounting, and internal audit personnel in companies under CSC Group:

Name of Company	Number of Persons Obtaining Certifications
China Steel Corporation	(1) Domestic certifications: Certified Public Accountant (CPA) - 23 persons; Taiwan Certified Internal Auditor (TWCIA) - 2 persons; Certified Securities Investment Analyst - 4 persons. (2) Other certifications: US Certified Public Accountant (US CPA) - 5 persons; Certified Internal Auditor (CIA) - 1 person; Chinese Institute of Certified Public Accountant - 2 persons; Certified Financial Analyst (CFA) - 1 person; Project Management Professional Certification (PMP) - 1 person; Certified Practising Accountant (CPA) Australia - 1 person.
Dragon Steel Corporation	Domestic certifications: Certified Public Accountant - 3 persons
Chung Hung Steel Corporation	Domestic certifications: Certified Public Accountant - 1 person
China Ecotek Corporation	Domestic certifications: Certified Securities Investment Analyst - 1 person; Certified Securities Investment Trust and Consulting Professional - 1 person; Certified Senior Securities Specialist - 3 persons; Certified Futures Specialist - 1 person; Certified Stock Affair Specialist - 1 person; Certified Financial Planner - 1 person.
China Steel Chemical Corporation	Domestic certifications: Certified Public Accountant - 1 person
CHC Resources Corporation	Domestic certifications: Certified Public Accountant - 2 persons; Certified International Internal Auditor - 2 persons
China Steel Structure Co., Ltd.	None

(IX) Implementation of Internal Control System

1. Statement on Internal Control System

China Steel Corporation Statement on Internal Control System

Date: March 25, 2019

According to the results of our self-evaluation, the Company shall make the following statements on our internal control system in 2018:

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining adequate internal control system. The objectives of this system are to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of reporting and compliance with applicable rulings, laws, and regulations.
- II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control systems contain self-monitoring mechanisms, thereby allowing the Company to take immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes a number of items. Refer to the Regulations for more information on the abovementioned items.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, the Company believes that, as of December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. The Statement shall become the main content of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. The Statement was passed by the Board of Directors on March 25, 2019, with none of the eleven attending directors expressing dissenting opinions, and the remainder all approved the content of this Statement.

China Steel Corporation

Chairman *Chao-Tung Wong*



President *Hong-Nan Lin*



Note: The Company has not entrusted CPAs to review our internal control system; therefore, there is no CPA review report.

- (X) Penalties Imposed on the Company and Its Internal Staff, Penalties Imposed on Its Internal Staff by the Company for Violation of Internal Control Regulations, Major Deficiencies and Status of Improvements Made: None.
- (XI) Significant Resolutions Adopted by the Shareholders' Meeting and the Board of Directors in the Most Recent Year up to the Publication Date of this Annual Report:
- ◎ Material resolutions of the Board of Directors
  - Material resolutions in the 23rd meeting of the 16th Board of Directors (March 25, 2019):  
The 23rd meeting of the 16th Board of Directors of the Company was held on March 25, 2019. Major resolutions were:
    1. Proposal for Distribution of 2018 Profits  
The meeting proposed to appropriate NT\$1.4 and NT\$1.0 per share for dividends of preferred stocks and common stocks respectively. The above proposal will be submitted to the 2019 Annual General Meeting of Shareholders for adoption.
    2. Date and venue for 2019 Annual General Meeting of Shareholders
      - (1) The Company's 2019 Annual General Meeting of Shareholders:  
Date: 9.00 am, June 19, 2019 (Wednesday)  
Venue: Chung Cheng Hall (Auditorium) (No. 1, Chung-Kang Rd., Hsiao Kang Dist., Kaohsiung City, Taiwan)
      - (2) Time and place for accepting shareholders' proposals and nominations:  
Date: April 15, 2019 (Monday) to April 24, 2019 (Wednesday)  
Place: China Steel Building (No. 88, Cheng Gong 2nd Rd., Qian Zhen Dist., Kaohsiung City, Taiwan)
    3. Replacement of turbine blowers for No.1 Power House  
To ensure stable supply of cold blast air needed by blast furnaces, increase energy efficiency, and comply with strict regulations and requirements in the future, the Company proposed to invest NT\$2.593 billion in the replacement of turbine blowers for No.1 Power House. This project will last for 3 years and 9 months, from April 1, 2019 to December 31, 2022.
    4. Adjustment of employee salaries  
The proposal to raise the average salary of employees by 3.5% in 2019 was approved, and the adjustment would take effect from April 1, 2019.
    5. Appointment of Company Secretary  
The appointment of Vice President of Corporate Planning Division, Mr. Pai-Chien Huang to concurrently serve as Company Secretary was approved, and the appointment would take effect on March 25, 2019.
  - Material resolutions in the 22nd meeting of the 16th Board of Directors (December 17, 2018):  
The 22nd meeting of the 16th Board of Directors of the Company was held on December 17, 2018. During the meeting, the appointment of Chief Auditor was approved. The Chief Auditor, Mr. Hua-Chieh Wang would retire on February 28, 2019, and Auditor Mr. Shih-Tshung Chang would be promoted to succeed Mr. Wang as the Chief Auditor.
  - Material resolutions in the 21st meeting of the 16th Board of Directors (November 12, 2018):  
The 21st meeting of the 16th Board of Directors of the Company was held on November 12,

2018. Major resolutions were:

1. Replacement of No. 3 and No. 4 Ship-unloaders

No. 3 and No. 4 Ship-unloaders of the Company for the import of raw materials at Dock No. 97 at Kaohsiung Port have been in operation for over 30 years. The replacement is required to ensure smooth unloading of raw materials and stabilize blast furnace production. The project will last for 2 years and 4 months, from January 1, 2019 to April 30, 2021, with a total investment amount of NT\$2.077 billion.

2. Equipment replacement of No. 1 and No. 2 Sinter Plants

As the major equipment in the Company's sinter plants cannot be replaced and maintained during routine maintenance, the Company proposed to replace and improve equipment in No. 1 and No. 2 Sinter Plants in conjunction with the revamping of of the 3rd Campaign of No. 2 Blast Furnace. After this project is completed, it will increase operation rate of the equipment, improve sinter quality, reduce energy consumption, restore dust collection efficiency and cut down production costs. The project will last for 3 years, from July 1, 2018 to June 30, 2021, with a total investment amount of NT\$1.199 billion.

3. Installation of flue gas desulfurization system for No. 1 Sinter Plant

To devote to environmental protection, and to act in compliance with the "Air Pollution Prevention Action Scheme" by the Executive Yuan, the Company proposed to invest NT\$733 million in the installation of flue gas desulfurization system for No. 1 Sinter Plant to reduce sulfur oxide emissions from manufacturing processes and improve air quality. The project will last for 3 years, from January 1, 2019 to December 31, 2021.

4. Appointment of Vice President of Corporate Planning Division

The Vice President of Corporate Planning Division, Mr. Yi-Lang Lin would retire on October 31, 2018, and former Assistant Vice President of Finance Division of the Company (current Chairman of Gains Investment Corporation), Mr. Pai-Chien Huang would be promoted to succeed Mr. Lin as the Vice President of Corporate Planning Division with effect from November 12, 2018.

● Material resolutions in the 20th meeting of the 16th Board of Directors (October 9, 2018):

The 20th meeting of the 16th Board of Directors of the Company was held on October 9, 2018. Major resolutions were:

1. Replacement of No. 3 Reheating Furnace in No. 1 Hot Strip Mill

No. 3 Reheating Furnace in No. 1 Hot Strip Mill has been in operation since 1986 for over 30 years. The replacement is required to improve the efficiency of energy consumption and the temperature homogenization in slabs for raising the production capability of high-grade products. The project will last for 3 years, from September 1, 2018 to September 30, 2021, with a total investment amount of NT\$988 million.

2. Donation to the CSC Group Education Foundation for its 2018 operation

CSC Group Education Foundation (the Foundation) was established through CSC's fund endowment. Each year, the funds required for the operations of the foundation are sponsored by companies in the CSC Group, in which three quarter of the funds minus the foundation's interest-bearing balance, are donated by the Company. In 2018, the Company donated a total of NT\$11,058 thousand to the foundation.

### 3. Appointment of President

The appointment of Director Mr. Horng-Nan Lin as the President of China Steel Corporation for a maximum of one year was approved, and the Board of Directors also instructed the Company to speed up and actively complete the succession of President within this period.

Mr. Horng-Nan Lin has retired on September 30, 2018 in accordance with the Company's personnel management regulations. However, due to the fact that the government affirmed the performance of the existing management team at the Company and the Board of Directors also took into consideration the fact that the Company is currently undergoing peak retirement season, leading to frequent personnel change, in which the current Vice President either has taken office for less than one year or will retire in one year, while existing managers and first echelon supervisors and executives have an average age difference of one year old, and first echelon and second echelon supervisors and executive have an average difference of two years old, the appointment of Mr. Horng-Nan Lin to hold the concurrent post as President of the Company while serving as the Director was approved for succession need, to refine production process, and to ensure smooth planning and implementation of equipment upgrade and environmental protection works, thereby laying a solid foundation for the Company's competitiveness in the next 50 years. When performing his duties as the President, Mr. Horng-Nan Lin will only receive Director's remuneration from the juristic institution he represented, and will not receive salary, bonus, and employee remuneration from the Company.

With regard to the continuous appointment of Mr. Horng-Nan Lin as the President while concurrently serving as a Director, the Company has sought legal counsel and has consulted CPAs to confirm that there is no concern related to the lawfulness and that it complies with the Company Act and the spirit of corporate governance as a note of caution. In addition, as Mr. Lin is no longer an employee of the Company after the mandatory retirement, and does not receive salary, bonus and employee remuneration from the Company, there is also no concern applicable to "retirement, pension, occupational disaster compensation, and severance" for personnel at the Company.

- Material resolutions in the 19th meeting of the 16th Board of Directors (August 10, 2018):

The 19th meeting of the 16th Board of Directors of the Company was held on August 10, 2018. Major resolutions were:

1. Revamping of the 3rd Campaign of No. 2 Blast Furnace

The 3rd Campaign of No. 2 Blast Furnace has been in operation since January 2006 for 12 years. Upon assessment, the 3rd Campaign will finished its mission of production in October 2020 and the furnace shall be shut down for revamping to restore and improve the performance of the original equipment. The project will last for 3 years and 3 months, from April 1, 2018 to June 30, 2021, with a total investment amount of NT\$6.369 billion.

2. Replacement of auxiliary equipments at finishing rolling mill area of No. 1 Hot Strip Mill

No. 1 Hot Strip Mill has been in operation since February 1982, and the finishing rolling auxiliary equipment has been used for 36 years. The replacement is required to improve rolling stability, comply with the requirements for thin and high-precision products, and develop high value-added new products. The project will last for 2 years and 10 months, from September 1, 2018 to June 30, 2021, with a total investment amount of NT\$461

million.

### 3. Restructuring of Legal Office into Legal Department

In response of the increase in the importance of compliance with corporate governance and the number of legal cases handled by the Group, the second echelon unit, "Legal Office" was upgraded into a first echelon unit named "Legal Department" to exert its diverse range of legal functions and assist subsidiaries in law compliance.

- Material resolutions in the 18th meeting of the 16th Board of Directors (June 21, 2018):

The 18th meeting of the 16th Board of Directors of the Company was held on June 21, 2018. Major resolutions were:

1. Mr. Hsin-Min Li would be dismissed from the position of Vice President of Commercial Division for further assignment. Assistant Vice President of Commercial Division, Mr. Chien-Chih Hwang would be promoted to succeed as Vice President of Commercial Division with effect from July 1, 2018.
2. Mr. Ming-Hsien Wu would retire from the position of Vice President of Finance Division. Assistant Vice President of Finance, Mr. Yueh-Kun Yang would be promoted to succeed as Vice President of Finance Division with effect from July 1, 2018.

- Material resolutions in the 17th meeting of the 16th Board of Directors (May 9, 2018):

The 17th meeting of the 16th Board of Directors of the Company was held on May 9, 2018. Major resolutions were:

1. Replacement of inner shell and furnace lining of No. 31 Hot Stove of No. 3 Blast Furnace  
This project will last for 26 months, from May 2018 to the end of June 2020, with a total investment amount of NT\$486 million. After the completion of this project, four hot stoves can be integrated with two stoves blast in parallel to stabilize blast furnace production.
2. Replacement of No. 1 Reheating Furnace of Plate Mill at Rolling Mill Department I  
This project will last for 19 months, from June 2018 to December 2019, with a total investment amount of NT\$293 million. After this project is completed, it can improve the homogenization of temperature and longitudinal direction of slabs, balance the capacity of two reheating furnaces in the plate mill, and enhance operation and production quality stability.

- Material resolutions in the 16th meeting of the 16th Board of Directors (March 28, 2018):

The 16th meeting of the 16th Board of Directors of the Company was held on March 28, 2018. Major resolutions were:

1. Appropriation of distributable earnings for 2017

The meeting proposed to appropriate NT\$1.4 and NT\$0.88 per share for dividends of preferred stocks and common stocks respectively. The above proposal would be submitted to the Annual General Meeting of Shareholders for recognition on June 21, 2018.

2. Date and venue for 2018 Annual General Meeting of Shareholders

- (1) The Company's 2018 Annual General Meeting of Shareholders:

Date: 9.00 am, June 21, 2018 (Thursday)

Venue: (Auditorium) (No. 1, Chung-Kang Rd., Hsiao Kang Dist., Kaohsiung City, Taiwan)

(2) Time and place for accepting shareholders' proposals and nominations:

Date: April 17, 2018 (Tuesday) to April 26, 2018 (Thursday)

Place: China Steel Building (No. 88, Cheng Gong 2nd Rd., Qian Zhen Dist., Kaohsiung City, Taiwan)

3. Proposal to invest in jacket foundation manufacturing company

The Company invested in the establishment of jacket substructure manufacturing company to supply jacket substructures required for offshore wind farms in Taiwan, thereby obtaining marketing opportunities and increasing the demand for plates in the domestic market. Hence, the Company proposed to invest NT\$3.421 billion in establishing the jacket foundation manufacturing company in order to build a production line for jacket substructures applied to offshore wind farms in the "Marine Science and Technology Industry Innovation Zone" in Singda Harbour, Kaohsiung. This investment plan would commence in April 2018, and is expected to complete in December 2019.

4. Adjustment of employee salaries

The proposal to raise the average salary of employees by 3.5% in 2018 was approved, and the adjustment would take effect from April 1, 2018.

5. Appointment of President

The President, Mr. Jih-Gang Liu would retire on March 31, 2018, and the Chairman of China Steel Chemical Corporation Mr. Horng-Nan Lin would succeed Mr. Liu as the President with effect from March 31, 2018.

6. Change of managerial personnel with effect from March 31, 2018

(1) Mr. Chung-Te Chen would be dismissed from the position of Vice President of Engineering Division for further assignment. Vice President of Production Division, Mr. Hsin-Chin Kuo would succeed as Vice President of Engineering Division.

(2) Assistant Vice President of Production Mr. Chih-Tai Charng would be promoted to succeed as Vice President of Production Division after by Mr. Hsin-Chin Kuo succeeded as Vice President of Engineering Division.

◎ Significant resolutions in the Annual General Meeting of Shareholders

● Material resolutions in the 2018 Annual General Meeting of Shareholders (June 21, 2018):

1. Vote to recognize 2017 Business Report and Financial Statements

2. Vote to recognize distribution of 2017 profits:

(1) The Company's earnings distribution in 2017, as shown below, is proposed in accordance with the provisions in Article 6 of the Articles of Incorporation of the Company.

(2) The proposed dividend appropriation for preferred shares totaled NT\$1.4 per share in cash. The proposed dividend appropriation for common shares totaled NT\$0.88 per share in cash.

(3) Upon approval of this earnings distribution plan by resolution of the shareholders' meeting, the Chairman would be authorized to set the ex-dividend date for cash dividend distribution. When distributing cash dividends, the total amount paid to each shareholder shall be in whole NT dollars and any fractional amount less than a NT dollar shall be rounded to the next NT dollar. The resulting difference shall be

recognized as a Company expense.

3. Vote to approve amendments to Articles of Incorporation.
4. Vote to approve amendments to Procedures for Acquisition or Disposal of Assets.
5. Vote to approve releasing the prohibition on Chairman, Mr. Chao-Tung Wong, from holding the position of Director of Taiwan High Speed Rail Corporation.
6. Vote to approve releasing the prohibition on Director, Mr. Horng-Nan Lin, from holding the position of Director of China Ecotek Corporation, Formosa Ha Tinh (Cayman) Limited, and Formosa Ha Tinh Steel Corporation.
7. Vote to approve releasing the prohibition on Director, Mr. Shyi-Chin Wang, from holding the position of Director of Changzhou China Steel Precision Materials Co., Ltd.
8. Vote to approve releasing the prohibition on Director, Mr. Yi-Lang Lin, from holding the position of Director of China Steel Machinery Corporation and New Energy Wind Power Co., Ltd.

(XII) Implementation of Resolutions in the 2018 Annual General Meeting of Shareholders

1. 2017 Business Report and Financial Statements was recognized and approved.
2. Distribution of 2017 profit was recognized, the ex-dividend date was set to be on August 1, 2018, while the payment date was set to be on August 24, 2018 (where a dividend of NT\$1.4 per preferred stock and a dividend of NT\$0.88 per ordinary stock were distributed).
3. Amendments to Articles of Incorporation approved was exercised and published on the corporate website.
4. Amendments to Procedures for Acquisition or Disposal of Assets approved was exercised and published on the corporate website.
5. Approval of releasing the prohibition on Chairman, Mr. Chao-Tung Wong, from holding the position of Director of Taiwan High Speed Rail Corporation has been fully implemented.
6. Approval of releasing the prohibition on Director, Mr. Horng-Nan Lin, from holding the position of Director of China Ecotek Corporation, Formosa Ha Tinh (Cayman) Limited, and Formosa Ha Tinh Steel Corporation has been fully implemented.
7. Approval of releasing the prohibition on Director, Mr. Shyi-Chin Wang, from holding the position of Director of Changzhou China Steel Precision Materials Co., Ltd. has been fully implemented.
8. Approval of releasing the prohibition on Director, Mr. Yi-Lang Lin, from holding the position of Director of China Steel Machinery Corporation and New Energy Wind Power Co., Ltd. has been fully implemented.

(XIII) Dissenting Opinions or Qualified Opinions on Resolutions Passed by the Board of Directors Which are Made by Directors and are Documented or Issued through Written Statements, in the Most Recent Year Up to the Publication Date of This Annual Report: None



## (XIV) Summary of Resignation and Dismissal of Related Personnel

January 1, 2018 to March 31, 2019

Title	Name	Date of Assumption of Duty	Date of Dismissal	Reasons for Resignation or Dismissal
President	Jih-Gang Liu	2016.10.26	2018.03.31	Mandatory Retirement Age
President	Horng-Nan Lin	2018.03.31	2018.09.30	Mandatory Retirement Age
Vice President of Commercial Division	Hsin-Min Li	2016.12.01	2018.07.01	Transfer to China Steel Global Trading Corporation
Vice President of Finance Division	Ming-Hsien Wu	2016.11.30	2018.06.30	Mandatory Retirement Age
Vice President of Corporate Planning Division	Yi-Lang Lin	2017.06.01	2018.10.31	Mandatory Retirement Age
Vice President of Engineering Division	Tsung-Te Chen	2017.06.01	2018.03.31	Transfer to China Ecotek Corporation
Vice President of Production Division	Hsin-Chin Kuo	2016.08.31	2018.03.01	Transfer to the position of Vice President of Engineering Division
Chief Auditor	Hua-Chieh Wang	2016.10.01	2019.02.28	Mandatory Retirement Age

V. Information on CPA Fees

(I) Range of CPA Fees

Name of Accounting Firm	Name of CPA		Audit Period	Remark
Deloitte Taiwan	Lee-Yuan Kuo	Cheng-Hung Kuo	2018.01~2018.12	None

Unit: NT\$ thousands

Range of Fees	Fee Item	Audit Fees	Non-Audit Fees	Total
1	Less than \$2,000			
2	\$2,000 (inclusive) - \$4,000		V	
3	\$4,000 (inclusive) - \$6,000			
4	\$6,000,000 (inclusive) - \$8,000			
5	\$8,000 (inclusive) - \$10,000			
6	Over \$10,000 (inclusive)	V		V

(II) Information on CPA Fees

Unit: NT\$ thousands

Name of Accounting Firm	Name of CPA	Audit Fees	Non-Audit Fees					Audit Period
			System Design	Business Registration	Human Resources	Others	Subtotal	
Deloitte Taiwan	Lee-Yuan Kuo Cheng-Hung Kuo	21,557	—	—	—	3,774	3,774	2018.01~ 2018.12
Remark	Non-Audit Service Items:							
						2,956		
						200		
						378		
						<u>240</u>		
						3,774		

Note: This year, there were no circumstances listed in Subparagraph 1, Paragraph 5, Article 10 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

VI. Replacement of Certified Public Accountants: None (No replacement of CPA in the most recent two years)

VII. Information on the Company's Chairman, President or Managements Having Served in a CPA's Accounting Firm or Its Affiliated Companies in the Most Recent Year: None.

## VIII. Shareholding Information of Directors, Managements and Major Shareholders

### (I) Changes in equity of directors, managements and major shareholders

Title	Name	Change in Equity in 2018		As of March 31, 2019		Remark
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	
Director	Ministry of Economic Affairs	0	0	0	0	None
Director	Chiun Yu Investment Corporation	0	0	0	0	None
Director	Ever Wealthy International Corporation	2,000,000	0	0	0	None
Director	Hung Kao Investment Corporation	0	0	0	0	None
Director	Gau Ruei Investment Corporation	0	0	0	0	None
Director	Labor Union of China Steel Corporation, Kaohsiung City	0	0	0	0	None
Independent Director	Shyue-Bin Chang	0	0	0	0	None
Independent Director	Min-Hsiung Hon	0	0	0	0	None
Independent Director	Lan-Feng Kao	0	0	0	0	None
Manager	Horng-Nan Lin	0	0	58,997	0	Newly appointed on March 31, 2018; Dismissed on September 30, 2018; Newly appointed on October 9, 2018
Manager	Jih-Gang Liu	0	0	Not applicable	Not applicable	Dismissed on March 31, 2018
Manager	Shyi-Chin Wang	9,492	0	0	0	None
Manager	Chiu-Po Chang	0	0	0	0	None
Manager	Chien-Chih Hwang	0	0	0	0	Newly appointed on July 1, 2018
Manager	Shin-Min Lee	21,828	0	Not applicable	Not applicable	Dismissed on July 1, 2018
Manager	Yueh-Kun Yang	0	0	0	0	Newly appointed on July 1, 2018
Manager	Ming-Hsien Wu	0	0	Not applicable	Not applicable	Dismissed on June 30, 2018
Manager	Pai-Chien Huang	0	0	0	0	Newly appointed on November 12, 2018
Manager	Yi-Lang Lin	0	0	Not applicable	Not applicable	Dismissed on October 31, 2018
Manager	Song-Jau Tsai	0	0	0	0	None
Manager	Hsin-Chin Kuo	0	0	0	0	None
Manager	Chung-Te Chen	0	0	Not applicable	Not applicable	Dismissed on March 31, 2018
Manager	Ching-Chung Cheng	0	0	0	0	None
Manager	Chih-Tai Chang	0	0	0	0	Newly appointed on March 31, 2018
Manager	Hung-Tai Chou	0	0	0	0	None
Manager	Kai-Ching Huang	0	0	0	0	None
Major shareholder	Ministry of Economic Affairs	0	0	0	0	None

Note 1: The shareholding percentage of dismissed directors and managers at the end of the period refers to the shareholding percentage thereof during the month when they were dismissed. The shareholding percentage of newly appointed directors and managers at the beginning of the period refers to the shareholding percentage thereof during the month when they were appointed.

Note 2: The information above listed the changes in common stock, while transferee and transferor involved are all non-related parties.

IX. Relationship Information Between the 10 Largest Shareholders in Terms of Shareholding Ratio  
As of December 31, 2018  
Unit: shares; %

Name	Current Shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within the Second Degree of Relationship		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Ministry of Economic Affairs	3,154,709,357	20.00%	Not applicable	Not applicable	0	0%	None	None	None
Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd.	665,733,797	4.22%	Not applicable	Not applicable	0	0%	None	None	None
Transglory Investment Corporation	255,665,331	1.62%	Not applicable	Not applicable	0	0%	Winning Investment Corporation	Sister Company	None
Representative of Transglory Investment Corporation: Horng-Nan Lin	18,579	0.00%	0	0%	0	0%	None	None	None
Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	187,717,868	1.19%	Not applicable	Not applicable	0	0%	None	None	None
Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	178,516,490	1.13%	Not applicable	Not applicable	0	0%	None	None	None
Winning Investment Corporation	159,917,339	1.01%	Not applicable	Not applicable	0	0%	Transglory Investment Corporation	Sister Company	None
Representative of Winning Investment Corporation: Chun-Hui Wu	25,971	0.00%	0	0%	0	0%	None	None	None
Labor Insurance Fund	153,018,939	0.97%	Not applicable	Not applicable	0	0%	None	None	None
Norges Bank Investment Management under the custody of Citibank (Taiwan) Limited	148,654,484	0.94%	Not applicable	Not applicable	0	0%	None	None	None
Public Service Pension Fund Management Board	148,404,257	0.94%	Not applicable	Not applicable	0	0%	None	None	None
Fubon Life Insurance Co., Ltd.	134,000,000	0.85%	Not applicable	Not applicable	0	0%	None	None	None
Representative of Fubon Life Insurance Co., Ltd: Richard M. Tsai	0	0.00%	0	0%	0	0%	None	None	None

## X. Ownership of Shares in Affiliated Companies

As of December 31, 2018

Unit: shares; %

Affiliated Companies	Ownership by the Company		Ownership by Directors, Supervisors, Managers, and Directly/ Indirectly Controlled Entities		Total Ownership	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Chung Hung Steel Corporation	582,673,153	40.59%	106,445	0.01%	582,779,598	40.60%
China Steel Chemical Corporation	68,787,183	29.04%	948,440	0.40%	69,735,623	29.44%
China Steel Structure Co., Ltd.	66,487,844	33.24%	4,767,861	2.39%	71,255,705	35.63%
China Ecotek Corporation	55,393,138	44.76%	577,521	0.47%	55,970,659	45.23%
CHC Resources Corporation	49,289,597	19.83%	39,227,299	15.78%	88,516,896	35.61%
Dragon Steel Corporation	8,612,586,123	100.00%	0	0.00%	8,612,586,123	100.00%
China Steel Security Corporation	25,036,986	99.96%	0	0.00%	25,036,986	99.96%
ChinaSteel Management Consulting Corporaion	999,993	100.00%	0	0.00%	999,993	100.00%
China Prosperity Development Corporation	509,802,912	100.00%	0	0.00%	509,802,912	100.00%
HIMAG Magnetic Corporation	19,183,286	69.49%	5,010,203	18.15%	24,193,489	87.64%
Sing Da Marine Structure Corporation	82,100,000	100.00%	0	0.00%	82,100,000	100.00%
China Steel Power Holding Corporation	500,000	100.00%	0	0.00%	500,000	100.00%
CSC Solar Corporation	66,000,000	55.00%	54,000,000	45.00%	120,000,000	100.00%
White Biotech Corporation	13,059,360	87.05%	0	0.00%	13,059,360	87.05%
CSC Precision Metal Industrial Corporation	32,250,000	100.00%	0	0.00%	32,250,000	100.00%
China Steel Resources Corporation	98,112,000	100.00%	0	0.00%	98,112,000	100.00%
InfoChamp Systems Corporation	41,465,634	99.99%	0	0.00%	41,465,634	99.99%
Kaohsiung Rapid Transit Corporation	120,799,811	43.36%	21,443,595	7.70%	142,243,406	51.06%
China Steel Machinery Corporation	86,338,564	73.97%	30,374,606	26.02%	116,713,170	99.99%
C.S.Aluminium Corporation	840,122,049	99.98%	0	0.00%	840,122,049	99.98%
China Steel Express Corporation	422,545,250	100.00%	0	0.00%	422,545,250	100.00%
Gains Investment Corporation	559,375,112	100.00%	0	0.00%	559,375,112	100.00%
China Steel Global Trading Corporation	78,827,362	100.00%	0	0.00%	78,827,362	100.00%
China Steel Sumikin Vietnam Joint Stock Company	514,304,000	56.00%	0	0.00%	514,304,000	56.00%
CSC Steel Australia Holdings Pty Ltd	594,638	100.00%	0	0.00%	594,638	100.00%
China Steel Corporation India Pvt. Ltd.	728,690,559	100.00%	0	0.00%	728,690,559	100.00%
China Steel Asia Pacific Holdings Pte Ltd	195,914,332	100.00%	0	0.00%	195,914,332	100.00%
United Steel International Co., Ltd.	12,000,000	80.00%	3,000,000	20.00%	15,000,000	100.00%
TaiAn Technologies Corporation	833,350	16.67%	249,999	5.00%	1,083,349	21.67%
Dyna Rechi Co.,Ltd	40,000,000	25.00%	0	0.00%	40,000,000	25.00%
Hsin Hsin Cement Enterprise Corporation	28,658,729	30.80%	9,298,583	10.00%	37,957,312	40.80%
Eminent II Venture Capital Corporation	50,000,000	46.25%	0	0.00%	50,000,000	46.25%
Honley Auto. Parts Co., Ltd.	82,500,000	38.37%	0	0.00%	82,500,000	38.37%
Taiwan Rolling Stock Co., Ltd.	95,527,811	47.76%	0	0.00%	95,527,811	47.76%
Kaohsiung Arena Development Corporation	45,000,000	18.00%	27,500,000	11.00%	72,500,000	29.00%
Overseas Investment & Development Corporation	5,000,000	5.56%	14,000,000	15.56%	19,000,000	21.12%

## Chapter IV. Capital Overview

### I. Capital and Shares

#### (I) Sources of Share Capital

As of March 31, 2019

Type of Shares	Authorized Share Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Preferred Shares	38,267,999	None	38,267,999	None
Common shares	15,734,860,997	1,226,871,004	16,961,732,001	None

Note: Shares issued by the Company are publicly traded.

Year / Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remarks		
		Number of Shares (thousand shares)	Amount (NT\$ thousands)	Number of Shares (thousand shares)	Amount (NT\$ thousands)	Source of Share Capital	Capital Increase by Assets Other than Cash	Others
1998.1	10	9,500,000	95,000,000	8,197,099	81,970,995	Capital increase of 750,425,410 shares by retained earnings	None	None
1999.6	10	9,900,000	99,000,000	8,610,902	86,109,028	Capital increase of 413,803,375 shares by retained earnings	None	None
2000.9	10	9,900,000	99,000,000	8,796,140	87,961,396	Capital increase of 185,236,697 shares by retained earnings	None	None
2001.7	10	10,600,000	106,000,000	9,108,936	91,089,364	Capital increase of 312,796,806 shares by retained earnings	None	None
2002.7	10	10,600,000	106,000,000	9,315,761	93,157,609	Capital increase of 206,824,544 shares by retained earnings	None	None
2003.7	10	10,600,000	106,000,000	9,500,086	95,000,858	Capital increase of 184,324,830 shares by retained earnings	None	None
2004.7	10	10,600,000	106,000,000	9,931,114	99,311,138	Capital increase of	None	None

Year / Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remarks		
		Number of Shares (thousand shares)	Amount (NT\$ thousands)	Number of Shares (thousand shares)	Amount (NT\$ thousands)	Source of Share Capital	Capital Increase by Assets Other than Cash	Others
						431,028,007 shares by retained earnings		
2005.8	10	10,600,000	106,000,000	10,586,672	105,866,716	Capital increase of 655,557,824 shares by retained earnings	None	None
2006.8	10	12,000,000	120,000,000	11,094,452	110,944,516	Capital increase of 507,779,985 shares by retained earnings	None	None
2007.8	10	12,000,000	120,000,000	11,535,291	115,352,910	Capital increase of 440,839,437 shares by retained earnings	None	None
2008.8	10	14,000,000	140,000,000	12,019,820	120,198,200	Capital increase of 484,528,973 shares by retained earnings	None	None
2008.10	10	14,000,000	140,000,000	12,595,811	125,958,111	Capital increase of 575,991,075 shares from conversion of shares by Dragon Steel Corporation	None	None
2009.8	10	14,000,000	140,000,000	13,132,787	131,327,869	Capital increase of 536,975,875 shares by retained earnings	None	None
2010.8	10	14,000,000	140,000,000	13,566,169	135,661,689	Capital increase of 433,381,968 shares by retained earnings	None	None
2011.7	10	17,000,000	170,000,000	14,244,477	142,444,774	Capital increase of 678,308,445 shares by	None	None

Year / Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remarks		
		Number of Shares (thousand shares)	Amount (NT\$ thousands)	Number of Shares (thousand shares)	Amount (NT\$ thousands)	Source of Share Capital	Capital Increase by Assets Other than Cash	Others
						retained earnings		
2011.8	10	17,000,000	170,000,000	15,084,477	150,844,774	Capital increase of 840,000,000 shares by cash	None	None
2012.8	10	17,000,000	170,000,000	15,310,745	153,107,445	Capital increase of 226,267,160 shares by retained earnings	None	None
2013.8	10	17,000,000	170,000,000	15,463,852	154,638,520	Capital increase of 153,107,445 shares by retained earnings	None	None
2014.8	10	17,000,000	170,000,000	15,773,129	157,731,290	Capital increase of 309,277,039 shares by retained earnings	None	None

Information on shelf registration for the issuance of securities: Not applicable

## (II) Shareholder Structure

As of December 31, 2018

Shareholder Structure Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	16	41	1,685	1,066,659	1,510	1,069,911
Number of Shares Held	3,170,936,719	614,666,181	2,604,176,805	6,558,278,476	2,825,070,815	15,773,128,996
Shareholding Percentage	20.10%	3.9%	16.51%	41.58%	17.91%	100%

Note: The Company is not a foreign issuer; therefore disclosing shares held by mainland area investors is not required.



(III) Distribution of Equity Ownership

1. Common Shares

As of December 31, 2018

Range of Shares Held	Number of Shareholders	Percentage (%)	Number of Shares Held	Shareholding Percentage (%)
1 to 999	342,971	32.07%	59,538,056	0.38%
1,000 to 5,000	459,535	42.97%	960,624,774	6.10%
5,001 to 10,000	121,215	11.33%	845,566,169	5.37%
10,001 to 15,000	56,203	5.26%	666,409,714	4.24%
15,001 to 20,000	26,168	2.45%	457,226,112	2.91%
20,001 to 30,000	26,215	2.45%	627,683,790	3.99%
30,001 to 50,000	17,840	1.67%	675,423,755	4.29%
50,001 to 100,000	11,287	1.06%	764,848,944	4.86%
100,001 to 200,000	4,807	0.45%	647,558,503	4.12%
200,001 to 400,000	2,019	0.19%	547,363,608	3.48%
400,001 to 600,000	460	0.04%	220,932,596	1.40%
600,001 to 800,000	155	0.01%	107,116,254	0.68%
800,001 to 1,000,000	84	0.01%	73,738,824	0.47%
1,000,001 and above	448	0.04%	9,080,829,898	57.71%
Total	1,069,407	100.00%	15,734,860,997	100.00%

2. Preferred Shares

As of December 31, 2018

Range of Shares Held	Number of Shareholders	Percentage (%)	Number of Shares Held	Shareholding Percentage (%)
1 to 999	66	1.68%	11,969	0.03%
1,000 to 5,000	3,109	78.95%	5,805,588	15.17%
5,001 to 10,000	346	8.79%	2,842,933	7.43%
10,001 to 15,000	104	2.64%	1,352,000	3.53%
15,001 to 20,000	68	1.73%	1,273,000	3.33%
20,001 to 30,000	63	1.60%	1,637,998	4.28%
30,001 to 50,000	62	1.57%	2,528,661	6.61%
50,001 to 100,000	59	1.50%	4,194,775	10.96%
100,001 to 200,000	36	0.91%	5,055,850	13.21%
200,001 to 400,000	15	0.38%	3,811,225	9.96%
400,001 to 600,000	3	0.08%	1,650,000	4.31%
600,001 to 800,000	1	0.02%	620,000	1.62%
800,001 to 1,000,000	2	0.05%	1,663,000	4.35%
1,000,001 and above	4	0.10%	5,821,000	15.21%
Total	3,938	100.00%	38,267,999	100.00%

## (IV) List of Major Shareholders

As of December 31, 2018

Rank	Name of Shareholders	Number of Shares Held	Shareholding Percentage
1	Ministry of Economic Affairs (MOEA)	3,154,709,357	20.00%
2	Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd.	665,733,797	4.22%
3	Transglory Investment Corporation	255,665,331	1.62%
4	Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	187,717,868	1.19%
5	Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	178,516,490	1.13%
6	Winning Investment Corporation	159,917,339	1.01%
7	Labor Insurance Fund	153,018,939	0.97%
8	Norges Bank Investment Management under the custody of Citibank (Taiwan) Limited	148,654,484	0.94%
9	Public Service Pension Fund Management Board	148,404,257	0.94%
10	Fubon Life Insurance Co., Ltd.	134,000,000	0.85%

## Major Shareholders of Corporate Shareholders

As of December 31, 2018

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder
Transglory Investment Corporation	China Steel Express Corporation (49.89%), Chung Hung Steel Corporation (40.91%) and China Steel Chemical Corporation (9.20%)
Winning Investment Corporation	Gains Investment Corporation (49.00%), Maruichi Steel Tube Ltd. (42.00%) and Transglory Investment Corporation (9.00%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co. Ltd. (100%)

Note: Other than the companies listed above, the remaining corporate shareholders are government agencies, funds and trusts.

## (V) Market price, Net Worth, Earnings, Dividends per share

Item		Year	2017	2018	Current Year up to March 31, 2019 (Note 8)
		Market Price Per Share (Note 1)	Highest		26.40
Lowest			23.65	23.20	23.90
Average			24.98	24.27	25.04
Net Worth per Share (Note 2)	Before Distribution		19.30	19.86	20.12
	After Distribution		18.39	N/A	N/A
Earnings Per Share	Weighted Average Shares (thousand shares)		15,420,290	15,416,806	15,414,857
	Earnings Per Share (Note 3)		1.09	1.58	0.23
Dividends per Share	Cash Dividends		1.40 (Preferred shares) 0.88 (Common shares)	1.40 (Preferred shares) 1.00 (Common shares)	N/A
	Stock Dividends	From Retained Earnings	0	0	N/A
		From Capital Surplus	0	0	N/A
	Accumulated Unpaid Dividend (Note 4)			0	0
Return on Investment	Price/Earnings Ratio (Note 5)		22.86	15.32	N/A
	Price/Dividend Ratio (Note 6)		28.32	24.20	N/A
	Cash Dividend Yield (Note 7)		0.0353	0.0413	N/A

\* If retained earnings or capital surplus are used for capital increase, market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: Please list the market share prices, including the highest, lowest and average of common stock for the year, and the average market price should be calculated based on trading value and volume for each year.

Note 2: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.

Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.

Note 5: Price/earnings Ratio = Average closing price per share /Earnings per share.

Note 6: Price/dividend ratio = Average closing price per share /Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share.

Note 8: Net worth and earnings per share shall be disclosed based on latest audited quarterly results up to the publication date of this annual report. For all other columns, Please fill the information as of the publication date of this annual report.

## (VI) Dividend Policy and Implementation

### 1. Dividend Policy

In case of any earnings earned in any given fiscal year being reported from the Company's final annual accounting, the Company shall appropriate or reverse a special reserve firstly after taxes, losses and legal reserves have been paid, made up and set aside respectively. Secondly, a preferred share dividend shall be distributed at 14% of the par value, and a common share bonus shall be distributed at no more than 14% of the par value. In case the account still remains any distributable earnings, additional bonuses shall be distributed according to the percentage of shares held by each shareholder of preferred and common shares. When necessary, the Company may, upon a resolution by a shareholders' meeting, set aside special reserved earnings surplus or retained earnings first after distribution of dividends for preferred shares. In case of no earnings in a given year or in the event that the earnings are insufficient to cover the distribution of dividends for preferred shares, the outstanding dividends for distributable preferred shares shall accrue and be made up firstly when there are earnings in any subsequent year.

The Company's business life cycle is in the stage of steady growth. Pursuant to the distribution of the dividends and shareholders' bonuses provided in the preceding paragraph, cash distributed shall be no less than 75% and shares distributed no more than 25%.

The priority and proportions for distributing the remaining company properties for preferred shares shall be the same as those for common shares.

Shareholders of preferred shares shall have no right to vote for members of the Boards of Directors, and their other rights and obligations shall be the same as those of shareholders of common shares.

Preferred shares issued by the Company may be redeemable. Shareholders of preferred shares may request a conversion of preferred shares into common shares.

Dividend policy for the coming year will follow the dividend policy mentioned above.

### 2. Distribution of dividend proposed in the current shareholders' meeting

- (1) The Company's earnings distribution, as shown below, is proposed in accordance with the provisions in Article 6 of the Articles of Incorporation of the Company.
- (2) The proposed dividend appropriation for preferred shares totaled NT\$1.4 per share in cash. The proposed dividend appropriation for common shares totaled NT\$1.0 per share in cash.
- (3) Upon approval of this earnings appropriation plan by resolution of the meeting of shareholders, Chairman of the Board will be authorized to set the record date for cash dividend distribution. When distributing cash dividends, the total amount paid to each shareholder shall be in whole NT dollars and any fractional amount less than a NT dollar shall be rounded up to the next NT dollar. The resulting difference shall be recognized as a Company expense.

China Steel Corporation	
2018	
Earnings Distribution Table	Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	4,448,241,962.67
Increase in undistributed earnings from adoption of IFRS 15 and 9 on Jan 1, 2018	3,842,218,485.00
Disposal of investments in equity instruments at fair value through other comprehensive income	(110,083,562.00)
Reverse of special reserve: disposal of fixed assets	389,297.00
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)	(604,260,957.00)
Effects resulting from changes in long-term equity investment	(226,522,877.00)
Add: after-tax earnings of 2018(A)	24,454,151,842.97
Deduct : Legal reserve=(A)* 10%	(2,445,415,184.00)
Deduct: Provision of special reserve (Note 1)	(154,480,560.00)
Subtotal of distributable earnings	29,204,238,447.64
Distribution of preferred dividends - 38,267,999 preferred shares at NT\$1.4 per share (NT\$1.4 in cash)	53,575,199.00
Distribution of ordinary dividends - 15,734,860,997 common shares at NT\$1.0 per share (NT\$1.0 in cash)	15,734,860,997.00
Subtotal of distributable items	(15,788,436,196.00)
Undistributed earnings at the end of the period	13,415,802,251.64

Note 1: As required by applicable law, the difference between the lower market price and the book value of the Company's shares holding by subsidiaries was recognized as special reserves in proportion of shareholding.

Chairman:  Manager: President:  Vice President, Finance Division:  Accounting Manager: 

(VII) Impact on Business Performance and EPS Due to Stock Dividend Distribution Proposed in the Current Shareholders' Meeting: Not applicable.

(VIII) Remuneration of Employees and Directors

1. Percentage or range of remuneration to employees and directors as stipulated in the Company's Articles of Incorporation:

If there is profit in any given fiscal year, the Company shall set aside no less than 0.1% as the remuneration in stock or cash for employees, and no more than 0.15% as the remuneration for Directors under the resolution of the Meeting of the Board of Directors and shall be reported in the shareholders' meeting. Nevertheless, accumulated losses shall be offset in advance."

2. Basis for estimating the amount of employee and director remuneration, and accounting treatment for discrepancies between the actual and estimated distributed amount for the period:

The Company shall distribute remuneration of employees and directors at the rates no less than 0.1% and no higher than 0.15%, respectively, of the pre-tax profit prior to deducting remuneration of employees and directors. The board of Directors shall

decide to distribute the remuneration either in the form of shares or cash. The estimated remunerations of employees and directors for 2018 have been estimated based on this principle.

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

3. Information on proposal of remunerations distribution of employees and directors approved by the Board of Directors (March 25, 2019):
  - (1) Amount of employees' remunerations: NT\$1,744,054,472.
  - (2) Amount of directors' remunerations: NT\$32,701,021.
  - (3) All the amounts above have been paid in cash, and no difference between these amounts and the estimated amounts recognized in 2018.
4. Actual Distribution of 2017 Earnings in 2018

Unit: NT\$

	Actual Distribution in 2018	Amount Recognized in 2017	Difference
Remuneration for Employees	1,213,395,745	1,213,395,745	0
Remuneration for Directors	22,751,170	22,751,170	0

(IX) Buyback of the Treasury Shares

As of March 31, 2019

Implementation of Buybacks	1	2	3
Purpose of Buyback	Transfer to employees	Transfer to employees	Transfer to employees
Buyback Period	2001.09.03~2001.11.02	2005.12.21~2006.02.20	2008.10.08~2008.12.07
Price Range of Buyback	NT\$8.4 ~ NT\$19	NT\$16.8 ~ NT\$37.9	NT\$21.18 ~ NT\$52.67
Class and Quantity of Shares Bought Back	150,000,000 common shares	1,600,000 common shares	108,000,000 common shares
Amount of Shares Bought Back	NT\$1,904,383,700	NT\$39,525,000	NT\$2,509,544,050
Shares Retired and Transferred	150,000,000 common shares	1,600,000 common shares	108,000,000 common shares
Accumulated Number of Company Shares Held	0 share	0 share	0 share
Percentage of Accumulated Number of Company Shares Held to Total Number of Shares Issued (%)	0	0	0

## II. Status of Issuance of Corporate Bonds, Preferred Shares, Global Depository Receipts, Employee Stock Warrants, New Restricted Employee Shares, New Shares for Merger and Acquisition of Other Companies, and Implementation of Capital Utilization Plans

### (I) Issuance of Corporate Bonds

As of March 31, 2019

Type of Corporate Bonds	1 <sup>st</sup> Unsecured Corporate Bond B in 2011	1 <sup>st</sup> Unsecured Corporate Bond A in 2012	1 <sup>st</sup> Unsecured Corporate Bond B in 2012	1 <sup>st</sup> Unsecured Corporate Bond A in 2013	1 <sup>st</sup> Unsecured Corporate Bond B in 2013
Issue Date	October 19, 2011 to October 19, 2018	August 10, 2012 to August 10, 2019	August 3, 2012 to August 3, 2022	July 12, 2013 to July 12, 2020	July 12, 2013 to July 12, 2023
Par Value	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million
Issue Price	At par value	At par value	At par value	At par value	At par value
Total Amount	NT\$10.4 billion	NT\$5.0 billion	NT\$15.0 billion	NT\$6.3 billion	NT\$9.7 billion
Coupon Rate	1.57% per annum	1.37% per annum	1.50% per annum	1.44% per annum	1.60% per annum
Maturity	7 years	7 years	10 years	7 years	10 years
Trustee	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Mega International Commercial Bank Co., Ltd.	Trust Department, Mega International Commercial Bank Co., Ltd.
Underwriter	None	None	None	None	None
Certified Lawyer	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices
Certified Public Accountant	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan
Repayment	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the sixth and seventh years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the sixth and seventh years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the ninth and tenth years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the sixth and seventh years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the ninth and tenth years, respectively.
Outstanding Principal Balance	NT\$0 billion	NT\$2.5 billion	NT\$15 billion	NT\$6.3 billion	NT\$9.7 billion
Terms of Redemption or Early Repayment	None	None	None	None	None
Restrictive Terms	None	None	None	None	None
Name of Credit Rating Agency, Rating Date and the results of Corporate Bond Ratings	twAA+ given by Taiwan Ratings Corporation on September 22, 2011 (Note 1)	twAA given by Taiwan Ratings Corporation on July 4, 2012 (Note 1)	twAA given by Taiwan Ratings Corporation on July 4, 2012 (Note 1)	twAA-given by Taiwan Ratings Corporation on April 30, 2013	twAA-given by Taiwan Ratings Corporation on April 30, 2013
Other Rights Attached	Amount of Converted or Exchanged Common Shares, GDR or Other Securities	None	None	None	None
	Terms of Issuance and Conversion or Option of Shares	None	None	None	None
The Impact of Issuance & Conversion, Swap or Subscription and Issuance Terms on the Possible Dilution of Equities and the Equities of Current Shareholders	None	None	None	None	None
Custodian	None	None	None	None	None

Note 1: The ratings obtained as of the issuance of corporate bonds were listed. For the latest bond ratings, please visit the website: <http://www.taiwanratings.com/portal/index.gsp>

Note 2: The Company has obtained the issuer rating report during the issuance of corporate bonds. Due to the amendment and cancellation of certain provisions about credit rating requirements in the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the Company does not have to provide bond rating report in accordance with the new regulation.

Type of Corporate Bonds	1 <sup>st</sup> Unsecured Corporate Bond C in 2013	1 <sup>st</sup> Unsecured Corporate Bond A in 2014	1 <sup>st</sup> Unsecured Corporate Bond B in 2014	1 <sup>st</sup> Unsecured Corporate Bond C in 2014
Issue Date	July 12, 2013 to July 12, 2028	January 23, 2014 to January 23, 2021	January 23, 2014 to January 23, 2024	January 23, 2014 to January 23, 2029
Par Value	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million
Issue Price	At par value	At par value	At par value	At par value
Total Amount	NT\$3.6 billion	NT\$6.9 billion	NT\$7.0 billion	NT\$9.0 billion
Coupon Rate	1.88% per annum	1.75% per annum	1.95% per annum	2.15% per annum
Maturity	15 years	7 years	10 years	15 years
Trustee	Trust Department, Mega International Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.
Underwriter	None	None	None	None
Certified Lawyer	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices
Certified Public Accountant	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan
Repayment	From the issue date, interest will be paid once a year based on the coupon rate, while 30%, 30% and 40% of the principal will be paid at the end of the 13th, 14th and 15th years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the sixth and seventh years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the ninth and tenth years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 30%, 30% and 40% of the principal will be paid at the end of the 13th, 14th and 15th years, respectively.
Outstanding Principal Balance	NT\$3.6 billion	NT\$6.9 billion	NT\$7.0 billion	NT\$9.0 billion
Terms of Redemption or Early Repayment	None	None	None	None
Restrictive Covenants	None	None	None	None
Name of Credit Rating Agency, Rating Date and Corporate Bond Ratings	twAA- given by Taiwan Ratings Corporation on April 30, 2013	twAA- given by Taiwan Ratings Corporation on April 29, 2013 (Note 2)	twAA- given by Taiwan Ratings Corporation on April 29, 2013 (Note 2)	twAA- given by Taiwan Ratings Corporation on April 29, 2013 (Note 2)
Other Rights Attached	Amount of Converted or Exchanged Common Shares, GDR or Other Securities	None	None	None
	Terms of Issuance and Conversion or Option of Shares	None	None	None
The Impact of Issuance & Conversion, Swap or Subscription and Issuance Terms on the Possible Dilution of Equities and the Equities of Current Shareholders	None	None	None	None
Custodian	None	None	None	None

Note 1: The ratings obtained as of the issuance of corporate bonds were listed. For the latest bond ratings, please visit the website: <http://www.taiwanratings.com/portal/index.gsp>

Note 2: The Company has obtained the issuer rating report during the issuance of corporate bonds. Due to the amendment and cancellation of certain provisions about credit rating requirements in the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the Company does not have to provide bond rating report in accordance with the new regulation.



Type of Corporate Bonds	1 <sup>st</sup> Unsecured Corporate Bond in 2018	2 <sup>nd</sup> Unsecured Corporate Bond in 2018	3 <sup>rd</sup> Unsecured Corporate Bond A in 2018	3 <sup>rd</sup> Unsecured Corporate Bond B in 2018
Issue Date	May 28, 2018 to May 28, 2025	August 8, 2018 to August 8, 2028	October 9, 2018 to October 9, 2025	October 9, 2018 to October 9, 2028
Par Value	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million
Issue Price	At par value	At par value	At par value	At par value
Total Amount	NT\$6.0 billion	NT\$5.6 billion	NT\$4.15 billion	NT\$2.25 billion
Coupon Rate	0.95% per annum	1.10% per annum	0.90% per annum	1.05% per annum
Maturity	7 years	10 years	7 years	10 years
Trustee	Hua Nan Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.
Underwriter	8 underwriters, like Capital Securities Corporation etc.,	12 underwriters, like KGI securities Corporation etc.,	11 underwriters, like Capital Securities Corporation etc.,	8 underwriters, like Capital Securities Corporation etc.,
Certified Lawyer	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices
Certified Public Accountant	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan	Deloitte & Touche Taiwan
Repayment	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the sixth and seventh years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the ninth and tenth years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 25% and 75% of the principal will be paid at the end of the sixth and seventh years, respectively.	From the issue date, interest will be paid once a year based on the coupon rate, while 50% of the principal will be paid at the end of the ninth and tenth years, respectively.
Outstanding Principal Balance	NT\$6.0 billion	NT\$5.6 billion	NT\$4.15 billion	NT\$2.25 billion
Terms of Redemption or Early Repayment	None	None	None	None
Restrictive Covenants	None	None	None	None
Name of Credit Rating Agency, Rating Date and Corporate Bond Ratings	twAA- given by Taiwan Ratings Corporation on April 25, 2017 (Note2)	twAA- given by Taiwan Ratings Corporation on April 25, 2017 (Note2)	twAA- given by Taiwan Ratings Corporation on April 25, 2017 (Note2)	twAA- given by Taiwan Ratings Corporation on April 25, 2017 (Note2)
Other Rights Attached	Amount of Converted or Exchanged Common Shares, GDR or Other Securities	None	None	None
	Terms of Issuance and Conversion or Option of Shares	None	None	None
The Impact of Issuance & Conversion, Swap or Subscription and Issuance Terms on the Possible Dilution of Equities and the Equities of Current Shareholders	None	None	None	None
Custodian	None	None	None	None

Note 1: The ratings obtained as of the issuance of corporate bonds were listed. For the latest bond ratings, please visit the website: <http://www.taiwanratings.com/portal/index.gsp>

Note 2: The Company has obtained the issuer rating report during the issuance of corporate bonds. Due to the amendment and cancellation of certain provisions about credit rating requirements in the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the Company does not have to provide bond rating report in accordance with the new regulation.

(II) Issuance of Preferred Shares

Issue Date		November 18, 1974	January 31, 1980	November 30, 1980	December 31, 1981
Item					
	Par Value	NT\$10	NT\$10	NT\$10	NT\$10
	Issue Price	NT\$10	NT\$10	NT\$10	NT\$10
	Number of Shares	50,000,000 shares	21,887,000 shares	797,000 shares	4,006,000 shares
	Total Amount	NT\$500,000,000	NT\$218,870,000	NT\$7,970,000	NT\$40,060,000
Rights and Obligations	Distribution of Dividends and Bonuses	<p>In case of any earnings earned in any given fiscal year being reported from the Company's final annual accounting, the Company shall appropriate or reverse a special reserve firstly after taxes, losses and legal reserves have been paid, made up and set aside respectively. Secondly, a preferred share dividend shall be distributed at 14% of the par value, and a common share bonus shall be distributed at no more than 14% of the par value. In case the account still remains any distributable earnings, additional bonuses shall be distributed according to the percentage of shares held by each shareholder of preferred and common shares.</p> <p>In case of no earnings in a given year or in the event that the earnings are insufficient to cover the distribution of dividends for preferred shares, the outstanding dividends for distributable preferred shares shall accrue and be made up firstly when there are earnings in any subsequent year.</p>			
	Distribution of Residual Property	Same as common shares			
	Exercise of voting rights	No right to elect directors			
	Others	Same as other rights and obligations for common shares			
Outstanding Preferred Shares	Number of Shares Recovered or Converted	0 share (2018 and up to March 31, 2019)			
	Number of Shares not Recovered or Converted	38,267,999 shares (as of March 31, 2019)			
	Terms for Recovery or Conversion	The Company may recover the preferred shares issued with the earnings or proceeds from the issuance of new shares. Preferred shareholders may request to convert their preferred shares to common shares.			
Market Price per Preferred Share	2015	Highest	42.30		
		Lowest	36.70		
		Average	40.33		
	2016	Highest	41.85		
		Lowest	38.60		
		Average	40.50		
2017	Highest	44.00			

		Lowest	41.55
		Average	42.44
	2018	Highest	43.40
		Lowest	40.20
		Average	42.58
	As of March 31, 2019	Highest	47.30
		Lowest	43.15
		Average	45.47
	Other Rights Attached	Amount of Shares Converted or Subscribed as of March 31, 2019	NT\$0
Terms of Issuance and Conversion or Option of Shares		Preferred shares issued by the Company can be recovered using its earnings or the proceeds from the issuance of new shares. Preferred shareholders may request to convert their preferred shares to ordinary shares.	
The Impact of Issuance Terms on the Equities of Preferred Shareholders, the Possible Dilution of Equities, and Equities of Current Shareholders		None	

(III) Issuance of Global Depository Receipts

Issue Date		May 28, 1992	February 2, 1997	October 22, 2003	August 1, 2011
Item					
Issuance and Listing Location		Major regions in Europe, America and Asia	Major regions in Europe, America and Asia	Major regions in Europe, America and Asia	Major regions in Europe, America and Asia
Total Amount Issued		US\$327,600,000	US\$186,607,572.50	US\$936,086,488	US\$751,067,478
Issue Price per unit		US\$18.2/1 unit	US\$18.35/1 unit	US\$15.56/1 unit	US\$19.67/1 unit
Total Number of Units Issued		18,000,000 units	10,169,350 units	60,159,800 units	38,183,400 units
Source of Securities Represented		Common shares of China Steel Corporation	Common shares of China Steel Corporation	Common shares of China Steel Corporation	Common shares of China Steel Corporation
Amount of Securities Represented		360,000,000	203,387,000	1,203,196,000	763,668,000
Rights and Obligations of Depository Receipt Holders	Dividend distribution for depository receipts is the same as that of the Company's common shares, while other rights and obligations shall follow the content of the depository contract.				
Trustee		None	None	None	None
Depository Institution		Citibank, New York Branch	Citibank, New York Branch	Citibank, New York Branch	Citibank, New York Branch
Custodian		Citibank, Taipei Branch	Citibank, Taipei Branch	Citibank, Taipei Branch	Citibank, Taipei Branch
Outstanding Balance	16,180,710 shares (as of March 31, 2019)				
Apportionment of Expenses for Issuance and Maintenance		Issuance costs were borne by the Ministry of Economic Affairs	Issuance costs were borne by the Ministry of Economic Affairs	Issuance costs were borne by the Ministry of Economic Affairs	Issuance costs were borne by the Company
Terms and Conditions in the Deposit Agreement & Custody Agreement		Omitted	Omitted	Omitted	Omitted
Market Price per Unit	2018	Highest	US\$ 17.27		
		Lowest	US\$ 15.21		
		Average	US\$ 16.05		
	Current year up to March 31, 2019	Highest	US\$ 16.57		
		Lowest	US\$ 15.59		
		Average	US\$ 16.28		

(IV) Issuance of Employee Stock Warrants and New Restricted Employee Shares: None

(V) Issuance of New Shares for Merger or Acquisition of Other Companies: None

(VI) Implementation of Capital Utilization Plan: The Company does not have any security issuance that was incomplete or completed over the past three years but not fully yielded the planned benefits.

## Chapter V Operational Highlights

### I. Business Activities

#### (I) Business Scope

1. CA01010 Iron and Steel Refining
2. CA01030 Steel Casting
3. CA01020 Iron and Steel Rolls over Extends and Crowding
4. CA01050 Iron and Steel Rolling, Drawing, and Extruding
5. CA02080 Metal Forging Industry
6. CA03010 Metal Heat Treating
7. CA04010 Metal Surface Treating
8. E103101 Environmental Protection Construction
9. E602011 Refrigeration and Air Conditioning Engineering
10. CB01010 Machinery and Equipment Manufacturing
11. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
12. E604010 Machinery Installation Construction
13. ZZ99999 Any other businesses that are not prohibited or restricted by law, except for businesses requiring special approvals.

Please refer to Page 126 for more details on the Company's current products. Please refer to Page 438-442 for more details on new products to be developed.

#### **Main business scope of CSC Group:**

1. Steel industry - includes China Steel Corporation, Dragon Steel Corporation, Chung Hung Steel Corporation, CSC Steel Sdn. Bhd., China Steel Sumikin Vietnam Joint Stock Company, China Steel Corporation India Pvt. Ltd., and Taiwan Steel Corporation, which mainly engages in the manufacture and sales of steel products.
2. Ocean freight forwarding - includes China Steel Express Corporation, CSE Transport Corporation, and CSEI Transport (Panama) Corporation, which mainly engages in the dry bulk shipping involving coking coal and iron ore.
3. The remaining business scope of CSC Group includes the following: production and sales of coal chemicals and specialty chemicals; environmental electromechanical engineering and agent; production and sales of granulated blast furnace slag (GBFS) powder and cement, resource reutilization; design, processing, manufacture and sales of various types of steel structure; manufacture and sales of aluminum, titanium, nickel and other non-ferrous metals; design and sales of software and hardware; general investment; trading; contracting and management of civil engineering project; manufacture and sales of targets, magnetic materials, electronic ceramics and machinery; development, leasing and sales of real estate; mass rapid transit system operations; waste disposal and processing; manufacture of rolling stock and parts; power generation; offshore wind power substructure.

(II) Revenue Breakdown  
Standalone

Unit: NT\$ thousands

Item	2018		2017	
	Amount	%	Amount	%
Revenue from sales of goods	229,993,271	97.70	201,669,087	97.38
Revenue from construction contracts	1,170,010	0.50	2,043,669	0.99
Revenue from rendering of services	1,895,404	0.80	1,524,437	0.73
Other revenues	2,344,466	1.00	1,861,437	0.90
Operating revenues	235,403,151	100.00	207,098,630	100.00

Consolidated

Unit: NT\$ thousands

Item	2018		2017	
	Amount	%	Amount	%
Revenue from sales of goods	371,074,344	92.61	319,717,226	92.14
Revenue from construction contracts	19,944,606	4.98	17,496,736	5.04
Freight and service revenues	7,138,111	1.78	6,936,438	2.00
Other revenues	2,507,996	0.63	2,861,602	0.82
Operating revenues	400,665,057	100.00	347,012,002	100.00

(III) Industry Overview

In 2018, revenues from steel products account for more than 80% of the consolidated operating revenues of CSC Group. Therefore, the following industry overview mainly revolves around the steel industry:

1. Current situation and development of the industry

In 2018, the international economy continued to expand. Benefiting from rising consumption power in the U.S. market and moderate demand growth in Europe, the economy of developing countries has steadily risen, thereby supporting steel demand. The effect of steel production control in Mainland China has gradually become evident, lending support to the international steel prices. In recent years, the rise of trade protectionism in various countries has triggered a regional chain reaction. Starting from March 2018, the U.S. imposed a 25% tariff on imports of steel and aluminum in accordance with the provisions of Section 232. In July, the EU also took temporary safeguard measures by imposing a 25% tariff on steel imports exceeding the quota. With steel exports restricted by trade barriers in various countries, market disturbance resulted from low-priced steel products has eased, which in turn pushes up international steel prices.

Despite the Company's extremely low direct sales of steel products to the U.S., steel products currently exported to the U.S. by countries which have been exempted from this tariff overlap with that sold by downstream manufacturers in Taiwan's steel

industry, such as coated, steel pipes and cold-rolled products. It is possible that a crowding out effect will have impact on sales orders. The Company has continuously sought tariff exemption from the U.S. with help from the Taiwanese government, in order to reduce its impact on Taiwan's steel industry.

Domestic demand in Taiwan has been stable. With the release of public construction projects and plant constructions and rising international steel prices, the steel price in Taiwan also rose steadily. Although it is conducive to take export orders due to currency depreciation, downstream customers tend to be cautious and conservative while making purchases in the second half of the year due to uncertainties such as the escalation of the US-China trade war.

2. Relevance between the upstream, midstream, and downstream sectors of the industry

The structure of the steel industry in Taiwan is well developed and comprised of complete upstream, midstream, and downstream systems. Ironmaking raw materials rely almost entirely on imports, while the reliance on imports of semi-finished products like billets and slabs is deepened with numerous re-rollers in the market.

Upstream manufacturers can be divided, according to crude steel production method, into steel making by blast furnace and electric arc furnace. The Company, an integrated steel mill, uses main raw materials, such as coking coal and iron ore. The raw materials are processed through iron making in blast furnaces to steel making in basic oxygen furnaces, and are eventually rolled into various types of steel materials (e.g., plates, hot-rolled and cold-rolled coils, coated products, and bar and wire rods). Electric arc furnace major operators, Feng Hsin Steel Co., Ltd. and Dragon Steel Corporation, use steel scrap as main raw material and produce steel mainly for construction application.

Midstream manufacturers refer to re-rollers and coil centers, which purchase billets, slabs or hot-rolled products from upstream manufacturers, and process them into various types of cold-rolled or long products.

Major downstream steel-using industries include construction, transportation (ships, automobiles, motorcycles and bicycles), metal products (bolts and nuts, hand tools and hardware), industrial machinery, electrical and electronic machinery (home appliances, motors, personal computers, and electronic components), chemical engineering, telecommunications and other industries.

3. Product development trends and competition

Except for a few types of steel products made of special materials, Taiwan experiences an oversupply of various types of steel products. Although not many Taiwanese manufacturers produce certain steel products, these products can still be imported; thus, there are many competitors in the market. The thin market in Taiwan has further intensified competition.

In recent years, low-priced steel exporters such as Mainland China and Russia have experienced suppression of steel exports due to the rise of trade protectionism worldwide. However, India and Vietnam seized the opportunity and raised steel exports, thereby becoming the unstable factors affecting Asian and international steel prices. In the face of cutthroat competition in global ordinary steel market, it is an inevitable trend that Taiwan's steel industry progresses toward the development of

high-end and high value-added steel products.

#### (IV) Technology and Research & Development Overview

Research and development (R&D) expenditure in 2018 is listed as follows:

Unit: NT\$ thousands	Standalone	Consolidated
2018	1,783,578	2,180,058
First Quarter of 2019	498,437	585,329

R&D status in 2018:

The Company completed a total of 37 new product R&D projects in 2018, a fruitful year for the Company in terms of research and development, and continued the efforts towards improving competitive advantage through product differentiation. In terms of intellectual property rights, the Company was ranked 7th with 214 patent applications and 7th with 215 patent certificates according to the 2018 top 100 list announced by the Intellectual Property Office, Ministry of Economic Affairs. The Company was also the only enterprise from traditional industry that ranked in the top 10. In addition, the Company was awarded one gold medal and two silver medals from the 2018 National Invention and Creation Award, highlighting high recognition of the Company's achievements in intellectual property.

Following international market trends and considering the development needs of the domestic steel-using industry, the Company has planned a total of five major R&D guidelines, including core technology for the electric vehicle industry, smart production technology, environmental protection and emission reduction technology, important industrial materials development and key materials development for the "five-plus-two" industries. By focusing R&D resources on each key item, the Company hopes to enhance technology and achieve sustainable development.

In 2018, the Company and our subsidiaries accomplished outstanding R&D results in various areas, including products, manufacturing processes, and energy and environmental protection technologies. The major R&D outcomes are listed as follows:

1. Core technology of the electric vehicle industry
  - (1) Development of electrical sheets: Through the establishment of key technologies, the Company has developed thin electrical sheets with lower iron loss, higher magnetic flux and higher strength for drive motors in electric vehicles, such as 25CS1250HF and other high specification products. The Company has met the specifications for steel materials required for electric vehicles, and has become the sole supplier of electrical sheets for a well-known major manufacturer.
  - (2) Hot stamping technology and applications: To meet lightweight and safety requirements, hot stamping has become the most important technology development trend for automotive structural parts. The Company began developing hot stamping technology in 2010, and has established hot stamping parts manufacturing technology and entered the vehicle supply system successfully.
2. Smart production technology
  - (1) Development of autonomous cranes: The transportation of steel products in production lines relies heavily on a large number of cranes. Autonomous cranes not only can greatly reduce manpower needs, but also serve as the cornerstone of



the development of smart transportation and storage systems. Since the Company invested in the development of autonomous cranes in 2014, it has established a complete technology, and has finished actual operation tests. In the future, the Company will gradually promote the construction of autonomous cranes in its plants.

- (2) Smart decision making support system for steelmaking scheduling: This system establishes continuous casting based on different variables, including delivery period, equipment conditions, steel type, and dimensions, to optimize steelmaking schedule which fully utilizes the production capacity of basic oxygen furnaces and satisfies order requirements, reduces the waiting time involved with various types of equipment, and maximizes the use of hot metal from blast furnaces.
  - (3) Metallurgical process dynamic control system for bake hardening (BH) steel: This system dynamically fine-tunes the annealing temperature of hot dip galvanizing lines based on the measured components of upstream steelmaking, and eliminates variations in product properties caused by component variations, thereby enhancing product quality and reducing product rejection rate.
3. Energy and environmental protection technology
- (1) Development of high-performance microbial denitrification technology for coking wastewater: The development of microbial denitrification technology for coking wastewater has successfully accelerated bacterial activity, which not only maintains high rate of removal of chemical oxygen demand (COD) and ammonia nitrogen pollutants in wastewater, but also greatly reduces the impact from high-load water. This technology has been successfully implemented and applied, complying with effluent-related regulations.
  - (2) Establishment and application of power-saving technology for cooling water towers: This technology identifies energy consumption issues involving cooling water from point of production to point of downstream use. The analysis technology developed by combining the theory of heat-flow with new technologies, including Internet of Things, big data, and intelligent technology, provides scientific measures to improve energy conservation.
  - (3) With regard to R&D issues such as circular economy, energy and environmental protection, the Company has strengthened research efforts in collaboration with the industry, the academia and the research community in Taiwan, in hope of utilizing external R&D resources to significantly improve R&D capabilities in pursuit of sustainable economic models.
4. Development of important industrial materials
- CSC Group continues to enhance the added value of by-products, reuse of resources, development of aluminum and magnetic products, such as fine carbon materials, lithium battery materials, fine silver powder for optoelectronics industry, and automotive aluminum sheets. As a key material in reducing the weight of vehicles, the use of automotive aluminum sheets increases with the prevalence of electric vehicles. CSC Group's development and technology marketing of this product have obtained multiple certifications from international vehicle manufacturers; it has also entered the domestic and overseas automotive aftermarket (AM).

In the face of business challenges, the Company will continue to enhance our differentiation advantage in terms of cost, product, energy saving and environmental protection, and customer service to improve the Company's overall competitiveness. To achieve the goal of continuous growth, we combine the research capabilities of the industry, the government and the academia in developing products and technology for downstream applications.

(V) Short-Term and Long-Term Business Development Plans

“Being customer service oriented, we truly understand customers' needs, and supply steel materials with appropriate quality in appropriate quantities at appropriate times through multi-stage and multi-level of services before, during and after sales. In addition, we assist customers in solving problems related to material use and technologies to improve service quality, turning quality assurance into usage assurance.” Based on these principles, CSC’s short-term and long-term business development plans can be divided into the following:

1. Short-term business development plans

- (1) Enhance manufacturing process technology capabilities, improve the competitiveness of production lines, and increase the production of high-end and high value-added steel.
- (2) Actively seek investment opportunities in downstream steel factories or steel-using industries.
- (3) Established overseas production bases, coil centers and sales offices to fully control distribution channels.
- (4) Integrate resources for hot rolling and slabs at the Company, Chung Hung Steel Corporation, Dragon Steel Corporation, Formosa Ha Tinh Steel Corporation, etc., and provides mutual support to expand sales foundation in Hong Kong, Mainland China, and Southeast Asia.

2. Long-term business development plans

- (1) Develop peripheral businesses around the steel industry, and intervene in industries relevant to the steel industry in terms of sales, technology and process.
- (2) Use extensive experience and capabilities in business management, plant construction and engineering, and information integration to provide technology consulting service.
- (3) Participate in major national infrastructure and high-tech investments.

## II. Market, Production and Sales Overview

### (I) Domestic and Export Sales Breakdown for Steel Products

#### 2018 Export Sales Breakdown by Region - Standalone

Sales Target	Amount (metric ton)	Percentage (%)
Mainland China (including Hong Kong)	720,044	21.55%
Japan	611,589	18.31%
Vietnam	331,174	9.91%
Thailand	315,081	9.43%
India	223,879	6.70%
Indonesia	176,220	5.27%
Malaysia	155,632	4.66%
Mexico	138,368	4.14%
Others	669,196	20.03%
Total	3,341,183	100.00%

#### 2018 Domestic Sales Breakdown by Industry - Standalone

Sales Target	Amount (metric ton)	Percentage (%)
Direct users	1,545,325	19.56%
Bolts and Nuts	1,116,220	14.13%
Coil center	1,061,158	13.43%
Re-rolling	1,047,767	13.26%
Steel structures	397,486	5.03%
Piping	388,696	4.92%
Trader	362,156	4.58%
Vehicles	279,404	3.54%
Shipbuilding	123,156	1.56%
Hand tools	73,448	0.93%
Wire-rope	51,578	0.65%
Others	1,454,551	18.41%
Total	7,900,945	100.00%

#### 2018 Export Sales Breakdown by Region- Consolidated

Sales Target	Amount (metric ton)	Percentage (%)
Japan	929,737	14.35%
Mainland China (including Hong Kong)	894,166	13.81%
Vietnam	776,911	12.00%
Malaysia	628,977	9.71%
Thailand	360,850	5.57%
Indonesia	227,547	3.51%
India	173,788	2.68%
Mexico	142,300	2.20%
Others	2,342,717	36.17%
Total	6,476,993	100.00%

#### 2018 Domestic Sales Breakdown by Industry - Consolidated

Sales Target	Amount (metric ton)	Percentage (%)
Re-rolling	2,602,477	27.96%
Direct users	1,499,284	16.11%
Coil center	1,285,767	13.81%
Bolts and Nuts	1,116,220	11.99%
Trader	724,490	7.78%
Piping	552,473	5.94%
Steel structures	366,514	3.94%
Vehicles	279,404	3.00%
Shipbuilding	123,156	1.32%
Hand tools	76,624	0.82%
Wire-rope	51,578	0.55%
Others	631,081	6.78%
Total	9,309,068	100.00%

#### (II) Market Supply and Demand Outlook

In 2019, the supply of steel products will be adequate in most regions of the world. Despite the continuous rise of trade protectionism, importers continue to import steel products even if tariffs are imposed due to the fact that domestic prices in various countries remain higher than the import prices. The supply of plates and special wire rods may be tight; however, steel manufacturers may increase production considering the higher prices, thus improving the tight supply situation.

In 2019, global steel demand growth will experience a slowdown but the overall trend still move towards a positive trajectory. With steady growth in the U.S. manufacturing industry, the U.S. steel PMI has been continuously expanding for several months, averaging at 54.8. On the other hand, China's steel PMI remains above 50, and the Chinese government has been actively launching infrastructure projects to stimulate its economy. The World Steel Association estimates that global apparent steel use will

increase by 1.4% to 1.681 billion tons in 2019; hence, steel demand is expected to rise slowly throughout the year.

In 2018, the domestic market share of the Company's main steel products were 70% for plates, 55% for wire rods, 36% for hot-rolled coils, 58% for cold-rolled coils, 80% for electrical sheets, 28% for hot-dip galvanized steels, and 60% for electrogalvanized steels respectively (where the joint market share of hot-rolled coils produced by the Company, Dragon Steel Corporation, and Chung Hung Steel Corporation was 90%, while the market share of cold-rolled coils produced by the Company and Chung Hung Steel Corporation was 74%).

### (III) Business Objectives

In 2019, the Company plans to sell a total of 9.64 million tons of steel products, including domestic sales of 6.28 million tons and export sales of 3.36 million tons. The Steel Division of CSC Group is targeting sales of 15.76 million tons, including domestic sales of 10.13 million tons and export sales of 5.63 million tons.

In the future, the Company will establish reasonable and effective incentive measures to quickly acquire orders and maintain smooth shipments, continue to enhance customer relationship management and increase the supply of high-end and strategic steel products as well as actively establish marketing channels and increase overseas sales locations to strengthen customer relationships, thereby achieving the goal of sales growth.

### (IV) Development Prospects and Favorable and Unfavorable Factors Thereof

#### 1. Development prospects

The International Monetary Fund (IMF) estimates the global economic growth in 2019 to be 3.5%. Overall, the global economic growth momentum decelerates and economies in various regions experience different growth situations. The U.S. continues to experience economic expansion. On the other hand, the European economy remains on the right track of recovery despite a slowdown in growth rate. However, uncertainties such as the US-China trade war, decrease in demand from Germany and potential no-deal Brexit have exerted pressure on the global economic growth momentum. According to the Bank of Japan Outlook Report, the global manufacturing PMI can still maintain an expansion level at 50 and above. Despite the weakening of some of Mainland China's economic indicators due to the US-China trade war and the Chinese government's debt reduction measures, the Chinese economy is expected to remain stable through the implementation of fiscal and monetary policies by the Chinese government, along with the potential de-escalation of the US-China trade war in the future.

In addition, on March 8, 2018, the U.S. signed a formal order to impose a 25% tariff on imported steel in accordance with Article 232 of the Trade Expansion Act. Despite the Company's extremely low direct sales of steel products to the U.S., this tariff still has a negative impact on steel products exported to the U.S. by major manufacturers in Taiwan's steel industry, such as coated, steel pipes and cold-rolled products. At present, the Company continues to seek tariff exemption or tariff quota from the U.S. with help from the Taiwanese government, in order to reduce its

impact on Taiwan's steel industry.

2. Favorable and unfavorable factors

Favorable factors:

- (1) Mainland China is increasing investments in infrastructure construction and has introduced consumer spending incentives for cars and home appliances, which will be favorable to steel demand growth.
- (2) Coking coal and iron ore prices may increase due to seasonal events and mining accidents, thus supporting steel prices.
- (3) Continuous release of public construction projects and steady launch of new construction projects in Taiwan will support steel demand.

Unfavorable factors:

- (1) Before the US-China trade war truce, international investing and purchasing activities will be constrained due to market participants adopting a wait-and-see mode, which is not favorable to consumer demand.
- (2) The rise of protectionism in global trade will restrict the export market expansion.
- (3) A 25% tariff imposed by the U.S. on imported steel in 2018 has redirected the coated products, steel pipes, and cold-rolled products previously sold to the U.S. by Taiwanese downstream manufacturers to relatively low-priced regions, such as European Union and Southeast Asia. This situation will affect the efforts of Taiwanese steel manufacturers in market expansion.

3. The Company's countermeasures

The Company's countermeasures in response to problems and challenges in the steel industry are as follows: (1) Consolidate the market: Lodge anti-dumping complaints in response to unfair competition arising from low-priced imports; grasp development trends of related industries to expand the scope of product supply; For the tariff imposed by the U.S., push for tariff exemption or quota with help from the government; (2) Enhance the added value of products: Actively develop high-end and high value-added new products to increase the percentage of new products and high-end products; (3) Improve process flexibility: Develop dynamic metallurgical process models to shorten delivery time; (4) Improve productivity: Reduce production costs by running lean organizations, lowering costs of raw material, saving energy, simplifying production processes, and improving yield rate and production efficiency; (5) Strengthen e-commerce: Provide customers and suppliers with a more effective trading method; (6) Develop reasonable and effective incentive measures to quickly obtain orders and maintain smooth shipments; (7) Utilize artificial intelligence (AI) and big data to optimize list price decisions, delivery times, and optimal product mix to enhance overall competitiveness.

(V) Uses and Production Process of Major Products

Plates: Shipbuilding, bridges, steel structures, oil country tubular goods (OCTGs), storage tanks, boilers, pressure vessels, truck chassis, general structural components, etc.

Bars: Bolts and nuts, hand tools, loudspeaker parts, automobile and motorcycle parts, machinery parts, etc.

Wire rods: Bolts and nuts, steel wires and ropes, hand tools, welding electrodes, tire cords, umbrella ribs, chains, etc.

Hot-rolled steels: Steel pipes and tubes, vehicle parts, containers, pressure vessels, jacks, cold-rolled and galvanized steels, light steel frame and formed processed products, etc.

Cold-rolled steels: Steel pipes and tubes, steel furniture, home appliances, drums, automobile panels, galvanized steels, general hardware, etc.

Electro-galvanized steels: Computer cases/parts and accessories, home appliance panels/parts and accessories, automobile panels, construction materials, furniture hardware, etc.

Hot-dip galvanized steels: Automobile and home appliance parts and components, computer cases/parts and accessories, PPGI, construction materials, etc.

Electrical steels: Motors, transformers, ballasts, etc.

The main manufacturing processes for the Company's products comprise raw material processing, ironmaking, steelmaking, rolling and surface treatment:

Raw materials: Imported coking coal, iron ore and limestone are unloaded to the raw material storage yard. Coking coal is then transported to coke oven plants to produce coke, while iron ore and limestone are transferred to the sinter plants to produce sinter.

Ironmaking: Iron ore, sinter, pellet, coke and flux are charged to blast furnaces to produce molten iron (hot metal), which is then transported by torpedo cars to basic oxygen furnaces for steelmaking.

Steelmaking: Hot metal and steel scrap are poured into basic oxygen furnaces to be processed into liquid steel, most of which are further processed at secondary refining stations before being cast into blooms and slabs.

Rolling: Blooms are fed into the billet mill to be shaped into billets and further processed into bars or wire rod products in the bar or rod mills. Slabs are fed into the plate mill to be rolled into plates or processed into hot rolled bands in the hot strip mills. Hot rolled bands can be further processed into hot rolled products in the finishing mill or to produce cold rolled products in the cold rolling mills.

Surface treatment: To enhance the special functions of cold-rolled coils, special treatment is made on the surface of these products, such as applying a thin insulating coating on electrical sheet to improve its electromagnetic performance. Galvanized steel sheets are made through coating cold-rolled coils with a layer of zinc by hot-dipped galvanizing or electrogalvanizing to achieve aesthetic and anti-corrosion effects. The surface of galvanized steel sheet is even applied with chromate or anti-fingerprint coating to improve its corrosion resistance and painting properties.

(VI) Supply of Major Raw Materials

A. Sources of Coking Coal (January 1, 2018 to December 31, 2018)

China Steel Corporation			Dragon Steel Corporation		
Country	Amount (ten thousand tons)	Percentage (%)	Country	Amount (ten thousand tons)	Percentage (%)
Australia	636	78.81%	Australia	342	88.37%
Canada	123	15.24%	Canada	40	10.34%
Indonesia	29	3.60%	Russia	3	0.77%
Russia	13	1.61%	China	2	0.52%
China	6	0.74%	Total	387	100.00%
Total	807	100.00%			

B. Sources of Iron Ore (January 1, 2018 to December 31, 2018)

China Steel Corporation			Dragon Steel Corporation		
Country	Amount (ten thousand tons)	Percentage (%)	Country	Amount (ten thousand tons)	Percentage (%)
Australia	1,075	70.63%	Australia	596	69.87%
Brazil	305	20.04%	Brazil	221	25.91%
Canada	142	9.33%	Canada	25	2.93%
Total	1,522	100.00%	Ukraine	11	1.29%
			Total	853	100.00%

C. Sources of Limestone (January 1, 2018 to December 31, 2018)

China Steel Corporation			Dragon Steel Corporation		
Country	Amount (ten thousand tons)	Percentage (%)	Country	Amount (ten thousand tons)	Percentage (%)
Japan	115	39.38%	Japan	59	43.38%
Taiwan	79	27.06%	Taiwan	28	20.59%
Philippines	46	15.75%	Philippines	21	15.44%
Mainland China	21	7.19%	Vietnam	19	13.97%
Vietnam	20	6.85%	Thailand	7	5.15%
Thailand	11	3.77%	Mainland China	2	1.47%
Total	292	100.00%	Total	136	100.00%

Note: CSC Group mainly engages in the steel industry and only the Company and Dragon Steel Corporation are integrated steel manufacturers, so here we only provide the sources of main raw materials, namely coking coal, iron ore and limestone.



(VII) Information on suppliers/customers accounting for more than 10 percent of the total purchases (sales) of goods in any of the most recent two years:

1. Information on customers accounting for more than 10 percent of the total sales of goods at the Company:

Year	Name	Amount (NT\$ thousands)	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer
2017	Chung Hung Steel Corporation	20,235,517	10.03	Subsidiary
	Others	181,433,570	89.97	N/A
	Net sales	201,669,087	100.00	N/A
2018	Chung Hung Steel Corporation	25,132,836	10.68	Subsidiary
	Others	210,270,315	89.32	N/A
	Net sales	235,403,151	100.00	N/A
As of the previous quarter in 2019	Information for the previous quarter prior to the publication date of this annual report is the information for 2018. Hence, the information is as above.			

Note on increase or decrease: There was no significant difference in the most recent two years.

2. Information on suppliers accounting for more than 10 percent of the total purchases of goods at the Company:

Year	Name	Amount (NT\$ thousands)	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer
2017	Dragon Steel Corporation	18,737,860	14.81	Wholly-owned subsidiary
	Sumitomo Corporation	16,427,619	12.99	Supplier
	Others	91,316,563	72.20	N/A
	Net purchases	126,482,042	100.00	N/A
2018	Dragon Steel Corporation	21,796,702	15.68	Wholly-owned subsidiary
	Others	117,172,431	84.32	N/A
	Net purchases	138,969,133	100.00	N/A
As of the previous quarter in 2019	Information for the previous quarter prior to the publication date of this annual report is the information for 2018. Hence, the information is as above.			

Note on increase or decrease: In 2018, the amount of purchases from Dragon Steel Corporation increased compared to that in 2017, due mainly to the increase in unit price of steel products purchased.

3. The Company and our subsidiaries do not have any suppliers accounting for more than 10 percent of the total consolidated purchases of goods, and any customers accounting for more than 10 percent of the total consolidated sales of goods.

(VIII) Breakdown of production and sales volume and value of steel products in the most recent two years

Standalone - Breakdown of production volume and value

Unit: Production capacity/volume - metric ton; Production value - NT\$ thousands

Major Product	Year	2018			2017		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Plates		1,000,000	959,739	16,816,982	1,000,000	870,478	14,809,683
Bars		490,000	683,745	12,593,805	490,000	616,330	10,446,437
Wire rods		1,136,000	1,288,107	24,604,515	1,136,000	1,318,994	22,790,539
Hot-rolled products		3,725,000	2,689,845	41,121,824	3,725,000	2,389,443	35,024,923
Cold-rolled products		2,409,000	3,317,014	67,139,677	2,409,000	3,419,412	65,590,709
Commercial slabs		-	184,655	2,377,893	-	103,690	1,314,228
Pig iron		-	10,439	120,765	-	10,909	116,928
Other steel products		-	106,791	2,055,805	-	102,414	1,745,394
Total (Steel products)		8,760,000	9,240,335	166,831,266	8,760,000	8,831,670	151,838,841
Others (Non-steel products and by-products)		NA	NA	3,079,399	NA	NA	2,708,321
Total		NA	NA	169,910,665	NA	NA	154,547,162

Note: Other steel products refer to titanium and nickel alloy steel, stainless steel, etc.

Standalone - Breakdown of sales volume and value

Unit: Sales volume - metric ton; Sales value - NT\$ thousands

Major Product	Year	2018				2017			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Plates		887,431	18,612,649	80,600	1,551,382	813,811	15,461,015	69,106	1,111,445
Bars		704,844	18,276,432	71,235	1,564,324	636,083	14,916,392	67,691	1,360,135
Wire rods		1,395,534	32,027,463	134,672	3,013,473	1,360,385	27,486,827	137,093	2,760,073
Hot-rolled products		1,898,367	33,501,848	1,201,221	21,385,682	1,744,745	28,350,025	1,256,778	19,036,985
Cold-rolled products		1,559,097	34,677,411	1,847,658	39,355,490	1,611,446	34,169,052	1,782,986	35,102,306
Commercial slabs		1,453,705	20,439,165	5,789	73,533	1,361,085	17,063,221	1,934	24,984
Pig iron		846	12,697	-	-	1,132	15,505	-	-
Other steel products		1,121	236,850	8	4,971	1,276	180,283	6	4,054
Others (Non-steel products and by-products)		NA	5,259,901	NA	-	NA	4,276,156	NA	350,629
Total		7,900,945	163,044,416	3,341,183	66,948,855	7,529,963	141,918,476	3,315,594	59,750,611

Consolidated – Breakdown of production volume and value

Unit: Production capacity/volume - metric ton; Production value - NT\$ thousands

Major Product	Year	2018			2017		
	Production Volume and Value	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Plates		1,000,000	959,739	16,816,982	1,000,000	870,478	14,809,683
Bars		490,000	683,745	12,593,805	490,000	616,330	10,446,437
Wire rods		1,136,000	1,288,107	24,604,515	1,136,000	1,318,994	22,790,539
Hot-rolled products		9,925,000	8,432,231	129,227,944	9,925,000	7,947,917	112,758,035
Cold-rolled products (including cold-rolled and coated products)		4,839,000	5,200,676	107,929,565	4,839,000	5,235,780	100,254,111
Commercial slabs		NA	1,189,635	15,512,565	NA	1,134,344	14,202,051
Steel pipes		248,000	174,007	3,783,018	248,000	130,993	2,736,892
Billets for rebars			2,464	40,571		4,500	67,355
Billets for wire rods		720,000	709,239	11,275,897	720,000	583,691	8,437,439
H-beams			433,728	8,546,098		396,539	7,220,855
Narrow plates		600,000	64,833	1,214,350	600,000	46,118	832,301
Pig iron		NA	23,743	254,397	NA	22,762	232,658
Steel frames		240,000	211,233	9,028,248	240,000	156,104	7,048,513
Other steel products		NA	106,791	2,055,805	NA	102,414	1,745,394
Total (Steel products)		19,198,000	19,480,171	342,883,760	19,198,000	18,566,964	303,582,263
Others (Non-steel products and by-products)		NA	NA	22,310,798	NA	NA	21,861,489
Total		NA	NA	365,194,558	NA	NA	325,443,752

Note: Other steel products refer to titanium and nickel alloy steel, stainless steel, etc.

Consolidated – Breakdown of sales volume and value

Unit: Sales volume - metric ton; Sales value - NT\$ thousands

Major Product	2018		2017		2018		2017	
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Plates	776,971	16,080,095	79,402	1,515,582	728,319	13,816,991	67,621	1,101,961
Bars	702,445	18,251,917	70,596	1,551,557	635,191	14,908,238	67,366	1,352,805
Wire rods	1,391,242	31,982,452	136,350	3,056,954	1,356,962	27,455,287	137,365	2,797,320
Hot-rolled products	4,033,673	71,976,639	2,674,283	47,588,143	3,960,395	64,913,711	2,372,669	37,440,338
Cold-rolled products	1,873,949	41,326,017	3,284,615	71,282,752	1,894,084	39,542,899	3,082,387	62,130,254
Commercial slabs	5,709	52,494	8,025	104,360	23,672	318,136	42,747	444,437
Billets for rebars/wire rods	12,135	214,030	-	-	15,113	199,667	-	-
Steel pipes	9,937	243,204	157,525	4,229,366	8,839	200,200	119,935	2,696,110
H-beams	334,689	6,957,472	40,002	803,775	289,234	5,338,746	85,157	1,379,311
Narrow plates	53,973	1,149,017	-	-	37,034	696,424	-	-
Pig iron	7,195	85,689	-	-	6,963	77,068	-	-
Other steel products	107,150	1,514,506	26,195	247,461	89,614	1,109,192	28,048	224,644
Steel trading and others (Non-steel products and by-products)	NA	1,481,464	NA	10,521,826	NA	1,520,402	NA	7,473,053
Total	9,309,068	191,314,996	6,476,993	140,901,776	9,045,420	170,096,961	6,003,295	117,040,233

Note: The sales revenue from trading of steel products by China Steel Global Trading Corporation has been reclassified to “Steel trading and others (Non-steel products and by-products).”

(IX) Key Performance Indicators Specifically for the Steel Industry

The steel industry is a capital-intensive industry; thus, all investments of production equipment involve a large amount of capital. In addition, raw materials, such as coking coal and iron ore, constitute a high percentage of steel production costs. With continuous overcapacity in the global steel industry and squeezed profit due to intense price competition, the Company continues to promote various vigorous programs in order to control costs and maintain excellent competitiveness, including "cost reduction activities" which serve as an important strategy in response to the current environment of the steel industry and a key factor to succeed in the steel industry. The Company actively engages in raw materials allocation, process improvement, new technology R&D, quality advancement, management improvement, as well as smart manufacturing and sales with scientific method to keep reducing cost systematically.

Aiming to reduce costs by NT\$3.8 billion, the Company's "cost reduction activities" have, in fact, managed to achieve a cost saving of NT\$4.69 billion in 2018 at an implementation rate of 123%. Cost reduction activities mainly focus on the following:

1. Maintenance costs saving from nationalization of equipment and spare parts
2. Active negotiation with raw material suppliers for additional discounts
3. Improving operating efficiency and output rate to reduce rejections
4. Using low-cost raw materials to reduce production costs
5. Integrating regional resources to increase gas sales
6. Developing and improving process technologies to build automated control, diagnosis, detection and monitoring system
7. Reducing consumption of fuel and utilities
8. Participating in the demand bidding program and optimizing production scheduling.

In 2018, the actual cost reduction at Dragon Steel Corporation was NT\$1.263 billion. Key improvement items include: 1. Reducing raw material costs; 2. Nationalization of equipment; 3. Improving production processes and saving energy; 4. Selling gases and electricity.

### III. Human Resources Overview

(I) Number of employees, average age and years of service at the Company in the most recent three years: (As of March 31, 2019)

Year	2017	2018	2019.03.31	
Number of Employees	10,236	10,431	10,259	
Average Age	47.51	45.78	45.87	
Average Years of Service	14.41	13.80	13.96	
Distribution of Academic Qualifications (%)	PhD	1.84	1.80	1.82
	Master's degree	18.20	18.62	18.95
	Bachelor's degree	44.32	47.01	47.25
	High school	33.46	31.11	30.67
	Below high school	2.18	1.46	1.31

Note: Years of service were recalculated when the Company was privatized on April 12, 1995.

(II) Number of employees, average age and years of service at CSC Group in the most recent three years:

(As of March 31, 2019)

Year	2017	2018	2019.03.31	
Number of Employees	28,332	28,648	28,782	
Average Age	41.40	41.12	41.15	
Average Years of Service	10.85	10.73	10.40	
Distribution of Academic Qualifications (%)	PhD	0.87	0.84	0.83
	Master's degree	14.75	15.02	15.03
	Bachelor's degree	50.46	51.02	51.55
	High school	29.12	27.86	27.12
	Below high school	4.80	5.26	5.47

2018	CSC	CSC and DSC
Crude steel production (metric ton)	9,833,941	15,881,334
Revenues (NT\$ thousands)	235,403,151	334,174,837
Average number of workers (persons)	10,276	13,488
Average annual crude steel production per capita (metric ton)	957	1,177
Average annual revenues per capita (NT\$ thousands)	22,908	24,776
Working hours per ton of crude steel (hour/ton)	2.15	1.77

Note: In CSC Group, only China Steel Corporation and Dragon Steel Corporation are integrated steel manufacturers. Therefore, the information above is provided as CSC's and DSC's standalone data.

#### IV. Information on Environmental Management and Environmental Protection Expenditure

In 1997, the Company passed ISO 14001 - Environmental Management System certification and received registration approval which required renewal every three years. The Company was externally audited by the British Standards Institute (BSI) Taiwan Branch, where no deficiencies were found, and successfully passed the ISO 14001:2015 Edition certification. By upholding the spirit of continuous improvement demonstrated by ISO 14001 - Environmental Management System, the Company gradually improved environmental management performance in all operations. Besides, the Company conducts internal and external audits every year to ensure that all the operations comply with the ISO 14001 standard. The Company also continues to promote works related to environmental protection with a computerized occupational safety and health system.

In terms of environmental ecology, the Company continues to enhance greening of the entire factory based on the concept of "environmental greening." With regard to environmental impact assessment (EIA), the Company handles various EIA documents and submits declaration based on company needs, in order to fully keep track of the change of pollutions from the Company's planned capital expenditure.

In terms of air pollution management, the Company ensures the normal operation of various environmental monitoring equipment (Continuous Emissions Monitoring System (CEMS), environmental condition monitoring system (CCTV), Ambient Air Quality Monitoring System (AAQMS), Fourier Transform Infrared Spectroscopy (FTIR), and Mitre Text and Audio Processing (MiTAP)), completes the inspection and declaration of Par., SO<sub>x</sub>, NO<sub>x</sub>, VOCs, DXNs, etc. in all chimneys, and applies for the setting up, modifying, operating, changing and extending licenses in accordance with the law. The Company also continuously strengthens in-plant inspections and review of prevention and control of fugitive pollution sources, and plans reduction and improvement measures in line with the emission standards for sinter plants by the Environmental Protection Administration.

With regard to greenhouse gas management, in order to properly manage and reduce greenhouse gas emissions, the Company completed the 2017 organizational-level greenhouse gas inventory audit (including Scope 1 and 2), passed the verification process conducted by third-party verification agencies, and registered the greenhouse gas related data annually in line with the policy. The Company has also completed the 2018 organizational-level greenhouse gas inventory internal audit. In addition, the Company continues to manage the amount of greenhouse gas reduction, where a balance of 4,583,930 tons of CO<sub>2</sub>e was recorded at the end of 2018. The offset project for change of the transportation mode in the Hualien Stone Material Yard has been registered and approved. The project passed the verification process conducted by the verification agencies in the first year of project period (a total quota of 2,273 tons of CO<sub>2</sub>e). In 2019, the Company will submit quota application to the Environmental Protection Administration based on this verification result. Moreover, the Company conducted carbon footprint inventory audit for 23 types of products, and got verifications by third-party verification agencies. In cooperation with the Environmental Protection Administration and the Industrial Development Bureau, the Company provides specific suggestions on performance standards, product benchmarks, cap on greenhouse gas emission, planning of the carbon trade market, in order to ensure the feasibility and reasonableness of policies.

Complying with the government's "zero waste" policy, the Company continues to uphold the principles of "100 percent resourcezation" and "zero solidification landfill". Pursuing appropriate technologies with existing equipment in our factory, the Company converts waste into raw materials that can be used in our factory with excellent management techniques based on the principle of making the best of materials and improving their value. Since 2017, the Company have been completed the manuals related to the application of basic oxygen furnace slag and desulfurization slag according to the principle of gradual and orderly promotion instructed by the Executive Yuan, as well as audited and approved by third-party organizations. In addition to being used in asphalt concrete for public construction works, basic oxygen furnace slag is also actively promoted in engineering applications. On the other hand, desulfurization slag is used in the cement raw meal industry with the aim of continuously increasing its usage among manufacturers. In addition, the Company will also actively promote the application of controlled low-strength material (CLSM) in public construction works.

Moreover, to assist the companies of CSC Group in resourcezation of industrial wastes, the Company continues to reutilize sludges from China Steel Chemical Corporation, waste oil from China Steel Express Corporation, sludges from Chung Hung Steel Corporation, oily wastewater from C.S. Aluminium Corporation, calcium carbonate crystals from China Ecotek Corporation, as well as waste acid from the production processes at China Steel Machinery Corporation and Chung Hung Steel Corporation.

Interception stations and runoff wastewater treatment facilities set up in material yards and rainwater drainage systems carry out rainwater recycling, processing, and reuse. In this way, the Company continuously reduces the contaminant level of discharge and decreases the load to adjacent water bodies. In 2018, the amount of wastewater discharged at the Company averaged approximately 40,600 tons/day, while the contaminant concentration discharged fully complied with standards for discharged water.

To fully understand the quality of soil and groundwater and to implement soil and groundwater pollution prevention work, the Company has set up 13 groundwater monitoring wells in the entire factory to regularly carry out sampling and testing, in accordance with its EIA pledge. The groundwater quality monitoring results in 2018 all complied with Groundwater Pollution Control Standards. Furthermore, the Company also investigates soil and groundwater pollution before leasing or purchasing lands to clarify pollution liabilities and protect the Company's interests.

Based on the off-site resources chain established by CSC in the past, the Company has expanded the industrial ecology network within and outside Kaohsiung Linhai Industrial Park, so that waste between industries can be effectively reused. In 2018, the industrial ecology network centered on CSC comprised 20 enterprises mainly from traditional industries, and links resources including water-quenched blast furnace slag, air-cooled blast furnace slag, desulfurization slag, basic oxygen furnace slag, sludge, coal tar, waste acid and spent refractory.



(I) Losses caused by pollution in the most recent year up to the publication date of this annual report (March 31, 2019)

		2018	January to March 2019
CSC	Status of pollution (type and level)	Water pollution and waste	None
	Compensation claimed by/penalty incurred by	Environmental Protection Bureau, Kaohsiung City Government	None
	Amount of compensation or penalty	A fine of NT\$336,000	None
	Other losses	None	None
CSCC	Status of pollution (type and level)	Air pollution and waste	Air pollution
	Compensation claimed by/penalty incurred by	Environmental Protection Bureau, Kaohsiung City Government	Environmental Protection Bureau, Kaohsiung City Government
	Amount of compensation or penalty	A fine of NT\$118,000	A fine of NT\$300,000
	Other losses	None	None
DSC	Status of pollution (type and level)	Air pollution, water pollution, and waste	None
	Compensation claimed by/penalty incurred by	Environmental Protection Bureau, Taichung City Government	None
	Amount of compensation or penalty	A fine of NT\$276,000	None
	Other losses	None	None
CHC	Status of pollution (type and level)	Air pollution, water pollution, and waste	Waste
	Compensation claimed by/penalty incurred by	Environmental Protection Bureau, Kaohsiung City Government	Environmental Protection Bureau, Kaohsiung City Government
	Amount of compensation or penalty	A fine of NT\$161,500	A fine of NT\$6,000
	Other losses	None	None
CSSC	Status of pollution (type and level)	Air pollution	None
	Compensation claimed by/penalty incurred by	Environmental Protection Bureau, Kaohsiung City Government	None
	Amount of compensation or penalty	A fine of NT\$100,000	None
	Other losses	None	None

In 2018 and up to the publication date of this annual report, companies including Chung Hung Steel Corporation and China Ecotek Corporation did not face any penalty due to pollution.

(II) Countermeasures

1. Improvements proposed

(1) Improvement plans

Over the years, CSC Group has devoted a great deal of manpower, material, and financial resources on environmental protection works, in hopes of achieving international benchmark levels, and has greatly reduced penalties due to pollution. To properly prevent pollution incidents, the Company not only requires all factories (departments) to enhance self-management to prevent human errors and implement economically feasible environmental management solutions, but also assists all factories (departments) in enhancing self-administration through internal audit. In addition, the Company inflicts punishment for human errors that cause major pollution and rewards units with outstanding performance in accordance with the "Directions Governing Reward and Punishment in Environmental Management."

(2) Expected environmental investments in the next two years

Year	2019	2020
Planned installation of pollution prevention equipment	Replacement and upgrading of dust collectors in the compounding room of Blast Furnace No. 2	
Expected improvement effect	Reduction of air pollution emissions	
Amount of investment	NT\$1,712,446 thousand	NT\$1,838,050 thousand

(3) Effects after improvement

Profitability: Improve the efficiency of energy and resource utilization, and reduce production costs and number of environmental penalties.

Competitiveness: Reduce production costs, and simultaneously enhance the Company's reputation as a green enterprise.

2. Parts with no countermeasures taken

(1) Reasons for not taking improvement measures: Not applicable.

(2) Status of pollution: Not applicable.

(3) Possible losses and amount of compensation: Not applicable.

## V. Protection Measures for Working Environment and Employees' Personal Safety

The Company obtained the Taiwan Occupational Safety and Health Management System (TOSHMS) certification from the Ministry of Labor in 2009. The Company adopts the Plan-Do-Check & Correction-Act (PDCA) model to implement comprehensive safety and health management, so as to create a healthy work environment. In addition, the Company has set up the Occupational Safety & Hygiene Committee for effective discussion and solution to practical issues, in which the President and the Executive Vice President concurrently serve as the Chairman and the Vice Chairman of the committee respectively, while the committee also comprises 15 labor union representatives (where labor union representatives exceeds one-third of the total committee members). The committee meets once every two months and reports the annual safety and health management performance in the annual report for public inspection.

### (I) Important Safety and Hygiene Management Works

#### 1. Industrial safety risk control

The Company successfully obtained the OHSAS 18001 certification in 2002, and the TOSHMS certification in 2009 with follow up verifications every year (including 2018). In addition, the ISO 45001 standard, which is used to replace OHSAS 18001 was officially released on March 12, 2018. Each business unit is given a three-year grace period to convert to this new standard. The Company has initiated the conversion plan since the second half of 2018, and expects to complete the verification of conversion in 2020. As the entire occupational safety and hygiene management system is operating based on risk management, the Company continuously improves through the Plan-Do-Check & Correction-Action (PDCA) management cycle. Furthermore, the Company carries out hazard identification and risk assessment on all processes and engineering construction projects, and classifies assessment results into five risk levels, namely negligible, low, moderate, high, and significant. For moderate risks and above, subsequent measures should be taken to reduce risks. Besides, the Company regularly conducts emergency response drills and personnel training to reduce the consequences of accidents and ensure personnel safety.

#### 2. Safety and health education and training

Training, the foundation of safety, enables personnel to acquire safety-related knowledge and develop safety-related awareness to avoid accidents arising from negligence. In 2018, the Company conducted 10 types of courses related to on-the-job licensing training for 67 batches of personnel, with up to 2,415 employees trained in total; as well as 5 types of courses related to physical safety training for a 75 batches of personnel, with up to 830 employees trained in total. In response to the regulations and the current situation, the Company organized a number of industrial safety seminars, including briefing on backfire prevention devices, promotion for declaration and registration of safety information of machinery and equipment with TS certification as required in Article 7 of the Occupational Safety and Health Act, briefing on division of hazardous area, on-the-job training for personnel in radiation operations, and traffic safety training for large vehicle drivers. Besides, to reduce commuting traffic accidents and injuries of employees, the Company conducted traffic safety training in September and October for 6 batches, with up to 729

employees trained in total.

3. Health care

- (1) This year, the Company conducted 13 health promotion activities (health speech, weight loss activities, physical fitness test, nutrition consultation, physical fitness guidance, body fat test, oral cancer screening, influenza injection, self-paid advanced health checkup, mammography, papanicolaou test, female breast ultrasound examination, and gynecological ultrasound examination etc.) with a total of 7,292 counts of attendance.
- (2) All employees working in special work-sites undergone special health examination as planned, covering test items such as high temperature, noise, radioactivity, lead, dust, organic and special chemicals. This examination has a total of 3,953 counts of participation. A total of 2 employees working in noisy environments were listed under level 4 management, while the remaining personnel working in special work-sites were not listed in level 4 health management.
- (3) This year, the Company's maternity protection program comprised a total of 10 maternal health promotion cases, which were all classified as level 1 management upon assessment by occupational therapy specialist doctors; thus, no work adjustment was required. All high-risk individuals in the overload prevention program completed the assessment interview conducted by these doctors, and were regularly tracked by the health management system.

4. In-plant traffic improvement plan

- (1) Conducts traffic safety training for large vehicle drivers, and traffic safety workshops for scooter riders and motorcyclists, in order to enhance awareness on traffic safety and defensive driving among personnel.
- (2) Establishes a reporting hotline for in-plant traffic violations, and formulates the procedures for handling whistleblower cases, so that road users can report traffic violations and deficiencies in the road environment, and the supervision and improvements of which will be carried out by the responsible units.
- (3) Upgrades the safety of vehicles and factory, comprehensively inspects the safety aids installed in in-plant large vehicles, and commissions external traffic experts to assess and assist in improving road traffic in the factory.

5. Industrial safety enhancement measures

- (1) Enhances the knowledge and awareness, and assists first-line managers and new coworkers in understanding and implementing safety and hygiene management works through physical safety training courses, industrial safety training seminar, industrial safety information sharing, and safety interview.
- (2) Conducts on-site patrols and inspections, ensures the consistent and precise execution of safety job procedure (SJP) by enhancing the inspection and industrial safety crackdown throughout the entire factory, and implements the five safety questions (number of workers, verification of health and protective gear, operation content, potential hazards, and preventive measures) on supervision personnel through management by walking around, so as to improve supervision capabilities.

- (3) Adopts each prevention measures against key hazard. Each factory (department) adopts the risk control measures according to the characteristics of production lines and common disasters by considering the following response order: 1. eliminate hazard or risk, 2. replace hazard or risk, 3. engineering control, 4. management control measures (establish operating standards, issue permit before operation, appoint security supervisors for highly hazardous operations, conduct safety and hygiene training, set up prohibition/warning signs or symbols, etc.) to reduce the probability of accidents.
- (4) Promotes the five lines of defense for industrial safety, reviews the level of safety awareness among personnel to ensure that they possess the correct safety and health knowledge and concepts, as well as supervises and reviews operations management with the second line of defense, which is also for construction.
- (5) Implements safety, health, and climate index performance rating, encourages employees and contractors to actively participate in various industrial safety activities through proactively and actively implemented creative development activities (CDA) related to preventive industrial safety and a reward system, as well as comprehensively rates active/passive/audit performance indicators, in order to promote the implementation of safety and health management in all factories.

## (II) Labor and Equipment Management Audit

1. Inspections of dangerous machinery, equipment, and workplace  
Dangerous machinery and equipment pass periodic inspections in accordance with the law, and all the operators obtain professional licenses as well as receive regularly on-the-job training. In 2018, the Company carried out and completed a total of 1,083 regular inspections of dangerous machinery and equipment, as well as a total of 16 modifications and final inspections on dangerous machinery and equipment. Meanwhile, the Company conducted workplace hazard risk assessment on 16 Class C dangerous workplaces, whose process safety was reassessed every five years in accordance with the law, in order to ensure safe operations in these workplaces.
2. Emergency response drills  
Emergency response drills aim to improve emergency response capabilities during accidents, so as to prevent or reduce personnel injury, property loss, and environmental impact. Through these emergency response drills, trainees were able to respond rapidly and initiate rescue during an emergency, thereby reducing risks and losses.
3. Safety and hygiene audit  
The Company audits major projects and operations identified as high risk. The factory safety patrol team conducts daily inspections on operations randomly around the roads in the factory, and focuses on key audit items including the maintenance of off-site facilities, road facilities, and traffic aids, as well as construction safety, thereby facilitating the maintenance of traffic and operation safety in the factory.
4. On-site safety observation  
To enhance employees' understanding and attention toward industrial safety and

health, improve safety awareness, and prevent accidents, the Company regularly conducts industrial safety observation activities, which enable factories (departments) to learn from each other and make up for their own shortcomings. The Vice President of the Production Division summoned these activities and led the Occupational Safety & Hygiene Committee, factory (department) supervisors, and labor union representatives to conduct observations and discussions. A total of 6 observation activities were carried out in 2018, while 12 second echelon units were selected as "Outstanding Units in Industrial Safety Management."

## VI. Labor Relations

### (I) Recent Important Labor-Management Agreements and Related Implementation

#### 1. Employee welfare measures

To take care of the daily life of our people, the Company not only provides a safe and healthy working environment, but also launches various types of benefits and welfare, and organizes various types of activities so that employees can relieve stress, relax their body and mind, and lead a more fulfilling life, thereby promoting harmonious labor relations.

The Company and companies of CSC Group have established a joint employee welfare committee. Employee benefits provided include the following:

- (1) Offers cash allowance for four major festivals, including Chinese New Year, Dragon Boat Festival, Mid-Autumn Festival and Labor Day; club activities; education subsidies for employees' children; emergency and disaster relief; marriage subsidies; domestic and overseas trips; flexible welfare points; childbirth and birthday cash gifts, etc.
- (2) Established a cafeteria, providing meal boxes and group meals; set up convenience stores, food court and gymnasium in CSC Group Hall, providing complete amenities for daily living.
- (3) Regularly organizes large-scale self-improvement activities for employees and family members, as well as various events including CSC Group marriage event, year-end lottery and factory celebrations, and also encourages employees to participate in activities related to Labor Day celebration, Mid-Autumn Festival celebration, etc.
- (4) Provides movies watching, subsidies for transport bus, and book and newspaper borrowing and reading in the reading room.
- (5) Offers comprehensive group insurance.
- (6) Sets up single employee dormitories, gymnasium and kindergarten.
- (7) Accepts applications for interest-free emergency loans, as well as marriage, funeral and festive supplies.

#### 2. Retirement system

According to the Company's personnel management system, an employee, who is involved in any of the following situation, should be required to retire immediately:

- (1) Those who aged 65 years old and above
- (2) Those with mental disorders or physical disabilities that prevent them from working.

With the implementation of the Labor Pension Act starting from July 1, 2005, employees are required to choose between the previous and new labor pension systems within five years from the date above. However, the new labor pension system applies to all employees who joined the Company starting from July 1, 2005. As of December 2018, a total of 6,198 employees applies to the new labor pension system, while a total of 4,187 employees remained with the previous labor pension system.

Based on the labor pension system under the "Labor Pension Act" applicable to the Company and domestic subsidiaries, employers shall contribute 6 percent of employees' monthly salaries as labor pension to individual accounts of labor pension at the Bureau of Labor Insurance. In addition, overseas subsidiaries shall contribute labor pensions in accordance with local laws and regulations.

Based on the labor pension system under the "Labor Standard Act" applicable to the Company and domestic subsidiaries, employees' labor pension shall be calculated based on years of service and average salary for the 6 months before the approved retirement date. The Company and domestic subsidiaries contribute a certain percentage of employees' monthly salaries to an employee pension fund, which is deposited into a special account in Bank of Taiwan by the Labor Retirement Reserve Fund Supervisory Committee in the name of the committee.

The Company and some subsidiaries have also established the Pension Fund Management Committee, which is responsible for reviewing, supervising and inspecting pension fund-related contributions, deposits and expenditures for appointed management personnel. This pension fund is deposited in the name of the management committee.

### 3. Other important agreements

To promote harmonious labor relations, the Company signed a three-year collective agreement starting from April 2, 1997 with labor union on February 14, 1997 according to the Collective Agreement Act. After the agreement expired and experienced multiple agreements discussion, both labor and management renegotiate the agreement, taking effect from February 14, 2001, at the end of 2000. The agreement comprises 10 chapters, including general principles, labor union activities, personnel, working hours, rest and annual leave, compensation and bonuses, human resource development, benefits and welfare, safety and hygiene, labor-management meetings, collective bargaining and handing of labor disputes, and supplementary provisions. The current collective agreement is the fourth edition, which signed on December 5, 2014 and took effect on the next day. The agreement totaled 79 articles, and both Article 23 and Article 25 were amended on December 30, 2016 in accordance with changes to the law. As a new agreement has not been signed one month prior to the agreement expiration date on December 2017, both parties agreed to the original agreement, and temporarily extended this agreement until a new agreement is signed for three years at most.

To enhance employees' sense of belonging to the Company and increase business partners awareness that employees are also shareholders, the Company implemented the Employee Stock Ownership Trust system in July 1998 in hopes of connecting

employees' work performance with company growth and providing better protection for employees after retirement. In this system, each participant can freely choose the monthly contribution amount within the 10% limit of his/her basic salary; however, it is limited to 12 bases only, where each base is NT\$1,000. Meanwhile, the Company contributes additional 20% of participating employees' monthly deposit amount as incentives. The Company has commissioned a financial institution to manage this trust and to purchase shares of the Company using all deposits in the name of a special account. Participating employees will receive shares from the trust upon leaving the Company.

4. Employee code of conduct and ethics

In order to promote an honest and upright atmosphere, ensuring that employees become self-driven and self-motivated and implement four major spirits that is teamwork, entrepreneurial approach, down-to-earthness and pursuit of innovation while performing duties, the CSC Group Employee Code of Ethics was formulated (refer to Page 147-148 of this annual report for more details) in accordance with the "Ethics Guidelines for Civil Servants" and related regulations. All employees shall fully comply with this code to pass down the Company's excellent corporate culture. The "Service Rules" chapter in the Company's work rules and the Company's "Guidelines for Recusal Due to Conflict of Interests" (refer to Page 145-146 of this annual report for more details) specify employee code of conduct and ethics.

5. Employee training and talent development

Enhancing training and talent management, promoting excellent corporate culture, and advancing leadership skills and passing down of technologies have always been the Company's annual business policies and benchmarks. In the face of current wave of retirement, the Company not only has actively recruited outstanding talents to join the CSC team in recent years, but also focuses on efforts to effectively pass down our extensive experience in steel production, operations and management over these years. Therefore, talent development, knowledge management, corporate culture and succession plans are currently the key tasks that have to be undertaken immediately by CSC Group. The Company has established the Manpower Development Section subordinated to the Human Resources Department. This team is responsible for planning the formulation of rules and regulations governing human resources development, mapping out and implementing training plans and budgets, and planning and promoting management skills development, knowledge management and e-Learning. To nurture talents required for the development of the Company's businesses, the Company has established the "Education and Training Manual", and the Regulations Governing Training and Continuing Education, in order to specify the education and training system, training specifications, and the training and development framework for talents of CSC Group. The Company maps out annual training plans based on business conditions, and conducts training based on these plans in order to enhance employees' knowledge and skills. Through the talent development system, the Company enhances management skills development and technical know-how, develops future management and professional talents, and encourages all employees to pursue continuing education to improve themselves. The



implementation of training programs in key companies of CSC Group in 2018 is as follows:

Company Name	Education and Training Expenditure in 2018 (NT\$ thousands)	Average Training Hours	Content of Training Course
China Steel Corporation	119,141	30	Mainly include management, language, specialized training (e.g., technology and quality management), computer, environment safety and hygiene, induction training for new employees, management training for supervisors, general education training, etc.
Dragon Steel Corporation	8,755	24	
Chung Hung Steel Corporation	4,557	23	
China Ecotek Corporation	2,955	12	
China Steel Chemical Corporation	4,016	30	
CHC Resources Corporation	1,576	20	
China Steel Structure Co., Ltd.	1,662	5	

(II) Losses caused by labor disputes in the most recent year up to the publication date of this annual report: None.

## Extracted Provisions from China Steel Corporation Employee Work Rules

### Chapter 3 Service Rules

- Article 17 Employees shall abide by the Company's regulations, and follow work distribution and assignment set by supervisors at all levels.
- Article 18 Employees shall stay focused and work hard, and shall not be negligent.
- Article 19 Employees shall strictly keep secrets regarding technology or management of the Company and customers trading status, and shall not leak them.
- Article 20 Employees shall not use the Company's name without authorization except when dealing with businesses related to the Company.
- Article 21 Employees shall cherish the Company's property, and shall not waste, destroy, convert or use for private purpose.
- Article 22 Employees shall speak and act cautiously, be honest and upright, and eliminate all unethical behavior to maintain the Company's order and reputation.
- Article 23 Employees may not use their powers or their identities or news they obtain due to their positions at the Company to seek personal gains.
- Article 24 Employees shall live in harmony, help and care for each other. However, to maintain the overall interests of the Company, employees shall assume the responsibility of reporting any graft and fraud. Considering legitimacy, the Company may reject anonymous accusation
- Article 25 Employees shall maintain an appropriate personal appearance by wearing the appropriate attire according to the rules, and put service badges on at all times.
- Article 26 Employees shall maintain unity and harmony at the Company, and shall not hold alumni associations, townsmen associations and other similar events in the Company.

# China Steel Corporation Personnel Management System

Established on February 11, 1998  
Second amendment on July 17, 2012

## Part IV Performance Appraisal and Rewards and Punishments

### Chapter 6 Guidelines for Recusal Due to Conflict of Interests

- Article 1 The Guidelines were established in accordance with the spirit of Article 25 of the Work Rules in order to prevent employees from using their powers, their identities or news they obtain due to their positions at the Company to seek personal gains, unless otherwise specified in the Codes of Ethics for First Echelon Supervisors and Executives. First echelon supervisors and executives shall be subject to the Codes of Ethics for First Echelon Supervisors and Executives. Matters not specified in the code but are stipulated in these Guidelines shall apply.
- Article 2 An employee shall recuse him/herself in the event of conflict of interests involving the employee him/herself or his/her relatives while performing his/her duties.
- Article 3 An employee shall not engage in profit-making conduct similar to his/her duties or that have conflict of interests with his/her position for him/herself or others. However, this shall not apply to employees who have obtained approval from the President or Executive Vice President. The same applies to employees who concurrently serve in positions related to teaching, research or other nonprofit careers or groups.
- Article 4 Employees shall not use their powers or positions to borrow or lend money, enter mutually beneficial contracts or enjoy other improper benefits with the following types of individuals or organizations:
1. Individuals or organizations that undertake engineering projects of the Company.
  2. Banks, financial institutions or private banks that have dealings with the Company.
  3. Individuals or business firms that undertake the purchase and sale of the Company's property or the provision of labor services.
- Article 4-1 An employee who is an insider stipulated in Subparagraphs 1 to 5, Paragraph 1, Article 157-1 of the Securities and Exchange Act, shall comply with the following provisions related to the prevention of insider trading:
1. Upon actually knowing of any information that will have a material impact on the price of the securities of the issuing company, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the insiders shall not purchase or sell, in the person's own name or in the name of others, shares of the company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the company.
  2. Upon actually knowing of any information that will have a material impact on the ability of the issuing company to pay principal or interest, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the insiders shall not sell, in the person's own name or in the name of others, the non-equity-type corporate bonds of such company that are listed on an exchange or an over-the-counter market.
- Article 5 Employees who violate these Guidelines shall be deemed to be in breach of labor contract, and shall be punished in accordance with the relevant provisions of the Work Rules based on the seriousness of the circumstances. Employees who violate criminal code shall be prosecuted under this law.
- Article 6 These Guidelines shall take effect upon approval by the President; the same shall apply to amendments hereto.

## CSC Group Employee Code of Ethics

Established on December 22, 2008

- I. This Code was established by CSC Group to promote an honest and upright atmosphere, ensure that employees become self-driven, self-motivated and implement four major spirits that is teamwork, entrepreneurial approach, down-to-earthness and pursuit of innovation while performing duties, so as to pass down the Group's excellent corporate culture.
- II. Employees shall speak and act cautiously, be honest and upright, and shall not use their powers or their identities or news they obtain due to their positions at the Company to seek improper benefits for themselves or third parties.
- III. Employees shall not demand, agree to accept or accept gifts, reception or other benefits from parties that have conflict of interests with the employees' positions. Gifts, reception or other benefits arising from social etiquette shall be provided in moderation.
- IV. Employees who have to host banquets to develop business relationships shall do so according to etiquette and the principal of simplicity, and shall not be extravagant and wasteful.
- V. In the event of conflict of interests involving an employee him/herself and his/her relatives while performing duties, the employee shall recuse him/herself in accordance with the Guidelines for Recusal Due to Conflict of Interests.
- VI. Employees shall not accept invitations to banquets or other social events from parties that have conflict of interests with the employees' positions, unless it is necessary for them to perform their duties, and consent has been obtained from first echelon supervisors and executives.

Employees shall avoid attending banquets that are inappropriate for their identities and positions although no conflict of interests with their positions arise.
- VII. Employees shall not accept illegal requests for making an intercession, and shall not make personal commitments or provide differential treatment to specific individuals and groups.
- VIII. Employees shall avoid involvement in loaning or borrowing of money, forming or participating in private credit associations, or acting as guarantors for property or identity. Supervisors at all levels shall strengthen the appraisal of their subordinates' ethics, and shall immediately report and respond appropriately when any financial anomaly and abnormal living condition of subordinates is found.
- IX. Employees should be as frugal and economical as possible when holding weddings and funerals, and shall not take advantage of their positions or business relationships to indiscriminately send wedding invitations or obituaries. The same applies to the completion of new houses or moving house.
- X. Employees are strictly forbidden to make an intercession using relationships to seek promotion or relocation.
- XI. Employees shall clearly present specific facts through a proper channel when reporting unlawful conduct, and shall not report such conduct anonymously or present fictional facts to the Company in order to punish others intentionally.
- XII. Employees who learn about or hold business secrets and trade secrets or other personal private information during their term of service, shall comply with confidentiality provisions, and shall not leak such information. The same applies to resigned employees.
- XIII. Employees shall be meticulous, down to earth, diligent and courageous at work, and shall

truly comply with attendance and leave rules. Employees shall not leave their positions without permission and neglect their duties.

- XIV. Employees shall fully respect administrative ethics. Supervisors shall do their best to guide and take care of their subordinates. On the other hand, subordinates shall respect, obey and support the leadership of their supervisors, and honestly state their opinions for their supervisors' references. Colleagues shall work together in a harmonious manner.
- XV. Employees shall demonstrate team spirit to focus on the overall, long-term interests of the Group, enhance horizontal connections, deepen vertical communications, cooperate with each other, and eliminate egoism in themselves.
- XVI. Business dealings between companies of the Group shall be carried out by upholding the down-to-earth spirit. Giving gifts to each other shall be avoided during folk festivals, unless necessary.
- XVII. Employees who comply with this Code and have a record of specific, significant good deeds may be rewarded. Employees who are found to have violated this Code shall be disciplined in accordance with relevant regulations or by reporting to the Reward and Disciplinary Committee for further action, depending on the seriousness of the circumstance. Cases regarding criminal responsibility shall be brought to justice.
- XVIII. The Code shall take effect upon approval by the Chairman; the same shall apply to amendments hereto.

## VII. Important Contracts

### 1. China Steel Corporation

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Procurement contract	Vale S.A. (Brazil)	2017.04.01~ 2019.03.31	Iron ore	None
Procurement contract	BHP Billiton Marketing AG (Australia)	2017.04.01~ 2020.03.31	Iron ore	None
Procurement contract	Hamersley Iron Pty. Ltd. (Australia)	2017.04.01~ 2022.03.31	Iron ore	None
Procurement contract	Teck Coal Limited (Canada)	2015.04.01~ 2018.03.31	Coking coal	None
Procurement contract	BM Alliance Coal Marketing Pty Ltd (Australia)	2018.04.01~ 2020.03.31	Coking coal	None
Procurement contract	Teck Coal Limited (Canada)	2018.04.01~ 2021.03.31	Coking coal	None
Procurement contract	Nippon Steel & Sumitomo Metal Corporation	2015.07.01~ 2020.06.30	Supply of slabs	None
Procurement contract	Toshiba Mitsubishi-Electric Industrial Systems Corporation (Japan)	2014.02.07~ 2018.03.31	Replacement of electrical equipment in L0 main motors at Rolling Mill Department II	None
Procurement contract	Chugai Ro Co., Ltd. (Japan)	2014.05.23~ 2018.09.30	New equipments for No.1 and No.2 reheating furnaces at Rolling Mill Department II	None
Procurement contract	Toshiba Mitsubishi-Electric Industrial Systems Corporation (Japan)	2016.04.29~ 2018.03.31	Purchase of main motors and drive systems for the 2nd Hot Strip Mill	None
Procurement contract	Primetals Technologies Austria GmbH (Austria)	2017.07.21~ 2018.08.31	No. 6 Slab caster oscillation, mold width adjustment, and breakout prediction system revamping project for the Continuous Casters in the No. 2 Basic Oxygen Furnace at the Steelmaking Department	None
Procurement contract	Baltimore Aircoil Company (US)	2018.11.12~ 2019.04.30	Replacement of the cooling coil module for No. 3 Blast Furnace	None
Procurement contract	Rosen Germany GmbH	2018.12.12~ 2020.03.31	Installation of ultrasonic testing system for plate mill	None
Long-term borrowing	Export-Import Bank of the Republic of China	2015.04~2021.04	US dollar loan, floating rate, principal repayment at maturity	None
Long-term borrowing	Taiwan Business Bank	2016.04~2019.04	US dollar loan, floating rate, principal repayment at maturity	TAIFX provisions
Long-term borrowing	Hua Nan Bank	2016.04~2019.04	US dollar loan, floating rate, principal repayment at maturity	TAIFX provisions
Long-term borrowing	Hua Nan Bank	2016.04~2019.04	US dollar loan, floating rate, principal repayment at maturity	TAIFX provisions
Long-term borrowing	Chang Hwa Bank	2016.06~2019.06	US dollar loan, floating rate, principal repayment at maturity	TAIFX provisions
Long-term	Shanghai Commercial and	2016.06~2019.06	US dollar loan,	TAIFX

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
borrowing	Savings Bank		floating rate, principal repayment at maturity	provisions
Long-term borrowing	Bank of Taiwan	2018.04~2021.04	US dollar loan, floating rate, principal repayment at maturity	TAIFX provisions
Long-term borrowing	Bank of Taiwan	2016.11~2019.11	Japanese yen loan, floating rate, principal repayment at maturity	None
Long-term borrowing	Mizuho Bank	2018.06~2021.06	Japanese yen loan, floating rate, principal repayment at maturity	None
Long-term borrowing	Mizuho Bank	2018.06~2021.06	Japanese yen loan, floating rate, principal repayment at maturity	None
Long-term borrowing	Bank of Taiwan	2018.12~2021.12	Japanese yen loan, floating rate, principal repayment at maturity	None
Long-term borrowing	Mega International Commercial Bank	2018.12~2021.12	Japanese yen loan, floating rate, principal repayment at maturity	None
Long-term borrowing	Taishin International Bank	2016.05~2019.05	Taiwan dollar, floating rate, non-guaranteed commercial paper	Credit utilization rate
Engineering contract	China Steel Machinery Corporation	2016.05~2018.04	LF4 Addition of new engineering equipment	None
Engineering contract	China Steel Machinery Corporation	2016.05~2018.11	LF4 Addition of new engineering design and installation	None
Engineering contract	United Steel Engineering & Construction Corporation	2016.05~2020.03	Advances, recruitment, purchase and payment contract for the Danhai LRT Turnkey Project	None
Engineering contract	Sinotech Engineering Consultants, Ltd.	2016.08~2021.04	Detailed civil engineering and facility electromechanical design for Phase 2 of the Kaohsiung Circular Light Rail Turnkey Project	None
Engineering contract	China Steel Machinery Corporation	2016.10~2018.01	Manufacturing and installation works in Area 1000 for revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	United Steel Engineering & Construction Corporation	2016.10~2020.05	Civil and railway engineering works for Phase 2 of the Kaohsiung Circular Light Rail Turnkey Project	None
Engineering contract	China Ecotek Corporation	2016.11~2018.06	Layout of main pipelines in the CSC factory for reclaimed water from Fengshan River and new domestic water supply networks	None
Engineering contract	China Ecotek Corporation	2017.01~2018.04	Manufacturing and installation works in Area 3600 for the revamping of the 2nd campaign of No. 3 Blast Furnace	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Engineering contract	China Steel Machinery Corporation	2017.01~2018.04	Manufacturing and installation works in Area 3000 for the revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2017.01~2018.04	Manufacturing and installation works in Area 4000 for the revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	InfoChamp Systems Corporation	2017.01~2019.04	Procurement of power supply system equipment for Phase 2 of the Kaohsiung Circular Light Rail Project	None
Engineering contract	China Ecotek Corporation	2017.02~2018.06	Manufacturing and installation works in Area 6000 for the revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2017.02~2019.03	Engineering equipment for the upgrade of LDG holder at the No.1 Basic Oxygen Furnace Plant	None
Engineering contract	China Steel Machinery Corporation	2017.02~2019.11	Engineering design and installation for the upgrade of LDG holder at the No.1 Basic Oxygen Furnace Plant	None
Engineering contract	China Ecotek Corporation	2017.03~2018.09	Manufacturing and installation works in Area 3400 for the revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	China Ecotek Corporation	2017.03~2018.04	Manufacturing and installation works in Area 9200 for the revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2017.03~2018.05	Manufacturing and installation works in Area 2000 for the revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2017.05~2019.02	Manufacturing and installation works for the revamping of No. 34 Hot Stove Shell and mechanical instruments	None
Engineering contract	China Ecotek Corporation	2017.06~2018.02	Furnace construction for the upgrade of the lining and hot blast pipelines for the revamping of the 2nd campaign of No. 3 Blast Furnace	None
Engineering contract	InfoChamp Systems Corporation	2017.07~2021.12	Procurement of power supply system equipment for the Ankeng LRT Project	None
Engineering contract	InfoChamp Systems	2017.07~2021.12	Power supply system	None



Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
	Corporation		design and installation works for the Ankeng LRT Project	
Engineering contract	China Ecotek Corporation	2017.10~2018.02	Revamping of No.3 and No.4 Sinter Plants	None
Engineering contract	Kaohsiung Rapid Transit Corporation	2018.01~2020.06	Operations and technical services for the ahead of scheduled inauguration of Green Mountain Line of Danhai LRT	None
Engineering contract	China Steel Structure Co., Ltd.	2018.09~2019.10	Manufacturing and installation of automatic enclosed building structure in sinter plants	None
Engineering contract	China Ecotek Corporation	2018.11~2020.12	Construction for the replacement of No. 31 Hot Stove	None
Engineering contract	China Steel Machinery Corporation	2018.11~2020.12	Manufacturing and installation of the replacement of No. 31 Hot Stove shell and mechanical instruments	None
Engineering contract	United Steel Engineering & Construction Corporation	2018.12~2020.03	Civil construction and renovation of automatic enclosed building structure in sinter plants	None
Engineering contract	China Steel Machinery Corporation	2018.12~2022.12	Procurement of main maintenance equipment for the Ankeng LRT Depot	None
Technical service contract	Formosa Ha Tinh Steel Corporation	2017.01~2021.01	Service contract for bar and wire rod products	None
Technical service contract	Formosa Ha Tinh Steel Corporation	2017.11~2021.11	Service contract for electrical steels	None

## 2. Dragon Steel Corporation

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Procurement contract	Air Liquide Far Eastern Ltd. - Taichung Branch	2019.01~2029.11	Industrial gas procurement contract	The minimum oxygen consumption is 16,500 metric tons per year.

## 3. China Ecotek Corporation

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Engineering contract	Taiwan Power Company	2012.09~2020.06	Upgrade and expansion of coal transportation system at Linkou Power Plant	None
Engineering contract	Formosa Ha Tinh Steel Corporation	2015.10~2018.09	Level 1 and Level 2 maintenance of equipment for the coking area in the Ironmaking Department at Formosa Ha Tinh Steel Corporation	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Engineering contract	Dragon Steel Corporation	2016.03~2019.08	Installation and modification of transportation process for improving efficiency of wind and dust proof in the raw material storage yard at Dragon Steel Corporation	None
Engineering contract	Onyx Ta-Ho Environmental Services Co., Ltd.	2017.01~2019.05	EPC project for dust collection system in the ROT of incinerators in Shulin and Xindian	None
Engineering contract	CSC Solar Corporation	2017.01~2019.12	Solar photovoltaic power generation for CSC Group	None
Engineering contract	EirGenix, Inc.	2017.03~2018.05	Construction of GMP production plant for commercial mass production of biotech drugs at Hsinchu Biomedical Science Park	None
Engineering contract	TaiMed Biologics, Inc.	2017.05~2018.03	Construction of new biosimilar plant at TaiMed Biologics, Inc.	None
Engineering contract	China Steel Corporation	2017.06~2018.02	Replacement of refractory lining for the revamping of No.3 Blast Furnace at China Steel Corporation	None
Engineering contract	Dragon Steel Corporation	2017.07~2018.05	Refractory lining repair contract R02	None
Engineering contract	Dragon Steel Corporation	2017.07~2019.05	Refractory lining repair contract R01	None
Engineering contract	Formosa Ha Tinh Steel Corporation	2017.10~2019.12	Waste gas desulfurization and dedioxin in sinter plants at Formosa Ha Tinh Steel Corporation	None
Engineering contract	Taiwan Power Company	2017.12~2020.03	Procurement of recommended spare parts for coal transportation system in the Linkou Power Plant Upgrading and Expansion Project	None
Engineering contract	China Steel Corporation	2018.01~2020.06	Modification of coal and iron ore transportation processes at China Steel Corporation	None
Engineering contract	Dragon Steel Corporation	2018.01~2020.12	Optimization of transmission process for improving efficiency of wind and dust proof in the raw material storage yard	None
Engineering contract	Formosa Ha Tinh Steel Corporation	2018.02~2018.09	Refractories in the steelmaking area of the basic oxygen furnace plant	None
Engineering contract	China Steel Corporation	2018.04~2019.03	Improvement for pollution of phase 2 limestone crushing system for China Steel Corporation	None
Engineering contract	Dragon Steel Corporation	2018.05~2020.05	Time and material contract for construction of R02	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
			electric furnace for Dragon Steel Corporation	
Engineering contract	Formosa Ha Tinh Steel Corporation	2018.09~2020.03	The 3rd time and material contract for construction of the refractories in the steelmaking area of the basic oxygen furnace plant at Formosa Ha Tinh Steel Corporation (ladle refractories)	None
Engineering contract	Far Eastern Polytex (Vietnam) Ltd.	2018.10~2019.10	Civil construction for product warehouse of short fiber polymerization and cotton plant at Far Eastern Polytex (Vietnam) Ltd.	None
Engineering contract	Sing Da Marine Structure Corporation	2018.10~2019.12	Procurement and installation for public facilities and equipment for Sing Da Marine Structure Corporation	None
Engineering contract	China Steel Corporation	2019.01~2021.12	Equipment supply for the demolition of Phase 1 and 2 of coal and iron ore transportation equipment for China Steel Corporation	None
Engineering contract	Taiwan Water Corporation	2019.02~2022.02	Operation and maintenance of the Chengcing Lake Water Treatment Plant	None
Engineering contract	Formosa Ha Tinh Steel Corporation	2019.03~2021.03	The 4th contract for repairment of refractories in the steelmaking area of the basic oxygen furnace plant for Formosa Ha Tinh Steel Corporation - Onshore construction contract	None

#### 4. China Steel Chemical Corporation

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Sales contract	Koppers Australia Pty Limited	2018.01.01~2027.12.31	85°C Soft pitch sales contract	None
Sales contract	Taiwan Prosperity Chemical Corporation	2018.01.01~2018.12.31	Benzene sales contract	None
Sales contract	Formosan Union Chemical Corp.	2018.01.01~2018.12.31	Benzene sales contract	None
Sales contract	Taiwan Styrene Monomer Corporation	2018.01.01~2018.12.31	Benzene sales contract	None
Sales contract	Taiwan Prosperity Chemical Corporation	2019.01.01~2019.12.31	Benzene sales contract	None
Sales contract	Formosan Union Chemical Corp.	2019.01.01~2019.12.31	Benzene sales contract	None
Sales contract	Taiwan Styrene Monomer Corporation	2019.01.01~2019.12.31	Benzene sales contract	None
Sales contract	Grand Pacific Petrochemical Corporation	2019.01.01~2019.12.31	Benzene sales contract	None
Sales contract	China Synthetic Rubber Corporation	2017.01.01~2019.12.31	Creosote oil sales contract	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
	(renamed as International CSRC Investment Holdings Co., Ltd. on October 16, 2018)			
Sales contract	Tokai Carbon Co., Ltd.	2018.01.01~ 2018.12.31	Creosote oil sales contract	None
Sales contract	Tokai Carbon Co., Ltd.	2019.01.01~ 2019.12.31	Creosote oil sales contract	None
Sales contract	Dalian Shengyuan Chemical Co., Ltd.	2019.01.01~ 2019.12.31	Creosote oil sales contract	None
Procurement contract	China Steel Corporation	2013.03.01~ 2018.02.28	Crude light oil procurement contract	None
Procurement contract	China Steel Corporation	2018.03.01~ 2023.02.28	Crude light oil procurement contract	None
Procurement contract	China Steel Corporation	2014.04.01~ 2019.03.31	Coal tar procurement contract	None
Procurement contract	China Steel Corporation	2018.01.01~ 2022.12.31	Metallurgical coke procurement contract	None
Procurement contract	China Steel Corporation	2018.01.01~ 2022.12.31	Dehydrated coke fines procurement contract	None
Procurement contract	China Steel Corporation	2018.01.01~ 2022.12.31	Coke fines procurement contract	None
Procurement contract	China Steel Corporation	2018.01.01~ 2022.12.31	Dried Quenching coke procurement contract	None
Procurement contract	China Steel Corporation	2018.01.01~ 2022.12.31	Coke dust procurement contract	None
Procurement contract	CPC Corporation, Taiwan	2018.01.01~ 2018.12.31	Hydrogen procurement contract	None
Procurement contract	CPC Corporation, Taiwan	2019.01.01~ 2019.12.31	Hydrogen procurement contract	None
Commissioned processing contract	China Steel Corporation	2018.01.01~ 2022.12.31	Coke breeze processing contract	None

#### 5. CHC Resources Corporation

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Land lease contract	Port of Taichung, Taiwan International Ports Corporation, Ltd.	2007.01.01~ 2026.12.31	Water-quenched basic furnace slag grinding and slag processing factory	None
Land lease contract	Port of Taichung, Taiwan International Ports Corporation, Ltd.	2016.02.04~ 2036.02.03	Slag processing factory	None
Land lease contract	Kai Ching Industry Co., Ltd.	2017.11.01~ 2027.10.31	Product storage area	None
Land lease contract	He Su Co., Ltd.	2018.01.01~ 2027.12.31	Product storage area	None
Land lease contract	Shang Chen Steel Co., Ltd.	2018.02.02~ 2028.02.01	Product storage area	None
Land lease contract	UPC Technology Corporation	2018.11.15~ 2028.11.14	Product storage area	None
Land and building lease contract	Shang Chen Steel Co., Ltd.	2012.05.01~ 2029.04.30	Lease contract for slag processing factory	None
Sales contract	China Steel Corporation	2017.07.01~ 2018.06.30	Sales of recycled metals	None
Sales contract	China Steel Corporation	2018.07.01~ 2019.06.30	Sales of recycled metals	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Sales contract	China Steel Corporation	2017.07.01~ 2019.06.30	Sales of zinc oxide powder	None
Sales contract	Universal Cement Corporation	2018.01.01~ 2018.12.31	Sales of blast furnace slag powder	None
Sales contract	Taiwan Cement Corporation	2018.04.01~ 2019.03.31	Sales of blast furnace slag powder	None
Sales contract	Universal Cement Corporation	2019.01.01~ 2019.12.31	Sales of blast furnace slag powder	None
Sales contract	China Steel Corporation	2018.01.01~ 2019.12.31	Sales of granulated blast furnace slag cement	None
Sales contract	Goldsun Building Materials Co., Ltd.	2018.03.01~ 2019.02.28	Sales of blast furnace slag powder and granulated blast furnace slag cement	None
Sales contract	Goldsun Building Materials Co., Ltd.	2019.03.01~ 2020.02.28	Sales of blast furnace slag powder and granulated blast furnace slag cement	None
Sales agent contract	Wei Meng Industrial Co., Ltd.	2017.01.01~ 2019.12.31	Marketing service commissioning contract	None
Sales agent contract	Chih Sheng Huang Co., Ltd.	2017.01.01~ 2019.12.31	Marketing service commissioning contract	None
Sales agent contract	Sung Chin Enterprise Co., Ltd.	2017.01.01~ 2019.12.31	Marketing service commissioning contract	None
Distributor contract	Kuang Hui Building Materials Co., Ltd.	2018.01.01~ 2018.12.31	Distributor contract for products of soil improvement agents	None
Distributor contract	Kuang Hui Building Materials Co., Ltd.	2019.01.01~ 2019.12.31	Distributor contract for products of soil improvement agents	None
Contracting agreement	China Steel Corporation	2016.06.01~ 2018.05.31	Processing and transportation of blast furnace and basic oxygen furnace slag	None
Contracting agreement	Dragon Steel Corporation	2017.03.21~ 2019.03.20	Shipment of sludge; processing and transportation of iron slag (coal ash-sludge blended material)	None
Contracting agreement	China Steel Resources Corporation	2017.05.01~ 2018.04.25	O&M of Yanhai Plant at China Steel Resources Corporation	None
Contracting agreement	China Steel Resources Corporation	2017.05.01~ 2018.04.25	O&M of Dafa Plant at China Steel Resources Corporation	None
Contracting agreement	Dragon Steel Corporation	2017.05.21~ 2018.05.20	Cleaning and transportation of blast furnace slag and basic oxygen furnace slag in-plant	None
Contracting agreement	Dragon Steel Corporation	2017.05.21~ 2018.05.20	Treatment and reutilization of blast furnace slag and basic oxygen furnace slag outside of the plant	None
Contracting agreement	China Steel Corporation	2017.06.01~ 2018.05.25	Processing and promoting application of blast furnace slag and basic oxygen furnace slag	None
Contracting	China Steel Resources Corporation	2018.04.26~ 2019.04.20	O&M of Yanhai Plant at China Steel Resources	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
agreement			Corporation	
Contracting agreement	China Steel Resources Corporation	2018.04.26~2019.04.20	O&M of Dafa Plant at China Steel Resources Corporation	None
Contracting agreement	Dragon Steel Corporation	2018.05.21~2019.05.20	Cleaning and transportation of blast furnace slag and basic oxygen furnace slag in-plant	None
Contracting agreement	Dragon Steel Corporation	2018.05.21~2019.05.20	Treatment and reutilization of blast furnace slag and basic oxygen furnace slag outside of the plant	None
Contracting agreement	China Steel Corporation	2018.05.26~2019.05.20	Processing and promoting application of blast furnace slag and basic oxygen furnace slag	None
Contracting agreement	China Steel Corporation	2018.07.01~2020.05.20	Processing and transportation of blast furnace and basic oxygen furnace slag (contract for indoor slag plant at China Steel Corporation)	None
Subcontracting agreement	Nan-Hwa Cement Corporation	2017.01.01~2019.12.31	Grinding subcontracting agreement for water-quenched blast furnace slag	None
Procurement contract	Taiwan Cement Corporation	2015.01.01~2019.12.31	Portland cement ordering contract	None
Procurement contract	Asia Cement Corporation	2015.01.01~2019.12.31	Portland cement ordering contract	None
Procurement contract	Southeast Cement Corporation	2015.01.01~2019.12.31	Portland cement ordering contract	None
Procurement contract	Universal Cement Corporation	2015.01.01~2019.12.31	Portland cement ordering contract	None
Procurement contract	China Steel Corporation	2018.01.01~2022.12.31	Water-quenched blast furnace slag procurement contract	None
Purchase and sales contract	Chung Hung Steel Corporation	2017.04.01~2018.03.31	Scrap purchase and sales contract	None
Purchase and sales contract	Chung Hung Steel Corporation	2018.04.01~2019.03.31	Scrap purchase and sales contract	None
Long-term borrowing	Mega Bills Finance Co., Ltd.	2017.11.02~2020.11.01	Three-year revolving line of credit with fixed interest rate	Credit utilization rate
Long-term borrowing	International Bills Finance Corporation	2018.06.02~2022.06.11	Four-year revolving line of credit with fixed interest rate	Credit utilization rate
Long-term borrowing	Taipei Fubon Bank	2018.03.30~2021.03.30	Three-year working capital limit	Credit utilization rate/financial ratio restrictions
Long-term borrowing	KGI Bank	2018.05.23~2021.05.23	Three-year working capital limit	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Long-term borrowing	DBS Bank Limited	2018.07.16~2021.07.16	Three-year working capital limit	None
Long-term borrowing	Export-Import Bank of the Republic of China	5 years from the first drawdown date	5-year line of credit for overseas investment loans	None

## 6. Chung Hung Steel Corporation

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Material supply contract	Nippon Steel & Sumitomo Metal Corporation	2015.07.01~2020.06.30	Supply of slabs	None
Long-term natural gas supply contract	Nan-Jehn Gas Corporation	2018.10.11~2021.10.31	Supply of fuel for the production of annealing furnaces at cold rolling mills	None
Long-term steam supply contract	China Steel Corporation	2018.12.28~2023.12.31	Providing heating in production lines at pickling and galvanizing mills	None
Equipment contract	InfoChamp Systems Corporation	2018.11.02~2020.12.31	Upgrading of electrical control equipment in pickling line at pickling and galvanizing mills	None
Land lease contract	Costco Wholesale Taiwan, Ltd.	2010.06.30~2031.08	Land lease	<p>1. The lessee has the right to notify the lessor in writing of lease renewal between 18 months and 24 months before the expiration of the operating period. The renewal period is limited up to 10 years, but shall not be less than 5 years.</p> <p>2. The lessee may terminate the contract at any time after 10 years from the commencement of the lease. However, the lessee shall notify the lessor in writing no less than 6 months before the termination, and shall indicate the reasons for not renewing the contract (hereinafter referred to as "termination notice period"). In addition, the lessee shall obtain written consent from the lessor. The lessor shall not refuse to give consent without any justifiable reason. However, the lessee is not required to obtain written consent from the lessor when the land lease</p>

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
				cannot extended due to losses arising from operations on the site/construction for two consecutive years and above (supporting documents from CPAs shall be provided).

#### 7. China Steel Structure Co., Ltd.

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Engineering contract	Dragon Steel Corporation	2016.03~2020.12	Steel structure construction for the improvement of wind- and dust-proof efficiency in the raw material storage yard at Dragon Steel Corporation	None
Engineering contract	Pan Asia Corporation	2016.10~2018.09	Co-construction in the JIG091 Section Bid for the Taichung MRT Project	None
Engineering contract	United Steel Engineering & Construction Corporation	2016.10~2019.08	Phase 1 steel structure construction of the Danhai LRT Transportation System Project	None
Engineering contract	Continental Engineering Corporation	2017.04~2018.08	Construction of Hsin-Tung-Legend Riverview Landmark Residence	None
Engineering contract	Shang Yu Construction Co., Ltd.	2017.06~2018.01	Steel skeleton construction for Shang Yu-Tiffany Residence	None
Engineering contract	Bonafides Architectural Co., Ltd.	2017.06~2018.03	Construction of collective residence for Bonafides Architectural in Longquan, Da-an	None
Engineering contract	Fu-Hsuan Construction and Engineering Co., Ltd.	2017.07~2018.04	Phase 2 steel structure construction along Jinshan South Road	None
Engineering contract	Reiju Construction Co., Ltd.	2017.07~2018.05	Construction of Linkou National Sports Center	None
Engineering contract	Hsu Ti Construction Co., Ltd.	2017.07~2018.07	Construction of Victoria Construction-Jingmei Skyline	None
Engineering contract	Kedge Construction Co., Ltd.	2017.08~2018.04	Steel structure construction for Kindom Construction- Qihai Cultural Park	None
Engineering contract	Chung-Lu Construction Co., Ltd./Continental Engineering Corporation	2017.08~2018.04	Top-down steel construction columns for the Fubon A25 Project	None
Engineering contract	Lien Jade Construction Co., Ltd.	2017.08~2019.02	Construction of Ruihe Building for Lien Jade Construction	None
Engineering contract	Dacin Construction Co., Ltd.	2017.08~2019.03	Upper steel structure construction for Kaohsiung Cultural and	None



Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
			Creative Center	
Engineering contract	Farglory Construction Co., Ltd.	2017.09~2018.08	Construction for the Farglory H100 Project	None
Engineering contract	Ta Chen Construction and Engineering Corp.	2017.09~2018.10	Construction of Tycoon Construction- Zhi Shan Yuan Residence	None
Engineering contract	Kedge Construction Co., Ltd.	2017.11~2018.11	Construction of Kindom Construction-Xinzhuang Center Case D Building	None
Engineering contract	Ding Cheng Construction Co., Ltd.	2017.12~2018.06	Collective residence for Ding Cheng Construction in Weiwuying	None
Engineering contract	United Steel Engineering & Construction Corporation	2017.12~2018.08	Construction of windbreak wall for Zhonggang Storage Yard	None
Engineering contract	Far Eastern General Contraction, Inc.	2018.01~2018.09	Sanlight Cultural Construction Project	None
Engineering contract	Kun Fu Construction Co., Ltd.	2018.01~2019.03	Construction of Hongwell Parking Garage No. 2 in Xinzhuang	None
Engineering contract	United Steel Engineering & Construction Corporation	2018.02~2018.10	CHC Resources Corporation (Storage area at Daye South Road)	None
Engineering contract	Jia Liu Yuan Construction Corp.	2018.02~2019.02	(Hygge Project) Construction for B6F to 28F of new building	None
Engineering contract	Taiwan Semiconductor Manufacturing Company Limited	2018.04~2018.08	Construction of F6E Plant for Taiwan Semiconductor Manufacturing Company Limited at Southern Taiwan Science Park	None
Engineering contract	China Steel Corporation	2018.04~2018.10	Construction of Yongguang No. 92 Warehouse and Plant	None
Engineering contract	Ta Chen Construction and Engineering Corp.	2018.05~2019.03	Construction of landmark plaza at TS Dream Mall	None
Engineering contract	Mitsubishi Hitachi Power Systems, Ltd.	2018.05~2019.05	Steel structure manufacturing of the Indonesia Cirebon Unit-2 Power Plant of Mitsubishi Hitachi Power Systems	None
Engineering contract	China Steel Corporation	2018.05~2019.06	Manufacturing and installation of wind power plant of China Steel Corporation	None
Engineering contract	China Steel Corporation	2018.05~2019.12	Phase 3 and 4 Construction of automated indoor warehouse of sinter plant	None
Engineering contract	Taiwan Semiconductor Manufacturing Company Limited	2018.06~2018.10	Construction of 18P2A FAB for Taiwan Semiconductor Manufacturing Company Limited at Southern Taiwan Science Park	None
Engineering contract	China Steel Machinery Corporation	2018.06~2019.04	Mockup of wind power tower	None
Engineering contract	United Steel Engineering &	2018.07~2018.10	Phase 3 construction of	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
	Construction Corporation		new plant for Full Wei Industrial Co., Ltd.	
Engineering contract	Kedge Construction Co., Ltd.	2018.09~2020.01	Construction of the headquarters of Kindom Construction Corporation	None
Engineering contract	Chung-Lu Construction Co., Ltd.	2018.10~2019.04	Miscellaneous steel structures for Linsen S. Rd Hotel development project invested by Fubon Life Insurance	None
Engineering contract	United Steel Engineering & Construction Corporation	2018.10~2019.04	Sing Da Marine Structure Project for China Steel Corporation - Steel Pipe Pile	None
Engineering contract	Chung-Lu Construction Co., Ltd./Continental Engineering Corporation	2018.11~2019.08	Steel Structure #1 for Fubon A25 Project	None
Engineering contract	Shine Far Construction Co., Ltd.	2018.11~2019.09	Hangzhou South Road construction	None
Engineering contract	Fu-Du Building Co., Ltd.	2018.11~2019.09	U-I project of Fu-Du Building Co., Ltd.	None
Engineering contract	Taiwan Semiconductor Manufacturing Company Limited	2018.12~2019.06	F18P3 Construction Project for Taiwan Semiconductor Manufacturing Company Limited at Southern Taiwan Science Park	None
Engineering contract	United Steel Engineering & Construction Corporation	2018.12~2019.07	CHC Resources Corporation (Taichung Port No. 4 Storage Yard)	None
Engineering contract	Yang Sheng Construction Co., Ltd.	2019.03~2019.04	Chapel on the Water at Sunrise Golf & Country Club	None
Long-term borrowing	KGI Bank	2017.03~2019.03	Long-term line of credit	None
Long-term borrowing	International Bills Finance Corporation	2017.09~2020.09	One-year revolving line of credit with fixed interest rate	None
Long-term borrowing	China Bills Finance Corporation	2017.09~2020.08	One-year revolving line of credit with fixed interest rate	None
Long-term borrowing	Taiwan Cooperative Bills Finance Corporation	2017.10~2020.10	One-year revolving line of credit with fixed interest rate	None
Long-term borrowing	Dah Chung Bills Finance Corp.	2018.03~2021.03	One-year revolving line of credit with fixed interest rate	None

#### 8. Thintech Materials Technology Co., Ltd.

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Precious metal and foreign exchange trading	Samsung C&T Hongkong Limited	2017.09.25~2018.10.06	Precious metal supply contract	The transaction between Thintech Materials Technology Co., Ltd. and Samsung is carried out by signing contracts and delivering case by case, and may be extended when necessary.

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Precious metal and foreign exchange trading	Bank of Nova Scotia	2006.08.16~ (The contract was amended on January 2, 2018)	Precious metal supply contract	The transaction between Thintech Materials Technology Co., Ltd. and Bank of Nova Scotia is carried out based on the amount stipulated in the supply contract signed on August 16, 2006, where there is no clear maturity date.
Land lease contract	Southern Taiwan Science Park Bureau	2016.01.12~ 2027.05.31	Land use in the park	According to the provisions of the lease contract, both parties may extend the contract upon expiration of the lease term.
Technical cooperation	China Steel Corporation	2018.01.01~ 2018.12.31	Providing technical R&D services on development of silver powder for the optoelectronics industry-development of large-diameter spherical silver powder and silver powder for electrical contacts	None
Financing agreement	First Commercial Bank	2017.08.25~ 2018.08.24	Comprehensive credit line	Applying for renewal
Financing agreement	Taipei Fubon Bank	2018.02.05~ 2019.01.10	Comprehensive credit line	Applying for renewal
Financing agreement	Shanghai Commercial & Savings Bank	2018.02.22~ 2019.02.22	Comprehensive credit line	Applying for renewal
Financing agreement	Bank of Taiwan	2018.03.22~ 2019.03.22	Comprehensive credit line	Applying for renewal
Financing agreement	Bank SinoPac	2018.06.30~ 2019.06.30	Comprehensive credit line	None
Financing agreement	KGI Bank	2018.07.02~ 2019.07.02	Comprehensive credit line	None
Financing agreement	Mega International Commercial Bank	2018.07.28~ 2019.07.27	Comprehensive credit line	None
Financing agreement	Mega Bills Finance Co., Ltd.	2017.12.26~ 2018.12.25	Guarantee for the issue of commercial paper	Applying for renewal
Financing agreement	China Bills Finance Corporation	2018.08.18~ 2019.08.17	Guarantee for the issue of commercial paper	None

Note: Contracting party, main content, restrictive covenants, and contract commencement date of other important contracts that may affect shareholders' rights and interests: None.

## Chapter VI. Financial Overview

### I. Five-Year Condensed Balance Sheet, Statement of Comprehensive Income and CPA's Audit Opinion

#### (I) Condensed Balance Sheet and Statement of Comprehensive Income

##### 1. Condensed Balance Sheet - Consolidated

Unit: NT\$ thousands

Year		Five-Year Financial Information (Note 1)				
		End of 2018 (Note 2)	End of 2017	End of 2016	End of 2015	End of 2014 (Restatement)
Current assets		174,307,744	150,980,415	140,055,190	135,142,176	148,366,811
Property, plant and equipment		398,733,684	413,821,236	430,849,587	448,688,581	459,313,969
Intangible assets		1,850,508	1,938,180	2,488,714	2,404,617	2,493,804
Other assets		99,634,660	100,976,048	102,728,302	91,903,642	72,565,436
Total assets		674,526,596	667,715,879	676,121,793	678,139,016	682,740,020
Current liabilities	Before distribution	155,338,705	144,320,040	123,150,208	134,366,854	131,505,517
	After distribution	undistributed	158,220,292	136,578,415	142,287,859	147,293,953
Noncurrent liabilities		176,390,173	191,443,852	223,391,892	223,047,329	216,590,269
Total liabilities	Before distribution	331,728,878	335,763,892	346,542,100	357,414,183	348,095,786
	After distribution	undistributed	349,664,144	359,970,307	365,335,188	363,884,222
Equity attributable to owners of the Company		312,908,037	304,010,063	302,559,886	294,320,819	304,674,598
Share capital		157,731,290	157,731,290	157,731,290	157,731,290	157,731,290
Capital surplus		38,545,884	38,211,082	37,807,466	37,612,027	37,217,876
Retained earnings	Before distribution	122,682,396	109,227,145	106,917,266	99,630,738	108,150,878
	After distribution	undistributed	95,326,893	93,489,059	91,709,733	92,362,442
Other equity		2,595,167	7,372,935	8,680,706	7,924,408	10,162,015
Treasury shares		(8,646,700)	(8,532,389)	(8,576,842)	(8,577,644)	(8,587,461)
Non-controlling interests		29,889,681	27,941,924	27,019,807	26,404,014	29,969,636
Total equity	Before distribution	342,797,718	331,951,987	329,579,693	320,724,833	334,644,234
	After distribution	undistributed	318,051,735	316,151,486	312,803,828	318,855,798

Note 1: Financial information from 2014 to 2018 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2019, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2018.

## 2. Condensed Balance Sheet - Standalone

Unit: NT\$ thousands

Item	Year	Five-Year Financial Information (Note 1)				End of 2014 (Restatement)
		End of 2018 (Note 2)	End of 2017	End of 2016	End of 2015	
Current assets		85,311,954	73,703,417	65,458,991	63,791,939	65,977,147
Property, plant and equipment		155,897,997	162,042,223	167,632,162	175,420,761	185,285,861
Intangible assets		34,847	44,810	54,785	65,736	76,971
Other assets		239,837,379	236,637,062	237,129,431	225,121,962	212,909,613
Total assets		481,082,177	472,427,512	470,275,369	464,400,398	464,249,592
Current liabilities	Before distribution	68,011,905	65,066,190	45,556,399	57,914,294	51,998,443
	After distribution	Undistributed	78,966,442	58,984,606	65,835,299	67,786,879
Noncurrent liabilities		100,162,235	103,351,259	122,159,084	112,165,285	107,576,551
Total liabilities	Before distribution	168,174,140	168,417,449	167,715,483	170,079,579	159,574,994
	After distribution	Undistributed	182,317,701	181,143,690	178,000,584	175,363,430
Share capital		157,731,290	157,731,290	157,731,290	157,731,290	157,731,290
Capital surplus		38,545,884	38,211,082	37,807,466	37,612,027	37,217,876
Retained earnings	Before distribution	122,682,396	109,227,145	106,917,266	99,630,738	108,150,878
	After distribution	Undistributed	95,326,893	93,489,059	91,709,733	92,362,442
Other equity		2,595,167	7,372,935	8,680,706	7,924,408	10,162,015
Treasury shares		(8,646,700)	(8,532,389)	(8,576,842)	(8,577,644)	(8,587,461)
Total equity	Before distribution	312,908,037	304,010,063	302,559,886	294,320,819	304,674,598
	After distribution	Undistributed	290,109,811	289,131,679	286,399,814	288,886,162

Note 1: Financial information from 2014 to 2018 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2019, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2018.

### 3. Condensed Statement of Comprehensive Income - Consolidated

Unit: NT\$ thousands

Item	Year	Five-Year Financial Information (Note 1)				
		2018 (Note 2)	2017	2016	2015	2014 (Restatement)
Operating revenues		400,665,057	347,012,002	293,055,804	285,053,876	366,510,697
Gross profit		48,838,402	39,339,149	39,723,308	21,401,420	43,895,135
Profit (loss) from operations		33,579,011	24,921,629	25,431,621	8,115,531	29,762,149
Non-operating income and expenses		(1,657,266)	(1,518,332)	(3,532,454)	1,390,079	(1,215,301)
Profit before income tax		31,921,745	23,403,297	21,899,167	9,505,610	28,546,848
Net profit from continuing operations		27,886,609	20,431,190	19,187,324	7,619,419	24,174,282
Loss from discontinued operations		-	-	-	-	-
Net profit		27,886,609	20,431,190	19,187,324	7,619,419	24,174,282
Other comprehensive income (net of income tax)		(1,218,335)	(3,298,276)	(1,176,053)	(3,075,005)	4,196,625
Total comprehensive income for the period		26,668,274	17,132,914	18,011,271	4,544,414	28,370,907
Net profit attributable to owners of the Company		24,454,152	16,905,588	16,038,369	7,604,721	22,132,134
Net profit attributable to non-controlling interests		3,432,457	3,525,602	3,148,955	14,698	2,042,148
Total comprehensive income attributable to owners of the Company		23,004,013	14,430,315	15,950,850	5,073,036	25,693,955
Total comprehensive income attributable to non-controlling interests		3,664,261	2,702,599	2,060,421	(528,622)	2,676,952
Basic earnings per share (NT\$) (Note 3)		1.58	1.09	1.04	0.49	1.43
Retrospective basic earnings per share (NT\$) (Note 4)		-	1.09	1.04	0.49	1.43

Note 1: Financial information from 2014 to 2018 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2019, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2018.

Note 3: Basic earnings per share is calculated based on the weighted average of shares outstanding.

Note 4: Retrospective basic earnings per share is calculated based on retrospective adjustment of earnings, the number of common shares after capital increase transferred from employees' remuneration (bonus) and convertible preferred shares.

#### 4. Condensed Statement of Comprehensive Income - Standalone

Unit: NT\$ thousands

Item	Year	Five-Year Financial Information (Note 1)				
		2018 (Note2)	2017	2016	2015	2014 (Restatement)
Operating revenues		235,403,151	207,098,630	168,927,075	160,909,464	205,159,602
Gross profit		24,972,208	19,529,825	21,752,291	12,398,173	21,781,705
Profit (loss) from operations		16,316,631	11,575,044	13,081,144	5,154,337	13,224,587
Non-operating income and expenses		10,080,759	6,945,620	4,952,067	3,161,977	10,431,496
Profit before income tax		26,397,390	18,520,664	18,033,211	8,316,314	23,656,083
Net profit from continuing operations		24,454,152	16,905,588	16,038,369	7,604,721	22,132,134
Loss from discontinued operations		-	-	-	-	-
Net profit		24,454,152	16,905,588	16,038,369	7,604,721	22,132,134
Other comprehensive income (net of income tax)		(1,450,139)	(2,475,273)	(87,519)	(2,531,685)	3,561,821
Total comprehensive income for the period		23,004,013	14,430,315	15,950,850	5,073,036	25,693,955
Basic earnings per share (NT\$) (Note 3)		1.58	1.09	1.04	0.49	1.43
Retrospective basic earnings per share (NT\$) (Note 4)		-	1.09	1.04	0.49	1.43

Note 1: Financial information from 2014 to 2018 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2019, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2018.

Note 3: Basic earnings per share is calculated based on the weighted average of shares outstanding.

Note 4: Retrospective basic earnings per share is calculated based on retrospective adjustment of earnings, the number of common shares after capital increase transferred from employees' remuneration (bonus), and convertible preferred shares.

(II) Names and opinions of CPAs for the most recent five years

Year	2018	2017	2016	2015	2014
Item					
Name of CPAs	Lee-Yuan Kuo Cheng-Hung Kuo	Lee-Yuan Kuo Cheng-Hung Kuo	Lee-Yuan Kuo Cheng-Hung Kuo	Lee-Yuan Kuo Cheng-Hung Kuo	Lee-Yuan Kuo Clark Chen
Audit Opinion	Unmodified opinion with emphasis of matter and other matter paragraphs (Note 1)	Unqualified opinion	Unqualified opinion	Modified unqualified opinion (Note2)	Unqualified opinion
Note 1: Emphasis of Matter: The Company has applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC starting from 2018. Other Matter: Certain investments accounted for using the equity method in the Company's financial statements were based on financial statements audited by other independent auditors.					
Note 2: Since 2015, the Company has applied the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 edition of the International Financial Reporting Standards, International Accounting Standards, interpretations and interpretation announcements approved by the Financial Supervisory Commission (FSC). Therefore, the aforesaid regulations, standards, interpretation and interpretation announcements have been applied retrospectively, and items affected in prior financial statements have been adjusted.					



## II. Five-Year Financial Analysis

### (I) Financial Analysis - Consolidated

Item		Year	Five-Year Financial Analysis (Note 1)					Difference Comparison between 2018 and 2017	Difference Analysis > 20%
			2018 (Note 2)	2017	2016	2015	2014 (Restatement)		
Capital Structure (%)	Debt-to-asset ratio	49	50	51	53	51	(2)		
	Long-term fund to property, plant and equipment ratio	130	126	128	121	120	3		
Solvency	Current ratio (%)	112	105	114	101	113	7		
	Quick ratio (%)	32	30	34	35	36	7		
	Interest coverage ratio	11	7	7	4	9	57	1	
Operating Ability	Accounts receivable turnover (times)	21	21	20	20	26	-		
	Average collection days	17	17	18	18	14	-		
	Inventory turnover (times)	3	3	3	3	3	-		
	Accounts payable turnover (times)	17	19	18	22	23	(11)		
	Average inventory turnover days	115	116	130	125	110	(1)		
	Property, plant and equipment turnover (times)	1	1	1	1	1	-		
	Total asset turnover (times)	0.55	0.48	0.39	0.38	0.49	15		
Profitability	Return on assets (%)	5	4	3	2	4	25	2	
	Return on equity (%)	8	6	6	2	7	33	3	
	Pre-tax income to paid-in capital ratio (%)	20	15	14	6	18	33	4	
	Net margin (%)	8	6	7	3	7	33	5	
	Basic earnings per share (NT\$) (Note 3)	1.58	1.09	1.04	0.49	1.43	45	6	
	Retrospective basic earnings per share (NT\$) (Note 4)	-	1.09	1.04	0.49	1.43			
Cash Flow	Cash flow ratio (%)	42	34	45	37	49	24	7	
	Cash flow adequacy ratio (%)	138	118	109	72	59	17		
	Cash flow reinvestment ratio (%)	5	4	5	3	6	25	8	
Leverage	Operating leverage	3	4	4	9	3	(25)	9	
	Financial leverage	1	1	1	2	1	-		

Reasons for differences in financial ratios in the most recent two years (comparison between 2018 and 2017):

- Interest coverage ratio increased by 57% from the previous year, mainly due to the increase in profit before income tax and the decrease in finance costs.
- Return on assets increased by 25% from the previous year, mainly due to the increase in net profit.
- Return on equity increased by 33% from the previous year, mainly due to the increase in net profit.
- Pre-tax income to paid-in capital ratio increased by 33% from the previous year, mainly due to the increase in profit before income tax.
- Net margin increased by 33% from the previous year, mainly due to the increase in net profit.
- Basic earnings per share increased by 45% from the previous year, mainly due to the increase in net profit.

7. Cash flow ratio increased by 24% from the previous year, mainly due to the increase in net cash generated from operating activities.
8. Cash flow reinvestment ratio increased by 25% from the previous year, mainly due to the increase in net cash generated from operating activities.
9. Operating leverage decreased by 25% from the previous year, mainly due to the increase in profit from operations.

Note 1: Financial information from 2014 to 2018 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2019, the most recent financial information audited or reviewed by CPAs is the financial information at the end of 2018.

Note 3: Basic earnings per share is calculated based on the weighted average number of shares outstanding.

Note 4: Retrospective basic earnings per share is calculated based on retrospective adjustment of earnings, the number of common shares after capital increase transferred from employees' remuneration (bonus), and convertible preferred shares.

The formulas for financial analysis are listed as follows:

1. Capital Structure
  - (1) Debt-to-asset ratio = Total liabilities/Total assets.
  - (2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities)/Net property, plant and equipment.
2. Solvency
  - (1) Current ratio = Current assets/Current liabilities.
  - (2) Quick ratio = (Current assets – Inventory – Prepaid expense)/Current liabilities.
  - (3) Interest coverage ratio = Earnings before interest and taxes/Interest expense.
3. Operating Ability
  - (1) Accounts receivable turnover = Net sales/Average accounts receivable
  - (2) Average collection days = 365/ Receivables turnover.
  - (3) Inventory turnover = Cost of goods sold/Average inventory.
  - (4) Average payment turnover = Cost of goods sold/Average accounts payables.
  - (5) Average inventory turnover days = 365/Inventory turnover.
  - (6) Property, plant, and equipment turnover = Net sales/Average net property, plant, and equipment.
  - (7) Total asset turnover = Net sales/Average total assets.
4. Profitability
  - (1) Return on assets = [Net profit + Interest expense (1 – Tax rate)]/Average total assets.
  - (2) Return on equity = Net profit/Average total equity.
  - (3) Net margin = Net profit/Net sales.
  - (4) Earnings per share = (Net profit (loss) attributable to owners of the Company – Preferred share dividends) / Weighted average of shares outstanding.
5. Cash Flow
  - (1) Cash flow ratio = Net cash generated from operating activities/Current liabilities.
  - (2) Cash flow adequacy ratio = Five-year sum of net cash generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
  - (3) Cash flow reinvestment ratio = (Net cash generated from operating activities – Cash dividends)/(Gross property, plant, and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage
  - (1) Operating leverage = (Net sales – Variable expenses)/ Profit from operations.
  - (2) Financial leverage = Profit from operations / ( Profit from operations - Interest expenses).

## (II) Financial Analysis - Standalone

Item		Year	Financial Analysis in the Most Recent Five Years (Note 1)					Differences Comparison between 2018 and 2017	Differences Analysis > 20%
			2018 (Note 2)	2017	2016	2015	2014 (Restatement)		
Capital Structure (%)	Debt-to-asset ratio	35	36	36	37	34	(3)		
	Long-term fund to property, plant and equipment ratio	265	251	253	232	222	6		
Solvency	Current ratio (%)	125	113	144	110	127	11		
	Quick ratio (%)	39	28	36	34	35	39	1	
	Interest coverage ratio	17	11	10	5	13	55	2	
Operating Ability	Accounts receivable turnover (times)	40	42	54	54	50	(5)		
	Average collection days	9	9	7	7	7	-		
	Inventory turnover (times)	4	4	3	3	4	-		
	Accounts payable turnover (times)	26	33	38	43	33	(21)	3	
	Average inventory turnover days	95	99	117	114	97	(4)		
Operating Ability	Property, plant and equipment turnover (times)	1	1	1	1	1	-		
	Total asset turnover (times)	0.48	0.43	0.35	0.34	0.43	12		
Profitability	Return on assets (%)	5	4	4	2	5	25	4	
	Return on equity (%)	8	6	5	3	7	33	5	
	Pre-tax income to paid-in capital ratio (%)	17	12	11	5	15	42	6	
	Net margin (%)	11	8	10	5	11	38	7	
	Basic earnings per share (NT\$) (Note 3)	1.58	1.09	1.04	0.49	1.43	45	8	
	Retrospective basic earnings per share (NT\$) (Note 4)	-	1.09	1.04	0.49	1.43	-		
Cash Flow	Cash flow ratio (%)	57	36	69	44	72	58	9	
	Cash flow adequacy ratio (%)	122	117	122	78	78	4		
	Cash flow reinvestment ratio (%)	3	1	3	1	4	200	10	
Leverage	Operating leverage	3	4	4	8	4	(25)	11	

Item	Year	Financial Analysis in the Most Recent Five Years (Note 1)					Differences Comparison between 2018 and 2017	Differences Analysis > 20%
		2018 (Note 2)	2017	2016	2015	2014 (Restatement)		
Financial leverage		1	1	1	2	1	-	

Reasons for differences in financial ratios in the most recent two years (comparison between 2018 and 2017):

1. Quick ratio increased by 39% from the previous year, mainly due to the increase in cash and cash equivalents.
2. Interest coverage ratio increased by 55% from the previous year, mainly due to the increase in earnings before interest and taxes.
3. Accounts payable turnover decreased by 21% from the previous year, mainly due to the increase in average accounts payable.
4. Return on assets increased by 25% from the previous year, mainly due to the increase in net profit.
5. Return on equity increased by 33% from the previous year, mainly due to the increase in net profit.
6. Pre-tax income to paid-in capital ratio increased by 42% from the previous year, mainly due to the increase in profit before income tax.
7. Net margin increased by 38% from the previous year, mainly due to the increase in net profit.
8. Basic earnings per share increased by 45% from the previous year, mainly due to the increase in net profit.
9. Cash flow ratio increased by 58% from the previous year, mainly due to the increase in net cash generated from operating activities.
10. Cash flow reinvestment ratio increased by 200% from the previous year, mainly due to the increase in net cash generated from operating activities minus cash dividend payment.
11. Operating leverage decreased by 25% from the previous year, mainly due to the increase in profit from operations.

Note 1: Financial information from 2014 to 2018 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2019, the most recent financial information audited or reviewed by CPAs is the financial information at the end of 2018.

Note 3: Basic earnings per share is calculated based on the weighted average number of shares outstanding.

Note 4: Retrospective basic earnings per share is calculated based on retrospective adjustment of earnings, the number of common shares after capital increase transferred from employees' remuneration (bonus), and convertible preferred shares.

Refer to Page 169 for the formulas used in financial analysis

### III. 2018 Audit Committee's Audit Report

China Steel Corporation

#### Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2018 Financial Statements audited by Deloitte & Touche Taiwan, earnings distribution plan and business report. The Audit Committee has reviewed the aforementioned financial statements and documents, and concluded all information is presented fairly. We hereby submit this report pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2019 Annual General Shareholders' Meeting

China Steel Corporation

Convener of the Audit Committee:



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Shyue-Bin Chang

March 25, 2019

#### IV. 2018 Consolidated Financial Statements

### **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of China Steel Corporation as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, China Steel Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

China Steel Corporation

By

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Chao-Tung Wong  
Chairman

March 25, 2019

## **INDEPENDENT AUDITORS' REPORT**

China Steel Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of China Steel Corporation (the Corporation) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent auditors (refer to the other matter paragraph below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

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

### **Emphasis of Matter**

As disclosed in Note 3 to the consolidated financial statements, the Corporation and its subsidiaries have applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC starting from 2018. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2018 are stated as follows:

#### Inventory Valuation

As of December 31, 2018, inventories of the Corporation and its subsidiaries amounted to NT\$101,084,885 thousand, of which the inventories from steel industry amounted to NT\$84,631,378 thousand, representing 13% of the Corporation and its subsidiaries' total assets. Due to the drastic fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involved critical accounting estimates, is deemed to be a key audit matter. Refer to Notes 4, 5 and 15 to the consolidated financial statements for the related accounting policies and disclosures on inventory valuation.

We focused on inventory valuation, and the key audit procedures we performed included the following:

1. We evaluated the appropriateness of the approach applied to inventory valuation.
2. We verified the completeness of inventory included in inventory valuation.
3. We tested the net realizable value of inventory items on a sample basis and evaluated the underlying assumptions and supporting documents, re-performed and calculated the appropriateness of net realizable value and the value written - off.

#### Valuation of Financial Assets At Fair Value Through Other Comprehensive Income - Formosa Ha Tinh (Cayman) Limited

As of December 31, 2018, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$29,358,000 thousand, representing 4% of the Corporation and its subsidiaries' total assets. Such investment is an unlisted investment with no active market. Therefore, the Corporation engaged an appraiser who made an appraisal and issued a valuation report, which was used as the basis for determining the fair value of the investment. Assets of FHC were mainly from its wholly-owned subsidiary, Formosa Ha Tinh Steel Corporation (FHS). The appraiser adopted the market approach to appraise FHS which involved various assumptions and unobservable inputs, including comparable companies, market multiplier, discount for lack of marketability and control premium. As a result, the fair value of the investment in FHC is deemed to be a key audit matter. Refer to Notes 4 and 5 to the consolidated financial statements for the related accounting policies on valuation of financial assets.

The audit procedures we performed included the following:

1. We assessed the professional qualifications, competence, objectivity and independence of the appraiser hired by the Corporation.
2. We discussed with the management the scope of work performed by the independent appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and we identified no concerns over the appraiser's objectivity or any restriction imposed on the scope of the work.
3. We confirmed the valuation method adopted by the independent appraiser is complied with IFRSs.

We also consulted our internal valuation experts in the assessment of the appropriateness of the appraisal and in verifying the key assumptions and the reasonable ness of key inputs, including the comparable companies, market multiplier, discount for lack of marketability and control premium.

#### **Other Matter**

Certain investments accounted for using the equity method, in the consolidated financial statements for the year ended December 31, 2017 were based on financial statements audited by other independent auditors. The share of comprehensive income amounted to loss of NT\$875,298 thousand, representing 5% of the Corporation and its subsidiaries' total comprehensive income, for the year ended December 31, 2017.



We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with emphasis of matter and other matter paragraphs and an unmodified opinion with other matter paragraph, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation and its subsidiaries' financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Corporation and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee-Yuan Kuo and Cheng-Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2019

Notice to Readers

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

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

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 18,287,242	3	\$ 12,856,662	2	Short-term borrowings and bank overdraft (Notes 21 and 36)	\$ 42,010,006	6	\$ 35,326,058	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,594,485	-	4,910,644	1	Short-term bills payable (Note 21)	22,412,046	3	24,635,582	4
Financial assets at fair value through other comprehensive income - current (Notes 4, 5 and 8)	2,969,038	1	-	-	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	247	-
Available-for-sale financial assets - current (Notes 4, 5 and 10)	-	-	2,186,156	-	Derivative financial liabilities for hedging - current (Note 12)	-	-	48,218	-
Derivative financial assets for hedging - current (Note 12)	-	-	54,131	-	Financial liabilities for hedging - current (Note 12)	4,405,228	1	-	-
Financial assets for hedging - current (Note 12)	2,484,391	-	-	-	Contract liabilities - current (Notes 4 and 28)	7,555,264	1	-	-
Contract assets - current (Notes 4 and 28)	11,536,389	2	-	-	Notes payable	1,786,843	-	1,188,154	-
Notes receivable (Notes 4 and 13)	1,853,631	-	1,797,938	-	Accounts payable (Note 23)	19,354,016	3	13,261,485	2
Notes receivable - related parties (Notes 4, 13 and 35)	488,680	-	309,587	-	Accounts payable - related parties (Notes 23 and 35)	66,171	-	37,377	-
Accounts receivable, net (Notes 4 and 13)	15,270,077	2	14,311,437	2	Amounts due to customers for construction contracts (Notes 4 and 14)	-	-	5,426,228	1
Accounts receivable - related parties (Notes 4, 13 and 35)	789,032	-	355,077	-	Other payables (Notes 24 and 35)	25,625,388	4	23,155,371	3
Amounts due from customers for construction contracts (Notes 4 and 14)	-	-	9,400,960	2	Current tax liabilities (Note 30)	4,854,183	1	3,127,173	-
Other receivables (Note 35)	2,198,312	-	1,636,999	-	Provisions - current (Notes 4 and 25)	7,276,429	1	4,042,476	-
Current tax assets (Note 30)	171,737	-	181,204	-	Current portion of bonds payable (Note 22)	12,899,340	2	11,198,974	2
Inventories (Notes 4, 5 and 15)	101,084,885	15	87,963,760	13	Current portion of long-term bank borrowings (Notes 21 and 36)	2,974,653	1	18,549,055	3
Non-current assets held for sale (Notes 4 and 20)	839,218	-	212,780	-	Refund liabilities - current (Notes 24 and 25)	2,868,815	-	-	-
Other financial assets - current (Notes 18 and 36)	9,353,900	2	10,752,021	2	Other current liabilities	1,250,323	-	4,323,642	1
Other current assets	4,386,727	1	4,051,059	1					
<b>Total current assets</b>	<b>174,307,744</b>	<b>26</b>	<b>150,980,415</b>	<b>23</b>	<b>Total current liabilities</b>	<b>155,338,705</b>	<b>23</b>	<b>144,320,040</b>	<b>21</b>
<b>NONCURRENT ASSETS</b>					<b>NONCURRENT LIABILITIES</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,879,072	-	-	-	Derivative financial liabilities for hedging - noncurrent (Note 12)	-	-	210,325	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	56,780,774	9	-	-	Financial liabilities for hedging - noncurrent (Note 12)	4,350,730	1	-	-
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 10)	-	-	58,383,988	9	Bonds payable (Note 22)	98,933,304	15	83,852,513	13
Held-to-maturity financial assets - noncurrent (Notes 4 and 11)	-	-	129,750	-	Long-term bank borrowings (Notes 21 and 36)	27,494,745	4	57,047,876	9
Derivative financial assets for hedging - noncurrent (Note 12)	-	-	16,237	-	Long-term bills payable (Note 21)	21,319,494	3	27,613,159	4
Financial assets at amortized cost - noncurrent (Notes 4 and 9)	17,580	-	-	-	Provisions - noncurrent (Notes 4 and 25)	862,059	-	835,048	-
Financial assets for hedging - noncurrent (Note 12)	109,643	-	-	-	Deferred tax liabilities (Notes 4 and 30)	12,708,119	2	12,205,775	2
Debt investments with no active market - noncurrent (Notes 4 and 16)	-	-	1,854,343	-	Net defined benefit liabilities (Notes 4 and 26)	9,361,721	1	8,321,780	1
Investments accounted for using equity method (Notes 4 and 17)	14,767,074	2	14,729,813	2	Other noncurrent liabilities	1,360,001	-	1,357,376	-
Property, plant and equipment (Notes 4, 19 and 36)	398,733,684	59	413,821,236	62					
Investment properties (Notes 4, 20 and 36)	9,570,503	2	10,956,078	2	<b>Total noncurrent liabilities</b>	<b>176,390,173</b>	<b>26</b>	<b>191,443,852</b>	<b>29</b>
Intangible assets (Note 4)	1,850,508	-	1,938,180	-					
Deferred tax assets (Notes 4 and 30)	8,332,662	1	6,192,780	1	<b>Total liabilities</b>	<b>331,728,878</b>	<b>49</b>	<b>335,763,892</b>	<b>50</b>
Refundable deposits	582,235	-	700,646	-	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 27)</b>				
Other financial assets - noncurrent (Notes 18 and 36)	2,290,486	-	2,623,741	-	Share capital				
Other noncurrent assets	5,304,631	1	5,388,672	1	Ordinary shares	157,348,610	23	157,348,610	24
<b>Total noncurrent assets</b>	<b>500,218,852</b>	<b>74</b>	<b>516,735,464</b>	<b>77</b>	Preference shares	382,680	-	382,680	-
					Total share capital	157,731,290	23	157,731,290	24
					Capital surplus	38,545,884	6	38,211,082	6
					Retained earnings				
					Legal reserve	63,228,774	9	61,538,216	9
					Special reserve	27,649,488	4	27,655,869	4
					Unappropriated earnings	31,804,134	5	20,033,060	3
					Total retained earnings	122,682,396	18	109,227,145	16
					Other equity	2,595,167	-	7,372,935	1
					Treasury shares	(8,646,700)	(1)	(8,532,389)	(1)
					<b>Total equity attributable to owners of the Corporation</b>	<b>312,908,037</b>	<b>46</b>	<b>304,010,063</b>	<b>46</b>
					<b>NON-CONTROLLING INTERESTS</b>	<b>29,889,681</b>	<b>5</b>	<b>27,941,924</b>	<b>4</b>
					<b>Total equity</b>	<b>342,797,718</b>	<b>51</b>	<b>331,951,987</b>	<b>50</b>
<b>TOTAL</b>	<b>\$ 674,526,596</b>	<b>100</b>	<b>\$ 667,715,879</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 674,526,596</b>	<b>100</b>	<b>\$ 667,715,879</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 25, 2019)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 28, 35 and 40)	\$ 400,665,057	100	\$ 347,012,002	100
OPERATING COSTS (Notes 15, 29 and 35)	<u>351,826,655</u>	<u>88</u>	<u>307,672,853</u>	<u>89</u>
GROSS PROFIT	<u>48,838,402</u>	<u>12</u>	<u>39,339,149</u>	<u>11</u>
OPERATING EXPENSES				
Selling and marketing expenses	5,979,883	1	5,407,932	1
General and administrative expenses	7,059,548	2	6,940,039	2
Research and development expenses	2,180,058	1	2,069,549	1
Expected credit loss	<u>39,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>15,259,391</u>	<u>4</u>	<u>14,417,520</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>33,579,011</u>	<u>8</u>	<u>24,921,629</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 29 and 35)	1,786,804	1	1,778,303	1
Other gains and losses (Notes 29 and 35)	(303,078)	-	745,573	-
Finance costs (Note 29)	(3,327,227)	(1)	(3,717,893)	(1)
Share of the profit (loss) of associates	<u>186,235</u>	<u>-</u>	<u>(324,315)</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,657,266)</u>	<u>-</u>	<u>(1,518,332)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	31,921,745	8	23,403,297	7
INCOME TAX (Notes 4 and 30)	<u>4,035,136</u>	<u>1</u>	<u>2,972,107</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>27,886,609</u>	<u>7</u>	<u>20,431,190</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 26, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,170,383)	-	(1,500,451)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(914,883)	-	-	-
Gains and losses on hedging instruments	440,590	-	-	-

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates	\$ (7,139)	-	\$ -	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	132,088	-	236,316	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(242,424)	-	(2,073,572)	(1)
Unrealized gains and losses on available-for-sale financial assets	-	-	979,157	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	-	-	(198,511)	-
Gains and losses on hedging instruments	(202,003)	-	-	-
Share of the other comprehensive income (loss) of associates	746,686	-	(828,695)	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	<u>(867)</u>	<u>-</u>	<u>87,480</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(1,218,335)</u>	<u>-</u>	<u>(3,298,276)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 26,668,274</u>	<u>7</u>	<u>\$ 17,132,914</u>	<u>5</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 24,454,152	6	\$ 16,905,588	5
Non-controlling interests	<u>3,432,457</u>	<u>1</u>	<u>3,525,602</u>	<u>1</u>
	<u>\$ 27,886,609</u>	<u>7</u>	<u>\$ 20,431,190</u>	<u>6</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 23,004,013	6	\$ 14,430,315	4
Non-controlling interests	<u>3,664,261</u>	<u>1</u>	<u>2,702,599</u>	<u>1</u>
	<u>\$ 26,668,274</u>	<u>7</u>	<u>\$ 17,132,914</u>	<u>5</u>
<b>EARNINGS PER SHARE (Note 31)</b>				
Basic	<u>\$ 1.58</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 1.57</u>		<u>\$ 1.09</u>	

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

(Concluded)

(With Deloitte & Touche audit report dated March 25, 2019)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation						Other Equity					Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity		
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-For-Sale Financial Assets	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Gains and Losses on Hedging Instruments				Total Other Equity	Treasury Shares
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings										
BALANCE AT JANUARY 1, 2017	\$ 157,348,610	\$ 382,680	\$ 37,807,466	\$ 59,934,379	\$ 29,786,846	\$ 17,196,041	\$ (32,048)	\$ 8,650,573	\$ -	\$ 62,181	\$ -	\$ 8,680,706	\$ (8,576,842)	\$ 302,559,886	\$ 27,019,807	\$ 329,579,693
Appropriation of 2016 earnings (Note 27)	-	-	-	1,603,837	-	(1,603,837)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(2,130,614)	2,130,614	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.85 per share	-	-	-	-	-	(13,374,632)	-	-	-	-	-	-	-	(13,374,632)	-	(13,374,632)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(363)	363	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	16,905,588	-	-	-	-	-	-	-	16,905,588	3,525,602	20,431,190
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(1,167,502)	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	(2,475,273)	(823,003)	(3,298,276)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	15,738,086	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	14,430,315	2,702,599	17,132,914
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(19,595)	(19,595)	(19,249)	(38,844)
Disposal of the Corporation's shares held by subsidiaries	-	-	28,066	-	-	-	-	-	-	-	-	-	64,048	92,114	21,905	114,019
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	267,245	-	-	-	-	-	-	-	-	-	-	267,245	163,931	431,176
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,947,069)	(1,947,069)
Adjustment of other equity	-	-	108,305	-	-	-	-	-	-	-	-	-	-	108,305	-	108,305
BALANCE AT DECEMBER 31, 2017	157,348,610	382,680	38,211,082	61,538,216	27,655,869	20,033,060	(2,110,593)	9,614,863	-	(131,335)	-	7,372,935	(8,532,389)	304,010,063	27,941,924	331,951,987
Effect of retrospective application (Note 3)	-	-	-	-	-	3,842,218	(4,005,260)	(9,614,863)	5,251,741	131,335	3,972,776	(4,264,271)	-	(422,053)	(14,538)	(436,591)
Balance after adjustments at January 1, 2018	157,348,610	382,680	38,211,082	61,538,216	27,655,869	23,875,278	(6,115,853)	-	5,251,741	-	3,972,776	3,108,664	(8,532,389)	303,588,010	27,927,386	331,515,396
Appropriation of 2017 earnings (Note 27)	-	-	-	1,690,558	-	(1,690,558)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(5,992)	5,992	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.88 per share	-	-	-	-	-	(13,846,677)	-	-	-	-	-	-	-	(13,846,677)	-	(13,846,677)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(389)	389	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	24,454,152	-	-	-	-	-	-	-	24,454,152	3,432,457	27,886,609
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(826,559)	196,229	-	(950,911)	-	131,102	(623,580)	-	(1,450,139)	231,804	(1,218,335)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	23,627,593	196,229	-	(950,911)	-	131,102	(623,580)	-	23,004,013	3,664,261	26,668,274
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(115,054)	(115,054)	(80,380)	(195,434)
Disposal of the Corporation's shares held by subsidiaries	-	-	262	-	-	-	-	-	-	-	-	-	378	640	694	1,334
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	281,424	-	-	-	-	-	-	-	-	-	-	281,424	-	281,424
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,622,280)	(1,622,280)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(110,083)	-	-	110,083	-	-	110,083	-	-	-	-
Adjustment of other equity	-	-	53,116	-	-	(4,225)	-	-	-	-	-	-	365	49,256	-	49,256
BALANCE AT DECEMBER 31, 2018	\$ 157,348,610	\$ 382,680	\$ 38,545,884	\$ 63,228,774	\$ 27,649,488	\$ 31,804,134	\$ (5,919,624)	\$ -	\$ 4,410,913	\$ -	\$ 4,103,878	\$ 2,595,167	\$ (8,646,700)	\$ 312,908,037	\$ 29,889,681	\$ 342,797,718

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

(With Deloitte & Touche audit report dated March 25, 2019)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 31,921,745	\$ 23,403,297
Adjustments for:		
Depreciation expense	34,160,855	34,529,292
Amortization expense	280,302	346,646
Expected credit loss	39,902	-
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	51,554	(382,240)
Finance costs	3,327,227	3,717,893
Interest income	(369,947)	(290,218)
Dividend income	(618,920)	(586,347)
Share of the loss (profit) of associates	(215,944)	254,202
Loss (gain) on disposal of property, plant and equipment	190,813	(75,446)
Gain on disposal of investments	(73,151)	(1,410,097)
Impairment loss recognized on financial assets	-	784,146
Impairment loss recognized on nonfinancial assets	1,830,853	829,398
Write-down (reversal of ) inventories	1,057,104	(880,774)
Recognition of provisions	2,021,082	1,186,595
Others	(112,655)	69,002
Changes in operating assets and liabilities		
Financial instruments held for trading	-	(92,049)
Financial assets mandatorily classified as at fair value through profit or loss	1,418,486	-
Financial assets for hedging	921,936	-
Contract assets	(689,452)	-
Notes receivable	(55,693)	(564,169)
Notes receivable - related parties	(179,093)	74,491
Accounts receivable	(2,274,704)	(2,820,725)
Accounts receivable - related parties	(433,955)	144,252
Amounts due from customers for construction contracts	-	(928,923)
Other receivables	(468,152)	(187,347)
Inventories	(14,061,608)	(7,729,846)
Other current assets	635,478	(492,889)
Financial liabilities for hedging	8,866	-
Contract liabilities	420,039	-
Notes payable	598,689	336,523
Accounts payable	6,092,531	777,216
Accounts payable - related parties	28,794	(499,167)
Amounts due to customers for construction contracts	-	1,572,504
Other payables	3,107,888	1,946,119
Provisions	(19,117)	(1,475,427)
Other current liabilities	(493,947)	793,500
Net defined benefit liabilities	(130,442)	(80,290)
Refund liabilities	1,286,615	-

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash generated from operations	\$ 69,203,979	\$ 52,269,122
Income taxes paid	<u>(4,099,781)</u>	<u>(2,797,644)</u>
Net cash generated from operating activities	<u>65,104,198</u>	<u>49,471,478</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,587,302)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	517,094	-
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	129,326	-
Acquisition of financial assets at amortized cost	(13,912)	-
Proceeds from disposal of financial assets at amortized cost	118,514	-
Acquisition of financial assets at fair value through profit or loss	(1,814,988)	(4,415,691)
Proceeds from disposal of financial assets as at fair value through profit or loss	3,064,280	3,188,616
Acquisition of available-for-sale financial assets	-	(1,466,827)
Proceeds from disposal of available-for-sale financial assets	-	2,634,032
Proceeds from the capital reduction on available-for-sale financial assets	-	23,728
Acquisition of debt investments with no active market	-	(18,451)
Proceeds from disposal of debt investments with no active market	-	20,000
Acquisition of financial assets for hedging	(1,203,457)	-
Acquisition of financial liabilities for hedging	3,642,472	-
Derecognition of financial liabilities for hedging	(18,409,436)	-
Acquisition of investments accounted for using equity method	(243,120)	(1,226,596)
Proceeds from disposal of investments accounted for using equity method	221,066	240,791
Net cash outflow on acquisition of subsidiaries	(1,138,500)	-
Disposal of subsidiaries	-	13,021
Acquisition of property, plant and equipment	(18,704,664)	(21,812,961)
Proceeds from disposal of property, plant and equipment	56,720	336,150
Decrease (increase) in refundable deposits	115,611	(134,624)
Acquisition of intangible assets	(37,087)	(39,082)
Acquisition of investment properties	(158,305)	(614,852)
Proceeds from disposal of investment properties	63,878	-
Decrease (increase) in other financial assets	(203,123)	1,888,676
Decrease in other noncurrent assets	43,172	671,269
Interest received	355,006	297,593
Dividends received from associates	429,253	660,524
Dividends received from others	<u>618,956</u>	<u>601,667</u>
Net cash used in investing activities	<u>(34,138,546)</u>	<u>(19,153,017)</u>

(Continued)



# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	\$ 255,310,817	\$ 254,690,716
Repayments of short-term borrowings	(251,441,059)	(255,597,380)
Proceeds from short-term bills payable	222,871,015	255,688,593
Repayments of short-term bills payable	(225,094,551)	(247,685,111)
Issuance of bonds payable	28,000,000	-
Repayments of bonds payable	(11,200,000)	(5,213,643)
Proceeds from long-term bank borrowings	51,061,021	26,710,000
Repayments of long-term bank borrowings	(73,637,400)	(34,033,111)
Proceeds from long-term bills payable	2,600,267	7,777,423
Repayments of long-term bills payable	(8,893,932)	(16,790,429)
Increase (decrease) in other noncurrent liabilities	86,637	(20,001)
Dividends paid to owners of the Corporation	(13,892,306)	(13,264,276)
Acquisition of the Corporation's shares held by subsidiaries	(195,434)	(38,844)
Disposal of the Corporation's shares held by subsidiaries	1,334	114,019
Interest paid	(3,567,240)	(3,954,803)
Decrease in non-controlling interests	(1,622,280)	(1,947,069)
Net cash used in financing activities	<u>(29,613,111)</u>	<u>(33,563,916)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS</b>	<u>1,286,762</u>	<u>(211,212)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,639,303	(3,456,667)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>9,883,529</u>	<u>13,340,196</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 12,522,832</u>	<u>\$ 9,883,529</u>
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2018 and 2017:		
Cash and cash equivalents in the consolidated balance sheets	\$ 18,287,242	\$ 12,856,662
Bank overdraft	<u>(5,764,410)</u>	<u>(2,973,133)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 12,522,832</u>	<u>\$ 9,883,529</u>

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

(Concluded)

(With Deloitte & Touche audit report dated March 25, 2019)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

China Steel Corporation (the Corporation) was incorporated on December 3, 1971. It manufactures and sells steel products and engages in mechanical, communications, and electrical engineering.

The shares of the Corporation and its subsidiaries, including China Steel Structure Co., Ltd., China Steel Chemical Corporation, CHC Resources Corporation, China Ecotek Corporation and Chung Hung Steel Corporation, have been listed on the Taiwan Stock Exchange. The shares of the subsidiary Thintech Materials Technology Co., Ltd. have been traded on the Taipei Exchange. The subsidiary Dragon Steel Corporation has issued shares to the public.

As of December 31, 2018, the Ministry of Economic Affairs (MOEA), Republic of China owned 20.05 % of the Corporation's issued ordinary shares.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors and authorized for issue on March 25, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation and its subsidiaries' accounting policies:

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the other requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

## Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Corporation and its subsidiaries have performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation and its subsidiaries' financial assets and financial liabilities as at January 1, 2018.

	<b>Measurement Category</b>	
	<b>IAS 39</b>	<b>IFRS 9</b>
<u>Financial Assets</u>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Derivative financial instruments	Held-for-trading	Mandatorily at fair value through profit or loss (FVTPL)
	Derivative financial assets for hedging	Financial assets for hedging
Equity investment	Designated as at FVTPL	Mandatorily at FVTPL
	Held-for-trading	Mandatorily at FVTPL
	Available-for-sale	Mandatorily at FVTPL
	Available-for-sale	Designated as at fair value through other comprehensive income (FVTOCI) - equity instrument
Mutual funds	Loans and receivables	Mandatorily at FVTPL
	Designated as at FVTPL	Mandatorily at FVTPL
	Held-for-trading	Mandatorily at FVTPL
	Available-for-sale	Mandatorily at FVTPL
Debt investment	Held-for-trading	Designated as at FVTPL
	Loans and receivables	Amortized cost
	Held to maturity	Designated as at FVTPL
	Held to maturity	Amortized cost
Notes and accounts receivable (including related parties) and other receivables	Loans and receivables	Amortized cost
Pledged time deposits	Loans and receivables	Amortized cost
Pledged receivables	Loans and receivables	Amortized cost
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost
Hedging foreign-currency deposits	Loans and receivables	Financial assets for hedging
Deposits for projects	Loans and receivables	Amortized cost
Refundable deposits	Loans and receivables	Amortized cost
<u>Financial Liabilities</u>		
Derivative financial instruments	Derivative financial liabilities for hedging	Financial liabilities for hedging
Short-term borrowings and bank overdraft	Amortized cost	Amortized cost
Short-term bills payable	Amortized cost	Amortized cost

(Continued)

	<b>Measurement Category</b>	
	<b>IAS 39</b>	<b>IFRS 9</b>
Notes and accounts payable (including related parties)	Amortized cost	Amortized cost
Other payables	Amortized cost	Amortized cost
Bonds payable	Amortized cost	Amortized cost
Long-term bank borrowings	Amortized cost	Amortized cost
	Amortized cost	Financial liabilities for hedging
Long-term bills payable	Amortized cost	Amortized cost
Deposits received	Amortized cost	Amortized cost

(Concluded)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi - cations	Remea - surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
Fair value through profit or loss	\$ 4,910,644	\$ -	\$ -	\$ 4,910,644	\$ -	\$ -
From available for sale (IAS 39)						
Required reclassification	-	685,701	-	685,701	(146,027)	146,027
From held to maturity (IAS 39)						
Required reclassification	-	102,360	(21,067)	81,293	(21,067)	-
From loans and receivables (IAS 39)						
Mandatorily at FVTPL as of January 1, 2018	-	1,761,421	(205,353)	1,556,068	(205,353)	-
	<u>4,910,644</u>	<u>2,549,482</u>	<u>(226,420)</u>	<u>7,233,706</u>	<u>(372,447)</u>	<u>146,027</u>
FVTOCI - equity instrument	-	-	-	-	-	-
From available for sale (IAS 39)	-	59,884,442	-	59,884,442	4,441,619	(4,441,619)
	<u>-</u>	<u>59,884,442</u>	<u>-</u>	<u>59,884,442</u>	<u>4,441,619</u>	<u>(4,441,619)</u>
Amortized cost	-	-	-	-	-	-
From held to maturity (IAS 39)	-	27,390	-	27,390	-	-
From loans and receivables (IAS 39)	-	43,469,129	-	43,469,129	-	-
	<u>-</u>	<u>43,496,519</u>	<u>-</u>	<u>43,496,519</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,910,644</u>	<u>\$ 105,930,443</u>	<u>\$ (226,420)</u>	<u>\$ 110,614,667</u>	<u>\$ 4,069,172</u>	<u>\$ (4,295,592)</u>

### Hedge accounting

Due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging from January 1, 2018.

The impact on assets, liabilities and equity in the current year of the initial application of the treatment of hedging accounting in IFRS 9 is not material.

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies.

The Corporation and its subsidiaries elected to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

If the Corporation and its subsidiaries continue to adopt IAS 11/IAS 18 in 2018, the impact on the current year of the application of IFRS 15 is detailed below:

Impact on assets, liabilities and equity for current year

	<b>December 31, 2018</b>
Decrease in inventories	\$ (105,232)
Increase in accounts receivable from unrelated parties	1,754,836
Increase in amounts due from customers for construction contracts	8,951,248
Decrease in contract assets - current	(11,536,389)
Decrease in other receivables	(111,344)
Decrease in deferred tax assets	<u>(357)</u>
Decrease in assets	<u>\$ (1,047,238)</u>
Decrease in financial liabilities for hedging - current	\$ (201,997)
Decrease in contract liabilities - current	(7,555,264)
Increase in other payables	2,537,473
Increase in amounts due to customers for construction contracts	7,187,147
Decrease in provisions - current	(2,668,993)
Decrease in refund liabilities - current	(2,868,815)
Increase in other current liabilities	2,549,237
Decrease in deferred tax liabilities	(3,314)
Increase in other noncurrent liabilities	<u>602</u>
Decrease in liabilities	<u>\$ (1,023,924)</u>
Decrease in retained earnings	\$ (11,202)
Decrease in non-controlling interests	<u>(12,112)</u>
Decrease in equity	<u>\$ (23,314)</u>

Impact on total comprehensive income for current year

	<b>For the Year Ended December 31, 2018</b>
Decrease in operating revenue	\$ (18,291)
Decrease in operating cost	<u>(14,178)</u>
Decrease in net profit and total comprehensive income for the year	<u>\$ (4,113)</u>

The impact on assets, liabilities and equity when retrospectively applying IFRS 9 and IFRS 15 on January 1, 2018 is detailed below:

	<b>IAS 39, IAS 11 and IAS 18 Carrying Amount as of January 1, 2018</b>	<b>Adjustments Arising from Initial Application of IFRS 9 and IFRS 15</b>	<b>IFRS 9 and IFRS 15 Carrying Amount as of January 1, 2018</b>
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss - current	\$ 4,910,644	\$ 307,459	\$ 5,218,103
Financial assets at fair value through other comprehensive income - current	-	1,878,697	1,878,697
Available-for-sale financial assets - current	2,186,156	(2,186,156)	-
Derivative financial assets for hedging - current	54,131	(54,131)	-
Financial assets for hedging - current	-	1,988,630	1,988,630
Contract assets - current	-	11,141,632	11,141,632
Account receivables - net (including related parties)	14,666,514	(1,294,141)	13,372,373
Amounts due from customers for construction contracts	9,400,960	(9,400,960)	-
Inventories	87,963,760	85,039	88,048,799
Other financial assets - current	10,752,021	(1,934,499)	8,817,522
Financial assets at fair value through profit or loss - noncurrent	-	2,015,603	2,015,603
Financial assets at fair value through other comprehensive income - noncurrent	-	58,005,745	58,005,745
Available-for-sale financial assets - noncurrent	58,383,988	(58,383,988)	-
Held-to-maturity financial assets - noncurrent	129,750	(129,750)	-
Derivative financial assets for hedging - noncurrent	16,237	(16,237)	-
Financial assets measured at amortized cost - noncurrent	-	120,312	120,312
Financial assets for hedging - noncurrent	-	16,237	16,237
Debt investments with no active market - noncurrent	1,854,343	(1,854,343)	-
Deferred tax assets	<u>6,192,780</u>	<u>(217,793)</u>	<u>5,974,987</u>
Total effect on assets	<u>\$ 196,511,284</u>	<u>\$ 87,356</u>	<u>\$ 196,598,640</u>
Short-term borrowings and bank overdraft	\$ 35,326,058	\$ 193,132	\$ 35,519,190
Derivative financial liabilities for hedging - current	48,218	(48,218)	-
Financial liabilities for hedging - current	-	9,908,833	9,908,833
Contract liabilities - current	-	7,040,043	7,040,043
Amounts due to customers for construction contracts	5,426,228	(5,426,228)	-
Other payables	23,155,371	(1,522,348)	21,633,023
Provisions - current	4,042,476	1,235,080	5,277,556

(Continued)

	<b>IAS 39, IAS 11 and IAS 18 Carrying Amount as of January 1, 2018</b>	<b>Adjustments Arising from Initial Application of IFRS 9 and IFRS 15</b>	<b>IFRS 9 and IFRS 15 Carrying Amount as of January 1, 2018</b>
Current portion of long-term bank borrowings	\$ 18,549,055	\$ (9,860,615)	\$ 8,688,440
Refund liabilities - current	-	1,582,200	1,582,200
Other current liabilities	4,323,642	(2,579,786)	1,743,856
Derivative financial liabilities for hedging - noncurrent	210,325	(210,325)	-
Financial liabilities for hedging - noncurrent	-	20,863,345	20,863,345
Contract liabilities-noncurrent	-	76,230	76,230
Long-term bank borrowings	57,047,876	(20,653,020)	36,394,856
Deferred tax liabilities	12,205,775	2,549	12,208,324
Other noncurrent liabilities	<u>1,357,376</u>	<u>(76,925)</u>	<u>1,280,451</u>
<b>Total effect on liabilities</b>	<b><u>\$ 161,692,400</u></b>	<b><u>\$ 523,947</u></b>	<b><u>\$ 162,216,347</u></b>
Retained earnings	\$ 109,227,145	\$ 3,842,218	\$ 113,069,363
Exchange differences on translating foreign operations	(2,110,593)	(4,005,260)	(6,115,853)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	5,251,741	5,251,741
Unrealized gains and losses on available-for-sale financial assets	9,614,863	(9,614,863)	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(131,335)	131,335	-
Gains and losses on hedging instruments	-	3,972,776	3,972,776
Non-controlling interests	<u>27,941,924</u>	<u>(14,538)</u>	<u>27,927,386</u>
<b>Total effect on equity</b>	<b><u>\$ 144,542,004</u></b>	<b><u>\$ (436,591)</u></b>	<b><u>\$ 144,105,413</u></b> (Concluded)

Explanations for the main adjustments are as follows:

- a) The Corporation and its subsidiaries elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gains and losses on available-for-sale financial assets of NT\$9,614,863 thousand was reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.
- b) The Corporation recognized impairment loss on certain investments in equity securities previously classified as available-for-sale under IAS 39. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of NT\$4,441,619 thousand in other equity - unrealized gains and losses on financial assets at FVTOCI and an increase of NT\$4,441,619 thousand in retained earnings on January 1, 2018.
- c) Hedges of net investments in foreign operations included in other equity - exchange differences on translating the financial statements of foreign operations of NT\$4,005,260 thousand under

IAS 39 was reclassified to other equity - gains and losses on hedging instruments under IFRS 9.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Corporation and its subsidiaries shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

#### 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

##### Definition of a lease

Upon initial application of IFRS 16, the Corporation and its subsidiaries will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

##### The Corporation and its subsidiaries as lessee

Upon initial application of IFRS 16, the Corporation and its subsidiaries will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated



statements of cash flows. Leased assets and lease payables are recognized for contracts classified as finance leases.

The Corporation and its subsidiaries anticipate applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at either an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, or their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. Except for the following practical expedients which are to be applied, the Corporation and its subsidiaries will apply IAS 36 to all right-of-use assets.

The Corporation and its subsidiaries expect to apply the following practical expedients:

- a) The Corporation and its subsidiaries will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Corporation and its subsidiaries will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Corporation and its subsidiaries will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Corporation and its subsidiaries will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Corporation and its subsidiaries as lessor

The Corporation and its subsidiaries will not make any adjustments for leases in which it is a lessor in transitional period and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Except for the adjustments arising from initial application mentioned below, the accounting of the Corporation and its subsidiaries as lessor and lessee is not expected to have a material impact.

Anticipated impact on assets, liabilities and equity

	<b>December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>January 1, 2019</b>
Other current assets	\$ 4,386,727	\$ (14,936)	\$ 4,371,791
Property, plant and equipment	398,733,684	(279,454)	398,454,230
Right - of - use assets	-	14,707,809	14,707,809
			(Continued)

	December 31, 2018	Adjustments Arising from Initial Application	January 1, 2019
Other noncurrent assets	\$ 5,304,631	\$ (2,061,545)	\$ 3,243,086
Total effect on assets	<u>\$ 408,425,042</u>	<u>\$ 12,351,874</u>	<u>\$ 420,776,916</u>
Other payables	\$ 25,625,388	\$ 105	\$ 25,625,493
Lease liabilities - current	-	826,168	826,168
Other current liabilities	1,250,323	(11,543)	1,238,780
Lease liabilities - noncurrent	-	11,823,248	11,823,248
Other noncurrent liabilities	<u>1,360,001</u>	<u>(286,104)</u>	<u>1,073,897</u>
Total effect on liabilities	<u>\$ 28,235,712</u>	<u>\$ 12,351,874</u>	<u>\$ 40,587,586</u> (Concluded)

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation and its subsidiaries should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation and its subsidiaries conclude that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation and its subsidiaries should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation and its subsidiaries should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation and its subsidiaries have to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the accounting of the Corporation and its subsidiaries are not expected to have a material impact.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries assessed that there would be no material impact of the initial application of other standards and the amendments to interpretations on their financial position and results of operations.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note2: The Corporation and its subsidiaries shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period

beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note3: The Corporation and its subsidiaries shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Corporation and its subsidiaries sell or contribute assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation and its subsidiaries lose control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation and its subsidiaries sell or contribute assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation and its subsidiaries’ interest as an unrelated investor in the associate, i.e. the Corporation and its subsidiaries’ share of the gain or loss is eliminated. Also, when the Corporation and its subsidiaries lose control of a subsidiary that does not contain a business but retains significant influence over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation and its subsidiaries’ interest as an unrelated investor in the associate, i.e. the Corporation and its subsidiaries’ share of the gain or loss is eliminated.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as abovementioned are classified as noncurrent.

For the Corporation and its subsidiaries' construction-related business, which has an operating cycle of over one year, the length of the operating cycle is the basis for classifying the Corporation and its subsidiaries' construction assets and liabilities as current or noncurrent.

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-Corporation and its subsidiaries transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2018	December 31, 2017	
China Steel Corporation	China Steel Express Corporation	Shipping services for raw materials	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and non-ferrous metal products	100	100	
	Gains Investment Corporation	General investment	100	100	
	China Prosperity Development Corporation (CPDC)	Real estate development	100	100	
	China Steel Asia Pacific Holdings Pte. Ltd. (CSAPH)	General investment	100	100	
	China Steel Global Trading Corporation (CSGT)	Buy and sell, and act as an agency for steel products	100	100	
	China Steel Machinery Corporation (CSMC)	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	On-site security, systematic security	100	100	
	INFOCHAMP SYSTEMS CORPORATION	Enterprise information system integration services	100	100	
	CSC Steel Australia Holdings Pty Ltd	General investment	100	100	
	HIMAG Magnetic Corporation	Production and sale of industrial magnetic, chemical, and iron oxides	69	69	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Hot-rolled coils, H beams, billets, flat steels	100	100	
	China Steel Management Consulting Corporation	Business management and management consulting service	100	100	
	China Ecotek Corporation (CEC)	Environmental engineering, M&E engineering, and O&M engineering	45	45	Refer to 2) below
	China Steel Chemical Corporation (CSCC)	Manufacture of coal chemistry and speciality chemical	29	29	Refer to 1) below
	Chung Hung Steel Corporation (CHS)	Manufacture and sale of steel products	41	41	Refer to 1) below
	CHC RESOURCES CORPORATION(CHC)	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	20	20	Direct and indirect ownerships amounted to 36%, and refer to 2) below
	CHINA STEEL STRUCTURE CO., LTD.(CSSC)	Manufacture and sale of products of steel structure	33	33	Direct and indirect ownerships amounted to 36%, and refer to 2) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel products	56	56	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Electrical steel	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Mass Rapid Transit service	43	43	Direct and indirect ownerships amounted to 51%
	China Steel Resources Corporation	Other non metallic mineral products manufacturing	100	100	
	CSC Precision Metal Industrial Corporation	Other non-ferrous metal basic industries	100	100	
Eminent Venture Capital Corporation	General investment	-	-	Indirect ownership was 55%	
White BioTech Corporation	Biotechnology introduction and development	87	87		
CSC Solar Corporation	Solar energy generation	55	55	Direct and indirect ownerships amounted to 100%	
United Steel International Co., Ltd.	General investment	80	-	Investment from CSAPH in June 2018; direct and indirect ownerships amounted to 100%	
Sing Da Marine Structure Corporation	Foundation of offshore wind power	100	-	Investment in April 2018	
China Steel Power Holding Corporation	General investment	100	-	Investment in June 2018	
China Steel Express Corporation	CSE Transport Corporation	Shipping services for raw materials	100	100	
	CSEI Transport (Panama) Corporation	Shipping services for raw materials	100	100	
	Transyang Shipping Pte Ltd	Shipping services for raw materials	-	51	End of settlement in July 2018
	Transglory Investment Corporation (TIC)	General investment	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corporation	Ship cargo loading and unloading industry	66	66	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2018	December 31, 2017	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Holding and investment	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corporation	General investment	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corporation	Ningbo Huayang Aluminium-Tech Co., Ltd.	Production of aluminum products	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	Direct and indirect ownerships amounted to 58%
	Mentor Consulting Corporation	Management consulting services	100	100	
	Betacera Inc. (BETACERA)	Manufacturing and trading of electronic ceramics	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of computer software, software design services, digital information supply services	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTTC)	Sputtering target manufacturing and sales	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below
Eminence Investment Corporation	Shin Mau Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruei Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin Mau Investment Corporation	Hung-Chuan Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Chi-Yi Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruei Investment Corporation	Li-Ching-Long Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing-Cherng-Fa Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Trading of electronic ceramics and life saving products	100	100	
Lefkara Ltd.	Shanghai Xike Ceramic Electronic Co., Ltd.	Manufacturing and trading of electronic ceramics	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacturing and trading of electronic ceramics	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacturing and trading of aeronautical or marine life saving products	100	100	
Thintech Materials Technology Co., Ltd.	Thintech Global Limited	International trade and investment	100	100	
	Thintech United Limited	International trade and investment	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2018	December 31, 2017	
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Sputtering target manufacturing and sales	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Precious metal refining and sales	100	84	Acquired the remaining shareholdings from non-controlling interests in August 2018, ownership increased to 100%
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sales and lease	80	80	Direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte. Ltd.	CSC Steel Holdings Berhad (CSHB)	General investment	46	46	Refer to 1) below
	Changzhou China Steel Precision Materials Co., Ltd. (CSPM)	Production and sale of titanium and titanium alloys, nickel and nickel alloys	70	70	
	China Steel Precision Metals Qingdao Co., Ltd. (CSMQ)	Cutting and processing of steel products	60	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	-	80	Reorganization to the Corporation in June 2018; direct and indirect ownerships amounted to 100%
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCM)	Manufacture and sale of steel products	100	100	Renamed in September 2017, the former name was United Steel Engineering and Construction Co., Ltd.
CSC Steel Sdn. Bhd.	Group Steel Corporation (M) Sdn. Bhd.	General investment	100	100	
United Steel International Co., Ltd.	Constant Mode Sdn. Bhd.	General investment	100	100	
	China Steel Precision Metals Kunshan Co., Ltd. (CSMK)	Cutting and processing of steel products	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (Samoa) Corporation	Investment, buy and sell	100	100	Direct and indirect ownerships amounted to 50%
	CSGT (Singapore) Pte, Ltd.	Buy and sell, and act as an agency for steel products	100	100	
	Chung Mao Trading (BVI) Corporation	Buy and sell, and act as an agency for steel products	65	65	
	Wabo Global Trading Corporation	Buy and sell, and act as an agency for steel products	44	44	
Chung Mao Trading (Samoa) Corporation	CSGT International Corporation	Investment, buy and sell	100	100	Direct and indirect ownerships amounted to 60%
	CSGT (Shanghai) Co., Ltd.	Buy and sell, and act as an agency for steel products	100	100	
	Chung Mao Trading (BVI) Corporation	CSGT Hong Kong Limited	Buy and sell, and act as an agency for steel products	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Cutting and processing of steel products	54	54	Direct and indirect ownerships amounted to 60%
	CSGT Trading India Private Limited	Buy and sell, and act as an agency for steel products	99	99	Direct and indirect ownerships amounted to 100%
Wabo Global Trading Corporation	CSGT JAPAN Co., Ltd.	Buy and sell, and act as an agency for steel products	100	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	Started the liquidation procedures in September 2017; direct and indirect ownerships amounted to 100%
	CHINA STEEL MACHINERY VIETNAM CO., LTD.	Machines manufacturing	100	100	
	China Steel Machinery Corporation India Private Limited	Machines manufacturing	99	99	
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	Wholesale and retail trade	-	100	End of settlement in October, 2018

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2018	December 31, 2017	
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting engineering and mechatronic engineering	100	100	
	China Steel Management And Maintenance For Buildings Corporation	Management and maintenance for buildings	100	100	
INFOCHAMP SYSTEMS CORPORATION	INFO-CHAMP SYSTEM (B.V.I.) CORPORATION	General investment	100	100	
INFO-CHAMP SYSTEM (B.V.I.) CORPORATION	Wuhan InfoChamp I.T. Co., Ltd.	Enterprise information system integration services	100	100	
CSC Steel Australia Holdings Pty Ltd	CSC Sonoma Pty Ltd	Investments in mining industry	100	100	
HIMAG Magnetic Corporation	MagnPower Corporation	Powder metallurgy	55	55	
China Ecotek Corporation	CEC International Corporation	General investment	100	100	
	CEC Development Corporation	General investment	100	100	
	CEC Holding Company Limited	General investment	100	100	
	China Ecotek Construction Corporation	Engineering service industry	100	100	
	Econova Technology Corporation	Environmental engineering, M&E engineering, and O&M engineering	100	-	Investment in March 2018
CEC International Corporation	China Ecotek India Private Limited	Projects designs, construction and related services	100	100	
CEC Development Corporation	China Ecotek Vietnam Company Limited	Projects designs, construction and related services	100	100	
	Xiamen Ecotek PRC Company Limited	Sales agency for import and export of equipment and materials	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trade and investment	100	100	
	Ever Wealthy International Corporation	General investment	100	100	
	Formosa Ha Tinh CSCC (Cayman) International Limited	International trade and investment	50	50	
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd.	General investment	-	100	End of settlement in December 2018
	Changzhou China Steel New Materials Technology Co., Ltd.	Mesophase sales and trading	100	-	Reorganization to Ever Wealthy International Corporation in December 2018
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Materials Technology Co., Ltd.	Mesophase sales and trading	-	100	Reorganization to Ever Wealthy International Corporation in December 2018
Chung Hung Steel Corporation	Taiwan Steel Corporation (TSC)	Iron and steel industry chain industry	100	100	
	Hung Kao Investment Corporation	General investment	100	100	
	Hung Li Steel Corporation (HLS)	Cutting and processing of steel products	-	100	Merged with CHS in June 2018
CHC RESOURCES CORPORATION	UNION STEEL DEVELOPMENT CORPORATION	Manufacture and sale of iron powder, OEM and sales of refractory, trading, human dispatch	93	93	
	PAO GOOD INDUSTRIAL CO., LTD.	Sales of fly ash, manufacture and sales of dry-mix mortar, trading	51	51	
	Yu Cheng Lime Corporation	Real estate sales and lease, management of raw materials	90	90	
	CHC RESOURCES VIETNAM CO., LTD.	GBFS and GGBFS (slag powder) sales	85	85	
	Hsieh Sheng Development Corporation (HSDC)	Real estate sales and lease	100	-	Investment in June 2018
CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	Construction and management of buildings, roads and railways, and other civil engineering projects	100	100	
	CHINA STEEL STRUCTURE INVESTMENT PTE. LTD.	Holding and investment	100	100	
United Steel Engineering & Construction Corporation	UNITED STEEL INVESTMENT PTE. LTD.	Holding and investment	100	100	
	United Steel Construction (Vietnam) Co., Ltd.	Construction and management of buildings, roads and railways, and other civil engineering projects	100	100	
	United Steel Development Co., Ltd.	Residential and building development and rental industry	100	100	
CHINA STEEL STRUCTURE INVESTMENT PTE. LTD.	China Steel Structure Holding Co., Ltd. (SAMOA)	Holding and investment	63	63	Direct and indirect ownerships amounted to 100%
China Steel Structure Holding Co., Ltd. (SAMOA)	CHINA STEEL STRUCTURE INVESTMENT CO., LTD.	Holding and investment	100	100	
CHINA STEEL STRUCTURE INVESTMENT CO., LTD.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Manufacture and sale of products of steel structure	100	100	
Kaohsiung Rapid Transit Corporation	Taiwan Intelligent Transportation Co., Ltd. (TITC)	Technical service	100	-	Investment in September 2018
White Biotech Corporation	Renery Biotech Corporation	Ethanol manufacturing	-	100	End of settlement in August 2018

(Concluded)

1) Explanations for subsidiaries which are less than 50% owned but included in the consolidated entities are as follows:



- a) The actual operations of CSCC, CHS and BETACERA are controlled by the respective board of directors. The Corporation and other subsidiaries jointly had more than half of the seats in the board of directors of CSC, CHS and BETACERA. The actual operation of CSHB is also controlled by the board of directors. The Corporation's subsidiaries had control of more than half of the voting rights in the board of directors. Therefore, the Corporation had control-in-substance over the aforementioned entities and included them in the consolidated entities.
  - b) The chairman and general manager of CEC, CHC, CSSC and TMTC are designated by the Corporation and other subsidiaries in order to control its finance, operation, and human resources. Therefore, the Corporation had control-in-substance over aforementioned subsidiaries and included them in the consolidated entities.
- 2) The subsidiary, China Steel Machinery Corporation, acquired 50% of shareholding in Senergy Wind Power Co., Ltd. Under the shareholders' agreement, the subsidiary China Steel Machinery Corporation and the other shareholder of the company each hold half of the seats in the board of directors, respectively. The chairman of the board of directors and chief executive officer are served in turns and actual operations should be approved by more than half of the seats in the board of directors. Thus, the Corporation and its subsidiaries have no control over the company. The management of the Corporation and its subsidiaries, however, believe that they are able to exercise significant influence over the company and therefore classified the company as an associate of the Corporation and its subsidiaries. Senergy Wind Power Co., Ltd. ended its settlement in November 2018.
  - 3) The Corporation had no subsidiary with material non-controlling interests.
- e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Corporation and its subsidiaries' previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if that interest were directly disposed of by the Corporation and its subsidiaries.

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation's entities (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation and its subsidiaries' entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

Besides the goods manufactured or traded by the Corporation and its subsidiaries, inventories also include buildings and lands under construction and held for sale and prepayment for land.

The cost of buildings construction is calculated by each different construction project. The expenditure on land before acquiring land ownership is recorded as prepayment for land. The construction and other costs after acquiring land ownership are recognized as construction in progress, which will be transferred to property held for sale after the completion, and transferred to operating costs based on the ratio of area sold to total area when the lands and buildings are sold and the criteria of revenue recognition were met.

Before the transfer of land ownership and the completion of construction, interest arising from land purchase and cost of construction in progress (including costs of lands and constructions) is capitalized and recorded as acquisition cost of land and construction cost.

h. Investment in associates

An associate is an entity over which the Corporation and its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Corporation and its subsidiaries use the equity method to account for their investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Corporation and its subsidiaries also recognize the changes in the share of equity of associates.

Any excess of the cost of acquisition over the Corporation and its subsidiaries' share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation and its subsidiaries' share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

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

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

The Corporation and its subsidiaries discontinue the use of the equity method from the date on which their investment cease to be associates. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

i. Joint operations

A joint operation is a joint arrangement whereby the Corporation and its subsidiaries and other parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Any acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business should be treated as a business combination, except when the parties sharing joint control are under the common control of the same ultimate controlling party or parties both before and after the acquisition and that control is not transitory.

The Corporation and its subsidiaries recognize the following items in relation to their interests in a joint operation:

- 1) The assets, including their share of any assets held jointly;
- 2) The liabilities, including their share of any liabilities incurred jointly;
- 3) The revenue from the sale of their share of the output arising from the joint operation;
- 4) The share of the revenue from the sale of the output of the joint operation; and
- 5) The expenses, including their share of any expenses incurred jointly.

The Corporation and its subsidiaries account for the assets, liabilities, revenues and expenses relating to their interests in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Corporation and its subsidiaries sell or contribute assets to their joint operation, they recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When the Corporation and its subsidiaries purchase assets from its joint operation, they do not recognize their share of the gain or loss until they resell those assets to a third party.

j. Property, plant, and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Except that depreciation of the rollers (spare parts) is calculated based on their level of wear and depreciation of the machineries in the recycling plant of the subsidiary CHC is calculated by the working-hour method, other depreciation (including assets held under finance leases) is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

k. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), also include land held for a currently undetermined future use.

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

Investment properties under construction of which the fair value is not reliably measurable are stated at cost less accumulated depreciation and accumulated impairment loss until either such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

Investment properties in the course of construction are stated at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

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

l. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation and its subsidiaries' cash-generating units or Corporation and its subsidiaries of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

m. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are

acquired separately.

3) Derecognition of intangible assets

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

n. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation and its subsidiaries review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Before the Corporation and its subsidiaries recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

o. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When the Corporation and its subsidiaries is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Corporation and its subsidiaries discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Corporation and its subsidiaries ceases to have significant influence or

joint control over the investment after the disposal takes place, the Corporation and its subsidiaries accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

p. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiaries become a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

2018

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

i Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii Investments in equity instruments at FVTOCI

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

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

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

### iii Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

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

## 2017

Financial assets held by the Corporation and its subsidiaries include financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

### i Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation and its subsidiaries' documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 34.



ii Held-to-maturity investments

Structure notes and guarantee debt certificates, which are above specific credit ratings and the Corporation and its subsidiaries have positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and reclassified in profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity investments are recognized when the Corporation and its subsidiaries' right to receive the dividends is established.

iv Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net, other receivables, debt investments with no active market, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits, commercial papers and bonds with repurchase agreements with original maturity within three months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets and contract assets

2018

The Corporation and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables) and contract assets.

The Corporation and its subsidiaries always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables and contract assets. For other financial assets, the Corporation and its subsidiaries recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

The Corporation and its subsidiaries recognize an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation and its subsidiaries' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Corporation and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

i Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation and its subsidiaries' documented risk management or investment strategy, and information about the group is provided internally on that basis.
- iii) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in

other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 34.

ii Financial guarantee contracts

2018

Financial guarantee contracts issued by the Corporation and its subsidiaries, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss and amortized cost.

2017

Financial guarantee contracts issued by the Corporation and its subsidiaries, if not designated as at FVTPL, are subsequently measured at the higher of amortized cost. However, if contractual obligations are possibly paid after evaluation, then financial guarantee contracts issued by the Corporation and its subsidiaries, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the best estimate of contractual obligations and amortized cost.

b) Derecognition of financial liabilities

Only when the obligation is relieved, cancelled or expired would the Corporation and its subsidiaries derecognize financial liabilities. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation and its subsidiaries are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

## 5) Derivative financial instruments

The Corporation and its subsidiaries enter into foreign exchange forward contracts and interest swap contracts to manage their exposure to foreign exchange rate and interest rate.

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

## 6) Hedging instruments

The Corporation and its subsidiaries designate certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

### a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2017, hedge accounting is discontinued prospectively when the Corporation and its subsidiaries revoke the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the Corporation and its subsidiaries' documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. From 2018, the Corporation and its subsidiaries discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

### b) Cash flow hedges

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

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

Before 2017, hedge accounting is discontinued prospectively when the Corporation and its subsidiaries revoke the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the

Corporation and its subsidiaries' documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. From 2018, the Corporation and its subsidiaries discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

c) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of exchange differences on translating the financial statements of foreign operations before 2018, and recognized in gains and losses on hedging instruments from 2018. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the exchange differences on translating the financial statements of foreign operations are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

q. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured using the cash flows estimated to settle the present obligation.

r. Treasury shares

Shares of the Corporation held by subsidiaries are reclassified to treasury shares from investments accounted for using equity method at the acquisition cost.

s. Revenue recognition

Contracts applicable to IFRS 15 starting from 2018

The Corporation and its subsidiaries identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Corporation and its subsidiaries to customers to satisfy performance obligations, as follows: domestic sales - when products are moved out of the Corporation and its subsidiaries' premises for delivery to customers; exports - when products are loaded onto vessels. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. Estimated discount or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Corporation and its subsidiaries transfer a promised good or service to a customer and the date the customer pays for

that good or service is one year or less, the Corporation and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

## 2) Construction contract revenue

As property is being constructed and construction is in progress, the Corporation and its subsidiaries recognize revenue from construction contract over time. The Corporation and its subsidiaries measure the progress on the basis of costs incurred relative to the total expected costs or the units produced and installed relative to estimated total units under the contract as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligation. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payments exceed the revenue recognized to date, then the Corporation and its subsidiaries recognize a contract liability for the difference. Certain amount retained by the customer as specified in the contract is intended to ensure that the subsidiaries adequately complete all their contractual obligations. Such retention receivables are recognized as contract assets until the subsidiaries satisfy their performance obligations.

## 3) Revenue from rendering of services

Revenue from services is recognized when services are provided by reference to the stage of completion of the services provided.

### Contracts prior to 2018 not retrospectively applying IFRS 15

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

## 1) Sale of goods

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers as follows: domestic sales - when products are moved out of the Corporation and its subsidiaries' premises for delivery to customers; exports - when products are loaded onto vessels. Revenues are recognized because the earning process is accomplished and revenue is realized or realizable.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. But if the related receivable is due within one year, the difference between its present value and undiscounted amount is immaterial, and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

## 2) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services. If a service contract is estimated to bear a loss prior to completion, the Corporation and its subsidiaries recognize the full amount of the loss immediately.

Freight revenues are recognized according to the proportion of voyage days used to contracted voyage of each ship. Revenues from construction contracts are recognized in accordance with the accounting standards for construction contracts which are described below in "Construction Contracts".

### Construction contracts prior to 2018 not retrospectively applying IFRS 15

When the outcome of a construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that are estimated as recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated, contractors and customers can accept or reject any part of the contract related to each asset and the costs and revenues of each asset can be separately identified. A group of contracts performed concurrently or in a continuous sequence is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work.

#### t. Leasing

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

##### 1) The Corporation and its subsidiaries as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents are recognized as income in the year in which they are incurred.

##### 2) The Corporation and its subsidiaries as lessee

Assets held under finance leases are initially recognized as assets of the Corporation and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as income in the year in which they are incurred.



u. Borrowing costs

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

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

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

v. Government grants

Government grants are not recognized until there is reasonable assurance that the subsidiaries will comply with the conditions attaching to them and that the grants will be received.

w. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation and its subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation and its subsidiaries can no longer withdraw the offer of the termination benefit and when the Corporation and its subsidiaries recognize any related restructuring costs.

x. Taxation

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

1) Current tax

Current tax is the amount of tax at statutory rate calculated on the taxable profit at the end of each reporting period. According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery and equipment, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

### a. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation and its subsidiaries use judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

### b. Fair value of private-placement shares of listed companies, emerging market shares, unlisted equity securities

As described in Note 34, the Corporation and its subsidiaries applied valuation techniques commonly used by market practitioners to evaluate fair value of the financial instruments that do not have listed market price in an active market. The measurement for the fair value of private-placement shares of listed companies, emerging market shares and unlisted equity securities includes assumptions not based on observable market prices or interest rates; therefore, the fair value may change significantly.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 49,926	\$ 46,814
Checking accounts and demand deposits	9,653,003	8,364,630
Cash equivalents (investments with original maturities less than three months)		
Time deposits	7,912,749	2,259,696
Commercial papers with repurchase agreements	671,564	1,808,222
Bonds with repurchase agreements	<u>-</u>	<u>377,300</u>
	<u>\$ 18,287,242</u>	<u>\$ 12,856,662</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets designated as at FVTPL		
Mutual funds	\$ -	\$ 2,655,982
Listed shares	-	<u>46,868</u>
	-	<u>2,702,850</u>
Financial assets held for trading		
Listed shares	-	1,138,209
Mutual funds	-	622,426
Convertible bonds	-	229,671
Emerging market shares	-	215,464
Foreign exchange forward contracts (a)	-	<u>2,024</u>
	-	<u>2,207,794</u>
Financial assets mandatorily classified as at FVTPL		
Mutual funds	1,902,173	-
Listed shares	423,640	-
Emerging market shares	217,281	-
Convertibles bonds	46,440	-
Futures contracts (b)	<u>4,951</u>	-
	<u>2,594,485</u>	-
	<u>\$ 2,594,485</u>	<u>\$ 4,910,644</u>
<u>Financial assets at FVTPL - noncurrent</u>		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	\$ 1,834,226	\$ -
Emerging market shares	<u>44,846</u>	-
	<u>\$ 1,879,072</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Futures contracts (b)	<u>\$ -</u>	<u>\$ 247</u>

Part of unlisted shares were classified as debt investments with no active market under IAS 39 (Note 16). However, under IFRS 9, they were classified mandatorily as at FVTPL.

- a. The subsidiaries entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, some of those contracts were not accounted for by using hedge accounting. The outstanding foreign exchange forward contracts not under hedge accounting of the subsidiaries at the balance sheet date were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>			
Sell	USD/NTD	January 2018	USD6,805/NTD204,580
Sell	HKD/NTD	January 2018	HKD11,000/NTD42,410

- b. The subsidiary entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not accounted for by using hedge accounting. As of the balance sheet date, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
<u>December 31, 2018</u>		
June 15, 2019	2,281	\$ 37,659 (RMB 8,421 thousand)
<u>December 31, 2017</u>		
June 15, 2018	510	\$ 8,798 (RMB 1,927 thousand)

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

	December 31, 2018
<u>Current</u>	
Domestic investments	
Listed shares	\$ 2,916,952
Emerging market shares and unlisted shares	<u>52,086</u>
	<u>\$ 2,969,038</u>
<u>Noncurrent</u>	
Domestic investments	
Listed shares	\$ 10,670,938
Emerging market shares and unlisted shares	1,821,200
Private - placement shares of listed companies	<u>147,368</u>
	<u>12,639,506</u>
Foreign investments	
Unlisted shares	41,161,772
Listed shares	2,188,927
Certificate of entitlement	<u>790,569</u>
	<u>44,141,268</u>
	<u>\$ 56,780,774</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation and its subsidiaries' strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 10 for information relating to reclassification and comparative information for 2017.

Dividend of NT\$549,150 thousand was recognized for the year ended December 31, 2018. Of the amounts, NT\$1,629 thousand, related to investments derecognized as of December 31, 2018, and NT\$547,521 thousand, related to investments still held as of December 31, 2018.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31, 2018</b>
<u>Noncurrent</u>	
Bonds	\$ 13,436
Subordinated financial bonds	<u>4,144</u>
	<u>\$ 17,580</u>

Above bonds were classified as held-to-maturity financial assets and debt investments with no active market under IAS 39. Refer to Notes 3, 11 and 16 for information relating to their reclassification and comparative information for 2017.

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December 31, 2017</b>
<u>Current</u>	
Domestic investments	
Listed shares	\$ 1,993,089
Mutual funds	143,539
Emerging market shares and unlisted shares	<u>49,528</u>
	<u>\$ 2,186,156</u>
<u>Noncurrent</u>	
Domestic investments	
Listed shares	\$ 9,050,659
Emerging market shares and unlisted shares	2,482,383
Private-placement shares of listed companies	<u>172,785</u>
	<u>11,705,827</u>

(Continued)

	<b>December 31, 2017</b>
Foreign investments	
Unlisted shares	\$ 43,754,121
Listed shares	2,141,150
Certificate of entitlement	<u>782,890</u>
	<u>46,678,161</u>
	<u>\$ 58,383,988</u>
	(Concluded)

#### 11. HELD-TO-MATURITY FINANCIAL ASSETS – NONCURRENT

	<b>December 31, 2017</b>
Structured notes	\$ 102,360
Corporate bonds	<u>27,390</u>
	<u>\$ 129,750</u>

#### 12. FINANCIAL INSTRUMENTS FOR HEDGING

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets for hedging - current</u>		
Hedging foreign-currency deposits (Note 18)	\$ 2,255,386	\$ -
Foreign exchange forward contracts	<u>229,005</u>	<u>-</u>
	<u>\$ 2,484,391</u>	<u>\$ -</u>
<u>Financial assets for hedging - noncurrent</u>		
Foreign exchange forward contracts	<u>\$ 109,643</u>	<u>\$ -</u>
<u>Financial liabilities for hedging - current</u>		
Bank loans (Note 21)	\$ 4,177,109	\$ -
Borrowed precious metals from bank	201,997	-
Foreign exchange forward contracts	<u>26,122</u>	<u>-</u>
	<u>\$ 4,405,228</u>	<u>\$ -</u>
<u>Financial liabilities for hedging - noncurrent</u>		
Bank loans (Note 21)	\$ 4,348,562	\$ -
Foreign exchange forward contracts	<u>2,168</u>	<u>-</u>
	<u>\$ 4,350,730</u>	<u>\$ -</u>
		(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<hr/>		
Derivative financial assets for hedging - current		
Foreign exchange forward contracts	\$ -	\$ 54,131
<hr/>		
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts	\$ -	\$ 16,237
<hr/>		
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts	\$ -	\$ 42,433
Interest rate swap contracts	-	5,785
	<u>\$ -</u>	<u>\$ 48,218</u>
<hr/>		
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts	\$ -	\$ 210,325
		(Concluded)

Refer to Note 34 for information relating to financial instruments for hedging.

### 13. NOTES AND ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Notes receivable		
Operating	\$ 2,341,981	\$ 2,107,525
Non-operating	330	-
	<u>2,342,311</u>	<u>2,107,525</u>
Less: Allowance for impairment loss	-	-
	<u>\$ 2,342,311</u>	<u>\$ 2,107,525</u>
Accounts receivable	\$ 16,130,968	\$ 14,718,811
Less: Allowance for impairment loss	<u>71,859</u>	<u>52,297</u>
	<u>\$ 16,059,109</u>	<u>\$ 14,666,514</u>

#### For the year ended December 31, 2018

The Corporation and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. The Corporation did transactions with a large number of unrelated customers and no concentration of credit risk was observed. The Corporation and its subsidiaries continue to manage the financial condition and entire credit risk of their customers, and obtain sufficient collateral if needed to mitigate the risk of financial loss from late payment.

The expected credit losses on notes and accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as



well as the forecast GDP and direction of economic conditions at the reporting date.

The Corporation and its subsidiaries continue to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Corporation and its subsidiaries review the recoverable amount of receivables one by one on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The following table details the loss allowance of notes and accounts receivable based on the impaired aging analysis.

December 31, 2018

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 17,377,232	\$ 771,240	\$ 83,355	\$ 176,412	\$ 65,040	\$ 18,473,279
Loss allowance (Lifetime ECL)	<u>(4,628)</u>	<u>(14)</u>	<u>(20,378)</u>	<u>(19,276)</u>	<u>(27,563)</u>	<u>(71,859)</u>
Amortized cost	<u>\$ 17,372,604</u>	<u>\$ 771,226</u>	<u>\$ 62,977</u>	<u>\$ 157,136</u>	<u>\$ 37,477</u>	<u>\$ 18,401,420</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>For the Year Ended December 31, 2018</b>
Balance, beginning of year (IAS 39)	\$ 52,297
Adjustment on initial application of IFRS 9	<u>-</u>
Balance, beginning of year (IFRS 9)	52,297
Recognition	22,892
Written off	(3,412)
Effect of foreign currency exchange difference	<u>82</u>
Balance, end of year	<u>\$ 71,859</u>

For the year ended December 31, 2017

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. In determining the recoverability of notes and accounts receivable, the Corporation and its subsidiaries considered any change in the credit quality of the notes and accounts receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation and its subsidiaries will recognize 100% allowance for doubtful accounts.

The Corporation and its subsidiaries had not recognized an allowance for some notes and accounts receivable that are past due at the end of the reporting period because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation and its subsidiaries did not hold any collateral or other credit enhancement for these balances.

The aging of notes and accounts receivable was as follows:

	<b>December 31, 2017</b>
Not past due	\$ 15,518,346
1 to 30 days	776,274
	(Continued)

	<b>December 31, 2017</b>
31-60 days	\$ 170,983
61-365 days	220,495
More than 365 days	<u>87,941</u>
	<u>\$ 16,774,039</u> (Concluded)

Above aging analysis of notes and accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Aging analysis of notes and accounts receivable that are past due but not impaired was as follows:

	<b>December 31, 2017</b>
Less than 31 days	\$ 769,349
31-60 days	169,780
61-365 days	218,014
More than 365 days	<u>84,555</u>
	<u>\$ 1,241,698</u>

Above analysis of notes and accounts receivable was based on the past due days from end of credit term.

Movements in the allowance for doubtful accounts recognized on accounts receivable were as follows:

	<b>For the Year Ended December 31, 2017</b>
Balance, beginning of year	\$ 79,640
Reversal	(26,667)
Written off	(62)
Effect of foreign currency exchange difference	<u>(614)</u>
Balance, end of year	<u>\$ 52,297</u>

Aging analysis of individually impaired accounts receivable was as follows:

	<b>December 31, 2017</b>
Less than 31 days	\$ 6,925
31-60 days	1,203
61-365 days	2,481
More than 365 days	<u>3,386</u>
	<u>\$ 13,995</u>

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Retentions receivable from construction contracts included in the accounts receivable did not bear interests; they were expected to be received upon the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 14 for details on construction contracts.

The Corporation and its subsidiaries CHS and CSAC entered into accounts receivable factoring agreements (without recourse) with Mega Bank and other financial institutions. Under the agreements, the Corporation and its subsidiaries are empowered to sell accounts receivable to the banks upon the delivery of products to customers and are required to complete related formalities at the next banking day.

For the years ended December 31, 2018 and 2017, the related information for the Corporation and its subsidiaries CHS's and CASC'S sale of accounts receivable was as follows.

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Annual Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2018						
Mega Bank	\$ 3,946,637	\$ 10,988,135	\$ 10,625,300	\$ 4,309,472	1.05-1.68	NT\$9 billion
Bank of Taiwan	1,473,874	4,194,030	4,085,875	1,582,029	1.05-1.68	NT\$3 billion
Bank of Taiwan	649,515	5,843,018	6,000,810	491,723	0.55-3.47	USD130,000 thousand
Taishin Bank	1,626,213	9,471,752	7,756,173	3,341,792	2.00-3.00	USD120,000 thousand
CTBC Bank	677,245	3,143,818	2,774,972	1,046,091	2.00-3.47	USD40,000 thousand
Mizuho Bank	-	202,522	189,150	13,372	2.19-2.92	USD10,000 thousand
Mega Bank	1,088,226	3,114,212	3,169,251	1,033,187	1.19	NT\$3 billion
Bank of Taiwan	62,805	534,050	396,895	199,960	3.52	USD20,000 thousand
Bank of Taiwan	157,681	115,912	273,593	-	2.70	USD15,000 thousand
	<u>\$ 9,682,196</u>	<u>\$ 37,607,449</u>	<u>\$ 35,272,019</u>	<u>\$ 12,017,626</u>		
For the Year Ended December 31, 2017						
Mega Bank	\$ 3,407,655	\$ 10,454,377	\$ 9,915,395	\$ 3,946,637	1.02-1.68	NT\$9 billion
Mega Bank	1,099,546	3,137,353	3,148,673	1,088,226	1.19	NT\$3 billion
Bank of Taiwan	106,911	356,052	400,158	62,805	2.58	USD30,000 thousand
Bank of Taiwan	1,305,411	4,022,227	3,853,764	1,473,874	1.02-1.68	NT\$3 billion
Bank of Taiwan	658,609	5,912,848	5,921,942	649,515	1.84-2.49	USD130,000 thousand
Bank of Taiwan	-	324,490	166,809	157,681	1.52-2.55	USD15,000 thousand
Taishin Bank	-	726,453	726,453	-	2.61	USD10,000 thousand
Taishin Bank	1,944,923	7,724,850	8,043,560	1,626,213	1.59-2.00	USD123,000 thousand
CTBC Bank	552,811	2,567,555	2,443,121	677,245	1.59-2.02	USD40,000 thousand
	<u>\$ 9,075,866</u>	<u>\$ 35,226,205</u>	<u>\$ 34,619,875</u>	<u>\$ 9,682,196</u>		

#### 14. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	<b>December 31, 2017</b>
<u>Amounts due from customers for construction contracts</u>	
Construction costs incurred plus recognized profits less recognized losses to date	\$ 63,159,329
Less: Progress billings	<u>53,758,369</u>
Amounts due from customers for construction contracts	<u>\$ 9,400,960</u>
<u>Amounts due to customers for construction contracts</u>	
Progress billings	\$ 14,469,434
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>9,043,206</u>
Amounts due to customers for construction contracts	<u>\$ 5,426,228</u>
Retentions receivable	<u>\$ 1,371,118</u>
Retentions payable	<u>\$ 2,717,118</u>

#### 15. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Work in progress	\$ 25,240,250	\$ 23,421,176
Finished goods	26,664,139	24,357,521
Raw materials	20,789,812	18,974,890
Supplies	12,389,277	10,675,761
Raw materials and supplies in transit	11,672,473	7,826,224
Buildings and lands under construction and held for sale	4,071,736	2,482,318
Others	<u>257,198</u>	<u>225,870</u>
	<u>\$ 101,084,885</u>	<u>\$ 87,963,760</u>

The costs of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was NT\$299,856,591 thousand and NT\$264,013,789 thousand, respectively, including loss on inventory value decline of NT\$1,057,104 thousand and reversal of inventories NT\$880,774 thousand, respectively.

#### 16. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<b>December 31, 2017</b>
<u>Noncurrent</u>	
Unlisted preference shares - overseas	
East Asia United Steel Corporation (EAUS) - Preference A	\$ 1,761,421
Bonds	88,907
Subordinated financial bonds	<u>4,015</u>
	<u>\$ 1,854,343</u>

In July 2003, the Corporation and Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation established the joint venture Company EAUS in Japan. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation also signed a long-term purchase agreement with EAUS and promised to purchase certain amount of slabs annually. In 2015, the Corporation sold 3,333 shares of preference A of EAUS to Nippon Steel & Sumitomo Metal Corp.

## 17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Material associates		
7623704 Canada Inc.	\$ 8,306,551	\$ 8,059,570
Associates that are not individually material	<u>6,460,523</u>	<u>6,670,243</u>
	<u>\$ 14,767,074</u>	<u>\$ 14,729,813</u>

### a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)	
			December 31, 2018	December 31, 2017
7623704 Canada Inc.	Mineral Investment	Canada	25	25

The summarized financial information below represents amounts shown in the financial statements of 7623704 Canada Inc., which has been prepared in accordance with IFRSs, converted to the functional currency and adjusted for the purposes of applying equity method.

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 63,126	\$ 106,549
Noncurrent assets	33,785,917	32,736,293
Current liabilities	<u>(18)</u>	<u>(260)</u>
Equity	<u>\$ 33,849,025</u>	<u>\$ 32,842,582</u>
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	<u>\$ 8,306,551</u>	<u>\$ 8,059,570</u>
	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Net profit for the year	<u>\$ 1,214,366</u>	<u>\$ 2,215,665</u>
Total comprehensive income for the year	<u>\$ 4,416,155</u>	<u>\$ (455,667)</u>
Dividends received from 7623704 Canada Inc.	<u>\$ 313,173</u>	<u>\$ 531,892</u>
Comprehensive income attributable to the Corporation and its subsidiaries	<u>\$ 1,083,724</u>	<u>\$ (111,821)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
The Corporation and its subsidiaries' share of		
Net profit (loss) for the year	\$ (82,061)	\$ 77,372
Other comprehensive income	<u>(46,172)</u>	<u>(173,150)</u>
Total comprehensive income	<u>\$ (128,233)</u>	<u>\$ (95,778)</u>

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Chateau International Development Co., Ltd.	<u>\$ 674,749</u>	<u>\$ 791,532</u>

Refer to Table 9 "Information on Investees" for the nature of main business, principal place of business and countries of incorporation of associates that are not individually material.

## 18. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Current</b>		
Pledged time deposits	\$ 6,419,409	\$ 6,580,282
Time deposits with original maturities more than three months	2,609,083	2,108,285
Deposits for projects	325,408	188,475
Hedging foreign-currency deposits	<u>-</u>	<u>1,874,979</u>
	<u>\$ 9,353,900</u>	<u>\$ 10,752,021</u>
<b>Noncurrent</b>		
Pledged receivables	\$ 2,000,000	\$ 2,000,000
Pledged time deposits	266,649	264,574
Time deposits	21,710	22,144
Deposits for projects	<u>2,127</u>	<u>337,023</u>
	<u>\$ 2,290,486</u>	<u>\$ 2,623,741</u>

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts. As of December 31, 2018 and 2017, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT\$2,255,386 thousand (JPY0.46 billion, RMB42,966 thousand, USD31,349 thousand, EUR27,251 thousand and GBP332 thousand) and NT\$1,874,979 thousand (JPY1.08 billion, RMB63,443 thousand, USD29,386 thousand, EUR11,562 thousand and GBP332 thousand), respectively. As of December 31, 2018 and 2017 cash outflows would be expected from aforementioned contracts for the periods from 2019 and 2018, respectively.

Under IFRS 9, hedging foreign-currency deposits are reclassified to financial assets for hedging.

Refer to Note 36 for information relating to other financial assets pledged as collateral.

## 19. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2018

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
<b>Cost</b>										
Balance at January 1, 2018	\$ 66,834,670	\$ 5,048,345	\$ 123,645,228	\$ 621,534,099	\$ 27,536,534	\$ 17,475,257	\$ 10,300,464	\$ 323,003	\$ 22,984,632	\$ 895,682,232
Additions	754	33,010	1,743,960	20,305,174	290,628	678,052	1,016,634	-	(4,281,120)	19,787,092
Disposals	-	(6,613)	(17,172)	(2,945,846)	(167,206)	(472,082)	(1,064,261)	-	(944)	(4,674,124)
Reclassification	(1,581)	453	11,101	18,642	343	(24,031)	(5,050)	-	(120,021)	(120,144)
Acquisitions through business combinations	1,216,078	-	-	-	100	437	-	-	-	1,216,615
Effect of foreign currency exchange difference	1,755	(4,416)	(97,169)	232,397	(1,110,705)	(7,330)	-	-	(753)	(986,221)
Others	-	-	-	-	-	-	(9,150)	-	-	(9,150)
Balance at December 31, 2018	<u>\$ 68,051,676</u>	<u>\$ 5,070,779</u>	<u>\$ 125,285,948</u>	<u>\$ 639,144,466</u>	<u>\$ 26,549,694</u>	<u>\$ 17,650,303</u>	<u>\$ 10,238,637</u>	<u>\$ 323,003</u>	<u>\$ 18,581,794</u>	<u>\$ 910,896,300</u>
<b>Accumulated depreciation and impairment</b>										
Balance at January 1, 2018	\$ 25,546	\$ 4,639,818	\$ 48,315,409	\$ 399,247,555	\$ 11,765,360	\$ 13,592,055	\$ 4,242,407	\$ 32,846	\$ -	\$ 481,860,996
Depreciation	-	63,541	3,876,543	26,098,044	1,557,086	1,119,461	1,373,607	10,702	-	34,098,984
Disposals	-	(4,328)	(6,621)	(2,758,727)	(125,521)	(470,092)	(1,061,302)	-	-	(4,426,591)
Impairments	-	-	-	1,830,853	-	-	-	-	-	1,830,853
Reclassification	-	-	7,453	19,717	2,099	(27,410)	(1,859)	-	-	-
Acquisitions through business combinations	-	-	-	-	83	280	-	-	-	363
Effect of foreign currency exchange difference	-	(1,295)	(20,615)	75,087	(1,253,306)	(1,860)	-	-	-	(1,201,989)
Balance at December 31, 2018	<u>\$ 25,546</u>	<u>\$ 4,697,736</u>	<u>\$ 52,172,169</u>	<u>\$ 424,512,529</u>	<u>\$ 11,945,801</u>	<u>\$ 14,212,434</u>	<u>\$ 4,552,853</u>	<u>\$ 43,548</u>	<u>\$ -</u>	<u>\$ 512,162,616</u>
Carrying amount at December 31, 2018	<u>\$ 68,026,130</u>	<u>\$ 373,043</u>	<u>\$ 73,113,779</u>	<u>\$ 214,631,937</u>	<u>\$ 14,603,893</u>	<u>\$ 3,437,869</u>	<u>\$ 5,685,784</u>	<u>\$ 279,455</u>	<u>\$ 18,581,794</u>	<u>\$ 398,733,684</u>

For the year ended December 31, 2017

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
<b>Cost</b>										
Balance at January 1, 2017	\$ 63,547,108	\$ 4,992,881	\$ 122,481,708	\$ 618,315,362	\$ 29,763,661	\$ 17,086,014	\$ 9,906,663	\$ 323,003	\$ 17,497,100	\$ 883,913,500
Additions	3,294,316	57,984	1,667,674	8,368,272	258,808	659,561	1,217,484	-	6,014,342	21,538,441
Disposals	(11,260)	-	(11,781)	(3,113,979)	(855,554)	(245,466)	(1,649,315)	-	(1,728)	(5,889,083)
Reclassification	5,106	162	(204,731)	(654,614)	1,415	(5,069)	858,280	-	(522,761)	(522,212)
Effect of foreign currency exchange difference	(600)	(2,682)	(287,642)	(1,382,304)	(1,631,796)	(19,783)	-	-	(2,321)	(3,327,128)
Others	-	-	-	1,362	-	-	(32,648)	-	-	(31,286)
Balance at December 31, 2017	<u>\$ 66,834,670</u>	<u>\$ 5,048,345</u>	<u>\$ 123,645,228</u>	<u>\$ 621,534,099</u>	<u>\$ 27,536,534</u>	<u>\$ 17,475,257</u>	<u>\$ 10,300,464</u>	<u>\$ 323,003</u>	<u>\$ 22,984,632</u>	<u>\$ 895,682,232</u>
<b>Accumulated depreciation and impairment</b>										
Balance at January 1, 2017	\$ 25,546	\$ 4,568,858	\$ 44,480,284	\$ 375,772,170	\$ 11,541,392	\$ 12,646,644	\$ 4,006,875	\$ 22,144	\$ -	\$ 453,063,913
Depreciation	-	71,377	3,902,393	26,127,985	1,574,188	1,176,926	1,595,535	10,702	-	34,459,106
Disposals	-	-	(8,921)	(3,041,143)	(703,831)	(225,169)	(1,649,315)	-	-	(5,628,379)
Impairments	-	-	-	781,099	-	786	94,895	-	-	876,780
Reclassification	-	-	(33,217)	(167,147)	1,415	(1,228)	194,417	-	-	(5,760)
Effect of foreign currency exchange difference	-	(417)	(25,130)	(226,771)	(647,804)	(5,904)	-	-	-	(906,026)
Others	-	-	-	1,362	-	-	-	-	-	1,362
Balance at December 31, 2017	<u>\$ 25,546</u>	<u>\$ 4,639,818</u>	<u>\$ 48,315,409</u>	<u>\$ 399,247,555</u>	<u>\$ 11,765,360</u>	<u>\$ 13,592,055</u>	<u>\$ 4,242,407</u>	<u>\$ 32,846</u>	<u>\$ -</u>	<u>\$ 481,860,996</u>
Carrying amount at December 31, 2017	<u>\$ 66,809,124</u>	<u>\$ 408,527</u>	<u>\$ 75,329,819</u>	<u>\$ 222,286,544</u>	<u>\$ 15,771,174</u>	<u>\$ 3,883,202</u>	<u>\$ 6,058,057</u>	<u>\$ 290,157</u>	<u>\$ 22,984,632</u>	<u>\$ 413,821,236</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

### Land improvements

Bridge	40 years
Drainage system	40 years
Wharf	20-40 years
Wall	20-40 years

(Continued)

Others	5-15 years
<b>Buildings</b>	
Main structure	2-60 years
Facility	8-40 years
Mechanical and electrical facilities	10-15 years
Trellis and corrugated iron building	3-20 years
Others	3-10 years
<b>Machinery and equipment</b>	
Power equipment	3-25 years
Process equipment	8-40 years
Lifting equipment	5-25 years
Electrical equipment	3-16 years
High-temperature equipment	3-17 years
Examination equipment	3-10 years
Others	2-25 years
<b>Transportation Equipment</b>	
Ship equipment	18-25 years
Railway equipment	5-20 years
Telecommunication equipment	5 years
Transportation equipment	3-10 years
Others	2-3 years
<b>Other equipment</b>	
Leasehold improvement	2-35 years
Office, air condition and extinguishment equipment	5-25 years
Computer equipment	3-10 years
Others	2-35 years
<b>Rental assets</b>	
Financial lease assets	31 years (Concluded)

The subsidiary CHS bought farmlands for warehousing at the Jia Xing Section and Qing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHS from registering the title of these farmlands in CHS's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHS in freely changing the land title to CHS or to other name of other under CHS instructions. Meanwhile, the land had been pledged to CHS as collateral. As of December 31, 2018 and 2017, the book value of the farmlands were both NT\$55,433 thousand recorded as land.

The subsidiary DSC's partial property, plant and equipment were idle; as a result, DSC assessed the amounts were not considered recoverable or the recoverable amount were less than carrying amount. Hence, it recognized an impairment loss of NT\$1,832,292 thousand and NT\$795,330 thousand, which was recorded as operating costs for the years ended December 31, 2018 and 2017, respectively.

Refer to Note 36 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.



## 20. INVESTMENT PROPERTIES

For the year ended December 31, 2018

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2018	\$ 8,353,534	\$ 3,825,457	\$ 12,178,991
Additions	-	158,305	158,305
Transferred from property, plant and equipment	1,581	-	1,581
Reclassified to noncurrent assets held for sale	(236,388)	(1,269,754)	(1,506,142)
Disposals	-	(57,374)	(57,374)
Effect of foreign currency exchange difference	<u>7,953</u>	<u>62,863</u>	<u>70,816</u>
Balance at December 31, 2018	<u>\$ 8,126,680</u>	<u>\$ 2,719,497</u>	<u>\$ 10,846,177</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2018	\$ 237,364	\$ 985,549	\$ 1,222,913
Depreciation	-	61,871	61,871
Disposals	-	(21,073)	(21,073)
Effect of foreign currency exchange difference	<u>-</u>	<u>11,963</u>	<u>11,963</u>
Balance at December 31, 2018	<u>\$ 237,364</u>	<u>\$ 1,038,310</u>	<u>\$ 1,275,674</u>
Carrying amount at December 31, 2018	<u>\$ 7,889,316</u>	<u>\$ 1,681,187</u>	<u>\$ 9,570,503</u>

For the year ended December 31, 2017

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2017	\$ 8,222,428	\$ 3,236,752	\$ 11,459,180
Additions	-	614,852	614,852
Transferred from inventory	142,688	-	142,688
Transferred to property, plant and equipment	(5,106)	(9,612)	(14,718)
Effect of foreign currency exchange difference	<u>(6,476)</u>	<u>(16,535)</u>	<u>(23,011)</u>
Balance at December 31, 2017	<u>\$ 8,353,534</u>	<u>\$ 3,825,457</u>	<u>\$ 12,178,991</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2017	\$ 222,057	\$ 920,981	\$ 1,143,038
Impairment loss	15,307	-	15,307
Depreciation	-	70,186	70,186
Transferred to property, plant and equipment	-	(3,477)	(3,477)
Effect of foreign currency exchange difference	<u>-</u>	<u>(2,141)</u>	<u>(2,141)</u>
Balance at December 31, 2017	<u>\$ 237,364</u>	<u>\$ 985,549</u>	<u>\$ 1,222,913</u>
Carrying amount at December 31, 2017	<u>\$ 8,116,170</u>	<u>\$ 2,839,908</u>	<u>\$ 10,956,078</u>

The above items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings 3-60 years

The Corporation and its subsidiaries participated in the “Qianzhen Residential Building Project”, which was jointly conducted by its subsidiary CPDC, signed the land sales agreements with its employees. According to the agreements, payment for the land received from employees were deposited in the Bank of Taiwan and recognized as other financial assets while other liabilities were recognized simultaneously. After acquiring the building use permit in November 2018, the “Qianzhen Residential Building Project” was reclassified to noncurrent assets held for sale.

To encourage its employees and enhance employees’ welfare, the subsidiary DSC began to build “Lohas Center” in August 2004, which was approved by the board of directors to sell to employees in November 2017. Lohas Center is estimated to be sold out within 12 months and was transferred to noncurrent asset held for sale in June 2018 after acquiring the building use permit.

The fair value of the investment properties was arrived at on the basis of valuations conducted in 2013, 2014, 2015 and 2017 by independent appraisers, who are not related parties. The valuation was measured under the market approach, income approach, cost approach and land developing analysis approach, and Level 3 inputs were used when performing the abovementioned approaches. In December 2016, due to the significant change in the present value of several plots of land, the Corporation, based on the actual selling prices of land sale in the vicinity, reappraised the land value. The important assumptions and fair value were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value	<u>\$ 24,172,985</u>	<u>\$ 27,140,670</u>
Depreciation rate (%)	1.20-2.00	1.20-2.00
Discount rate (%)	0.85-2.13	0.85-2.13

All of the Corporation and its subsidiaries’ investment properties are held under freehold interests. Refer to Note 36 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

## 21. BORROWINGS

### a. Short-term borrowings and bank overdraft

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Unsecured loans - interest at 0.47%-12% p.a. and 0.42%-7.40% p.a. as of December 31, 2018 and 2017, respectively	\$ 32,111,402	\$ 29,311,397
Bank overdraft (Note 36) - interest at 0.14%-8.33% p.a. and 0.14%-7.40% p.a. as of December 31, 2018 and 2017, respectively	5,764,410	2,973,133
Letters of credit - interest at 0%-1.17% p.a. and 0%-1.25% p.a. as of December 31, 2018 and 2017, respectively	1,834,030	1,503,507
Secured loans (Note 36) - interest at 0.88%-5.00% p.a. and 0.88%-5.30% p.a. as of December 31, 2018 and 2017, respectively	1,688,129	757,814

(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Export bill loans - interest at 0.21%-3.36% p.a. and 0.37%-6.45% p.a. as of December 31, 2018 and 2017, respectively	<u>\$ 612,035</u>	<u>\$ 780,207</u>
	<u>\$ 42,010,006</u>	<u>\$ 35,326,058</u> (Concluded)

Starting from January 2016, the subsidiary CSPM entered into several credit facility agreements with ANZ (China) and several banks for total amount of USD47,000 thousand (or equal amount in RMB, the credit line remained unchanged) and RMB105,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold over 50% of the CSPM's equity and half or more of the seats in the board of directors and supervisors. As of December 31, 2018, the subsidiary CSAPH held 70% equity of CSPM and three-quarters of the seats in the board of directors and supervisors.

Starting from March 2015, the subsidiary CSMK entered into short-term financing contract with ANZ (China) and several Banks for USD26,000 thousand credit line (or equal amount in RMB, the credit line remained unchanged) and RMB50,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold 100% of the CSMK's equity and all of the seats in the board of directors. As of December 31, 2018, the Corporation and CSGT collectively held 100% equity of CSMK and all of the seats in the board of directors.

Starting from March 2014, the subsidiary CSCI entered into short-term financing contracts with BNP Bank and several banks for INR 1.9 billion credit line. Under the agreements, the Corporation should hold at least 60% of CSCI's issued shares and half or more of the seats in the board of directors. As of December 31, 2018, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

Starting from March 2014, the subsidiary CSVC entered into short-term financing contracts with Standard Chartered Bank and several banks for a USD92,500 thousand short-term credit lines. Under the agreements, the Corporation should hold at least 56% of CSVC's issued shares and half or more of the seats in the board of directors. As of December 31, 2018, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.

b. Short-term bills payable

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Commercial paper - interest at 0.40%-1.15% p.a. and 0.39%-1.14% p.a. as of December 31, 2018 and 2017, respectively	<u>\$ 22,417,000</u>	<u>\$ 24,643,000</u>
Less: Unamortized discounts	<u>4,954</u>	<u>7,418</u>
	<u>\$ 22,412,046</u>	<u>\$ 24,635,582</u>

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, TaChing Bills Finance Corporation, Taiwan Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Grand Bills Finance Corp., Union Bank of Taiwan, Bank of Taiwan, Hua Nan Bank, Taiwan Cooperative Bank, Dah Chung Bills Finance Corp., Shanghai Commercial & Savings Bank and Bangkok Bank, etc.

c. Long-term borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Syndicated bank loans		
Bank of Taiwan and other banks loan to CHS		
Repayable in March 2019 with a revolving credit, repaid in March 2018 in advance, interest at 1.58% p.a. as of December 31, 2017	\$ -	\$ 2,250,000
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.14% p.a. as of December 31, 2017	-	6,523,540
Bank of Taiwan and other banks loan to the Corporation		
Repayable in several installments from February 2020, repaid in February and May, 2018, respectively, in advance, interest at 2.94% p.a. as of December 31, 2017	-	14,880,000
Mizuho Bank and other banks loan to the Corporation		
Repaid in August 2018, interest at 2.50%-2.57% p.a. as of December 31, 2017	-	4,464,000
Mega Bank and other banks loan to CSVC		
Repayable in 10 semiannual installments from September 2015 to March 2020, interest at 3.71% p.a. and 2.53% p.a. as of December 31, 2018 and 2017, respectively	2,515,558	2,812,320
CTBC Bank and other banks loan to CSCI		
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 4.37% p.a. and 3.35% p.a. as of December 31, 2018 and 2017, respectively	3,365,664	3,269,178
Mortgage loans (Note 36)		
Due on various dates through April 2032, interest at 1.26%-3.50% p.a. and 1.26%-2.44% p.a. as of December 31, 2018 and 2017, respectively	6,747,390	8,009,239
Unsecured loans		
Due on various dates through June 2025, interest at 0.29%-3.57% p.a. and 0.28%-2.57% p.a. as of December 31, 2018 and 2017, respectively	<u>26,366,457</u>	<u>33,409,554</u>
	38,995,069	75,617,831
Less: Syndicated loan fee	-	20,900
	<u>38,995,069</u>	<u>75,596,931</u>
Less: Current portion	2,974,653	18,549,055
Financial liabilities for hedging - current	4,177,109	-
Financial liabilities for hedging - noncurrent	<u>4,348,562</u>	<u>-</u>
	<u>\$ 27,494,745</u>	<u>\$ 57,047,876</u>

- 1) In December 2011, the subsidiary CHS entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for a NT\$16 billion credit line, which consists of NT\$7 billion secured loans with a non-revolving credit line that had been repaid in December 2017 in advance, and NT\$9 billion unsecured loans with a revolving credit line that had been repaid in March 2018 in advance. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of the CHS's issued shares and control CHS's operation. Starting from 2012, CHS should meet some financial ratios and criteria.

The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. The financial ratios of CHS's 2017 standalone financial statements is in

compliance with the agreements.

- 2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT\$35 billion credit line, which consists of NT\$30 billion secured loans with a non-revolving credit line and NT\$5 billion secured commercial paper with a revolving credit line recognized as long - term bills payable; in February 2008, DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT\$51.7 billion credit line which was repaid in July 2018. Under the agreements, the Corporation and its associates should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. Starting from 2012, DSC should meet some financial ratios and criteria.

DSC was in compliance with the syndicated credit facility agreement based on its financial statement of 2017.

- 3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD246,000 thousand credit line, which has been re-signed in December 2017 for a USD126,000 thousand credit line. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and hold half or more of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria. CSVC was in compliance with the syndicated credit facility agreement based on its 2018 and 2017 audited financial statements. As of December 31, 2018, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.
- 4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreements, the Corporation should hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. The syndicated credit facility agreement has been re-signed in November 2016. CSCI should meet some financial ratios and criteria required by the new syndicated credit facility agreement based on the Corporation's reviewed financial statements for the six months ended June 30 and audited annual financial statements as well as CSCI's unreviewed financial statements for the six months ended September 30 and audited annual financial statements. CSCI was in compliance with the syndicated credit facility agreement based on its financial statements for the six months ended September 30, 2018 and 2017 audited financial statements. As of December 31, 2018, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.
- 5) In May 2018, the subsidiary CSCC entered into a credit facility agreement with KGI Bank for a NT\$500,000 thousand credit line. Under the agreement, based on CSCC's quarterly reviewed consolidated financial statements and audited annual consolidated financial statements, which shall be verified quarterly, the consolidated profit from operations of CSCC shall not be negative for two consecutive quarters. Otherwise, the credit line shall be cancelled until the quarter profit from operations become positive. CSCC was in compliance with the agreement based on its financial statements for each quarter ended in 2018.
- 6) In July and August 2015, the Corporation entered into a syndicated credit facility agreement with Mizuho bank with 7 other banks and Bank of Taiwan with 14 other banks for a USD150,000 thousand and USD500,000 thousand unsecured non-revolving credit line, respectively. Loans from Bank of Taiwan had been repaid in May and February 2018, respectively; loans from Mizuho bank had been repaid in August 2018. Under the agreements, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately. The above syndicated credit facility agreements obtained by the Corporation are intended to hedge the

exchange rate fluctuations of the foreign currency equity investment of the subsidiary CSAPH. However, the subsidiary CSAPH carried out a capital reduction in shares in June 2018, which resulted in the change on its risk management strategy and the hedge relationship became ineffective. The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the six months ended June 30, 2018 and for the year ended December 31, 2017.

The above unsecured loans and syndicated credit facility agreements included those obtained by the Corporation in JPY and USD to hedge the exchange rate fluctuations on equity investments in EAUS, CSAPH, CSVC, Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. At the adoption of IFRS 9, long-term borrowings used to hedge exchange rate fluctuation risk were reclassified to financial liabilities for hedging (including current and noncurrent).

d. Long-term bills payable

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Commercial paper - interest at 0.51%-1.20% p.a. and 0.40%-1.00% p.a. as of December 31, 2018 and 2017, respectively	\$ 21,330,000	\$ 26,620,000
Secured commercial paper in syndicated bank loans - interest at 0.96% p.a. as of December 31, 2017	<u>-</u>	<u>1,000,000</u>
	21,330,000	27,620,000
Less: Unamortized discounts	<u>10,506</u>	<u>6,841</u>
	<u>\$ 21,319,494</u>	<u>\$ 27,613,159</u>

The Corporation and its subsidiaries entered into commercial paper contracts with bills finance corporations and banks. The duration of the contracts is three to five years and the cycles of issuance is fifteen to sixty days, during which the Corporation and its subsidiaries only have to pay service fees and interests. Therefore, the Corporation and its subsidiaries recorded those commercial papers issued as long-term bills payable.

The subsidiary DSC issued secured commercial paper in a syndicated bank loan with the duration of seven years. Refer to c. 2) for details.

The above commercial paper was secured by Mega Bank, Agricultural Bank of Taiwan, Taishin Bank, ANZ Bank (Taiwan), Bangkok Bank, Hua Nan Bank, Bank of Taiwan and Bank BNP Paribas, etc.

## 22. BONDS PAYABLE

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
5-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2018 and June 2019; interest at 1.40% p.a., payable annually	\$ 3,500,000	\$ 7,000,000
June 2015; repayable in June 2019 and June 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000
June 2016; repayable in June 2020 and June 2021; interest at 0.89% p.a., payable annually	5,400,000	5,400,000

(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
June 2018; repayable in June 2022 and June 2023; interest at 0.91% p.a., payable annually	\$ 4,500,000	\$ -
December 2018; repayable in December 2022 and December 2023; interest at 0.97% p.a., payable annually	3,250,000	-
7-year unsecured bonds - issued at par by the Corporation in:		
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	-	5,200,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	2,500,000	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
May 2018; repayable in May 2024 and May 2025; interest at 0.95% p.a., payable annually	6,000,000	-
October 2018; repayable 25% in October 2024 and 75% in October 2025; interest at 0.90% p.a., payable annually	4,150,000	-
7-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2020 and June 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000
June 2015; repayable in June 2021 and June 2022; interest at 1.72% p.a., payable annually	2,500,000	2,500,000
June 2018; repayable in June 2024 and June 2025; interest at 1.00% p.a., payable annually	2,250,000	-
10-year unsecured bonds - issued at par by the Corporation in:		
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
August 2018; repayable in August 2027 and August 2028; interest at 1.10% p.a., payable annually	5,600,000	-
October 2018; repayable in October 2027 and October 2028; interest at 1.05% p.a., payable annually	2,250,000	-
15-year unsecured bonds - issued at par by the Corporation in:		
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
	<u>111,900,000</u>	<u>95,100,000</u>
Less: Issuance cost of bonds payable	67,356	48,513
Current portion	<u>12,899,340</u>	<u>11,198,974</u>
	<u>\$ 98,933,304</u>	<u>\$ 83,852,513</u>
		(Concluded)

## 23. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Accounts payable includes advances received on construction contracts. Advances received on construction contracts bears no interests and are expected to be paid until the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within the normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 14 for details on construction contracts.

## 24. OTHER PAYABLES

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Salaries and incentive bonus	\$ 8,185,624	\$ 7,470,082
Purchase of equipment	3,446,049	2,568,395
Employee compensation and remuneration of directors and supervisors	2,424,866	1,690,094
Outsourced repair and construction	1,432,612	1,154,788
Interest payable	1,077,354	1,073,702
Sales returns and discounts	-	1,522,348
Others	<u>9,058,883</u>	<u>7,675,962</u>
	<u>\$ 25,625,388</u>	<u>\$ 23,155,371</u>

Under IFRS 15, sales returns and discounts are reclassified to refund liability - current.

## 25. PROVISIONS

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
<u>Current</u>		
Onerous contracts (a)	\$ 6,880,915	\$ 3,573,465
Construction warranties (b)	292,043	309,472
Sale returns and discounts (c)	-	55,946
Others	<u>103,471</u>	<u>103,593</u>
	<u>\$ 7,276,429</u>	<u>\$ 4,042,476</u>
<u>Noncurrent</u>		
Provision for stabilization funds (d)	\$ 844,090	\$ 828,352
Others	<u>17,969</u>	<u>6,696</u>
	<u>\$ 862,059</u>	<u>\$ 835,048</u>

	<b>Onerous Contracts</b>	<b>Construction Warranties</b>	<b>Sale Returns and Discounts</b>	<b>Provision for Stabilization Funds</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2018	\$ 3,573,465	\$ 309,472	\$ 55,946	\$ 828,352	\$ 110,289	\$ 4,877,524
Adjustment on initial application of IFRS 15	1,291,026	-	(55,946)	-	-	1,235,080
Recognized (reversal)	2,008,757	(14,408)	-	16,344	26,733	2,037,426

(Continued)



	<b>Onerous Contracts</b>	<b>Construction Warranties</b>	<b>Sale Returns and Discounts</b>	<b>Provision for Stabilization Funds</b>	<b>Others</b>	<b>Total</b>
Paid	\$ -	\$ (3,021)	\$ -	\$ (606)	\$ (15,490)	\$ (19,117)
Effect of foreign currency exchange difference	<u>7,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92)</u>	<u>7,575</u>
Balance at December 31, 2018	<u>\$ 6,880,915</u>	<u>\$ 292,043</u>	<u>\$ -</u>	<u>\$ 844,090</u>	<u>\$ 121,440</u>	<u>\$ 8,138,488</u>
Balance at January 1, 2017	\$ 3,750,118	\$ 463,355	\$ 24,415	\$ 802,859	\$ 99,053	\$ 5,139,800
Recognized (reversal)	(176,653)	(152,673)	1,494,113	26,556	21,808	1,213,151
Paid	<u>-</u>	<u>(1,210)</u>	<u>(1,462,582)</u>	<u>(1,063)</u>	<u>(10,572)</u>	<u>(1,475,427)</u>
Balance at December 31, 2017	<u>\$ 3,573,465</u>	<u>\$ 309,472</u>	<u>\$ 55,946</u>	<u>\$ 828,352</u>	<u>\$ 110,289</u>	<u>\$ 4,877,524</u>

(Concluded)

- a. The provision for onerous contracts represents the present value of the future payments that the Corporation and its subsidiaries were presently obligated to make under non-cancellable onerous purchase and service contracts, less revenue expected to be earned on the contracts, and the difference between the estimated cost in the future to satisfy performance obligation and estimated revenue of the Corporation and its subsidiaries from non-cancellable construction contracts. Under IFRS 15, expected losses of construction contracts were reclassified to the provision for onerous contracts.
- b. The provision for construction warranties represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Corporation and its subsidiaries' obligations for warranties. The estimate had been made on the basis of historical warranty trends.
- c. The provision for sales returns and discounts, recognized as a reduction of operating revenues, represents the annual rewards estimated on the basis of historical experience, management's judgments and other known reasons. Under IFRS 15, the provision for sales returns and discounts were reclassified to refund liability - current.
- d. The provision for stabilization funds represents the provision recognized in accordance with the build-operate-transfer contract by the subsidiary KRTC. The provision was used for capital demand due to force majeure, exceptional events, operating deficits, etc. The provision for stabilization funds was recognized based on increase in stabilization funds.

## 26. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Corporation and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The foreign subsidiaries also make contribution in accordance with the local regulations, which is a defined contribution plan.

- b. Defined benefit plans

The Corporation and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and its domestic subsidiaries make contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation and its domestic subsidiaries assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation and its domestic is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds,

Ministry of Labor (“the Bureau”); the Corporation and its subsidiaries have no right to influence the investment policy and strategy. The Corporation and some of its subsidiaries also makes contributions, equal to a certain percentage of salaries of management personnel, to another pension fund, which are deposited and administered by the officers’ pension fund management committee. The Corporation and some of its subsidiaries, also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The amounts included in the consolidated balance sheets in respect of the Corporation and its subsidiaries’ defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 29,363,047	\$ 29,361,216
Fair value of plan assets	<u>(19,951,892)</u>	<u>(20,982,995)</u>
Deficit	9,411,155	8,378,221
Net defined benefit liabilities - recognized as other payables, other current assets or other noncurrent assets	<u>(49,434)</u>	<u>(56,441)</u>
Net defined benefit liabilities	<u>\$ 9,361,721</u>	<u>\$ 8,321,780</u>

Movements of net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	<u>\$ 29,361,216</u>	<u>\$ (20,982,995)</u>	<u>\$ 8,378,221</u>
Service cost			
Current service cost	738,233	-	738,233
Interest expense (income)	<u>275,445</u>	<u>(198,667)</u>	<u>76,778</u>
Recognized in profit or loss	<u>1,013,678</u>	<u>(198,667)</u>	<u>815,011</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(675,743)	(675,743)
Actuarial loss - changes in demographic assumptions	61,237	-	61,237
Actuarial loss - changes in financial assumptions	1,017,974	-	1,017,974
Actuarial loss - experience adjustments	<u>766,915</u>	<u>-</u>	<u>766,915</u>
Recognized in other comprehensive income	<u>1,846,126</u>	<u>(675,743)</u>	<u>1,170,383</u>
Contributions from the employer	-	(834,880)	(834,880)
Contributions of employee returning	(2,411)	(6,969)	(9,380)
Benefits paid	(2,848,359)	2,747,362	(100,997)
Others	<u>(7,203)</u>	<u>-</u>	<u>(7,203)</u>
	<u>(2,857,973)</u>	<u>1,905,513</u>	<u>(952,460)</u>
Balance at December 31, 2018	<u>\$ 29,363,047</u>	<u>\$ (19,951,892)</u>	<u>\$ 9,411,155</u>
Balance at January 1, 2017	<u>\$ 29,668,411</u>	<u>\$ (22,698,162)</u>	<u>\$ 6,970,249</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Service cost			
Current service cost	\$ 758,757	\$ -	\$ 758,757
Past service cost and loss on settlements	9,202	-	9,202
Interest expense (income)	<u>279,223</u>	<u>(213,816)</u>	<u>65,407</u>
Recognized in profit or loss	<u>1,047,182</u>	<u>(213,816)</u>	<u>833,366</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,589)	(13,589)
Actuarial loss - changes in demographic assumptions	99,817	-	99,817
Actuarial loss - changes in financial assumptions	539,512	-	539,512
Actuarial loss - experience adjustments	<u>874,711</u>	<u>-</u>	<u>874,711</u>
Recognized in other comprehensive income	<u>1,514,040</u>	<u>(13,589)</u>	<u>1,500,451</u>
Contributions from the employer	-	(858,065)	(858,065)
Contributions of employee returning	(3,125)	(3,133)	(6,258)
Benefits paid	(2,865,195)	2,803,770	(61,425)
Others	<u>(97)</u>	<u>-</u>	<u>(97)</u>
	<u>(2,868,417)</u>	<u>1,942,572</u>	<u>(925,845)</u>
Balance at December 31, 2017	<u>\$ 29,361,216</u>	<u>\$ (20,982,995)</u>	<u>\$ 8,378,221</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	\$ 569,283	\$ 588,066
Operating expenses	244,400	243,294
Others	<u>1,328</u>	<u>2,006</u>
	<u>\$ 815,011</u>	<u>\$ 833,366</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation and its subsidiaries are exposed to the following risks:

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate (%)	0.875-1.625	0.875-1.625
Expected rate of salary increase (%)	2.000-3.000	1.875-3.250
Turnover rate (%)	0.000-30.500	0.000-21.500

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate		
0.25% increase	<u>\$ (641,866)</u>	<u>\$ (505,980)</u>
0.25% decrease	<u>\$ 668,261</u>	<u>\$ 522,501</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 651,643</u>	<u>\$ 507,811</u>
0.25% decrease	<u>\$ (628,632)</u>	<u>\$ (494,360)</u>

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	<u>\$ 719,052</u>	<u>\$ 767,131</u>
The average duration of the defined benefit obligation	2.5-19 years	4.1-18.2 years

## 27. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Number of shares authorized (in thousands)	<u>17,000,000</u>	<u>17,000,000</u>
Shares authorized	<u>\$ 170,000,000</u>	<u>\$ 170,000,000</u>
Number of shares issued and fully paid (in thousands)		
Ordinary shares (in thousands)	15,734,861	15,734,861
Preference shares (in thousands)	<u>38,268</u>	<u>38,268</u>
	<u>15,773,129</u>	<u>15,773,129</u>
Shares issued		
Ordinary shares	\$ 157,348,610	\$ 157,348,610
Preference shares	<u>382,680</u>	<u>382,680</u>
	<u>\$ 157,731,290</u>	<u>\$ 157,731,290</u>

#### 1) Ordinary shares

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

#### 2) Preference shares

Preference shareholders have the following entitlements or rights:

- a) 14% annual dividends, with dividend payments ahead of those to ordinary shareholders;
- b) Preference over ordinary shares in future payment of dividends in arrears;
- c) The sequence and percentage of appropriation of residual property are the same with ordinary shares;
- d) The same rights as ordinary shareholders, except the right to vote for directors; and
- e) Redeemable by the Corporation and convertible to ordinary shares by preference shareholders with the ratio of 1:1.

#### 3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's ordinary shares and the issued GDRs account for the Corporation's ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of December 31, 2018 and 2017, the outstanding depositary receipts were 769,313 units and 1,019,241 units and equivalent to 15,386,570 ordinary shares (including 310 fractional shares) and 20,385,130 ordinary shares (including 310 fractional

shares), which represented 0.09% and 0.13% of the outstanding ordinary shares, respectively.

b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)		
Additional paid-in capital	\$ 31,154,766	\$ 31,154,766
Treasury share transactions	329,558	329,296
Others	<u>8,099</u>	<u>8,099</u>
	<u>31,492,423</u>	<u>31,492,161</u>
May be used to offset deficits only (see 2 below)		
Treasury share transactions	6,429,481	6,148,057
Share of change in equity of subsidiaries	507,077	467,953
Share of change in equity of associates	<u>116,903</u>	<u>102,911</u>
	<u>7,053,461</u>	<u>6,718,921</u>
	<u>\$ 38,545,884</u>	<u>\$ 38,211,082</u>

- 1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital).
- 2) The capital surplus included the share of change in equity of subsidiaries recognized without any actual acquisition or disposal of subsidiaries' share by the Corporation or the adjustments to capital surplus of subsidiaries under equity method.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated in the following order:

- 1) 10% as legal reserve;
- 2) Preference share dividends at 14% of par value;
- 3) Ordinary share dividends at no more than 14% of par value; and
- 4) The remainder, if any, as additional dividends divided equally between the holders of preference and ordinary shares.

The board of directors should propose the appropriation of earnings. If necessary, it may, after appropriating for preference shares dividends, propose to appropriate a special reserve or to retain certain earnings. These proposals should be submitted to the shareholders' meeting for approval.

The Corporation's steel business is in a phase of stable growth; thus, 75% or more of the appropriation for dividends should be in cash and 25% or less in shares.

Appropriation of earnings to legal reserve could be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Corporation should appropriate or reverse a special reserve. In addition, if the market price of the Corporation’s ordinary shares held by subsidiaries is lower than the carrying value of the Corporation’s shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders’ meeting on June 2018 and June 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share (NT\$)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 1,690,558	\$ 1,603,837		
Reversal of special reserve	(5,992)	(2,130,614)		
Preference shares				
Cash dividends	53,575	53,575	<u>\$ 1.40</u>	<u>\$ 1.40</u>
Ordinary shares				
Cash dividends	13,846,677	13,374,632	<u>\$ 0.88</u>	<u>\$ 0.85</u>

The appropriations of earnings for 2018 had been proposed by the Corporation’s board of directors on March 25, 2019 as follows:

	<b>Appropriations of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 2,445,415	
Special reserve	154,480	
Preference shares		
Cash dividends	53,575	<u>\$ 1.40</u>
Ordinary shares		
Cash dividends	15,734,861	<u>\$ 1.00</u>

The appropriations of earnings for 2018 are subject to the resolution of the shareholders’ meeting to be held in June 2019.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 27,655,869	\$ 29,786,846
Reversal of special reserve		
The difference between carrying amount of the Corporation’s shares held by subsidiaries	(5,992)	(2,130,614)
Disposal of property, plant and equipment	<u>(389)</u>	<u>(363)</u>
Balance, end of year	<u>\$ 27,649,488</u>	<u>\$ 27,655,869</u>

e. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year (IAS 39)	\$ (2,110,593)	\$ (32,048)
Adjustment on initial application of IFRS 9	<u>(4,005,260)</u>	<u>-</u>
Balance, beginning of year (IFRS 9)	<u>(6,115,853)</u>	<u>(32,048)</u>
Effect of change in tax rate	3,113	-
Recognized during the year		
Exchange differences arising on translating foreign operations	(547,652)	(3,816,672)
Income tax relating to exchange differences arising on translating foreign operations	(4,902)	48,787
Share from associates accounted for using the equity method	745,670	(599,385)
Gains and losses on hedging instruments designated in hedges of the net investment in foreign operations	<u>-</u>	<u>2,288,725</u>
Other comprehensive income recognized in the year	<u>196,229</u>	<u>(2,078,545)</u>
Balance, end of year	<u>\$ (5,919,624)</u>	<u>\$ (2,110,593)</u>

2) Unrealized gains and losses on available-for-sale financial assets

	<b>Amount</b>
Balance at January 1, 2018 (IAS 39)	\$ 9,614,863
Adjustment on initial application of IFRS 9	<u>(9,614,863)</u>
Balance at January 1, 2018 (IFRS 9)	<u>\$ -</u>
Balance at January 1, 2017	<u>\$ 8,650,573</u>
Recognized during the year	
Unrealized gains and losses on available-for-sale financial assets	1,485,880
Income tax relating to unrealized gains and losses on available-for-sale financial assets	369
Share from associates accounted for using the equity method	(220,172)
Reclassification adjustment	
Reclassified to profit or loss on disposal of available-for-sale financial assets	(1,027,027)
Impairment on available-for-sale financial assets	<u>725,240</u>
Other comprehensive income recognized in the year	<u>964,290</u>
Balance at December 31, 2017	<u>\$ 9,614,863</u>



3) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>5,251,741</u>
Balance at January 1, 2018 (IFRS 9)	<u>5,251,741</u>
Effect of change in tax rate	(1,591)
Recognized during the year	
Unrealized gains and losses - equity instruments	(944,700)
Income tax relating to unrealized gains and losses	(65)
Share from associates accounted for using the equity method	<u>(4,555)</u>
Other comprehensive income recognized in the year	<u>(950,911)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>110,083</u>
Balance at December 31, 2018	<u>\$ 4,410,913</u>

4) The effective portion of gains and losses on hedging instruments in a cash flow hedge

	<b>Amount</b>
Balance at January 1, 2018 (IAS 39)	\$ (131,335)
Adjustment on initial application of IFRS 9	<u>131,335</u>
Balance at January 1, 2018 (IFRS 9)	<u>\$ -</u>
Balance at January 1, 2017	\$ 62,181
Fair value changes of hedging instrument	(256,415)
Income tax relating to fair value changes	38,519
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	28,865
Income tax relating to amounts transferred to adjust carrying amount of hedged items	<u>(4,485)</u>
Balance at December 31, 2017	<u>\$ (131,335)</u>

5) Gains and losses on hedging instrument

	<b>Cash Flow Hedges</b>	<b>Fair Value Hedges</b>	<b>Hedges of Net Investments in Foreign Operations</b>	<b>Total</b>
Balance at January 1, 2018 (IAS 39)	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>(131,335)</u>	<u>98,851</u>	<u>4,005,260</u>	<u>3,972,776</u>
Balance at January 1, 2018 (IFRS 9)	(131,335)	98,851	4,005,260	3,972,776

(Continued)

	<b>Cash Flow Hedges</b>	<b>Fair Value Hedges</b>	<b>Hedges of Net Investments in Foreign Operations</b>	<b>Total</b>
Increase (decrease) in the year	\$ 422,186	\$ (83,296)	\$ (207,788)	\$ 131,102
Balance at December 31, 2018	<u>\$ 290,851</u>	<u>\$ 15,555</u>	<u>\$ 3,797,472</u>	<u>\$ 4,103,878</u> (Concluded)

a) Cash flow hedges

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>(131,335)</u>
Balance at January 1, 2018 (IFRS 9)	<u>(131,335)</u>
Effect of change in tax rate	5,552
Recognized during the year	
Foreign currency risk - foreign exchange forward contracts and hedging foreign - currency deposits	518,559
Interest rate risk - interest rate swap contracts	5,785
Tax effect	(105,916)
Reclassification adjustment	
Foreign currency risk - hedging foreign - currency deposits	(2,957)
Tax effect	<u>1,163</u>
Other comprehensive income recognized in the year	<u>422,186</u>
Balance at December 31, 2018	<u>\$ 290,851</u>

b) Fair value hedges

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>98,851</u>
Balance at January 1, 2018 (IFRS 9)	<u>98,851</u>
Recognized during the year	
Foreign currency risk - bank loans	<u>(83,296)</u>
Balance at December 31, 2018	<u>\$ 15,555</u>

c) Hedges of net investments in foreign operations

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>4,005,260</u>
Balance at January 1, 2018 (IFRS 9)	<u>4,005,260</u>
Recognized during the year	
Foreign currency risk - bank loans	<u>(207,788)</u>
Balance at December 31, 2018	<u>\$ 3,797,472</u>

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares			December 31	
	Beginning of Year	Addition	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2018					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>315,166</u>	<u>4,878</u>	<u>40</u>	<u>320,004</u>	<u>\$ 8,646,700</u>
For the year ended December 31, 2017					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>318,007</u>	<u>804</u>	<u>3,645</u>	<u>315,166</u>	<u>\$ 8,532,389</u>

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as financial assets at fair value through other comprehensive income - current and financial assets at fair value through other comprehensive income - noncurrent). The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other ordinary shareholders. The increase of treasury shares was due to acquisition of the Corporation's shares by subsidiaries in which the Corporation has less than 50% shareholding. The decrease of treasury shares was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

Refer to Table 3 for the Corporation's shares held by subsidiaries. For the year ended December 31, 2018, a total of 55 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT\$1,334 thousand. Calculated based on the percentage of shares held, the proceeds of treasury shares sold were NT\$640 thousand, and after deducting book values, the remainders amounted to NT\$262 thousand, recorded as addition to the capital surplus. As of December 31, 2018 and 2017, the market values of the treasury shares calculated by combined holding percentage were NT\$7,761,396 thousand and NT\$7,801,566 thousand, respectively.

g. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year (IAS 39)	\$ 27,941,924	\$ 27,019,807
Adjustment on initial application of IFRS 9	<u>(14,538)</u>	<u>-</u>
Balance, beginning of year (IFRS 9)	27,927,386	27,019,807
Attributable to non-controlling interests:		
Effect of change in tax rate	9,791	-
Share of net profit for the year	3,432,457	3,525,602
Other comprehensive income for the year		
Exchange difference on translating foreign operations	305,228	(545,625)
Income tax relating to exchange difference on translating foreign operations	(85)	4,682
Unrealized gains and losses on available-for-sale financial assets	-	(66,285)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	-	452
Impairment of available-for-sale financial assets	-	22,056
Reclassified to profit or loss on disposal of available-for-sale financial assets	-	(160,707)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	29,817	-
Income tax relating to unrealized gains and losses on financial assets at fair value through other comprehensive income	(80)	-
Fair value changes of cash flow hedges	-	26,454
Income tax relating to cash flow hedges	-	(844)
Gains and losses on hedging instrument	8,869	-
Income tax relating to gains and losses on hedging instrument	(643)	-
Fair value changes of hedging instruments transferred to adjust the carrying amount of hedged items	(585)	2,585
Remeasurement of defined benefit plans	(127,806)	(102,521)
Income tax relating to remeasurement on defined benefit plans	8,866	5,888
Share of other comprehensive income of associates accounted for using the equity method	(1,568)	(9,138)
Changes of non-controlling interest arising from obtaining subsidiaries	(384,142)	-
Capital reduction from subsidiaries	-	(180,040)
Non-controlling interest arising from acquisition of subsidiaries	-	(10,265)
Dividend distributed by subsidiaries	(1,519,907)	(1,762,037)
Others	<u>202,083</u>	<u>171,860</u>
Balance, end of year	<u>\$ 29,889,681</u>	<u>\$ 27,941,924</u>

## 28. OPERATING REVENUES

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue from sale of goods	\$ 371,074,344	\$ 319,717,226
Construction contracts revenue	19,944,606	17,496,736
Freight and service revenue	7,138,111	6,936,438
Other revenues	<u>2,507,996</u>	<u>2,861,602</u>
	<u>\$ 400,665,057</u>	<u>\$ 347,012,002</u>

### a. Contract balances

	<b>December 31, 2018</b>
Notes and accounts receivable (Note 13)	<u>\$ 18,401,420</u>
Contract assets	
Construction contracts	\$ 9,667,413
Retentions receivable	1,744,344
Others	<u>124,632</u>
	<u>\$ 11,536,389</u>
Contract liabilities	
Construction contracts	\$ 4,993,926
Sale of goods	1,766,034
Sale of real estate	787,335
Others	<u>7,969</u>
	<u>\$ 7,555,264</u>

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing difference between the Corporation and its subsidiaries' performance, the respective customer's payment and changes in the measure of progress.

There were no significant changes in the Corporation's and its subsidiaries' contract assets and contract liabilities have no significant changes for the year ended December 31, 2018.

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	<b>For the Year Ended December 31, 2018</b>
From the beginning contract liabilities	
Construction contracts	\$ 3,755,851
	(Continued)

	<b>For the Year Ended December 31, 2018</b>
Sale of goods	\$ 2,097,341
Others	<u>260,887</u>
	<u>\$ 6,114,079</u>
From performance obligations satisfied in previous periods	
Construction contracts	<u>\$ 119,740</u> (Concluded)

b. Disaggregation of revenue

For the year ended December 31, 2018

<u>Type of goods or services</u>	<b>Steel Department</b>	<b>Others</b>	<b>Total</b>
Sale of goods	\$ 316,570,997	\$ 54,503,347	\$ 371,074,344
Construction contracts	1,170,010	18,774,596	19,944,606
Freight and service revenue	1,065,814	6,072,297	7,138,111
Other revenues	<u>2,146,803</u>	<u>361,193</u>	<u>2,507,996</u>
	<u>\$ 320,953,624</u>	<u>\$ 79,711,433</u>	<u>\$ 400,665,057</u>

c. Partially completed contracts

The transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	<b>December 31, 2018</b>
Construction contracts	
In 2018	\$ 4,939,153
In 2019	14,987,940
In 2020 and the following years	<u>13,283,097</u>
	<u>33,210,190</u>
Service contracts	
In 2018	663
In 2019	518,578
In 2020 and the following years	<u>421,617</u>
	<u>940,858</u>
	<u>\$ 34,151,048</u>

## 29. PROFIT BEFORE INCOME TAX

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Dividends income	\$ 450,244	\$ 460,644
Interest income	369,947	290,218
Insurance claim income	231,054	246,601
Rental income	138,813	127,813
Others	<u>596,746</u>	<u>653,027</u>
	<u>\$ 1,786,804</u>	<u>\$ 1,778,303</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Net foreign exchange gain	\$ 421,557	\$ 683,424
Gain (loss) on disposal of investments	(2,996)	1,098,751
Gain (loss) arising on financial assets at fair value through profit or loss	(48,486)	126,218
Loss on disposal of property, plant and equipment	(190,813)	(54,510)
Impairment loss	-	(621,291)
Other losses	<u>(482,340)</u>	<u>(487,019)</u>
	<u>\$ (303,078)</u>	<u>\$ 745,573</u>

The components of net foreign exchange gain were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange gain	\$ 2,184,788	\$ 2,121,017
Foreign exchange loss	<u>(1,763,231)</u>	<u>(1,437,593)</u>
Net exchange gain	<u>\$ 421,557</u>	<u>\$ 683,424</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Total interest expense	\$ 3,570,892	\$ 3,937,073
Less: Amounts included in the cost of qualifying assets	<u>243,665</u>	<u>219,180</u>
	<u>\$ 3,327,227</u>	<u>\$ 3,717,893</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Capitalized amounts	\$ 243,665	\$ 219,180
Capitalized annual rates (%)	0.32-1.49	0.40-1.60
d. Impairment loss recognized on (reversal of) financial assets (for the year ended December 31, 2017 only)		

	<b>For the Year Ended December 31, 2017</b>
Available-for-sale financial assets	\$ 747,296
Held-to-maturity financial assets	86,737
Accounts receivable	(26,667)
Long-term receivable (recorded as other noncurrent assets)	<u>(23,220)</u>
	<u>\$ 784,146</u>
Analysis of impairment loss recognized on (reversal of) financial assets by function	
Operating costs	\$ 231,503
Operating expenses	(26,677)
Other income	(23,210)
Other gains and losses	<u>602,530</u>
	<u>\$ 784,146</u>

e. Impairment loss recognized on (reversal of) non-financial assets

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 1,830,853	\$ 876,780
Investments accounted for using equity method	-	(103,000)
Investment properties	-	15,307
Goodwill	<u>-</u>	<u>40,311</u>
	<u>\$ 1,830,853</u>	<u>\$ 829,398</u>
Analysis of impairment loss recognized on (reversal of) non-financial assets by function		
Operating costs	\$ 1,830,853	\$ 792,260
Operating expenses	-	18,377
Other gains and losses	<u>-</u>	<u>18,761</u>
	<u>\$ 1,830,853</u>	<u>\$ 829,398</u>



f. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 34,098,984	\$ 34,459,106
Investment properties	61,871	70,186
Intangible assets	203,477	262,994
Others	<u>76,825</u>	<u>83,652</u>
	<u>\$ 34,441,157</u>	<u>\$ 34,875,938</u>
Analysis of depreciation by function		
Operating costs	\$ 32,422,008	\$ 32,849,676
Operating expenses	1,621,148	1,653,654
Others	<u>117,699</u>	<u>25,962</u>
	<u>\$ 34,160,855</u>	<u>\$ 34,529,292</u>
Analysis of amortization by function		
Operating costs	\$ 180,530	\$ 190,640
Operating expenses	89,668	145,508
Others	<u>10,104</u>	<u>10,498</u>
	<u>\$ 280,302</u>	<u>\$ 346,646</u>

g. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Direct operating expenses of investment properties that generated rental income	<u>\$ 148,459</u>	<u>\$ 161,976</u>

h. Employee benefits

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits		
Salaries	\$ 32,701,382	\$ 30,870,934
Labor and health insurance	2,047,824	1,973,203
Others	<u>1,622,509</u>	<u>1,374,425</u>
	<u>36,371,715</u>	<u>34,218,562</u>
Post-employment benefits		
Defined contribution plans	825,803	756,725
Defined benefit plans (Note 26)	<u>815,011</u>	<u>833,366</u>
	<u>1,640,814</u>	<u>1,590,091</u>
Termination benefits	<u>86,209</u>	<u>77,701</u>
	<u>\$ 38,098,738</u>	<u>\$ 35,886,354</u>

(Continued)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Analysis of employee benefits by function		
Operating costs	\$ 30,689,764	\$ 28,789,792
Operating expenses	6,942,397	6,619,529
Others	<u>466,577</u>	<u>477,033</u>
	<b><u>\$ 38,098,738</u></b>	<b><u>\$ 35,886,354</u></b>
		(Concluded)

The numbers of employees of the Corporation and its subsidiaries combined were 28,648 and 28,332 as of December 31, 2018 and 2017, respectively.

i. Employee's compensation and remuneration of directors

According to the Articles of Incorporation, the article stipulates the Corporation distributed employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 0.15%, respectively, of the pre-tax profit prior to deducting employees' compensation, and remuneration of directors.

The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Corporation's board of directors in March 2019 and 2018, respectively, were as follows:

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	\$ 1,744,054	\$ 1,213,396
Remuneration of directors	32,701	22,751

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation (%)	6.19	6.14
Remuneration of directors (%)	0.12	0.12

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

### 30. INCOME TAX

a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 6,462,503	\$ 3,144,422
Income tax on unappropriated earnings	38,797	404,006
In respect of prior years	(563,962)	(28,238)
Deferred tax		
In respect of the current year	(1,234,294)	(223,652)
Changes in tax rates	(619,887)	-
In respect of prior years	<u>(48,021)</u>	<u>(324,431)</u>
	<u>\$ 4,035,136</u>	<u>\$ 2,972,107</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before income tax	<u>\$ 31,921,745</u>	<u>\$ 23,403,297</u>
Income tax expense calculated at the statutory rate	\$ 6,637,874	\$ 4,381,933
Non-deductible expenses in determining taxable income	30,063	20,321
Tax-exempt income	(848,870)	(621,142)
Others	18,560	21,940
Changes in tax rates	(619,887)	-
Additional income tax under the Alternative Minimum Tax Act	13,639	9,693
Income tax on unappropriated earnings	38,797	404,006
Unrecognized deductible temporary differences	(56,740)	(219,645)
Unrecognized loss carryforwards	(554,480)	(294,660)
Unrecognized investment credits	(11,837)	(377,670)
In respect of prior years	<u>(611,983)</u>	<u>(352,669)</u>
	<u>\$ 4,035,136</u>	<u>\$ 2,972,107</u>

In 2017, the applicable corporate income tax rate used by the Corporation and its subsidiaries in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of appropriations of earnings for 2019 is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	\$ 116	\$ 92
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	<u>(116)</u>	<u>(92)</u>
	<u>\$ -</u>	<u>\$ -</u>

c. Income tax benefit recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Deferred tax		
Changes in tax rates - remeasurement of defined benefit plans	\$ 16,222	\$ -
Changes in tax rates - fair value changes of cash flow hedges	6,039	-
Changes in tax rates - translation of foreign operations	5,277	-
Changes in tax rates - unrealized gains and losses on financial assets at fair value through other comprehensive income	(3,541)	-
Current - remeasurement of defined benefit plans	217,752	236,316
Current - translation of foreign operations	(4,987)	53,469
Current - unrealized gains and losses on available-for-sale financial assets	-	821
Current - unrealized gains and losses on financial assets at fair value through other comprehensive income	(145)	-
Current - fair value changes of cash flow hedges	(106,559)	37,675
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	<u>1,163</u>	<u>(4,485)</u>
	<u>\$ 131,221</u>	<u>\$ 323,796</u>

d. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Tax refund receivable	\$ 170,112	\$ 179,277
Prepaid income tax	<u>1,625</u>	<u>1,927</u>
	<u>\$ 171,737</u>	<u>\$ 181,204</u>
Current tax liabilities		
Income tax payable	<u>\$ 4,854,183</u>	<u>\$ 3,127,173</u>

e. Deferred tax assets and liabilities

The Corporation and its subsidiaries offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

Refer to Table 11 for information relating to changes of deferred tax assets and liabilities.

- f. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Loss carryforwards	<u>\$ 10,561,650</u>	<u>\$ 13,502,694</u>
Deductible temporary differences	<u>\$ 809,878</u>	<u>\$ 803,693</u>

The unrecognized loss carryforwards will expire from 2019 to 2028.

- g. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised of:

<b>Unused Amount</b>	<b>Expire Year</b>
<u>\$ 12,494,824</u>	2019-2028

- h. Income tax assessments

The Corporation's income tax returns through 2016 and the subsidiaries' income tax returns through 2013 to 2017 have been assessed by the tax authorities.

### 31. EARNINGS PER SHARE

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

#### Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Net profit for the year attributable to owners of the Corporation	\$ 24,454,152	\$ 16,905,588
Less: Dividends on preference shares	<u>53,575</u>	<u>53,575</u>
Net profit used in computation of basic earnings per share	24,400,577	16,852,013
Add: Dividends on preference shares	<u>53,575</u>	-
Net profit used in computation of diluted earnings per share	<u>\$ 24,454,152</u>	<u>\$ 16,852,013</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares used in computation of basic earnings per share	15,416,806	15,420,290
Effect of dilutive potential ordinary shares:		
Employees' compensation	84,201	60,344
Convertible preference shares	<u>38,268</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>15,539,275</u>	<u>15,480,634</u>

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2017 because of their anti-dilutive effect.

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 32. BUSINESS COMBINATION

### a. Subsidiary acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Hsieh Sheng Development Corporation	Real estate leasing	June 20, 2018	100	<u>\$ 1,142,189</u>

The subsidiary CHC acquired 100% shareholding of unrelated party Hsieh Sheng Development Corporation whose main asset is land for NT\$1,142,189 thousand to meet its long-term needs for expansion of production line. Transfer of the equity was completed on June 20, 2018. The consideration transferred was negotiated with the seller based on the appraisal report made by independent appraiser.

### b. Assets acquired and liabilities assumed at the date of acquisition

Current assets		
Cash		\$ 3,689
Noncurrent assets		
Property, plant and equipment		1,216,252
Current liabilities		
Other payables		(455)
Other liabilities - current		(34)
Noncurrent liabilities		
Other liabilities		(2,800)
Deferred tax liabilities		<u>(74,463)</u>
		<u>\$ 1,142,189</u>

### c. Net cash outflow on acquisition of subsidiary

Consideration paid in cash	\$ 1,142,189
Less: Cash balance acquired	<u>3,689</u>
	<u>\$ 1,138,500</u>

### d. Impact of business combination

Starting from the acquisition date, the results of operation from the subsidiary acquired is immaterial. Had the business combinations been in effect at the beginning of the annual reporting period, the operating revenue and profit of Hsieh Sheng Development Corporation would have no material effect on the financial performance of the Corporation and its subsidiaries for the year ended December 31, 2018.

### 33. CAPITAL MANAGEMENT

The management of the Corporation and its subsidiaries optimized the balances of working capital, debt and equity as well as the related cost through monitoring the Corporation and its subsidiaries' capital structure and capital demand by reviewing quantitative data and considering industry characteristics, domestic and international economic environment, interest rate fluctuation, strategies for development, etc.

Except for Note 21, the Corporation and its subsidiaries are not subject to any externally imposed capital requirements.

### 34. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Corporation and its subsidiaries believe the carrying amounts of financial instruments, including cash and cash equivalents, receivables and payables recognized in the consolidated financial statements approximated their fair values.

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Held-to-maturity investments	\$ -	\$ -	\$ 129,750	\$ 108,683

The fair value of held-to-maturity investment, which was grouped into Level 2, was measured under valuation method. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for financial instrument.

The structured bonds were classified as held-to-maturity financial assets under IAS 39, but were classified as financial assets at fair value through profit of loss under IFRS 9 starting from 2018 and were all disposed of in January 2018.

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

##### 1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2018</u>				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 1,902,173	\$ -	\$ -	\$ 1,902,173
Unlisted shares	-	-	1,834,226	1,834,226
Listed shares	423,640	-	-	423,640
Emerging market shares	-	-	262,127	262,127
Convertible bonds	46,440	-	-	46,440
Future contracts	-	4,951	-	4,951
	<u>\$ 2,372,253</u>	<u>\$ 4,951</u>	<u>\$ 2,096,353</u>	<u>\$ 4,473,557</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments				
Foreign unlisted shares and certificate of entitlement	\$ -	\$ -	\$ 41,952,341	\$ 41,952,341
Domestic emerging market shares and unlisted shares	-	-	1,873,286	1,873,286
Domestic listed shares	13,587,890	-	-	13,587,890
Foreign listed shares	2,188,927	-	-	2,188,927
Private-placement shares of listed companies	<u>-</u>	<u>147,368</u>	<u>-</u>	<u>147,368</u>
	<u>\$ 15,776,817</u>	<u>\$ 147,368</u>	<u>\$ 43,825,627</u>	<u>\$ 59,749,812</u>
Financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 338,648</u>	<u>\$ -</u>	<u>\$ 338,648</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 28,290</u>	<u>\$ -</u>	<u>\$ 28,290</u>
<u>December 31, 2017</u>				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 3,278,408	\$ -	\$ -	\$ 3,278,408
Listed shares	1,185,077	-	-	1,185,077
Convertible bonds	229,671	-	-	229,671
Emerging market shares	-	-	215,464	215,464
Foreign currency forward contracts	<u>-</u>	<u>2,024</u>	<u>-</u>	<u>2,024</u>
	<u>\$ 4,693,156</u>	<u>\$ 2,024</u>	<u>\$ 215,464</u>	<u>\$ 4,910,644</u>
Available-for-sale financial assets				
Foreign unlisted shares and certificate of entitlement	\$ -	\$ -	\$ 44,537,011	\$ 44,537,011
Domestic emerging market shares and unlisted shares	-	-	2,531,911	2,531,911
Domestic listed shares	11,043,748	-	-	11,043,748
Foreign listed shares	2,141,150	-	-	2,141,150
Mutual funds	143,539	-	-	143,539
Private-placement shares of listed companies	<u>-</u>	<u>172,785</u>	<u>-</u>	<u>172,785</u>
	<u>\$ 13,328,437</u>	<u>\$ 172,785</u>	<u>\$ 47,068,922</u>	<u>\$ 60,570,144</u>
Derivative financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 70,368</u>	<u>\$ -</u>	<u>\$ 70,368</u>

(Continued)



	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Future contracts	\$ <u>          -</u>	\$ <u>      247</u>	\$ <u>          -</u>	\$ <u>      247</u>
Derivative financial liabilities for hedging				
Interest rate swap contracts	\$ -	\$ 5,785	\$ -	\$ 5,785
Foreign exchange forward contracts	<u>          -</u>	<u>      252,758</u>	<u>          -</u>	<u>      252,758</u>
	<u>\$ <u>          -</u></u>	<u>\$ <u>      258,543</u></u>	<u>\$ <u>          -</u></u>	<u>\$ <u>      258,543</u></u>

(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

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

For the year ended December 31, 2018

	<u>Equity Instruments</u>		Total
	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	
Balance, beginning of year (IAS 39)	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>2,149,775</u>	<u>46,690,678</u>	<u>48,840,453</u>
Balance, beginning of year (IFRS 9)	2,149,775	46,690,678	48,840,453
Recognized in profit or loss	134,542	-	134,542
Recognized in other comprehensive income	-	(2,640,480)	(2,640,480)
Purchases	217	680,220	680,437
Transfer out of level 3	(58,820)	(472,087)	(530,907)
Disposal	(89,966)	(745,192)	(835,158)
Capital reduction	(39,395)	(129,035)	(168,430)
Effect of foreign currency exchange difference	<u>          -</u>	<u>      441,523</u>	<u>      441,523</u>
Balance, end of year	<u>\$ <u>2,096,353</u></u>	<u>\$ <u>43,825,627</u></u>	<u>\$ <u>45,921,980</u></u>
Unrealized gains and losses recognized in profit or loss	<u>\$ <u>      89,310</u></u>	<u>\$ <u>          -</u></u>	<u>\$ <u>      89,310</u></u>

For the year ended December 31, 2017

	<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>Available-for- sale Financial Assets</b>	<b>Total</b>
Balance, beginning of year	\$ 231,953	\$ 16,333,989	\$ 16,565,942
Recognized in profit or loss	7,195	(741,703)	(734,508)
Recognized in other comprehensive income (classified as unrealized gains and losses on available-for-sale financial assets)	-	742,273	742,273
Purchases	-	364,035	364,035
Reclassification	-	32,133,525	32,133,525
Transfer out of Level 3	-	(796,102)	(796,102)
Disposal	(23,684)	(135,154)	(158,838)
Capital reduction	-	(23,728)	(23,728)
Effect of foreign currency exchange difference	<u>-</u>	<u>(808,213)</u>	<u>(808,213)</u>
Balance, end of year	<u>\$ 215,464</u>	<u>\$ 47,068,922</u>	<u>\$ 47,284,386</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Derivative instruments	A discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-option derivatives, and option pricing models for option derivatives. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for the financial instrument.
Private-placement shares of listed companies	Based on information from the Market Observation Post System, the Taipei Exchange, etc. and calculated by using the Black-Scholes Model.

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

- a) For emerging market shares, fair values were estimated on the basis of the closing price and liquidity.
- b) For domestic unlisted shares, some foreign unlisted shares and certificate of entitlement, fair values were determined based on industry types, valuations of similar companies and operations.
- c) For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected returns by using discounted cash flow model. Significant unobservable inputs were as follows; if the long-term pre-tax operating income rate

increased or discount rate decreased, the fair value of the investments would increase.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Long-term pre-tax operating income rate (%)	9.79-58.59	11.08-52.06
Discount rate (%)	8.50-10.37	6.52-10.37

If the below input to the valuation model was changed to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the equity investment would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Long-term pre-tax operating income rate		
Increase 1%	<u>\$ 195,918</u>	<u>\$ 199,149</u>
Decrease 1%	<u>\$ (197,357)</u>	<u>\$ (200,299)</u>
Discount rate		
Increase 1%	<u>\$ (497,271)</u>	<u>\$ (579,987)</u>
Decrease 1%	<u>\$ 606,196</u>	<u>\$ 716,859</u>

- d) For the remaining few foreign unlisted shares, their fair values were measured under the market approach. In particular significant unobservable inputs included discount for lack of marketability and control premium. If discount for lack of marketability decreased or control premium increased, the fair values of the investments would increase.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
Fair value through profit or loss		
Designated as at fair value through profit or loss	\$ -	\$ 2,702,850
Held for trading	-	2,207,794
Mandatorily at fair value through profit or loss	4,473,557	-
Derivative instruments in designated hedge accounting relationships	-	70,368
Financial assets for hedging	2,594,034	-
Available-for-sale financial assets	-	60,570,144
Held-to-maturity investments	-	129,750
Loans and receivables 1)	-	47,198,451
Financial assets at amortized cost 2)	51,346,174	-
Financial assets at fair value through other comprehensive income		
Equity instruments	59,749,812	-
<b>Financial liabilities</b>		
Fair value through profit or loss		
Held for trading	-	247
Derivative instruments in designated hedge accounting relationships	-	258,543
Financial liabilities for hedging	8,755,958	-
Measured at amortized cost 3)	278,359,303	296,392,387

- 1) The balances as of December 31, 2017 included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, debt investments with no active market, refundable deposits and other financial assets.
  - 2) The balances as of December 31, 2018 included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, financial assets at amortized cost-noncurrent, refundable deposits and other financial assets.
  - 3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings and bank overdraft, short-term bills payable, notes and accounts payable (including related parties), other payables, refund liabilities, bonds payable, long-term bank borrowings, long-term bills payable and deposits received.
- d. Financial risk management objectives and policies

The Corporation and its subsidiaries place great emphasis on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation and its subsidiaries were equipped with sufficient and cost-efficient working capital, which reduced financial uncertainty that may have adverse effects on the operations.

The significant financial activities of the Corporation and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Corporation for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Corporation and its subsidiaries were exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts, foreign deposits or foreign borrowings.

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 38.

The Corporation and its subsidiaries were mainly exposed to the currencies USD and RMB. The following table details the sensitivity to a 1% increase in the functional currencies against the relevant foreign currencies.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Pre-tax profit or loss	\$ 50,720	\$ 6,434 i	\$ (14,167)	\$(16,158) i
Equity	47,300	270,504 ii	(2,065)	(3,015) ii

- i. These were mainly attributable to the exposure of outstanding cash, receivables, payables and borrowings which were not hedged at the balance sheet date.

- ii. These were attributable to financial assets for hedging that were designated as hedging instruments in cash flow hedges, other financial assets, and financial liabilities for hedging that were designated as hedging instruments in foreign equity investments and net investments in foreign operations hedges.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the year.

Hedge accounting

The Corporation and its subsidiaries' hedging strategies were as follows:

- i. The Corporation and its subsidiaries' hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency capital expenditure and sales contracts. Those transactions are designated as cash flow hedges.
- ii. The Corporation has designated certain long-term foreign currency borrowing as a hedge to manage its foreign currency risk:
  - i) Currency risks on foreign equity investments are accounted for as fair value hedge. Changes in the fair value of hedging instruments are recognized, based on the nature of hedged items, either in other gains or losses or other comprehensive income. The Corporation performs assessment of hedging effectiveness and it expects that the value of long-term foreign currency borrowing and the value of the foreign equity investment will systematically change in opposite direction in response to movements in the underlying exchange rates.
  - ii) Foreign currency risk on investments in foreign operations is managed by using long-term foreign currency borrowing as a hedge instrument to hedge the investment in subsidiary CSVC, which has USD as their functional currency.

The following tables summarize the information relating to the hedges of foreign currency risk.

December 31, 2018

	Hedging Instruments/ Hedged Items	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge				
	Foreign exchange forward contracts/Forecast purchases, construction contracts and raw materials	Financial assets/liabilities for hedging	\$ 336,388	\$ 19,195
	Hedging foreign-currency deposits/Forecast purchases, construction contracts and raw materials	Financial assets for hedging	2,255,386	-
Fair value hedge				
	Foreign exchange forward contracts/Forecast purchases and raw materials	Financial assets/liabilities for hedging	2,260	9,095

(Continued)

Hedging Instruments/ Hedged Items	Line Item in Balance Sheet	Carrying Amount	
		Asset	Liability
Foreign currency bank borrowings/Financial assets at FVTOCI	Financial liabilities for hedging	\$ -	\$ 1,061,055
Foreign currency bank borrowings/Financial assets at FVTPL	Financial liabilities for hedging	-	1,826,939
Net investment hedge in foreign operations			
Foreign currency bank borrowings/Investment in foreign operations	Financial liabilities for hedging	-	5,637,677

(Concluded)

	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity		Fair Value Hedge - Hedged Items' Carrying Amount Asset	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments Asset
			Continuing Hedges	Discontinuing Hedges		
Cash flow hedge						
Foreign exchange forward contracts/Forecast purchases, construction contracts and raw materials	\$ 478,756	\$ (478,756)	\$ (332,286)	\$ -	NA	NA
Hedging foreign-currency deposits/Forecast purchases, construction contracts and raw materials	28,219	(28,219)	7,364	-	NA	NA
Fair value hedge						
Foreign exchange forward contracts/Forecast purchases and raw materials	15,647	(15,647)	NA	NA	\$ 2,961	\$ 2,961
Foreign currency bank borrowings/Financial assets at FVTOCI	(53,396)	53,377	15,555	-	2,171,073	(43,077)
Foreign currency bank borrowings/Financial assets at FVTPL	(91,938)	93,338	NA	NA	1,651,808	(182,134)
Net investment hedge in foreign operations						
Foreign currency bank borrowings/Investment in foreign operations	(160,066)	160,066	(169,190)	3,966,662	NA	NA

For the year ended December 31, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge	\$ 523,886	\$ -	-	\$ -	\$ -
Net investment hedge in foreign operations	\$ (207,788)	\$ -	-	\$ -	\$ -

The outstanding foreign exchange forward contracts of the Corporation and its subsidiaries at the balance sheet date were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2018</u>			
Buy	NTD/USD	January 2019-April 2020	NTD9,818,288/USD336,771
Buy	NTD/EUR	January 2019-December 2021	NTD1,411,081/EUR40,166
Buy	NTD/JPY	January 2019-October 2021	NTD248,726/JPY904,687
Buy	INR/USD	January 2019-February 2019	INR343,858/USD4,788

For the year ended December 31, 2017

The hedging policy for foreign currency risk is the same in 2018 and 2017 which used the hedging instruments described below.

The terms of the foreign exchange forward contracts are negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>			
Buy	NTD/USD	January 2018-April 2020	NTD8,078,352/USD272,936
Buy	NTD/EUR	January 2018-December 2021	NTD2,416,438/EUR69,571
Buy	NTD/JPY	January 2018-December 2019	NTD134,732/JPY482,808
Buy	NTD/CNY	January 2018-March 2018	NTD16,686/CNY3,750
Sell	USD/NTD	January 2018	USD78/NTD2,356

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line item in the consolidated statements of comprehensive income:

	<b>For the Year Ended December 31, 2017</b>
Other gains and losses	<u>\$ 6,317</u>
b) Interest rate risk	

The Corporation and its subsidiaries were exposed to interest rate risk because the Corporation and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

The carrying amounts of the Corporation and its subsidiaries' financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	<u>December 31</u>	
	2018	2017
Fair value interest rate risk		
Financial liabilities	\$ 134,244,690	\$ 119,687,069
Cash flow interest rate risk		
Financial liabilities	102,324,569	138,536,148

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the years ended December 31, 2018 and 2017 would have been lower/higher by NT\$1,023,246 thousand and NT\$1,385,361 thousand, respectively.

### Hedge accounting

The subsidiary entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow exposure related to its bank loans.

The following tables summarize the information relating to the hedges of interest rate risk.

### December 31, 2018

Hedging Instruments/Hedged Items	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity Continuing Hedges	Fair Value Hedge - Hedged Items' Carrying Amount Asset	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments Asset
Interest rate swap contracts/Syndicated bank loans	\$ 5,785	\$ (5,785)	\$ -	\$ -	\$ -

As of December 31, 2018, all interest rate swap contracts have been expired.

### For the year ended December 31, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Interest rate swap contracts	\$ 5,785	\$ -	-	\$ -	\$ -

### For the year ended December 31, 2017

The hedging policy for interest rate risk is the same in 2018 and 2017 which used the hedging instruments described below.

The subsidiary entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow exposure related to its outstanding variable rate debt. The outstanding interest rate swap contracts at the end of the reporting period were as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
<u>December 31, 2017</u>			
NT\$ 3,584,000	January 2018-July 2018	1.077-1.140	90 days fixing TAIBOR rate provided by Thomson Reuters



c) Other price risk

The Corporation and its subsidiaries were exposed to equity price risk through their investments in mutual funds and listed shares.

If equity prices had been 1% lower/higher, the pre-tax profit for the years ended December 31, 2018 and 2017 would have been lower/higher by NT\$23,258 thousand and NT\$44,635 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the other comprehensive income for the year ended December 31, 2018 would have been lower/higher by NT\$157,768 thousand, as a result of the changes in fair value of financial assets at fair value through other comprehensive income, and the other comprehensive income for the year ended December 31, 2017 would have been lower/higher by NT\$133,284 thousand, as a result of the changes in fair value of available-for-sale financial assets.

Hedge accounting

For the year ended December 31, 2018

A subsidiary minimizes its fair value exposures to price fluctuations of precious metals by entering into precious metals borrowing contracts. The fair value of the precious metals borrowing transactions at the end of the reporting period is determined by the price of the precious metals.

The terms of the precious metals borrowing contracts matched the terms of financial liabilities. The subsidiary performs a qualitative assessment of effectiveness and it expects that the value of the precious metals borrowing contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying prices. The source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the subsidiary's own credit risk on the fair value of the precious metals borrowing contracts, which is not reflected in the fair value of the hedged item attributable to the change in prices. No other sources of ineffectiveness are expected to emerge from these hedging relationships.

The following tables summarize the information relating to the hedges of other price risk.

December 31, 2018

Hedging Instruments	Contract Amount	Maturity	Line Item in Balance Sheet	Carrying Amount Liability	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness
Fair value hedge					
Precious metals borrowing contracts	<u>\$ 203,782</u>	-	Financial liabilities for hedging	<u>\$ 201,997</u>	<u>\$ 1,785</u>

Hedged Items	<u>Carrying Amount</u> Asset	<u>Accumulated Amount of Fair Value Hedge Adjustments</u> Asset	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness
Fair value hedge Inventory	<u>\$ 201,997</u>	\$ (1,785)	\$ (1,785)

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation and its subsidiaries. As of the balance sheet date, the Corporation and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation and its subsidiaries.

The Corporation and its subsidiaries do not expect significant credit risk because the counterparties are creditworthy financial institutions and companies.

Counterparties of accounts receivable consisted of a large number of different customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the customers' financial condition.

The Corporation and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Corporation and its subsidiaries define counterparties as having similar characteristics if they are related entities.

As of December 31, 2018 and 2017, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement compliance was NT\$29,300,309 thousand and NT\$23,518,898 thousand, respectively.

## 3) Liquidity risk

The management of the Corporation and its subsidiaries continuously monitors the movement of cash flows, net cash position, significant capital expenditures and the utilization of bank loan commitments to control proportion of the long-term and short-term bank loans or issue bonds payable, and ensures compliance with loan covenants.

The following table details the undiscounted cash flows of the Corporation and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities from the earliest date on which they can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time span regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

The table below summarizes the maturity profile of the Corporation and its subsidiaries' financial liabilities based on contractual undiscounted payments:

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>December 31, 2018</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 45,158,801	\$ 596,263	\$ -	\$ 45,755,064
Variable interest rate liabilities	50,246,003	49,224,903	5,082,472	104,553,378
Fixed interest rate liabilities	37,667,979	66,635,850	37,891,700	142,195,529
Refund liabilities	2,868,815	-	-	2,868,815
Financial guarantee liabilities	<u>345,810</u>	<u>28,460,872</u>	<u>493,627</u>	<u>29,300,309</u>
	<u>\$ 136,287,408</u>	<u>\$ 144,917,888</u>	<u>\$ 43,467,799</u>	<u>\$ 324,673,095</u>
<u>December 31, 2017</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 36,072,502	\$ 496,183	\$ -	\$ 36,568,685
Variable interest rate liabilities	56,551,013	83,807,062	1,649,263	142,007,338
Fixed interest rate liabilities	34,546,614	66,824,023	25,881,204	127,251,841
Financial guarantee liabilities	<u>206,659</u>	<u>8,771,760</u>	<u>14,540,479</u>	<u>23,518,898</u>
	<u>\$ 127,376,788</u>	<u>\$ 159,899,028</u>	<u>\$ 42,070,946</u>	<u>\$ 329,346,762</u>

The amounts included above for financial guarantee liabilities were the maximum amounts the Corporation and its subsidiaries could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the balance sheet date, the Corporation and its subsidiaries considered that it is more likely than not that none of the amount will be payable under the arrangement.

### 35. TRANSACTIONS WITH RELATED PARTIES

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

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

<u>Company</u>	<u>Relationship</u>
TaiAn Technologies Corporation	Associates
Fukuta Electric & Machinery Co., Ltd.	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
Nikken & CSSC Metal Products Co., Ltd.	Associates
Eminent II Venture Capital Corporation	Associates
iPASS Corporation	Associates
Honley Auto. Parts Co., Ltd. (HAPC)	Associates
Majestic Solid Light Corporation	Associates

(Continued)

<b>Company</b>	<b>Relationship</b>
Ascentek Venture Capital Corporation.	Associates
Taiwan Rolling Stock Co., Ltd.	Associates
CHUNGKANG STEEL STRUCTURE (CAMBODIA) CO., LTD.	Associates
Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd.	Associates
HC&C Auto Parts Co., Ltd.	Associates
SINO VIETNAM HI-TECH MATERIAL CO., LTD.	Associates
Tatt Giap Steel Centre Sdn. Bhd.	Associates
TSK Steel Co., Ltd.	Associates
Wuhan WISCO YUTEK Environment Technology CO., Ltd.	Associates (Disposed of in June 2018)
Dyna Rechi Co., Ltd.	Associates
DYNA RECHI (JIUJIANG) CO., LTD	Associates
Changchun CECK Auto. Parts Co., Ltd. (CCCA)	Associates
Eminent III Venture Capital Corporation	Associates
Kaohsiung Arena Development Corporation	Associates
Mahindra Auto Steel Private Limited	Associates
Chateau International Development Co., Ltd.	Associates
Overseas Investment & Development Corporation	Associates (Reclassified as the Corporation as key management personnel of other related parties before September 2017)
Formosa Ha Tinh Steel Corporation	Other related parties (Associates before July 2017)
Formosa Ha Tinh (Cayman) Limited (FHC)	Other related parties (Associates before July 2017)
CDIB BioScience Ventures I, Inc.	The Corporation as key management personnel of other related parties
CSBC Corporation, Taiwan	The Corporation as key management personnel of other related parties
Taiwan High Speed Rail Corporation	The Corporation as key management personnel of other related parties
RECHI PRECISION CO., LTD.	The Corporation as key management personnel of other related parties
East Asia United Steel Corporation	The Corporation as key management personnel of other related parties
Sakura Ferroalloys Sdn. Bhd.	The Corporation as key management personnel of other related parties
TANG ENG IRON WORKS CO., LTD.	The Corporation as key management personnel of other related parties
Ministry of Economic Affairs, R.O.C.	Director of the Corporation
CSC Labor Union	Director of the Corporation
CSC Educational Foundation	Other related parties

(Concluded)

b. Operating revenues

Account Items	Related Parties Types	For the Year Ended December 31	
		2018	2017
Revenue from sale of goods	The Corporation as key management personnel of other related parties	\$ 2,107,530	\$ 961,962
	Associates	1,335,176	1,642,273
	Others	<u>1,526,763</u>	<u>1,822,334</u>
		<u>\$ 4,969,469</u>	<u>\$ 4,426,569</u>
Construction contracts revenue	Other related parties	\$ 1,618,945	\$ 589,311
	Associates	10,730	440,251
	Others	<u>6,082</u>	<u>111</u>
		<u>\$ 1,635,757</u>	<u>\$ 1,029,673</u>

Sales to related parties were made at arm's length. The construction contracts undertaken by the Corporation and its subsidiaries with related parties were different from those with unrelated parties; therefore, the prices were not comparable while the collection terms have no material differences.

c. Purchase of goods

Related Parties Types	For the Year Ended December 31	
	2018	2017
Other related parties	\$ 12,468,996	\$ 2,371,206
Associates	284,424	1,718,906
Others	<u>199,178</u>	<u>-</u>
	<u>\$ 12,952,598</u>	<u>\$ 4,090,112</u>

Purchases from related parties were made at arm's length.

d. Receivables from related parties

Account Items	Related Parties Types	December 31	
		2018	2017
Notes and accounts receivable	The Corporation as key management personnel of other related parties	\$ 492,051	\$ 223,217
	Other related parties	482,390	219,246
	Associates	141,172	48,668
	Others	<u>162,099</u>	<u>173,533</u>
		<u>\$ 1,277,712</u>	<u>\$ 664,664</u>
Other receivables	Other related parties		
	FHC	\$ 215,005	\$ 208,320
	Others	3,572	7,970
	Associates	21,243	29,357
	Others	<u>65</u>	<u>27</u>
	<u>\$ 239,885</u>	<u>\$ 245,674</u>	

The subsidiary China Ecotek Corporation reversed the allowance for doubtful accounts in the amount of NT\$2,837 thousand for the year ended December 31, 2017. As of December 31, 2017, the allowance for doubtful accounts amounted to NT\$151 thousand.

e. Payables to related parties

Account Items	Related Parties Types	December 31	
		2018	2017
Accounts payable	Associates	\$ 47,083	\$ 37,377
	Others related parties	<u>19,088</u>	<u>-</u>
		<u>\$ 66,171</u>	<u>\$ 37,377</u>
Other payables	Other related parties	\$ 568,924	\$ 551,072
	The Corporation as key management personnel of other related parties	-	121,442
	Associates	-	12,662
	Others	<u>16,595</u>	<u>11,261</u>
		<u>\$ 585,519</u>	<u>\$ 696,437</u>

The outstanding payables to related parties were unsecured.

f. Others

Account Items	Related Parties Types	For the Year Ended December 31	
		2018	2017
Service and other revenues	Other related parties	\$ 363,653	\$ 160,174
	The Corporation as key management personnel of other related parties	313,403	7,391
	Associates	59,807	325,884
	Others	<u>167</u>	<u>164</u>
		<u>\$ 737,030</u>	<u>\$ 493,613</u>

g. Endorsements and guarantees provided by the Corporation and its subsidiaries

Related Parties Types/Names	December 31	
	2018	2017
Other related parties - FHC		
Amount endorsed	\$ 37,885,002	\$ 30,332,880
Amount utilized	<u>(28,460,872)</u>	<u>(22,833,360)</u>
	<u>\$ 9,424,130</u>	<u>\$ 7,499,520</u>

(Continued)

Related Parties Types/Names	December 31	
	2018	2017
The Corporation as key management personnel of others related parties		
Amount endorsed	\$ 938,807	\$ 927,582
Amount utilized	<u>(813,714)</u>	<u>(670,777)</u>
	<u>\$ 125,093</u>	<u>\$ 256,805</u>
Associates		
Amount endorsed	\$ 59,034	\$ 18,451
Amount utilized	<u>(25,723)</u>	<u>(14,761)</u>
	<u>\$ 33,311</u>	<u>\$ 3,690</u>

(Concluded)

Endorsements and guarantees above are provided to investee by the percentage of shareholdings under joint venture agreements.

h. Compensation of key management personnel

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

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 114,076	\$ 92,973
Post-employment benefits	<u>542</u>	<u>758</u>
	<u>\$ 114,618</u>	<u>\$ 93,731</u>

### 36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Corporation and its subsidiaries' assets mortgaged or pledged as collateral for long-term borrowings, short-term borrowings and bank overdraft, performance guarantees and bankers' acceptance bills, etc. were as follows (listed based on their carrying amounts):

	December 31	
	2018	2017
Net property, plant and equipment	\$ 29,752,437	\$ 116,024,557
Time deposits (Note 18)	6,686,058	6,844,856
Shares (a)	5,720,575	5,838,525
Net investment properties	2,108,788	1,464,627
Pledged receivables (Note 18) (b)	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 46,267,858</u>	<u>\$ 132,172,565</u>

- Shares of the Corporation were pledged by WIC and TIC, both subsidiaries, and were recorded as treasury shares in the consolidated financial statements.
- In accordance with revised agreements of build-operate-transfer contract in 2013, the subsidiary KRTC reclassified NT\$2,000,000 thousand including arbitration receivable - Kaohsiung City Government and

part of the consideration of transferred assets to operating performance guarantees.

### **37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in Note 21, significant commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2018 were as follows:

- a. The Corporation and its subsidiaries provided letters of credits for NT\$7.7 billion guaranteed by financial institutions for several constructions, lease contracts and payment. Guarantee notes for NT\$69.7 billion were provided to banks and owners for loans, purchase agreements and warranties.
- b. Unused letters of credit for importation of materials and machinery amounted to NT\$9 billion.
- c. Property purchase and construction contracts for NT\$5.9 billion were signed but not yet recorded.
- d. Construction contracts for NT\$28.3 billion were not yet being completed.
- e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, China, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 5 years. Contracted annual purchases of 12,070,000 metric tons of coal, 24,000,000 metric tons of iron ore, and 3,360,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2018 were USD5 billion (including 9,010,000 metric tons of coal, 42,940,000 metric tons of iron ore, and 780,000 metric tons of limestone).
- f. Starting from August 2014, the associate CCCA entered into several credit facility agreements with CTBC Bank and other banks for USD11,000 thousand (or the equal amount in EUR, the credit line remained unchanged) and USD14,000 thousand short and medium term credit lines. Under the agreements, the Corporation and its associates should collectively hold at least 38% or 30% of CCCA's issued shares and one seat in the board of directors. As of December 31, 2018, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.
- g. Starting from November 2014, the associate HAPC entered into a construction financing agreement for a NT\$295,000 thousand factory building loan commitment which had been transferred to long-term credit line since March 2016, NT\$150,000 thousand credit line and NT\$100,000 thousand financing commercial paper with Shanghai Commercial and Savings Bank and several financial institutions. Under the agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of December 31, 2018, the Corporation held 38% equity of HAPC and two seats in the board of directors.
- h. Refer to Table 2 for information relating to endorsements/guarantees provided.

### **38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

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



	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
<u>December 31, 2018</u>				
Monetary foreign currency assets				
USD	\$ 255,559	30.7150	(USD:NTD)	\$ 7,849,493
USD	18,125	6.8683	(USD:RMB)	556,706
USD	17,302	1.4177	(USD:AUD)	531,427
USD	6,051	4.3188	(USD:MYR)	185,868
USD	5,479	70.0616	(USD:INR)	168,277
USD	5,040	25,595.8333	(USD:VND)	154,814
JPY	8,269,682	0.2782	(JPY:NTD)	2,300,626
RMB	378,145	4.4720	(RMB:NTD)	1,691,064
EUR	2,967	1.1460	(EUR:USD)	104,450
EUR	26,320	35.2000	(EUR:NTD)	926,449
VND	108,673,427	0.00004	(VND:USD)	130,408
Non-monetary foreign currency assets				
Financial assets at fair value through other comprehensive income				
USD	1,042,619	30.7150	(USD:NTD)	32,024,040
JPY	7,804,000	0.2782	(JPY:NTD)	2,171,073
MYR	225,504	7.1120	(MYR:NTD)	1,603,732
Associates accounted for using equity method				
USD	376,199	30.7150	(USD:NTD)	11,443,985
AUD	738,989	21.6650	(AUD:NTD)	16,010,187
INR	3,852,103	0.4384	(INR:NTD)	1,688,762
Monetary foreign currency liabilities				
JPY	12,190,078	0.2782	(JPY:NTD)	3,391,280
USD	425,642	30.7150	(USD:NTD)	13,073,581
USD	145,676	70.0616	(USD:INR)	4,474,438
USD	25,219	25,595.8333	(USD:VND)	774,607
USD	20,143	6.8683	(USD:RMB)	618,701
USD	10,737	4.3188	(USD:MYR)	329,784
<u>December 31, 2017</u>				
Monetary foreign currency assets				
USD	262,256	29.7600	(USD:NTD)	7,804,749
USD	19,305	6.5192	(USD:RMB)	574,530
USD	10,565	1.2836	(USD:AUD)	314,416
USD	8,429	4.2081	(USD:MYR)	250,859
JPY	8,067,470	0.2642	(JPY:NTD)	2,131,426
RMB	418,269	4.5650	(RMB:NTD)	1,909,400
VND	836,695,307	0.00004	(VND:USD)	995,667
EUR	15,628	35.5700	(EUR:NTD)	555,886
Non-monetary foreign currency assets				
Available-for-sale financial assets				
USD	1,190,666	29.7600	(USD:NTD)	35,434,212
JPY	7,996,000	0.2642	(JPY:NTD)	2,112,543

(Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
MYR	\$ 280,223	7.0720	(MYR:NTD)	\$ 1,981,737
RMB	30,899	4.5650	(RMB:NTD)	141,054
Associates accounted for using equity method				
USD	1,445,806	29.7600	(USD:NTD)	43,023,074
AUD	679,476	23.1850	(AUD:NTD)	15,753,650
INR	4,793,299	0.4649	(INR:NTD)	2,228,405
Monetary foreign currency liabilities				
USD	1,084,227	29.7600	(USD:NTD)	32,266,606
USD	110,000	64.0138	(USD:INR)	3,273,600
USD	17,589	6.5192	(USD:RMB)	523,441
USD	24,398	24,800.0000	(USD:VND)	726,085
JPY	11,421,430	0.2642	(JPY:NTD)	3,017,542
				(Concluded)

The total realized and unrealized foreign exchange gains were NT\$421,557 thousand and NT\$683,424 thousand for the years ended December 31, 2018 and 2017, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

### 39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
- 9) Trading in derivative instruments (Note 34)
- 10) Intercompany relationships and significant intercompany transactions (Table 8)

11) Information on investees (Table 9)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 10)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices and payment terms:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 6)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)
  - c) The amount of property transactions and the amount of the resultant gains or losses (None)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
  - e) The highest balance, the end of period balance and the interest rate range, and total current period interest with respect to financing of funds (Table 1)
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)

#### 40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. As a result, those whose nature of the products and production processes are similar have been considered single operation segments. Reported segments of the Corporation and its subsidiaries were as follows:

- Steel department - manufacture and sell steel products, including the Corporation, DSC, CHS, CSCM, CSVC, CSCI, HLSC and TSC.

a. Segment revenues and operating results

The following is an analysis of the Corporation and its subsidiaries' revenues and results of operations by reportable segment.

	Steel Department	Others	Adjustment and Elimination	Total
<u>For the year ended December 31, 2018</u>				
Revenues from external customers	\$ 320,953,624	\$ 79,711,433	\$ -	\$ 400,665,057
Inter-segment revenues	<u>97,055,990</u>	<u>55,513,806</u>	<u>(152,569,796)</u>	<u>-</u>
Segment revenues	<u>\$ 418,009,614</u>	<u>\$ 135,225,239</u>	<u>\$(152,569,796)</u>	<u>\$ 400,665,057</u>

(Continued)

	<b>Steel Department</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Segment profit	\$ 26,566,133	\$ 7,247,876	\$ (234,998)	\$ 33,579,011
Interest income	232,942	211,411	(74,406)	369,947
Financial costs	(2,781,137)	(599,087)	52,997	(3,327,227)
Share of the profit of associates	10,367,283	1,208,746	(11,389,794)	186,235
Other non-operating income and expenses	<u>1,420,846</u>	<u>479,359</u>	<u>(786,426)</u>	<u>1,113,779</u>
Profit before income tax	35,806,067	8,548,305	(12,432,627)	31,921,745
Income tax	<u>(2,786,827)</u>	<u>(1,269,853)</u>	<u>21,544</u>	<u>(4,035,136)</u>
Net profit for the year	<u>\$ 33,019,240</u>	<u>\$ 7,278,452</u>	<u>\$ (12,411,083)</u>	<u>\$ 27,886,609</u>

For the year ended December 31, 2017

Revenues from external customers	\$ 280,433,594	\$ 66,578,408	\$ -	\$ 347,012,002
Inter-segment revenues	<u>83,222,397</u>	<u>49,759,201</u>	<u>(132,981,598)</u>	<u>-</u>
Segment revenues	<u>\$ 363,655,991</u>	<u>\$ 116,337,609</u>	<u>\$(132,981,598)</u>	<u>\$ 347,012,002</u>
Segment profit	\$ 17,909,851	\$ 7,304,089	\$ (292,311)	\$ 24,921,629
Interest income	179,938	181,117	(70,837)	290,218
Financial costs	(3,141,382)	(620,430)	43,919	(3,717,893)
Share of the profit (loss) of associates	7,438,653	1,947,849	(9,710,817)	(324,315)
Other non-operating income and expenses	<u>2,394,578</u>	<u>558,787</u>	<u>(719,707)</u>	<u>2,233,658</u>
Profit before income tax	24,781,638	9,371,412	(10,749,753)	23,403,297
Income tax	<u>(1,984,831)</u>	<u>(997,609)</u>	<u>10,333</u>	<u>(2,972,107)</u>
Net profit for the year	<u>\$ 22,796,807</u>	<u>\$ 8,373,803</u>	<u>\$ (10,739,420)</u>	<u>\$ 20,431,190</u>

(Concluded)

Inter-segment revenues were accounted for according to market price or cost-plus pricing.

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Segment assets</u>		
Steel department	\$ 725,164,836	\$ 722,336,406
Others	214,711,859	237,018,165
Adjustment and elimination	<u>(265,350,099)</u>	<u>(291,638,692)</u>
Consolidated total assets	<u>\$ 674,526,596</u>	<u>\$ 667,715,879</u>
<u>Segment liabilities</u>		
Steel department	\$ 272,586,581	\$ 281,461,836
Others	86,655,523	76,873,211
Adjustment and Elimination	<u>(27,513,226)</u>	<u>(22,571,155)</u>
Consolidated total liabilities	<u>\$ 331,728,878</u>	<u>\$ 335,763,892</u>

c. Revenues from major products and services

Revenues from major products and services of the Corporation and its subsidiaries were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Steel products	\$ 332,216,772	\$ 287,137,194
Non-ferrous materials	38,470,811	32,255,497
Construction contracts revenue	19,944,606	17,496,736
Freight and service revenue	7,138,111	6,936,438
Others	<u>2,894,757</u>	<u>3,186,137</u>
	<u>\$ 400,665,057</u>	<u>\$ 347,012,002</u>

d. Geographical information

The Corporation and its subsidiaries operate in five principal geographical areas - Taiwan, Malaysia, China, Vietnam and India.

The Corporation and its subsidiaries' revenues from continuing operations from external customers and information about its non-current assets by geographical location were detailed below:

	<b>Revenues from External</b>		<b>Noncurrent Assets</b>	
	<b>Customers</b>		<b>December 31</b>	
	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>	<b>2018</b>	<b>2017</b>
	<b>2018</b>	<b>2017</b>		
Taiwan	\$ 351,782,506	\$ 303,319,159	\$ 384,039,265	\$ 393,562,138
Vietnam	24,564,187	20,361,997	15,084,025	15,556,015
Malaysia	9,954,126	8,922,984	1,804,758	1,885,363
China	7,264,931	7,791,599	3,291,373	3,634,948
India	4,263,523	3,711,027	4,894,091	5,455,860
Others	<u>2,835,784</u>	<u>2,905,236</u>	<u>6,345,814</u>	<u>12,009,842</u>
	<u>\$ 400,665,057</u>	<u>\$ 347,012,002</u>	<u>\$ 415,459,326</u>	<u>\$ 432,104,166</u>

Non-current assets excluded those classified as financial instruments, deferred tax assets and retirement benefit assets.

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Corporation and its subsidiaries' total revenues for the years ended December 31, 2018 and 2017.

**TABLE 1**

**CHINA STEEL CORPORATION AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	China Steel Corporation	Dragon Steel Corporation	Other receivables	Yes	\$ 3,550,000	\$ 2,150,000	\$ -	0.52%-0.54%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 31,290,803	\$ 62,581,607	Note 2
0	China Steel Corporation	CSC Precision Metal Industrial Corporation	Other receivables	Yes	200,000	-	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Sing Da Marine Structure Corporation	Other receivables	Yes	200,000	200,000	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Global Trading Corporation	Other receivables	Yes	250,000	150,000	150,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Gains Investment Corporation	Other receivables	Yes	600,000	300,000	300,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Prosperity Development Corporation	Other receivables	Yes	1,500,000	900,000	600,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Express Corporation	Other receivables	Yes	800,000	600,000	600,000	0.50%-0.55%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Resources Corporation	Other receivables	Yes	1,260,000	910,000	870,000	0.50%-0.55%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	C.S.Aluminium Corporation	Other receivables	Yes	7,200,000	5,200,000	3,600,000	0.50%-0.55%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Other receivables	Yes	441,470	287,735	134,160	3.80%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Machinery Corporation	Other receivables	Yes	830,000	430,000	430,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Changzhou China Steel Precision Materials Co., Ltd.	Other receivables	Yes	309,550	307,150	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	CSC Solar Corporation	Other receivables	Yes	150,000	-	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Ecotek Corporation	Other receivables	Yes	470,000	310,000	310,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Kaohsiung Rapid Transit Corporation	Other receivables	Yes	550,000	350,000	350,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Chung Hung Steel Corporation	Other receivables	Yes	5,300,000	3,950,000	2,450,000	0.51%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Other receivables	Yes	1,300,000	700,000	700,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	CHC RESOURCES CORPORATION	Other receivables	Yes	450,000	400,000	300,000	0.52%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
1	China Steel Security Corporation	China Steel Corporation	Other receivables	Yes	50,000	50,000	-	0.51%-0.52%	2	-	Operating capital	-	-	-	160,419	213,892	Note 3

(Continued)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
2	UNITED STEEL INVESTMENT PTE. LTD.	Chungkang Steel Structure (Cambodia) Co., Ltd.	Other receivables	Yes	\$ 45,152	\$ 19,043	\$ 19,043	5.8%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 50,000	\$ 111,267	Note 4
3	Ever Wealthy International Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Other receivables	Yes	37,146	36,858	-	3%	2	-	Operating capital	-	-	-	378,616	567,924	Note 5
4	Group Steel Corporation (M) Sdn. Bhd.	CSC Steel Sdn. Bhd.	Other receivables	Yes	338,400	284,480	284,480	4%	2	-	Operating capital	-	-	-	18,413	18,413	Note 6
5	Thintech Materials Technology Co., Ltd.	Taicang Thintech Materials Co., Ltd.	Other receivables	Yes	143,149	143,149	67,080	1.76%-3.25%	2	-	Operating capital	-	-	-	330,892	441,189	Note 7
5	Thintech Materials Technology Co., Ltd.	Thintech United Metal Resources (Taicang) Co., Ltd.	Other receivables	Yes	119,454	105,852	93,912	1.76%-5%	2	-	Operating capital	-	-	-	330,892	441,189	Note 7
6	CSC Precision Metal Industrial Corporation	China Steel Corporation	Other receivables	Yes	300,000	-	-	0.52%-0.54%	2	-	Operating capital	-	-	-	101,268	115,735	Note 8
7	CHC RESOURCES CORPORATION	CHC RESOURCES VIETNAM CO., LTD.	Other receivables	Yes	29,950	-	-	-	2	-	Operating capital	-	-	-	490,039	980,078	Note 9
8	Mentor Consulting Corporation	Gains Investment Corporation	Other receivables	Yes	18,000	-	-	-	2	-	Operating capital	-	-	-	10,427	10,427	Note 10
9	Gains Investment Corporation	Gainsplus Asset Management Inc.	Other receivables	Yes	174,780	-	-	1.83%	2	-	Operating capital	-	-	-	662,732	1,325,465	Note 11
9	Gains Investment Corporation	Mentor Consulting Corporation	Other receivables	Yes	6,000	-	-	-	2	-	Operating capital	-	-	-	662,732	1,325,465	Note 11
9	Gains Investment Corporation	Eminence Investment Corporation	Other receivables	Yes	200,000	-	-	-	2	-	Operating capital	-	-	-	662,732	1,325,465	Note 11
10	C.S.Aluminium Corporation	Ningbo Huayang Aluminium-Tech Co., Ltd.	Other receivables	Yes	185,730	184,290	-	-	2	-	Operating capital	-	-	-	3,307,307	3,307,307	Note 12

Note 1: The nature for financing is as follows:

- 1) Business relationship
- 2) The need for short-term financing

Note 2: According to "The Process of Financing Others" established by the Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 20% and 10% of the net worth of the Corporation, respectively.

Note 3: According to "The Process of Financing Others" established by China Steel Security Corporation (CSSC), the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 30% of the net worth of the CSSC, respectively.

Note 4: According to "The Process of Financing Others" established by UNITED STEEL INVESTMENT PTE. LTD., the total available amount for lending to others shall not exceed 40% of the net worth of the company; for short-term financing needs, the total amount for lending to a company shall not exceed NT\$50,000 thousand; however, its wholly-owned subsidiary is free from these limits. Except for the aforementioned, the total available amount for lending to others shall not exceed 40% of the net worth of UNITED STEEL INVESTMENT PTE. LTD.

Note 5: According to "The Process of Financing Others" established by Ever Wealthy International Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 30% and 20% of the net worth of Ever Wealthy International Corporation, respectively; the financing limit amount for parent company shall not exceed 30% of the net worth of the company.

(Continued)

- Note 6: According to “The Process of Financing Others” established by Group Steel Corporation (M) Sdn. Bhd., the total available amount for lending to others and the total amount for lending to a company both shall not exceed 40% of the net worth of Group Steel Corporation (M) Sdn. Bhd.
- Note 7: According to “The Process of Financing Others” established by Thintech Materials Technology Co., Ltd., the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 30% of the net worth of Thintech Materials Technology Co., Ltd, respectively.
- Note 8: According to “The Process of Financing Others” established by CSC Precision Metal Industrial Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 35% of the net worth of CSC Precision Metal Industrial Corporation, respectively.
- Note 9: According to “The Process of Financing Others” established by CHC RESOURCES CORPORATION, the total available amount for lending to others and the total amount for lending to a company shall not exceed 20% and 10% of the net worth of CHC RESOURCES CORPORATION, respectively.
- Note 10: According to “The Process of Financing Others” established by Mentor Consulting Corporation, the total available amount for lending to others and the total amount for lending to a company both shall not exceed 40% of the net worth of Mentor Consulting Corporation.
- Note 11: According to “The Process of Financing Others” established by Gains Investment Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 20% and 10% of the net worth of Gains Investment Corporation, respectively..
- Note 12: According to “The Process of Financing Others” established by C.S.Aluminium Corporation, the total available amount for lending to others and the total amount for lending to a company both shall not exceed 40% of the net worth of C.S.Aluminium Corporation.

(Concluded)



**CHINA STEEL CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NO.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
0	China Steel Corporation	CSC Steel Australia Holdings Pty Ltd	2	\$ 93,872,411	\$ 3,649,375	\$ -	\$ -	\$ -	-	\$ 125,163,214	Y	N	N	Notes 2 and 5
0	China Steel Corporation	China Steel Power Holding Corporation	2	93,872,411	3,000,000	3,000,000	-	-	1	125,163,214	Y	N	N	Notes 2 and 5
0	China Steel Corporation	Formosa Ha Tinh (Cayman) Limited	6	93,872,411	37,885,002	37,885,002	28,460,872	-	12	125,163,214	N	N	N	Note 5
0	China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	6	93,872,411	952,143	938,807	813,714	-	-	125,163,214	N	N	N	Note 5
1	CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	2	8,027,221	167,500	-	-	-	-	8,027,221	N	N	N	Notes 3 and 6
1	CHINA STEEL STRUCTURE CO., LTD.	United Steel Construction (Vietnam) Co., Ltd.	2	1,408,284	245,720	184,290	-	-	4	8,027,221	N	N	N	Note 6
1	CHINA STEEL STRUCTURE CO., LTD.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	2	1,408,284	800,435	789,567	267,126	-	19	8,027,221	N	N	Y	Note 6
1	CHINA STEEL STRUCTURE CO., LTD.	Chungkang Steel Structure (Cambodia) Co., Ltd.	6	1,408,284	59,496	59,034	25,723	-	1	8,027,221	N	N	N	Note 6
2	United Steel Engineering & Construction Corporation	CHINA STEEL STRUCTURE CO., LTD.	3	19,933,590	2,387,811	1,567,675	1,567,675	-	118	19,933,590	N	N	N	Notes 3 and 7
3	Thintech Materials Technology Co., Ltd.	Thintech United Metal Resources (Taicang) Co., Ltd.	2	441,189	123,820	122,860	-	-	11	441,189	N	N	Y	Note 8
3	Thintech Materials Technology Co., Ltd.	Taicang Thintech Materials Co., Ltd.	2	441,189	185,730	184,290	140,982	-	17	441,189	N	N	Y	Note 8
4	Chung Hung Steel Corporation	Chung Hung Steel Corporation	1	4,428,974	10,000	10,000	10,000	-	-	7,381,623	N	N	N	Notes 4 and 9
5	INFOCHAMP SYSTEMS CORPORATION	Wuhan InfoChamp I.T. Co., Ltd.	2	238,168	95,726	93,994	63,994	-	12	396,947	N	N	Y	Note 10

Note 1: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- 1) A company that the Corporation has business relationship with.
- 2) The Corporation owns directly or indirectly over 50% ownership of the investee company.
- 3) The company that owns directly or indirectly hold over 50% ownership of the Corporation.
- 4) In between companies that were held over 90% of voting shares directly or indirectly by an entity.
- 5) The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.
- 6) Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.
- 7) According to Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.

(Continued)

Note 2: Endorsements and guarantees provided by the Corporation to its subsidiaries.

Note 3: Performance guarantee regarding the construction contract.

Note 4: For import of goods, letters of credits were provided to Customs Administration, Ministry of Finance Kaohsiung Customs and guaranteed by banks.

Note 5: According to “The Process of making endorsements/quadrants” established by the Corporation, the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 30% and 40% of the net worth of the Corporation, respectively.

Note 6: According to “The Process of making endorsements/quadrants” established by CHINA STEEL STRUCTURE CO., LTD., the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed one third and 190% of the net worth of CHINA STEEL STRUCTURE CO., LTD. However, the ceilings on the amounts to United Steel Engineering & Consumption Corporation shall not exceed 190% of the net worth of CHINA STEEL STRUCTURE CO., LTD.

Note 7: According to “The Process of making endorsements/quadrants” established by United Steel Engineering & Construction Corporation, both the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 1500% of the net worth of United Steel Engineering & Construction Corporation.

Note 8: According to “The Process of making endorsements/quadrants” established by Thintech Materials Technology Co., Ltd., both the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 40% of the net worth of Thintech Materials Technology Co., Ltd.

Note 9: According to “The Process of making endorsements/quadrants” established by Chung Hung Steel Corporation, the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 30% and 50% of the net worth of Chung Hung Steel Corporation, respectively

Note 10: According to “The Process of making endorsements/quadrants” established by INFOCHAMP SYSTEMS CORPORATION, the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 30% and 50% of the net worth of INFOCHAMP SYSTEMS CORPORATION, respectively.

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Corporation	Common Stock	ADIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - current	5,524,896	\$ 112,155	2	\$ 112,155	
China Steel Corporation	Common Stock	Taiwan High Speed Rail Corporation	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	242,148,000	7,397,621	4	7,397,621	
China Steel Corporation	Common Stock	Maruichi Steel Tube Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	2,000,000	1,927,926	2	1,927,926	
China Steel Corporation	Common Stock	TANG ENG IRON WORKS CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	29,860,691	1,373,592	9	1,373,592	
China Steel Corporation	Common Stock	O-Bank Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	103,847,695	830,782	4	830,782	
China Steel Corporation	Common Stock	RECHI PRECISION CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	23,002,022	557,799	5	557,799	
China Steel Corporation	Common Stock	Yodogawa Steel Works, Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	400,000	243,147	1	243,147	
China Steel Corporation	Common Stock	CSBC Corporation, Taiwan	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	7,751,346	196,884	2	196,884	
China Steel Corporation	Common Stock	Formosa Ha Tinh (Cayman) Limited		Financial assets at fair value through other comprehensive income - noncurrent	1,111,418,177	29,358,000	20	29,358,000	
China Steel Corporation	Common Stock	CSN Mineracao S.A.		Financial assets at fair value through other comprehensive income - noncurrent	745,562	2,533,532	-	2,533,532	
China Steel Corporation	Common Stock	Sakura Ferroalloys Sdn. Bhd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	207,290,000	1,281,120	19	1,281,120	
China Steel Corporation	Common Stock	CDIB & Partners Investment Holding Corporation		Financial assets at fair value through other comprehensive income - noncurrent	54,000,000	816,826	5	816,826	
China Steel Corporation	Common Stock	Taiwan International Windpower Training Corporation	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,500,000	13,740	15	13,740	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Corporation	Common Stock	CDIB BioScience Ventures I, Inc.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,063,534	\$ 10,172	5	\$ 10,172	
China Steel Corporation	Common Stock	PHALANX BIOTECH GROUP, INC.		Financial assets at fair value through other comprehensive income - noncurrent	1,073,812	3,199	2	3,199	
China Steel Corporation	Common Stock	Mega I Venture Capital Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	978,750	1,549	3	1,549	
China Steel Corporation	Common Stock	DB Metal Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	1,500,000	-	4	-	
China Steel Corporation	Preferred Stock	East Asia United Steel Corporation (A)	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	6,667	1,651,808	19	1,651,808	
China Steel Corporation	Preferred Stock	Sakura Ferroalloys Sdn. Bhd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	52,199,745	322,612	19	322,612	
Chung Hung Steel Corporation	Common Stock	Shouh Hwang Enterprise Co., Ltd.		Financial assets at fair value through profit or loss - current	730,000	-	15	-	
Chung Hung Steel Corporation	Common Stock	YIEH UNITED STEEL CORPORATION		Financial assets at fair value through profit or loss - current	39,707,800	217,281	2	217,281	
Chung Hung Steel Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	33,109,239	802,899	-	802,899	
Chung Hung Steel Corporation	Common Stock	TAIWAN VES-POWER CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	958,333	37,662	2	37,662	
Chung Hung Steel Corporation	Common Stock	Riselinck Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	657,936	7,764	3	7,764	
Chung Hung Steel Corporation	Common Stock	PACIFIC HARBOUR STEVEDORING CORP.	The held company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	5,793	5	5,793	
Hung Kao Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	24,346	-	24,346	
China Steel Chemical Corporation	Common Stock	ADIMMUNE CORPORATION		Financial assets at fair value through profit or loss - current	105,747	2,147	-	2,147	
China Steel Chemical Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,556,915	62,005	-	62,005	
China Steel Chemical Corporation	Preferred Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	229,000	9,939	-	9,939	
China Steel Chemical Corporation	Fund	Prudential Financial India Opportunity Bond Fund Acc USD		Financial assets at fair value through profit or loss - current	10,000	3,207	-	3,207	
China Steel Chemical Corporation	Fund	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	3,706,367	50,064	-	50,064	
China Steel Chemical Corporation	Fund	KGI Victory Money Market Fund		Financial assets at fair value through profit or loss - current	4,328,255	50,044	-	50,044	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Common Stock	TAISHIN FINANCIAL HOLDING CO., LTD.		Financial assets at fair value through profit or loss - current	5,691,783	\$ 74,277	-	\$ 74,277	
Ever Wealthy International Corporation	Common Stock	Mega Financial Holding Co., Ltd.		Financial assets at fair value through profit or loss - current	1,849,000	47,982	-	47,982	
Ever Wealthy International Corporation	Common Stock	International CSRC Investment Holdings Co., LTD.		Financial assets at fair value through profit or loss - current	1,041,454	40,565	-	40,565	
Ever Wealthy International Corporation	Common Stock	TAICHUNG COMMERCIAL BANK CO., LTD.		Financial assets at fair value through profit or loss - current	2,255,990	23,011	-	23,011	
Ever Wealthy International Corporation	Common Stock	TAIWAN BUSINESS BANK,LTD.		Financial assets at fair value through profit or loss - current	1,750,899	18,122	-	18,122	
Ever Wealthy International Corporation	Common Stock	HUA NAN FINANCIAL HOLDINGS CO.,LTD.		Financial assets at fair value through profit or loss - current	1,013,040	17,728	-	17,728	
Ever Wealthy International Corporation	Common Stock	CATHAY FINANCIAL HOLDING CO., LTD.		Financial assets at fair value through profit or loss - current	300,000	14,100	-	14,100	
Ever Wealthy International Corporation	Common Stock	CHINA DEVELOPMENT FINANCIAL HOLDING CORP.		Financial assets at fair value through profit or loss - current	1,179,000	11,460	-	11,460	
Ever Wealthy International Corporation	Common Stock	TA CHEN STAINLESS PIPE CO., LTD.		Financial assets at fair value through profit or loss - current	152,047	6,394	-	6,394	
Ever Wealthy International Corporation	Common Stock	Bank of Kaohsiung, CO., LTD.		Financial assets at fair value through profit or loss - current	513,869	4,686	-	4,686	
Ever Wealthy International Corporation	Common Stock	Nishoku Technology Inc.		Financial assets at fair value through profit or loss - current	30,400	1,745	-	1,745	
Ever Wealthy International Corporation	Common Stock	China Steel Chemical Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	4,753,537	651,235	-	651,235	
Ever Wealthy International Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	4,226,265	102,487	-	102,487	
Ever Wealthy International Corporation	Common Stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	1,540,000	42,372	4	42,372	
Ever Wealthy International Corporation	Common Stock	RiselinK Venture Capital Corp.		Financial assets at fair value through profit or loss - noncurrent	438,624	5,174	2	5,174	
Ever Wealthy International Corporation	Common Stock	National Kaohsiung First University of Science and Technology Investment Corporation		Financial assets at fair value through profit or loss - noncurrent	300,000	2,601	9	2,601	
Ever Wealthy International Corporation	Common Stock	Harbinger Venture III Capital Corp.		Financial assets at fair value through profit or loss - noncurrent	1,000	1,130	1	1,130	
Ever Wealthy International Corporation	Common Stock	E-ONE MOLI ENERGY CORP.		Financial assets at fair value through profit or loss - noncurrent	46,097	453	-	453	
Ever Wealthy International Corporation	Common Stock	Asia Hepato Gene CO.		Financial assets at fair value through profit or loss - noncurrent	133,300	-	2	-	
Ever Wealthy International Corporation	Common Stock	JU-KAO ENGINEERING CO., LTD		Financial assets at fair value through profit or loss - noncurrent	1,774,483	19,406	7	19,406	
Ever Wealthy International Corporation	Preferred Stock	Cathay Financial Holding Co., Ltd.(B)		Financial assets at fair value through profit or loss - current	12,540	776	-	776	
Ever Wealthy International Corporation	Fund	Yuanta De-Li Money Market Fund		Financial assets at fair value through profit or loss - current	1,842,718	29,999	-	29,999	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Fund	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	7,494,756	\$ 101,254	-	\$ 101,254	
Ever Wealthy International Corporation	Fund	SinoPac TWD Money Market Fund		Financial assets at fair value through profit or loss - current	5,675,551	78,890	-	78,890	
Ever Wealthy International Corporation	Fund	Prudential Financial Money Market Fund		Financial assets at fair value through profit or loss - current	1,899,528	29,994	-	29,994	
Ever Glory International Co., Ltd.	Common Stock	Sharp Corporation		Financial assets at fair value through profit or loss - current	20,000	6,132	-	6,132	
Ever Glory International Co., Ltd.	Fund	Neuberger Berman Global Senior Floating Rate Income Fund-A		Financial assets at fair value through profit or loss - current	89,445	30,248	-	30,248	
Ever Glory International Co., Ltd.	Fund	Neuberger Berman Global Senior Floating Rate Income Fund		Financial assets at fair value through profit or loss - current	29,500	10,239	-	10,239	
Ever Glory International Co., Ltd.	Fund	JPMorgan Funds - USD Money Market VNAV Fund - JPM USD Money Market VNAV A (acc) - USD		Financial assets at fair value through profit or loss - current	9,626	30,416	-	30,416	
Ever Glory International Co., Ltd.	Fund	China Southern Dragon Dynamic Fund Sicav-FIS - China New Balance Opportunity Fund-A USD		Financial assets at fair value through profit or loss - current	3,787	16,687	-	16,687	
Ever Glory International Co., Ltd.	Fund	Invesco US Senior Loan Fund		Financial assets at fair value through profit or loss - current	10,925	54,708	-	54,708	
Ever Glory International Co., Ltd.	Fund	Hutchison Port Holdings Trust		Financial assets at fair value through profit or loss - current	3,480,000	25,653	-	25,653	
Ever Glory International Co., Ltd.	Subordinated Financial Bonds	Floating Rate Notes Offering by Australia and New Zealand Banking Group Limited		Financial assets at amortized cost-noncurrent	2,000	4,144	-	4,144	
Ever Glory International Co., Ltd.	Corporate Bond	Gazprombank OJSC Via GPB Eurobond		Financial assets at amortized cost-noncurrent	-	-	-	-	
Ever Glory International Co., Ltd.	Corporate Bond	Gazprombank OJSC Via GPB Eurobond		Financial assets at amortized cost-noncurrent	-	-	-	-	
Ever Glory International Co., Ltd.	Corporate Bond	CNH Bond Offering by ITNL Offshore Pte Limited		Financial assets at amortized cost-noncurrent	30,000	13,436	-	13,436	
China Ecotek Corporation	Common Stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	440,000	12,106	1	12,106	
China Ecotek Corporation	Common Stock	JDV CONTROL VALVES CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	500,000	8,641	2	8,641	
China Ecotek Corporation	Common Stock	ECOTEK INDUSTRIAL AQUACULTURE CORP.	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	489,375	-	17	-	
China Ecotek Corporation	Common Stock	HSIN YU ENERGY DEVELOPMENT CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	391,249	-	-	-	
China Ecotek Corporation	Common Stock	FLEXUP TECHNOLOGIES CORPORATION		Financial assets at fair value through profit or loss - noncurrent	650,000	-	4	-	
China Ecotek Corporation	Common Stock	Asia Pacific Energy Development Co., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	2,212,590	132,507	11	132,507	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
CHINA STEEL STRUCTURE CO., LTD.	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	6,936,878	\$ 168,219	-	\$ 168,219	
United Steel Engineering & Construction Corporation	Common Stock	CHINA STEEL STRUCTURE CO., LTD.	Parent company	Financial assets at fair value through other comprehensive income - current	6,804,767	179,306	-	179,306	
United Steel Engineering & Construction Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	3,745,446	90,827	-	90,827	
CHC RESOURCES CORPORATION	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	9,201,806	223,144	-	223,144	
CHC RESOURCES CORPORATION	Common Stock	FENG SHEHG ENTERPRISE COMPANY		Financial assets at fair value through other comprehensive income - noncurrent	932,053	11,892	2	11,892	
CHC RESOURCES CORPORATION	Fund	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	2,965,729	40,060	-	40,060	
UNION STEEL DEVELOPMENT CORPORATION	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	423,849	10,278	-	10,278	
UNION STEEL DEVELOPMENT CORPORATION	Fund	Capital Money Market Fund		Financial assets at fair value through profit or loss - current	1,873,009	30,175	-	30,175	
UNION STEEL DEVELOPMENT CORPORATION	Foreign Certificate of Entitlement	Shanghai Baoshunlian Steel Products Co.,Ltd	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	-	17,167	19	17,167	
China Steel Security Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,349,975	56,987	-	56,987	
China Steel Security Corporation	Common Stock	Taiwan Secom Corporation		Financial assets at fair value through other comprehensive income - current	2,223	197	-	197	
China Steel Security Corporation	Common Stock	Taiwan Shin Kong Security Corporation		Financial assets at fair value through other comprehensive income - current	3,579	137	-	137	
Steel Castle Technology Corporation	Fund	Yuanta De-Li Money Market Fund		Financial assets at fair value through profit or loss - current	2,457,939	40,017	-	40,017	
Steel Castle Technology Corporation	Fund	Mega Diamond Money Market Fund		Financial assets at fair value through profit or loss - current	4,014,480	50,269	-	50,269	
Steel Castle Technology Corporation	Fund	Capital Money Market Fund		Financial assets at fair value through profit or loss - current	1,246,036	20,075	-	20,075	
Steel Castle Technology Corporation	Fund	Union Money Market Fund		Financial assets at fair value through profit or loss - current	1,139,471	15,022	-	15,022	
ChinaSteel Management Consulting Corporaion	Fund	Capital Money Market Fund		Financial assets at fair value through profit or loss - current	348,056	5,607	-	5,607	
China Prosperity Development Corporation	Common Stock	HUA NAN FINANCIAL HOLDINGS CO.,LTD.		Financial assets at fair value through other comprehensive income - current	4,286,955	75,022	-	75,022	
China Prosperity Development Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	952,979	23,110	-	23,110	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Prosperity Development Corporation	Common Stock	Mega Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income - current	463,457	\$ 12,027	-	\$ 12,027	
China Prosperity Development Corporation	Common Stock	Taiwan Cooperative Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income - current	222,789	3,932	-	3,932	
China Prosperity Development Corporation	Common Stock	QUN XIN PROPERITES CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - current	6,000,000	48,000	-	48,000	
China Prosperity Development Corporation	Common Stock	HI SCENE WORLD ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	386,535	4,086	-	4,086	
China Prosperity Development Corporation	Fund	Taishin Ta-Chong Money Market Fund		Financial assets at fair value through profit or loss - current	8,460,058	120,002	-	120,002	
China Prosperity Development Corporation	Fund	FSITC MONEY MARKET FUND		Financial assets at fair value through profit or loss - current	561,416	100,003	-	100,003	
HIMAG Magnetic Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - noncurrent	325,505	7,893	-	7,893	
HIMAG Magnetic Corporation	Common Stock	Superrite Electronics Co., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	600,000	8,016	2	8,016	
Eminent Venture Capital Corporation	Common Stock	Bionime Corporation		Financial assets at fair value through profit or loss - current	995,990	47,608	2	47,608	
Eminent Venture Capital Corporation	Common Stock	TAIWAN LIPOSOME CO., LTD.		Financial assets at fair value through profit or loss - current	248,220	22,265	-	22,265	
Eminent Venture Capital Corporation	Common Stock	Savior Lifetec Corporation		Financial assets at fair value through profit or loss - current	1,000,000	16,700	-	16,700	
Eminent Venture Capital Corporation	Common Stock	SynCore Biotechnology Co., Ltd		Financial assets at fair value through profit or loss - current	628,000	15,480	1	15,480	
Eminent Venture Capital Corporation	Common Stock	INTECH BIOPHARM LTD.		Financial assets at fair value through profit or loss - current	510,000	9,716	1	9,716	
Eminent Venture Capital Corporation	Common Stock	Asia Best Healthcare Co., Ltd.		Financial assets at fair value through profit or loss - noncurrent	4,530	18,186	1	18,186	
Eminent Venture Capital Corporation	Common Stock	StemCyte International, Ltd.		Financial assets at fair value through profit or loss - noncurrent	1,080,647	16,267	1	16,267	
Eminent Venture Capital Corporation	Common Stock	Magqu Co. Ltd.	The held company as its supervisor	Financial assets at fair value through profit or loss - noncurrent	1,301,000	14,288	7	14,288	
Eminent Venture Capital Corporation	Common Stock	U-Liang Pharmaceutical Co., Ltd.		Financial assets at fair value through profit or loss - noncurrent	557,000	6,075	1	6,075	
Eminent Venture Capital Corporation	Common Stock	Dance Biopharm Holdings, Inc.		Financial assets at fair value through profit or loss - noncurrent	166,394	1,329	1	1,329	
Eminent Venture Capital Corporation	Common Stock	Cellerant Therapeutics, Inc.		Financial assets at fair value through profit or loss - noncurrent	43,900	-	-	-	
Eminent Venture Capital Corporation	Common Stock	New Medical Imaging Co., LTD		Financial assets at fair value through profit or loss - noncurrent	160,368	-	3	-	
Eminent Venture Capital Corporation	Common Stock	INNOPHARMAX, Inc.		Financial assets at fair value through profit or loss - noncurrent	2,567,519	15,076	4	15,076	
Eminent Venture Capital Corporation	Common Stock	HOLY STONE HEALTHCARE CO.,LTD.		Financial assets at fair value through profit or loss - noncurrent	500,000	5,316	1	5,316	
Eminent Venture Capital Corporation	Common Stock	Tekho Marine Biotech Co., Ltd.		Financial assets at fair value through profit or loss - noncurrent	788,824	5,048	4	5,048	

(Continued)



Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Eminent Venture Capital Corporation	Preferred Stock	BioResource International, Inc.		Financial assets at fair value through profit or loss - noncurrent	815,486	\$ 14,941	3	\$ 14,941	
Eminent Venture Capital Corporation	Preferred Stock	Nereus Pharmaceuticals, Inc.		Financial assets at fair value through profit or loss - noncurrent	1,895,531	7,510	2	7,510	
Eminent Venture Capital Corporation	Preferred Stock	BioKey, Inc.		Financial assets at fair value through profit or loss - noncurrent	600,000	608	3	608	
Eminent Venture Capital Corporation	Preferred Stock	Cardiva Medical, Inc.		Financial assets at fair value through profit or loss - noncurrent	612,648	-	1	-	
Eminent Venture Capital Corporation	Preferred Stock	AndroScience Corp.		Financial assets at fair value through profit or loss - noncurrent	2,111,111	-	7	-	
Eminent Venture Capital Corporation	Preferred Stock	Bayhill Therapeutics, Inc.		Financial assets at fair value through profit or loss - noncurrent	1,404,494	-	2	-	
Eminent Venture Capital Corporation	Fund	Franklin Templeton Sinoam Money Market Fund		Financial assets at fair value through profit or loss - current	4,133,629	42,663	-	42,663	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - noncurrent	3,834,338	92,983	-	92,983	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	Lion Corporation Berhad		Financial assets at fair value through other comprehensive income - noncurrent	58	-	-	-	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	TRICORNTECH CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	726,885	5,790	2	5,790	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	Riselink Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	438,624	5,174	2	5,174	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	GEMINI OPEN CLOUD COMPUTING INC.		Financial assets at fair value through other comprehensive income - noncurrent	889,571	-	5	-	
Dragon Steel Corporation	Common Stock	Union Optronics Corp.		Financial assets at fair value through other comprehensive income - noncurrent	103,895	-	-	-	
Dragon Steel Corporation	Common Stock	Kuei Hung Industrial CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	5,602,000	-	-	-	
C.S.Aluminium Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	4,431,944	107,475	-	107,475	
China Steel Express Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	8,801,555	213,438	-	213,438	
China Steel Express Corporation	Common Stock	CSBC Corporation,Taiwan		Financial assets at fair value through other comprehensive income - current	4,698	119	-	119	
China Steel Express Corporation	Common Stock	CDIB & Partners Investment Holding Corporation		Financial assets at fair value through other comprehensive income - noncurrent	3,240,000	49,009	-	49,009	
China Steel Express Corporation	Common Stock	Riselink Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	657,936	7,761	3	7,761	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Express Corporation	Common Stock	Huiyang Private Equity Fund Co., Ltd.	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	35,000	\$ 4,456	1	\$ 4,456	Note 1
Transglory Investment Corporation	Common Stock	China Steel Corporation		Financial assets at fair value through other comprehensive income - noncurrent	255,665,331	6,199,884	2	6,199,884	
Gains Investment Corporation	Common Stock	BRIGHTON-BEST INTERNATIONAL (TAIWAN) INC.		Financial assets at fair value through other comprehensive income - current	23,129,242	777,142	-	777,142	
Gains Investment Corporation	Common Stock	Cayman Engley Industrial Co., Ltd.		Financial assets at fair value through other comprehensive income - current	1,467,723	165,119	-	165,119	
Gains Investment Corporation	Common Stock	QST INTERNATIONAL CORP.		Financial assets at fair value through other comprehensive income - current	1,349,257	107,940	-	107,940	
Gains Investment Corporation	Common Stock	GLOBAL TEK FABRICATION CO., LTD.		Financial assets at fair value through other comprehensive income - current	2,043,620	89,102	-	89,102	
Gains Investment Corporation	Common Stock	FUSHENG PRECISION CO., LTD.		Financial assets at fair value through other comprehensive income - current	500,000	79,750	-	79,750	
Gains Investment Corporation	Common Stock	FARCENT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	930,032	59,708	-	59,708	
Gains Investment Corporation	Common Stock	Capital Futures Corporation		Financial assets at fair value through other comprehensive income - current	1,120,000	50,568	-	50,568	
Gains Investment Corporation	Common Stock	SYMTEK AUTOMATION ASIA CO., LTD.		Financial assets at fair value through other comprehensive income - current	579,593	35,297	-	35,297	
Gains Investment Corporation	Common Stock	RAFAEL MICROELECTRONICS, INC.		Financial assets at fair value through other comprehensive income - current	222,000	31,302	-	31,302	
Gains Investment Corporation	Common Stock	SHINY CHEMICAL INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	373,000	31,146	-	31,146	
Gains Investment Corporation	Common Stock	San Neng Group Holdings Co., Ltd.		Financial assets at fair value through other comprehensive income - current	700,000	30,450	-	30,450	
Gains Investment Corporation	Common Stock	ADIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - current	1,440,000	29,232	-	29,232	
Gains Investment Corporation	Common Stock	T-MAC TECHVEST PCB CO., LTD.		Financial assets at fair value through other comprehensive income - current	1,893,436	28,970	-	28,970	
Gains Investment Corporation	Common Stock	NAN LIU ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	159,000	24,804	-	24,804	
Gains Investment Corporation	Common Stock	CHINA FINEBLANKING TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	670,661	24,043	-	24,043	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	TAIWAN CHELIC CO., LTD.		Financial assets at fair value through other comprehensive income - current	407,000	\$ 23,280	-	\$ 23,280	
Gains Investment Corporation	Common Stock	QUALIPOLY CHEMICAL CORPORATION		Financial assets at fair value through other comprehensive income - current	885,300	23,106	-	23,106	
Gains Investment Corporation	Common Stock	I JANG INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	574,000	22,931	-	22,931	
Gains Investment Corporation	Common Stock	BIONIME CORPORATION		Financial assets at fair value through other comprehensive income - current	421,036	20,126	-	20,126	
Gains Investment Corporation	Common Stock	AMAZING MICROELECTRONIC CORP.		Financial assets at fair value through other comprehensive income - current	273,080	19,116	-	19,116	
Gains Investment Corporation	Common Stock	CHING CHAN OPTICAL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	528,000	19,061	-	19,061	
Gains Investment Corporation	Common Stock	C.T.I. TRAFFIC INDUSTRIES CO., LTD.		Financial assets at fair value through other comprehensive income - current	1,501,917	17,497	-	17,497	
Gains Investment Corporation	Common Stock	Enterex International Limited		Financial assets at fair value through other comprehensive income - current	642,000	16,692	-	16,692	
Gains Investment Corporation	Common Stock	APAQ TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	505,149	15,508	-	15,508	
Gains Investment Corporation	Common Stock	CHIEN SHING HARBOUR SERVICE CO., LTD.		Financial assets at fair value through other comprehensive income - current	614,000	14,061	-	14,061	
Gains Investment Corporation	Common Stock	SHIN FOONG SPECIALTY AND APPLIED MATERIALS CO., LTD.		Financial assets at fair value through other comprehensive income - current	264,000	12,778	-	12,778	
Gains Investment Corporation	Common Stock	AAEON TECHNOLOGY INC.		Financial assets at fair value through other comprehensive income - current	174,000	12,632	-	12,632	
Gains Investment Corporation	Common Stock	ZENG HSING INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	91,000	12,285	-	12,285	
Gains Investment Corporation	Common Stock	AIR ASIA COMPANY LIMITED.		Financial assets at fair value through other comprehensive income - current	400,000	10,100	-	10,100	
Gains Investment Corporation	Common Stock	WISECHIP SEMICONDUCTOR INC.		Financial assets at fair value through other comprehensive income - current	210,000	9,660	-	9,660	
Gains Investment Corporation	Common Stock	EXCELSIOR BIOPHARMA INCORPORATION		Financial assets at fair value through other comprehensive income - current	174,000	7,073	-	7,073	
Gains Investment Corporation	Common Stock	TAI-SAW TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	266,000	5,214	-	5,214	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	CRYOMAX COOLING SYSTEM CORP.		Financial assets at fair value through other comprehensive income - current	218,625	\$ 4,023	-	\$ 4,023	
Gains Investment Corporation	Common Stock	TAIWAN ENVIRONMENT SCIENTIFIC CO., LTD.		Financial assets at fair value through other comprehensive income - current	203,341	3,660	1	3,660	
Gains Investment Corporation	Common Stock	CHIEF TELECOM INC.		Financial assets at fair value through other comprehensive income - current	15,000	2,258	-	2,258	
Gains Investment Corporation	Common Stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income - current	3,600	671	-	671	
Gains Investment Corporation	Common Stock	Rentian Technology Holdings Ltd.		Financial assets at fair value through profit or loss - noncurrent	18,350	-	-	-	
Gains Investment Corporation	Common Stock	TD HITECH ENERGY INC.	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	2,296,000	30,737	8	30,737	
Gains Investment Corporation	Common Stock	TAIWAN IMPLANT TECHNOLOGY CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	1,678,788	-	10	-	
Gains Investment Corporation	Common Stock	Gloria Solar International Holding, Inc.		Financial assets at fair value through profit or loss - noncurrent	880,000	-	1	-	
Gains Investment Corporation	Common Stock	EPOCH ELECTRONICS CORPORATION		Financial assets at fair value through profit or loss - noncurrent	199,511	-	3	-	
Gains Investment Corporation	Common Stock	GATETECH TECHNOLOGY INC.		Financial assets at fair value through profit or loss - noncurrent	266,398	-	1	-	
Gains Investment Corporation	Common Stock	GEMINI OPEN CLOUD COMPUTING INC.		Financial assets at fair value through profit or loss - noncurrent	889,571	-	5	-	
Gains Investment Corporation	Common Stock	FLEXUP TECHNOLOGIES CORPORATION	The held company as its supervisor	Financial assets at fair value through profit or loss - noncurrent	1,315,000	-	8	-	
Gains Investment Corporation	Common Stock	ASUS CLOUD CORPORATION		Financial assets at fair value through profit or loss - noncurrent	64,553	-	-	-	
Gains Investment Corporation	Common Stock	AbGenomics Holding Ltd.		Financial assets at fair value through profit or loss - noncurrent	900,000	-	1	-	
Gains Investment Corporation	Common Stock	Tech alliance Corporation	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	1,433,250	-	5	-	
Gains Investment Corporation	Common Stock	SUN WELL SOLAR CORPORATION		Financial assets at fair value through profit or loss - noncurrent	120,000	-	-	-	
Gains Investment Corporation	Common Stock	TBI MOTION TECHNOLOGY CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,975,000	116,525	3	116,525	
Gains Investment Corporation	Common Stock	LUXNET CORPORATION	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	3,193,731	69,464	-	69,464	
Gains Investment Corporation	Common Stock	ULTRA CHIP, INC.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	984,147	34,593	-	34,593	
Gains Investment Corporation	Common Stock	KING POINT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	90,000	8	90,000	
Gains Investment Corporation	Common Stock	Poju International Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	2,127,000	77,931	-	77,931	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	GREENWAY ENVIRONMENTAL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	3,750,000	\$ 60,000	10	\$ 60,000	
Gains Investment Corporation	Common Stock	SUNNY PHARMTECH INC.		Financial assets at fair value through other comprehensive income - noncurrent	1,780,000	56,960	2	56,960	
Gains Investment Corporation	Common Stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	1,980,000	54,478	5	54,478	
Gains Investment Corporation	Common Stock	CHEN NAN IRON WIRE CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	2,000,000	47,600	5	47,600	
Gains Investment Corporation	Common Stock	MITAGRI CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	3,500,000	35,000	15	35,000	
Gains Investment Corporation	Common Stock	CDIB & Partners Investment Holding Corporation	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	2,160,000	32,673	-	32,673	
Gains Investment Corporation	Common Stock	FEMCO STEEL TECHNOLOGY CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,248,000	32,448	3	32,448	
Gains Investment Corporation	Common Stock	CYBERSOFT DIGITAL SERVICES CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,000,000	30,000	3	30,000	
Gains Investment Corporation	Common Stock	Yonggu Group Inc.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	543,750	29,585	1	29,585	
Gains Investment Corporation	Common Stock	JUFAN INDUSTRIAL CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,200,000	27,540	6	27,540	
Gains Investment Corporation	Common Stock	T-Car Inc.		Financial assets at fair value through other comprehensive income - noncurrent	500,000	17,500	2	17,500	
Gains Investment Corporation	Common Stock	JDV CONTROL VALVES CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,000,000	17,282	4	17,282	
Gains Investment Corporation	Common Stock	Riselink Venture Capital Corp.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,096,560	12,935	4	12,935	
Gains Investment Corporation	Common Stock	Ping Ho Environmental Technology Company Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	200,000	10,000	1	10,000	
Gains Investment Corporation	Common Stock	JUMP MEDIA INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	549,122	9,203	2	9,203	
Gains Investment Corporation	Common Stock	MORTECH CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	464,794	5,472	1	5,472	
Gains Investment Corporation	Common Stock	Huiyang Private Equity Fund Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	35,000	4,456	1	4,456	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	Mega I Venture Capital Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	675,000	\$ 1,068	2	\$ 1,068	
Gains Investment Corporation	Common Stock	ENIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	2,001,000	41,829	5	41,829	
Gains Investment Corporation	Common Stock	MEDICAL IMAGING CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,080,000	35,528	6	35,528	
Gains Investment Corporation	Common Stock	LINTES TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	498,000	35,039	1	35,039	
Gains Investment Corporation	Common Stock	TRANSCOM, INC.		Financial assets at fair value through other comprehensive income - noncurrent	215,000	13,410	1	13,410	
Gains Investment Corporation	Common Stock	HERAN CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	68,000	6,932	-	6,932	
Gains Investment Corporation	Common Stock	UNITED PERFORMANCE MATERIALS CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	142,000	2,836	-	2,836	
Gains Investment Corporation	Private Placement of Stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income - noncurrent	658,480	122,806	-	122,806	
Gains Investment Corporation	Convertible Bond	Tong Ming Enterprise Co., Ltd. Convertible Bond I		Financial assets at fair value through profit or loss - current	130,000	12,350	-	12,350	
Winning Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	160,406,339	3,889,854	-	3,889,854	Note 2
Betacera Inc.	Common Stock	TAIWAN IMPLANT TECHNOLOGY CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	74,149	-	-	-	
Betacera Inc.	Common Stock	HCT REGENERATIVE CO., LTD		Financial assets at fair value through other comprehensive income - noncurrent	994,153	4,259	17	4,259	
Shanghai Xike Ceramic Electronic Co., Ltd.	Common Stock	Shanghai Join Buy Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	71,820	1,930	-	1,930	
Universal eXchange Inc.	Fund	Union Money Market Fund		Financial assets at fair value through profit or loss - current	618,651	8,156	-	8,156	
Mentor Consulting Corporation	Fund	Union Money Market Fund		Financial assets at fair value through profit or loss - current	1,030,161	13,581	-	13,581	
Eminence Investment Corporation	Common Stock	Capital Futures Corporation		Financial assets at fair value through profit or loss - current	268,401	12,118	-	12,118	
Eminence Investment Corporation	Common Stock	TBI MOTION TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	3,516,000	207,444	-	207,444	
Eminence Investment Corporation	Common Stock	TANG ENG IRON WORKS CO., LTD.		Financial assets at fair value through other comprehensive income - current	3,718,000	171,028	-	171,028	
Eminence Investment Corporation	Common Stock	FARCENT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	1,352,564	86,835	-	86,835	

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Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Eminence Investment Corporation	Common Stock	BIONIME CORPORATION		Financial assets at fair value through other comprehensive income - current	722,200	\$ 34,521	-	\$ 34,521	
Eminence Investment Corporation	Common Stock	TAIWAN CHELIC CO., LTD.		Financial assets at fair value through other comprehensive income - current	487,000	27,856	-	27,856	
Eminence Investment Corporation	Common Stock	Cayman Engley Industrial Co., Ltd.		Financial assets at fair value through other comprehensive income - current	230,000	25,875	-	25,875	
Eminence Investment Corporation	Common Stock	TAIWAN PRINTED CIRCUIT BOARD TECHVEST CO., LTD.		Financial assets at fair value through other comprehensive income - current	914,000	25,363	-	25,363	
Eminence Investment Corporation	Common Stock	QUALIPOLY CHEMICAL CORPORATION		Financial assets at fair value through other comprehensive income - current	912,450	23,815	-	23,815	
Eminence Investment Corporation	Common Stock	Capital Futures Corporation		Financial assets at fair value through other comprehensive income - current	502,000	22,665	-	22,665	
Eminence Investment Corporation	Common Stock	LUXNET CORPORATION		Financial assets at fair value through other comprehensive income - current	890,470	19,368	-	19,368	
Eminence Investment Corporation	Common Stock	QUANG VIET ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	163,000	17,115	-	17,115	
Eminence Investment Corporation	Common Stock	TAISUN INT'L (HOLDING) CORP., TAIWAN BRANCH(CAYMAN)		Financial assets at fair value through other comprehensive income - current	134,400	17,002	-	17,002	
Eminence Investment Corporation	Common Stock	CTBC Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income - current	800,000	16,160	-	16,160	
Eminence Investment Corporation	Common Stock	CHING CHAN OPTICAL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	440,000	15,884	-	15,884	
Eminence Investment Corporation	Common Stock	MICRO-STAR INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	180,000	13,752	-	13,752	
Eminence Investment Corporation	Common Stock	Yulon Finance Corporation		Financial assets at fair value through other comprehensive income - current	150,000	13,590	-	13,590	
Eminence Investment Corporation	Common Stock	PROMATE SOLUTIONS CORPORATION		Financial assets at fair value through other comprehensive income - current	179,000	10,525	-	10,525	
Eminence Investment Corporation	Common Stock	ATEN INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	100,000	8,700	-	8,700	
Eminence Investment Corporation	Common Stock	SHENG YU STEEL CO., LTD.		Financial assets at fair value through other comprehensive income - current	377,000	7,201	-	7,201	
Eminence Investment Corporation	Common Stock	ANPEC ELECTRONICS CORPORATION		Financial assets at fair value through other comprehensive income - current	67,899	4,101	-	4,101	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Eminence Investment Corporation	Common Stock	GLOBAL TEK FABRICATION CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,720,943	\$ 75,033	-	\$ 75,033	
Eminence Investment Corporation	Common Stock	TAI-SAW TECHNOLOGY CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	951,323	18,646	-	18,646	
Eminence Investment Corporation	Common Stock	Yonggu Group Inc.		Financial assets at fair value through other comprehensive income - noncurrent	1,081,750	59,552	2	59,552	
Eminence Investment Corporation	Common Stock	SUNNY PHARMTECH INC.		Financial assets at fair value through other comprehensive income - noncurrent	970,000	31,040	1	31,040	
Eminence Investment Corporation	Common Stock	JUFAN INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	1,200,000	27,539	6	27,539	
Eminence Investment Corporation	Common Stock	JDV CONTROL VALVES CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	1,000,000	17,282	4	17,282	
Eminence Investment Corporation	Common Stock	ENIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,749,000	36,561	4	36,561	
Eminence Investment Corporation	Common Stock	MEDICAL IMAGING CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,080,000	35,528	6	35,528	
Eminence Investment Corporation	Preferred Stock	Fubon Financial Holding Co., Ltd.(B)		Financial assets at fair value through profit or loss - current	494,000	30,628	-	30,628	
Eminence Investment Corporation	Preferred Stock	Cathay Financial Holding Co., Ltd.(B)		Financial assets at fair value through other comprehensive income - current	833,000	51,563	-	51,563	
Eminence Investment Corporation	Preferred Stock	Yulon Finance Corporation(A)		Financial assets at fair value through other comprehensive income - current	600,000	30,840	-	30,840	
Eminence Investment Corporation	Preferred Stock	TAISHIN FINANCIAL HOLDING CO., LTD.(E )		Financial assets at fair value through other comprehensive income - current	486,000	25,855	-	25,855	
Eminence Investment Corporation	Private Placement of Stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income - noncurrent	131,695	24,561	-	24,561	
Eminence Investment Corporation	Convertible Bond	HY ELECTRONIC (CAYMAN) LIMITED, LTD Convertible Bond I		Financial assets at fair value through profit or loss - current	230,000	17,940	-	17,940	
Eminence Investment Corporation	Convertible Bond	Tong Ming Enterprise Co., Ltd. Convertible Bond I		Financial assets at fair value through profit or loss - current	170,000	16,150	-	16,150	
Shin Mau Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,433,749	34,768	-	34,768	
Hung-Chuan Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,605,875	38,942	-	38,942	
Chi-Yi Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,616,723	39,206	-	39,206	

(Continued)



Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ding Da Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,525,494	\$ 36,993	-	\$ 36,993	
Jiing-Cherng-Fa Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,461,875	35,450	-	35,450	
Gau Ruei Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,493,318	36,213	-	36,213	
Li-Ching-Long Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,605,441	38,932	-	38,932	
Sheng Lih Dar Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,542,138	37,397	-	37,397	
Chiun Yu Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,623,289	39,365	-	39,365	
China Steel Global Trading Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	4,349,507	105,476	-	105,476	
China Steel Global Trading Corporation	Common Stock	Thai Sumilox Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	1,110	58,065	15	58,065	
China Steel Global Trading Corporation	Preferred Stock	Thai Sumilox Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	15	48,821	15	48,821	
Wabo Global Trading Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	487,367	11,819	-	11,819	
Wabo Global Trading Corporation	Fund	Shin Kong Chi-Shin Money-market Fund		Financial assets at fair value through profit or loss - current	1,624,752	25,129	-	25,129	
Wabo Global Trading Corporation	Fund	Franklin Templeton Sinoam Money Market Fund		Financial assets at fair value through profit or loss - current	4,883,724	50,405	-	50,405	
Wabo Global Trading Corporation	Fund	Mega Diamond Money Market Fund		Financial assets at fair value through profit or loss - current	2,978,326	37,294	-	37,294	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	Maruichi Metal Product (Foshan) Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	274,285	15	274,285	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	PCMI Metal Products (Chongqing) Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	121,576	8	121,576	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	Xiamen Chun Yuan Precision Mechatronic Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	34,891	19	34,891	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	Changshu Baoshunchang Steel Processing Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	1,395	10	1,395	
CSGT International Corporation	Common Stock	NSSB Coil Center (Thailand) Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	3,001	72,401	13	72,401	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
CSGT International Corporation	Foreign Certificate of Entitlement	Hanoi Steel Center Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	\$ 175,307	19	\$ 175,307	
CSC Steel Australia Holdings Pty Ltd	Common Stock	KJTC Pty Ltd	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	2,623,595	7,187,646	13	7,187,646	
China Steel Asia Pacific Holdings Pte. Ltd.	Foreign Certificate of Entitlement	Wuxi TECO Electric & Machinery Co., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	-	111,247	6	111,247	
China Steel Asia Pacific Holdings Pte. Ltd.	Foreign Certificate of Entitlement	QINGDAO TECO PRECISION MECHATRONICS CO., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	-	54,700	12	54,700	
CSC Steel Holdings Berhad	Common Stock	Astino Berhad		Financial assets at fair value through other comprehensive income - noncurrent	3,574,472	15,924	-	15,924	
CSC Steel Holdings Berhad	Fund	OSK-UOB Cash Management Fund		Financial assets at fair value through profit or loss - current	3,887,608	37,669	-	37,669	
CSC Steel Holdings Berhad	Fund	Affin Hwang Select Cash Fund		Financial assets at fair value through profit or loss - current	957,752	7,145	20	7,145	
Group Steel Corporation (M) Sdn. Bhd.	Fund	Hwang-DBS		Financial assets at fair value through profit or loss - current	99,948,029	745,648	-	745,648	
Constant Mode Sdn. Bhd.	Fund	OSK-UOB Cash Management Fund		Financial assets at fair value through profit or loss - current	190,890	1,850	-	1,850	

(Concluded)

Note 1: Parent company's stocks pledged as collateral amounted to 120,100 thousand shares and NT\$2,912,425 thousand.

Note 2: Parent company's stocks pledged as collateral amounted to 115,800 thousand shares and NT\$2,808,150 thousand.

**CHINA STEEL CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Type of Marketable Securities	Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition (Note)		Disposal (Note)				Ending Balance	
						Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
China Steel Corporation	Common Stock	Sing Da Marine Structure Corporation	Investments accounted for using equity method	Subsidiary	Subsidiary	-	\$ -	82,100,000	\$ 754,140	-	\$ -	\$ -	\$ -	82,100,000	\$ 754,140
CHC RESOURCES CORPORATION	Common Stock	Hsieh Sheng Development Corporation	Investments accounted for using equity method	-	-	-	-	68,493	1,147,317	-	-	-	-	68,493	1,147,317
CHC RESOURCES CORPORATION	Fund	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,822,152	71,018	32,861,319	484,984	37,683,471	556,239	556,002	237	-	-

Note: The acquisition and disposal include the costs, proceeds from sale, share of profits/losses of investees and other related adjustment.

CHINA STEEL CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Dragon Steel Corporation	Joyful Apartment Complex	2014.08.08	\$ 1,536,968	According to the contract and the construction progress	United Steel Engineering & Construction Corporation	Fellow Company	-	-	-	\$ -	Price negotiation	The construction would be sold to employees	The relevant contracts were signed in August 2014, and the construction was completed in June 2018 and recognized as non-current assets held for sale.
Dragon Steel Corporation	Lohas center	2014.08.08	426,734	According to the contract and the construction progress	United Steel Engineering & Construction Corporation	Fellow Company	-	-	-	-	Price negotiation	Construction for own use	The relevant contracts were signed in August 2014, and the construction was completed in April 2018 and recognized as property, plant and equipment-buildings.
China Steel Chemical Corporation	Carbon material production factory buildings	2014.12.26	261,746	According to the contract and the construction progress	Yusheng steel works co. Ltd	Non-related party	-	-	-	-	Price negotiation	Construction for own use	The relevant contracts were signed in 2015, and the construction was completed in December 2018 and recognized as property, plant and equipment-buildings.
China Steel Chemical Corporation	Carbon material production factory buildings	2014.12.26	127,860	According to the contract and the construction progress	CHINA STEEL STRUCTURE CO., LTD.	Fellow Company	-	-	-	-	Price negotiation	Construction for own use	The relevant contracts were signed in 2015, and the construction was completed in December 2018 and recognized as property, plant and equipment-buildings.

(Continued)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
China Steel Chemical Corporation	Carbon material production factory buildings	2014.12.26	\$ 48,096	According to the contract and the construction progress	United Steel Engineering & Construction Corporation	Fellow Company	-	-	-	\$ -	Price negotiation	Construction for own use	The relevant contracts were signed in 2015, and the construction was completed in December 2018 and recognized as property, plant and equipment-buildings.

(Concluded)

## CHINA STEEL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
China Steel Corporation	Chung Hung Steel Corporation	Subsidiaries	Revenue from sale of goods	\$ (25,132,836 )	(11 )	Letter of credit/Receivables were collected after final acceptance	-	-	\$ 447,912	8
China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Subsidiaries	Revenue from sale of goods	(4,331,704 )	(2 )	Letter of credit/Accounts received in advance before shipment date	-	-	7,094	-
China Steel Corporation	China Steel Corporation India Pvt. Ltd.	Subsidiaries	Revenue from sale of goods	(3,143,818 )	(1 )	Accounts receivable factoring agreements	-	-	-	-
China Steel Corporation	China Steel Chemical Corporation	Subsidiaries	Revenue from sale of goods	(2,508,707 )	(1 )	Letter of credit	-	-	190,928	3
China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Subsidiaries	Revenue from sale of goods	(2,254,087 )	(1 )	Accounts receivable factoring agreements/ Receivables were collected within 14 days after shipment date	-	-	214,633	4
China Steel Corporation	CSBC Corporation, Taiwan	The held company as its director	Revenue from sale of goods	(2,107,441 )	(1 )	Accounts received in advance before shipment date	-	-	428,768	7
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	Revenue from sale of goods	(1,523,041 )	(1 )	Receivables were collected within 5 days after shipment date	-	-	88,169	1
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	Service and other operating revenue	(1,323,336 )	(1 )	By contract terms	-	-	71,956	1
China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	Subsidiaries	Revenue from sale of goods	(1,313,935 )	(1 )	Receivables were collected within 10 days after shipment date	-	-	102,329	2
China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	Subsidiaries	Revenue from sale of goods	(1,105,020 )	-	Receivables were collected within 60 days after shipment date	-	-	180,106	3
China Steel Corporation	China Steel Global Trading Corporation	Subsidiaries	Revenue from sale of goods	(964,175 )	-	Receivables were collected within 10 days after shipment date	-	-	4,922	-
China Steel Corporation	TSK Steel Company Limited	Associates	Revenue from sale of goods	(626,362 )	-	Letter of credit/Accounts received in advance before shipment date	-	-	-	-
China Steel Corporation	CSC Steel Sdn. Bhd.	Subsidiaries	Revenue from sale of goods	(623,379 )	-	Receivables were collected within 14 days after shipment date	-	-	21,148	-
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiaries	Revenue from sale of goods	(574,429 )	-	Receivables were collected within 85 days after shipment date	-	-	201,479	3
China Steel Corporation	Rechi Refrigeration Dongguan Co, Ltd.	The Corporation as key management personnel of other related parties	Revenue from sale of goods	(493,443 )	-	Accounts received in advance before shipment date	-	-	-	-
China Steel Corporation	CHC RESOURCES CORPORATION	Subsidiaries	Revenue from sale of goods	(461,459 )	-	Letter of credit	-	-	11,561	-
China Steel Corporation	China Steel Chemical Corporation	Subsidiaries	Service and other operating revenue	(412,610 )	-	By contract terms	-	-	41,367	1

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
China Steel Corporation	Fukuta Electric & Machinery Co., Ltd.	Associates	Revenue from sale of goods	\$ (400,214 )	-	Letter of credit	-	-	\$ 27	-
China Steel Corporation	China Steel Machinery Corporation	Subsidiaries	Revenue from sale of goods	(281,140 )	-	Receivables were collected within 10 days after shipment date	-	-	669	-
China Steel Corporation	TANG ENG IRON WORKS CO., LTD.	The held company as its director	Service and other operating revenue	(232,746 )	-	By contract terms	-	-	4,203	-
China Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Service and other operating revenue	(160,404 )	-	By contract terms	-	-	118,409	2
China Steel Corporation	HIMAG Magnetic Corporation	Subsidiaries	Revenue from sale of goods	(141,135 )	-	Letter of credit	-	-	1,215	-
China Steel Corporation	C.S.Aluminium Corporation	Subsidiaries	Service and other operating revenue	(131,783 )	-	By contract terms	-	-	10,982	-
China Steel Corporation	CHANG-CHUN CECK AUTO.PARTS CO., LTD.	Associates	Revenue from sale of goods	(110,653 )	-	Receivables were collected within 85 days after shipment date	-	-	69,147	1
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	Purchase of goods	21,796,702	14	Payment within 5 days after shipment date/Payment after final acceptance	-	-	(690,286 )	(7 )
China Steel Corporation	China Steel Express Corporation	Subsidiaries	Purchase of goods	9,629,593	6	Payment after shipment date	-	-	(1,215,959 )	(13 )
China Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	2,931,799	2	Letter of credit	-	-	-	-
China Steel Corporation	C.S.Aluminium Corporation	Subsidiaries	Purchase of goods	2,655,026	2	Payment after final acceptance	-	-	(181,470 )	(2 )
China Steel Corporation	China Steel Global Trading Corporation	Subsidiaries	Purchase of goods	503,157	-	Payment after final acceptance	-	-	(24,776 )	-
China Steel Corporation	CSE Transport Corporation	Subsidiaries	Purchase of goods	426,466	-	Payment after finishing packing and lading	-	-	(70,925 )	(1 )
China Steel Corporation	HIMAG Magnetic Corporation	Subsidiaries	Purchase of goods	368,979	-	Payment after final acceptance	-	-	(7,319 )	-
China Steel Corporation	Hsin Hsin Cement Enterprise Corporation	Associates	Purchase of goods	203,177	-	Payment after final acceptance	-	-	(34,488 )	-
China Steel Corporation	Changzhou China Steel Precision Materials Co., Ltd.	Subsidiaries	Purchase of goods	121,513	-	Payment after final acceptance	-	-	(4,446 )	-
Dragon Steel Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(21,398,214 )	(22 )	Receivables were collected within 5 days after shipment date/Receivables were collected after final acceptance	-	-	609,749	16
Dragon Steel Corporation	Chung Hung Steel Corporation	Fellow subsidiary	Revenue from sale of goods	(10,262,102 )	(10 )	Letter of credit/Receivables were collected within 5 days after shipment date	-	-	399,223	10
Dragon Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Fellow subsidiary	Revenue from sale of goods	(7,685,822 )	(8 )	Receivables were collected within 5 days after shipment date	-	-	477,924	12
Dragon Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(4,526,997 )	(5 )	Receivables were collected within 5 days after shipment date	-	-	214,660	5
Dragon Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Fellow subsidiary	Revenue from sale of goods	(1,496,220 )	(2 )	Letter of credit	-	-	65,928	2
Dragon Steel Corporation	China Steel Chemical Corporation	Fellow subsidiary	Revenue from sale of goods	(981,747 )	(1 )	Receivables were collected within 5 days after shipment date	-	-	47,828	1
Dragon Steel Corporation	China Steel Corporation	Parent company	Other operating revenue	(398,488 )	-	Receivables were collected after final acceptance	-	-	53,880	1
Dragon Steel Corporation	China Steel Corporation	Parent company	Service revenue	(327,580 )	-	Receivables were collected within 5 days after shipment date	-	-	26,657	1
Dragon Steel Corporation	CHC RESOURCES CORPORATION	Fellow subsidiary	Revenue from sale of goods	(279,480 )	-	Letter of credit	-	-	15,414	-
Dragon Steel Corporation	CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary	Revenue from sale of goods	(265,824 )	-	Receivables were collected within 5 days after shipment date	-	-	12,899	-

(Continued)

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Dragon Steel Corporation	China Steel Global Trading Corporation	Fellow subsidiary	Revenue from sale of goods	\$ (131,914 )	-	Receivables were collected within 5 days after shipment date	-	-	\$ 4,466	-	
Dragon Steel Corporation	China Steel Express Corporation	Fellow subsidiary	Purchase of goods	5,109,303	8	Payment after finishing packing and lading	-	-	(594,237 )	(28 )	
Dragon Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	2,009,899	3	Payment within 5 days after shipment date	-	-	(92,451 )	(4 )	
Dragon Steel Corporation	C.S.Aluminium Corporation	Fellow subsidiary	Purchase of goods	789,500	1	Prepayment/Payment within 30 days after final acceptance	-	-	(72,589 )	(3 )	
Dragon Steel Corporation	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	220,989	-	Prepayment/Payment within 30 days after final acceptance	-	-	(47,844 )	(2 )	
Dragon Steel Corporation	UNION STEEL DEVELOPMENT CORPORATION	Fellow subsidiary	Purchase of goods	109,750	-	Payment after final acceptance	-	-	(14,292 )	(1 )	
Dragon Steel Corporation	CSE Transport Corporation	Fellow subsidiary	Purchase of goods	105,942	-	Payment after finishing packing and lading	-	-	(3,973 )	-	
Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	Revenue from sale of goods	(248,397 )	(48 )	Net 90 days from the end of the month of when invoice is issued	-	-	126,518	84	
Betacera Inc.	Lefkara Ltd.	Subsidiaries	Service revenue	(126,286 )	(24 )	T/T as the end of the month of when invoice is issued	-	-	-	-	
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	Revenue from sale of goods	(310,662 )	(15 )	Net 90 days from the end of the month of when invoice is issued	-	-	156,779	34	
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	Purchase of goods	1,258,997	40	Net 90 days from the end of the month of when invoice is issued	-	-	(212,538 )	(44 )	
Lefkara Ltd.	Suzhou Betacera Technology Co., Ltd.	Subsidiaries	Purchase of goods	576,630	20	Net 90 days from the end of the month of when invoice is issued	-	-	(161,343 )	(33 )	
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	Revenue from sale of goods	(1,259,381 )	(90 )	Net 90 days from the end of the month of when invoice is issued	-	-	212,380	85	
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	Purchase of goods	310,912	36	Net 90 days from the end of the month of when invoice is issued	-	-	(156,663 )	(44 )	
Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	Parent company	Purchase of goods	248,892	29	Net 90 days from the end of the month of when invoice is issued	-	-	(126,424 )	(36 )	
Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	Parent company	Revenue from sale of goods	(576,728 )	(100 )	Net 90 days from the end of the month of when invoice is issued	-	-	161,223	100	
China Steel Express Corporation	China Steel Corporation	Parent company	Service revenue	(10,221,003 )	(62 )	Receivables were collected after finishing packing and lading	-	-	1,308,749	68	
China Steel Express Corporation	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(5,420,017 )	(33 )	Receivables were collected after finishing packing and lading	-	-	609,903	32	
CSEI Transport (Panama) Corporation	China Steel Express Corporation	Parent company	Service revenue	(429,989 )	(76 )	Receivables were collected after finishing packing and lading	-	-	119,488	70	
CSE Transport Corporation	China Steel Express Corporation	Parent company	Service revenue	(634,452 )	(34 )	Receivables were collected after finishing packing and lading	-	-	435,706	67	
CSE Transport Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(428,478 )	(23 )	Receivables were collected after finishing packing and lading	-	-	70,933	10	
CSE Transport Corporation	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(103,976 )	(6 )	Receivables were collected after finishing packing and lading	-	-	3,973	-	
Kaohsiung Port Cargo Handling Services Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(207,663 )	(85 )	Receivables were collected after finishing packing and lading	-	-	7,690	74	
C.S.Aluminium Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(2,655,026 )	(13 )	Receivables were collected after final acceptance	-	-	181,470	22	

(Continued)



Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
C.S.Aluminium Corporation	Dragon Steel Corporation	Fellow subsidiary	Revenue from sale of goods	\$ (789,500 )	(4 )	Receivables were collected after final acceptance	-	-	\$ 72,589	9	
CSC Steel Sdn. Bhd.	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	4,636,607	53	Payment within 14 business days after lading date	-	-	(196,399 )	(47 )	
CSC Steel Sdn. Bhd.	Chung Hung Steel Corporation	Fellow subsidiary	Purchase of goods	1,624,079	19	Payment within 7 business days after lading date	-	-	(34,835 )	(8 )	
CSC Steel Sdn. Bhd.	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	731,705	8	Payment within 7 business days after lading date	-	-	(61,966 )	(15 )	
CSC Steel Sdn. Bhd.	China Steel Corporation	The ultimate parent company	Purchase of goods	609,097	7	Payment within 14 business days after lading date	-	-	(22,796 )	(5 )	
Changzhou China Steel Precision Materials Co., Ltd.	China Steel Corporation	The ultimate parent company	Revenue from sale of goods	(120,515 )	(5 )	Receivables were collected within 14 days after lading date	-	-	4,446	2	
China Steel Precision Metals Qingdao Co., Ltd.	Rechi Precision (Qingdao) Electric Machinery Limited	The Corporation as key management personnel of other related parties	Revenue from sale of goods	(945,347 )	(73 )	Receivables were collected after shipment date	-	-	162,085	65	
China Steel Precision Metals Qingdao Co., Ltd.	China Steel Corporation	The ultimate parent company	Purchase of goods	1,113,900	100	Payment within 60 days after shipment date	-	-	(180,106 )	(97 )	
Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,662,350 )	(3 )	T/T within 7 business days after lading date(not included)	-	-	121,361	11	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Service revenue	(349,717 )	(1 )	T/T as the end of the month of when invoice is issued after final acceptance	NO THIRD-PARTY COULD BE COMPARED	NO THIRD-PARTY COULD BE COMPARED	36,256	3	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	25,257,677	61	Letter of credit at sight/Payment after final acceptance	-	-	(582,549 )	(91 )	
Chung Hung Steel Corporation	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	10,349,774	25	Letter of credit at sight/Payment after final acceptance	-	-	-	-	
Chung Hung Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	1,584,678	4	Letter of credit at sight/Payment after final acceptance	-	-	-	-	
Chung Hung Steel Corporation	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	416,442	1	Letter of credit at sight/Payment after final acceptance	-	-	-	-	
Hung Li Steel Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(244,292 )	(39 )	T/T as the end of the month of when invoice is issued	NO THIRD-PARTY COULD BE COMPARED	NO THIRD-PARTY COULD BE COMPARED	-	-	
Hung Li Steel Corporation	Chung Hung Steel Corporation	Parent company	Service revenue	(157,170 )	(25 )	T/T within a week after final acceptance/T/T as the end of the month of when invoice is issued	NO THIRD-PARTY COULD BE COMPARED	NO THIRD-PARTY COULD BE COMPARED	-	-	
China Steel Chemical Corporation	International CSRC Investment Holdings Co., LTD.	Other related parties as directors of the Corporation	Revenue from sale of goods	(892,054 )	(11 )	Receivables were collected as the end of every month of when invoice is issued	-	-	-	-	
China Steel Chemical Corporation	Linyuan Advanced Materials Technology Co., Ltd.	Other related parties as directors of the Corporation	Revenue from sale of goods	(369,814 )	(5 )	Receivables were collected as the end of every month of when invoice is issued	-	-	45,543	6	
China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Subsidiaries	Revenue from sale of goods	(305,716 )	(3 )	Net 270 days from the end of the month of when invoice is issued	-	-	249,794	34	Note 1
China Steel Chemical Corporation	China Steel Corporation	Parent company	Purchase of goods	2,509,963	54	Letter of credit at sight	-	-	(234,541 )	(67 )	
China Steel Chemical Corporation	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	980,628	21	Letter of credit at sight	-	-	-	-	
China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Subsidiaries	Purchase of goods	915,512	20	Payment after final acceptance	-	-	(70,942 )	(20 )	
Changzhou China Steel New Materials Technology Co., Ltd.	China Steel Chemical Corporation	Parent company	Purchase of goods	305,716	53	Net 270 days from the end of the month of when invoice is issued	-	-	(249,794 )	(100 )	

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
Formosa Ha Tinh CSCC (Cayman) International Limited	China Steel Chemical Corporation	Parent company	Revenue from sale of goods	\$ (915,512 )	(79 )	Receivables were collected after final acceptance	-	-	\$ 54,324	100	
Formosa Ha Tinh CSCC (Cayman) International Limited	Formosa Ha Tinh Steel Corporation	Other related parties as directors of the Corporation	Purchase of goods	1,128,324	100	T/T before shipment date/Letter credit at sight	-	-	(1,100 )	-	
China Steel Global Trading Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(788,132 )	(7 )	Receivables were collected after shipment date	-	-	64,722	11	
China Steel Global Trading Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(516,245 )	(5 )	Receivables were collected after final acceptance	-	-	24,776	4	
China Steel Global Trading Corporation	Chung Hung Steel Corporation	Fellow subsidiary	Revenue from sale of goods	(416,442 )	(4 )	Receivables were collected after shipment date	-	-	-	-	
China Steel Global Trading Corporation	China Steel Corporation	Parent company	Service revenue	(411,873 )	(77 )	By contract terms	-	-	30,911	92	
China Steel Global Trading Corporation	Dragon Steel Corporation	Fellow subsidiary	Revenue from sale of goods	(220,989 )	(2 )	Receivables were collected after shipment date	-	-	47,844	8	
China Steel Global Trading Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	5,845,406	56	Payment from counter-party notice after lading date	-	-	(3,941 )	(4 )	
China Steel Global Trading Corporation	China Steel Corporation	Parent company	Purchase of goods	1,098,442	10	Payment after shipment date	-	-	(4,922 )	(5 )	Note 2
China Steel Global Trading Corporation	TANG ENG IRON WORKS CO., LTD.	The held company as its director	Purchase of goods	125,436	1	Prepayment before shipment date	-	-	-	-	
CSGT (Shanghai) Co., Ltd.	China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiary	Purchase of goods	290,029	100	Payment after invoice	-	-	(26,034 )	(100 )	
CSGT Metals Vietnam Joint Stock Company	China Steel Sumikin Vietnam Joint Stock Company	Fellow subsidiary	Purchase of goods	172,906	10	Accounts payable, 30 days term	-	-	(22,657 )	(17 )	
CSGT Metals Vietnam Joint Stock Company	China Steel Corporation	The ultimate parent company	Purchase of goods	1,588,740	81	Payment from counter-party notice after lading date	-	-	(115,149 )	(80 )	Note 2
CHC RESOURCES CORPORATION	China Steel Corporation	Parent company	Service revenue	(1,817,983 )	(21 )	Receivables were collected next month as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	201,097	19	
CHC RESOURCES CORPORATION	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(1,314,070 )	(15 )	Receivables were collected within 30-70 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	144,025	14	
CHC RESOURCES CORPORATION	Taiwan Cement Corporation	Other related parties as directors of the Corporation	Revenue from sale of goods	(440,957 )	(5 )	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	159,911	15	
CHC RESOURCES CORPORATION	China Steel Resources Corporation	Fellow subsidiary	Service revenue	(436,023 )	(5 )	By contract terms	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	41,602	4	

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
CHC RESOURCES CORPORATION	YA TUNG READY-MIXED CONCRETE CORP.	Other related parties as directors of the Corporation	Revenue from sale of goods	\$ (376,136 )	(4 )	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	\$ 57,079	5
CHC RESOURCES CORPORATION	Universal Cement Corporation	Other related parties as directors of the Corporation	Revenue from sale of goods	(202,900 )	(2 )	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	62,444	6
CHC RESOURCES CORPORATION	China Steel Corporation	Parent company	Purchase of goods	502,012	20	Letter of credit	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(11,561 )	(3 )
CHC RESOURCES CORPORATION	Chung Hung Steel Corporation	Fellow subsidiary	Purchase of goods	474,583	19	Letter of credit	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(41,513 )	(12 )
CHC RESOURCES CORPORATION	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	310,072	12	Prepayment before shipment date	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	-	-
CHC RESOURCES CORPORATION	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	279,224	11	Letter of credit	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(6,584 )	(2 )
CHC RESOURCES CORPORATION	Taiwan Cement Corporation	Other related parties as directors of the Corporation	Purchase of goods	137,215	5	Payment after 45 days from bill of lading date	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(10,737 )	(3 )
UNION STEEL DEVELOPMENT CORPORATION	CHC RESOURCES CORPORATION	Parent company	Service revenue	(274,713 )	(54 )	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	49,447	65

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
UNION STEEL DEVELOPMENT CORPORATION	Dragon Steel Corporation	Fellow subsidiary	Revenue from sale of goods	\$ (109,750 )	(21 )	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	\$ 14,291	19
INFOCHAMP SYSTEMS CORPORATION	China Steel Corporation	Parent company	Service revenue	(911,326 )	(51 )	Receivables were collected within 30 days after shipment date	-	-	34,863	37
CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	(644,204 )	(6 )	Contractual period	-	-	44,119	2
CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	Subsidiaries	Construction contracts revenue	(461,551 )	(4 )	Contractual period	-	-	68,784	-
CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	Parent company	Service revenue	(394,496 )	(3 )	Contractual period	-	-	37,051	2
CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	Parent company	Construction contracts revenue	(124,353 )	(1 )	Contractual period	-	-	2,632	-
CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(118,302 )	(1 )	Contractual period	-	-	18,076	1
CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	Parent company	Purchase of goods	4,331,704	62	Letter of credit/Prepayment before shipment date	-	Payment term for non-related parties is 7 days end of month.	(8,363 )	(1 )
CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	1,499,200	22	Letter of credit	-	Payment term for non-related parties is 7 days end of month.	(54,868 )	(4 )
United Steel Engineering & Construction Corporation	China Prosperity Development Corporation	Fellow subsidiary	Construction contracts revenue	(1,292,603 )	(15 )	Contractual period	-	-	-	-
United Steel Engineering & Construction Corporation	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	(924,784 )	(11 )	Contractual period	-	-	-	-
United Steel Engineering & Construction Corporation	Sing Da Marine Structure Corporation	Fellow subsidiary	Construction contracts revenue	(538,608 )	(6 )	Contractual period	-	-	-	-
United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	Fellow subsidiary	Construction contracts revenue	(414,898 )	(5 )	Contractual period	-	-	12,682	2
United Steel Engineering & Construction Corporation	China Steel Corporation	The ultimate parent company	Construction contracts revenue	(395,735 )	(5 )	Contractual period	-	-	46,480	9
United Steel Engineering & Construction Corporation	Kaohsiung Rapid Transit Corporation	Fellow subsidiary	Construction contracts revenue	(256,802 )	(3 )	Contractual period	-	-	9,247	2
United Steel Engineering & Construction Corporation	Steel Castle Technology Corporation	Fellow subsidiary	Construction contracts outsourcing	433,435	7	Contractual period	-	-	(135,907 )	(7 )
United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	Fellow subsidiary	Purchase of goods	100,821	7	Contractual period	-	-	(8,321 )	(1 )
China Ecotek Corporation	China Steel Corporation	Parent company	Construction contracts revenue	(3,476,587 )	(37 )	Contractual period	-	-	336,491	19
China Ecotek Corporation	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	(1,369,799 )	(15 )	Contractual period	-	-	161,102	9
China Ecotek Corporation	CSC Solar Corporation	Fellow subsidiary	Construction contracts revenue	(1,248,788 )	(13 )	Contractual period	-	-	523,905	30
China Ecotek Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Construction contracts revenue	(964,522 )	(10 )	Contractual period	-	-	242,003	14
China Ecotek Corporation	China Steel Machinery Corporation	Fellow subsidiary	Construction contracts revenue	(106,635 )	(1 )	Contractual period	-	-	19	-
China Ecotek Corporation	China Steel Machinery Corporation	Fellow subsidiary	Purchase of goods	448,045	5	Contractual period	-	-	-	-
China Ecotek Vietnam Company Limited	Formosa Ha Tinh Steel Corporation	Other related parties	Construction contracts revenue	(654,423 )	(41 )	Contractual period	-	-	114,400	42
China Steel Security Corporation	China Steel Corporation	Parent company	Service revenue	(297,401 )	(23 )	By contract terms	-	-	40,007	26
Steel Castle Technology Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(524,698 )	(42 )	By contract terms	-	-	42,973	34
Steel Castle Technology Corporation	United Steel Engineering & Construction Corporation	Fellow subsidiary	Service revenue	(330,322 )	(27 )	By contract terms	-	-	55,804	44
Steel Castle Technology Corporation	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(158,206 )	(13 )	By contract terms	-	-	18,326	14
HIMAG Magnetic Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(373,274 )	(39 )	Receivables were collected within 10 days after shipment date	-	-	7,426	8
HIMAG Magnetic Corporation	China Steel Corporation	Parent company	Purchase of goods	140,923	23	Letter of credit	-	-	(1,215 )	2
China Steel Machinery Corporation	China Steel Corporation	Parent company	Construction contracts revenue	(2,904,871 )	(43 )	Receivables were collected after final acceptance	-	-	204,853	42

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
China Steel Machinery Corporation	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	\$ (551,299 )	( 8 )	Receivables were collected after final acceptance	-	-	\$ 75,855	15	
China Steel Machinery Corporation	Sing Da Marine Structure Corporation	Fellow subsidiary	Construction contracts revenue	(465,890 )	( 7 )	Receivables were collected after final acceptance	-	-	1,391	-	
China Steel Machinery Corporation	China Ecotek Corporation	Fellow subsidiary	Construction contracts revenue	(428,438 )	( 6 )	Receivables were collected after final acceptance	-	-	-	-	
China Steel Machinery Corporation	China Steel Corporation	Parent company	Purchase of goods	287,903	18	Payment were collected after final acceptance	-	-	(669 )	-	
China Steel Machinery Corporation	INFOCHAMP SYSTEMS CORPORATION	Fellow subsidiary	Construction contracts outsourcing	168,004	11	Payment were collected after final acceptance	-	-	(1,568 )	-	
China Steel Sumikin Vietnam Joint Stock Company	NIPPON STEEL & SUMIKIN SALES VIETNAM COMPANY LIMITED	Other related parties	Revenue from sale of goods	(3,929,675 )	(19 )	Accounts receivable, 30 days term	-	-	54,325	3	
China Steel Sumikin Vietnam Joint Stock Company	NS BlueScope (Vietnam) Limited	Other related parties	Revenue from sale of goods	(678,698 )	( 3 )	Accounts receivable, 30 days term	-	-	144,443	8	
China Steel Sumikin Vietnam Joint Stock Company	Nippon Steel & Sumikin Bussan Vietnam Co., Ltd.	Other related parties	Revenue from sale of goods	(225,215 )	( 1 )	Accounts receivable, 30 days term	-	-	(4,913 )	-	Note 3
China Steel Sumikin Vietnam Joint Stock Company	CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary	Revenue from sale of goods	(190,349 )	( 1 )	Accounts receivable, 30 days term	-	-	24,898	1	
China Steel Sumikin Vietnam Joint Stock Company	SINO VIETNAM HI-TECH MATERIAL CO., LTD.	Associates	Revenue from sale of goods	(174,291 )	( 1 )	Accounts receivable, 30 days term	-	-	45,684	2	
China Steel Sumikin Vietnam Joint Stock Company	China Steel Corporation	Parent company	Purchase of goods	10,282,973	58	Payment to the bank after the Corporation's shipment date	-	-	(214,737 )	( 6 )	Note 2
China Steel Sumikin Vietnam Joint Stock Company	NIPPON STEEL & SUMIKIN BUSSAN CORPORATION	Other related parties as supervisors of the Corporation	Purchase of goods	6,931,240	39	Payment within 60 days after shipment date	-	-	-	-	
China Steel Sumikin Vietnam Joint Stock Company	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	668,717	4	Payment as the end of every month of when invoice is issued	-	-	(14,047 )	-	
China Steel Corporation India Pvt. Ltd.	China Steel Corporation	Parent company	Purchase of goods	3,150,084	99	Payment to the bank after the Corporation's shipment date	-	-	-	-	
Kaohsiung Rapid Transit Corporation	China Steel Corporation	Parent company	Service revenue	(137,395 )	( 5 )	Receivables were collected within 15 days when invoice is issued	-	-	12,035	3	
China Steel Resources Corporation	China Steel Corporation	Parent company	Service revenue	(581,368 )	(100 )	Receivables were collected next month as the end of the month of when invoice is issued	-	-	54,180	100	
CSC Precision Metal Industrial Corporation	China Steel Corporation	Parent company	Service revenue	(170,355 )	(100 )	Receivables were collected next month as the end of the month of when invoice is issued	-	-	30,866	100	
China Steel Precision Metals Kunshan Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Fellow subsidiary	Revenue from sale of goods	(285,155 )	(40 )	Receivables were collected within 45 days when invoice is issued	-	-	26,034	9	
China Steel Precision Metals Kunshan Co., Ltd.	China Steel Corporation	The ultimate parent company	Purchase of goods	580,142	94	Payment within 85 days after shipment date	-	-	(201,479 )	(35 )	

(Concluded)

Note 1: Income from sales of trial products was included and amounted to NT\$63,112 thousand. The company recorded the amount as deduction of construction in progress.

Note 2: Purchase amount includes the Corporation's sales commitment to Dragon Steel Corporation.

Note 3: Balance of accounts payable is accounts received in advance.

## CHINA STEEL CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2018  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
China Steel Corporation	C.S.Aluminium Corporation	Subsidiaries	\$ 3,614,454	-	\$ -		\$ 2,001,169	\$ -	Note 1
China Steel Corporation	Chung Hung Steel Corporation	Subsidiaries	2,590,128	-	-		2,558,632	-	Note 1
China Steel Corporation	China Steel Resources Corporation	Subsidiaries	870,487	-	-		710,420	-	Note 1
China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Subsidiaries	702,114	-	-		701,704	-	Note 1
China Steel Corporation	China Prosperity Development Corporation	Subsidiaries	600,415	-	-		600,415	-	Note 1
China Steel Corporation	China Steel Express Corporation	Subsidiaries	600,390	-	-		550,364	-	Note 1
China Steel Corporation	Chung Hung Steel Corporation	Subsidiaries	452,156	32	-		452,156	-	
China Steel Corporation	China Steel Machinery Corporation	Subsidiaries	431,801	-	-		430,279	-	Note 1
China Steel Corporation	CSBC Corporation, Taiwan	The held company as its director	428,768	6	-		428,768	-	
China Steel Corporation	Kaohsiung Rapid Transit Corporation	Subsidiaries	350,253	-	-		350,229	-	Note 1
China Steel Corporation	China Ecotek Corporation	Subsidiaries	310,544	-	-		310,209	-	Note 1
China Steel Corporation	CHC RESOURCES CORPORATION	Subsidiaries	309,287	-	-		306,723	-	Note 1
China Steel Corporation	Gains Investment Corporation	Subsidiaries	300,191	-	-		300,191	-	Note 1
China Steel Corporation	China Steel Chemical Corporation	Subsidiaries	232,295	12	-		227,890	-	
China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Subsidiaries	232,070	7	-		225,488	-	
China Steel Corporation	CSC Steel Sdn. Bhd.	Subsidiaries	204,084	-	-		204,084	-	Note 1
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiaries	202,632	3	-		150,377	-	
China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	Subsidiaries	181,286	5	-		181,286	-	
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	160,125	24	-		91,416	-	
China Steel Corporation	China Steel Global Trading Corporation	Subsidiaries	150,084	-	-		100,062	-	Note 1
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiaries	134,443	-	-		-	-	Note 1
China Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	118,409	1	-		51,796	-	
China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	Subsidiaries	102,329	17	-		102,329	-	
Dragon Steel Corporation	China Steel Corporation	Parent company	690,286	35	-		690,286	-	
Dragon Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Fellow subsidiary	477,924	22	-		477,924	-	
Dragon Steel Corporation	Chung Hung Steel Corporation	Fellow subsidiary	399,223	40	-		399,223	-	
Dragon Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	214,660	29	-		214,660	-	
Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	126,518	2	-		45,683	-	
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	156,779	2	-		54,666	-	
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	212,380	6	-		212,380	-	
Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	Parent company	161,223	3	-		67,665	-	
China Steel Express Corporation	China Steel Corporation	Parent company	1,308,749	9	-		1,308,749	-	
China Steel Express Corporation	Dragon Steel Corporation	Fellow subsidiary	609,903	13	-		521,454	-	
CSEI Transport (Panama) Corporation	China Steel Express Corporation	Parent company	119,488	4	-		-	-	
CSE Transport Corporation	China Steel Express Corporation	Parent company	435,706	1	-		91,376	-	
C.S.Aluminium Corporation	China Steel Corporation	Parent company	181,470	14	-		148,056	-	
CSC Steel Holdings Berhad	Group Steel Corporation (M) Sdn. Bhd.	Parent company	988,568	-	-		988,568	-	Note 2
Group Steel Corporation (M) Sdn. Bhd.	CSC Steel Sdn. Bhd.	Fellow subsidiary	284,480	-	-		284,480	-	Note 1
China Steel Precision Metals Qingdao Co., Ltd.	Rechi Precision (Qingdao) Electric Machinery Limited	The Corporation as key management personnel of other related parties	162,085	6	-		40,551	-	

(Continued)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 302,696	-	\$ -		\$ -	\$ -	Note 1
Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	121,361	21	-		121,361	-	
China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Subsidiaries	249,794	2	-		43,275	-	
China Steel Chemical Corporation	China Steel Corporation	Parent company	134,205	-	-		35,483	-	
Formosa Ha Tinh CSCC (Cayman) International Limited	Formosa Ha Tinh Steel Corporation	Other related parties	215,005	-	-		-	-	Note 2
Formosa Ha Tinh CSCC (Cayman) International Limited	China Steel Chemical Corporation	Parent company	215,005	-	-		-	-	Note 2
CHC RESOURCES CORPORATION	China Steel Corporation	Parent company	201,097	7	86,703	Subsequent collection	201,097	-	
CHC RESOURCES CORPORATION	Taiwan Cement Corporation	Other related parties as directors of the Corporation	159,911	4	25,476	Subsequent collection	103,937	-	
CHC RESOURCES CORPORATION	Dragon Steel Corporation	Fellow subsidiary	144,025	11	10,954	Receivable on demand	130,368	-	
China Ecotek Corporation	CSC Solar Corporation	Fellow subsidiary	523,905	2	-		365,929	-	
China Ecotek Corporation	China Steel Corporation	Parent company	336,491	11	-		335,216	-	
China Ecotek Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	242,003	7	-		224,297	-	
China Ecotek Corporation	Dragon Steel Corporation	Fellow subsidiary	161,102	9	-		101,653	-	
China Ecotek Vietnam Company Limited	Formosa Ha Tinh Steel Corporation	Other related parties	114,400	9	-		98,210	-	
China Steel Machinery Corporation	China Steel Corporation	Parent company	204,853	13	-		184,836	-	
China Steel Sumikin Vietnam Joint Stock Company	NS BlueScope (Vietnam) Limited	Other related parties	144,443	7	-		144,443	-	

(Concluded)

Note 1: Other receivables.

Note 2: Dividends receivables.

## CHINA STEEL CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	China Steel Corporation	Chung Hung Steel Corporation	1	Revenue from sale of goods	\$ 25,132,836	Letter of credit/Receivables were collected after final acceptance	6
0	China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	1	Revenue from sale of goods	4,331,704	Letter of credit/Accounts received in advance before shipment date	1
0	China Steel Corporation	China Steel Corporation India Pvt. Ltd.	1	Revenue from sale of goods	3,143,818	Accounts receivable factoring agreements	1
0	China Steel Corporation	China Steel Chemical Corporation	1	Revenue from sale of goods	2,508,707	Letter of credit	1
0	China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	1	Revenue from sale of goods	2,254,087	Accounts receivable factoring agreements/Receivables were collected within 14 days after shipment date	1
0	China Steel Corporation	Dragon Steel Corporation	1	Revenue from sale of goods	1,523,041	Receivables were collected within 5 days after shipment date	-
0	China Steel Corporation	Dragon Steel Corporation	1	Service and other operating revenue	1,323,336	By contract terms	-
0	China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	1	Revenue from sale of goods	1,313,935	Receivables were collected within 10 days after shipment date	-
0	China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	1	Revenue from sale of goods	1,105,020	Receivables were collected within 60 days after shipment date	-
0	China Steel Corporation	China Steel Global Trading Corporation	1	Revenue from sale of goods	964,175	Receivables were collected within 10 days after shipment date	-
0	China Steel Corporation	CSC Steel Sdn. Bhd.	1	Revenue from sale of goods	623,379	Receivables were collected within 14 days after shipment date	-
0	China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	1	Revenue from sale of goods	574,429	Receivables were collected within 85 days after shipment date	-
0	China Steel Corporation	CHC RESOURCES CORPORATION	1	Revenue from sale of goods	461,459	Letter of credit	-
0	China Steel Corporation	China Steel Chemical Corporation	1	Service and other operating revenue	412,610	By contract terms	-
0	China Steel Corporation	China Steel Machinery Corporation	1	Revenue from sale of goods	281,140	Receivables were collected within 10 days after shipment date	-
0	China Steel Corporation	HIMAG Magnetic Corporation	1	Revenue from sale of goods	141,135	Letter of credit	-
0	China Steel Corporation	C.S.Aluminium Corporation	1	Service and other operating revenue	131,783	By contract terms	-

(Continued)



No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	China Steel Corporation	Dragon Steel Corporation	1	Purchase of goods	\$ 21,796,702	Payment within 5 days after shipment date/Payment after final acceptance	5
0	China Steel Corporation	China Steel Express Corporation	1	Purchase of goods	9,629,593	Payment after shipment date	2
0	China Steel Corporation	C.S.Aluminium Corporation	1	Purchase of goods	2,655,026	Payment after final acceptance	1
0	China Steel Corporation	China Steel Global Trading Corporation	1	Purchase of goods	503,157	Payment after final acceptance	-
0	China Steel Corporation	CSE Transport Corporation	1	Purchase of goods	426,466	Payment after finishing packing and lading	-
0	China Steel Corporation	HIMAG Magnetic Corporation	1	Purchase of goods	368,979	Payment after final acceptance	-
0	China Steel Corporation	Changzhou China Steel Precision Materials Co., Ltd.	1	Purchase of goods	121,513	Payment after final acceptance	-
1	Dragon Steel Corporation	China Steel Corporation	2	Revenue from sale of goods	21,398,214	Receivables were collected within 5 days after shipment date/Receivables were collected after final acceptance	5
1	Dragon Steel Corporation	Chung Hung Steel Corporation	3	Revenue from sale of goods	10,262,102	Letter of credit/Receivables were collected within 5 days after shipment date	3
1	Dragon Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	3	Revenue from sale of goods	7,685,822	Receivables were collected within 5 days after shipment date	2
1	Dragon Steel Corporation	CSC Steel Sdn. Bhd.	3	Revenue from sale of goods	4,526,997	Receivables were collected within 5 days after shipment date	1
1	Dragon Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	3	Revenue from sale of goods	1,496,220	Letter of credit	-
1	Dragon Steel Corporation	China Steel Chemical Corporation	3	Revenue from sale of goods	981,747	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	China Steel Corporation	2	Other operating revenue	398,488	Receivables were collected after final acceptance	-
1	Dragon Steel Corporation	China Steel Corporation	2	Service revenue	327,580	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	CHC RESOURCES CORPORATION	3	Revenue from sale of goods	279,480	Letter of credit	-
1	Dragon Steel Corporation	CSGT Metals Vietnam Joint Stock Company	3	Revenue from sale of goods	265,824	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	China Steel Global Trading Corporation	3	Revenue from sale of goods	131,914	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	China Steel Express Corporation	3	Purchase of goods	5,109,303	Payment after finishing packing and lading	1
1	Dragon Steel Corporation	China Steel Corporation	2	Purchase of goods	2,009,899	Payment within 5 days after shipment date	1
1	Dragon Steel Corporation	C.S.Aluminium Corporation	3	Purchase of goods	789,500	Prepayment/Payment within 30 days after final acceptance	-
1	Dragon Steel Corporation	China Steel Global Trading Corporation	3	Purchase of goods	220,989	Prepayment/Payment within 30 days after final acceptance	-
1	Dragon Steel Corporation	UNION STEEL DEVELOPMENT CORPORATION	3	Purchase of goods	109,750	Payment after final acceptance	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
1	Dragon Steel Corporation	CSE Transport Corporation	3	Purchase of goods	\$ 105,942	Payment after finishing packing and lading	-
2	Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	1	Revenue from sale of goods	248,397	Net 90 days from the end of the month of when invoice is issued	-
2	Betacera Inc.	Lefkara Ltd.	1	Service revenue	126,286	T/T as the end of the month of when invoice is issued	-
3	Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	1	Revenue from sale of goods	310,662	Net 90 days from the end of the month of when invoice is issued	-
3	Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	1	Purchase of goods	1,258,997	Net 90 days from the end of the month of when invoice is issued	-
3	Lefkara Ltd.	Suzhou Betacera Technology Co., Ltd.	1	Purchase of goods	576,630	Net 90 days from the end of the month of when invoice is issued	-
4	Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	2	Revenue from sale of goods	1,259,381	Net 90 days from the end of the month of when invoice is issued	-
4	Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	2	Purchase of goods	310,912	Net 90 days from the end of the month of when invoice is issued	-
4	Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	2	Purchase of goods	248,892	Net 90 days from the end of the month of when invoice is issued	-
5	Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	2	Revenue from sale of goods	576,728	Net 90 days from the end of the month of when invoice is issued	-
6	China Steel Express Corporation	China Steel Corporation	2	Service revenue	10,221,003	Receivables were collected after finishing packing and lading	3
6	China Steel Express Corporation	Dragon Steel Corporation	3	Service revenue	5,420,017	Receivables were collected after finishing packing and lading	1
7	CSEI Transport (Panama) Corporation	China Steel Express Corporation	2	Service revenue	429,989	Receivables were collected after finishing packing and lading	-
8	CSE Transport Corporation	China Steel Express Corporation	2	Service revenue	634,452	Receivables were collected after finishing packing and lading	-
8	CSE Transport Corporation	China Steel Corporation	2	Service revenue	428,478	Receivables were collected after finishing packing and lading	-
8	CSE Transport Corporation	Dragon Steel Corporation	3	Service revenue	103,976	Receivables were collected after finishing packing and lading	-
9	Kaohsiung Port Cargo Handling Services Corporation	China Steel Corporation	2	Service revenue	207,663	Receivables were collected after finishing packing and lading	-
10	C.S.Aluminium Corporation	China Steel Corporation	2	Revenue from sale of goods	2,655,026	Receivables were collected after final acceptance	1
10	C.S.Aluminium Corporation	Dragon Steel Corporation	3	Revenue from sale of goods	789,500	Receivables were collected after final acceptance	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
11	CSC Steel Sdn. Bhd.	Dragon Steel Corporation	3	Purchase of goods	\$ 4,636,607	Payment within 14 business days after lading date	1
11	CSC Steel Sdn. Bhd.	Chung Hung Steel Corporation	3	Purchase of goods	1,624,079	Payment within 7 business days after lading date	-
11	CSC Steel Sdn. Bhd.	China Steel Global Trading Corporation	3	Purchase of goods	731,705	Payment within 7 business days after lading date	-
11	CSC Steel Sdn. Bhd.	China Steel Corporation	2	Purchase of goods	609,097	Payment within 14 business days after lading date	-
12	Changzhou China Steel Precision Materials Co., Ltd.	China Steel Corporation	2	Revenue from sale of goods	120,515	Receivables were collected within 14 days after lading date	-
13	China Steel Precision Metals Qingdao Co., Ltd.	China Steel Corporation	2	Purchase of goods	1,113,900	Payment within 60 days after shipment date	-
14	Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	3	Revenue from sale of goods	1,662,350	T/T within 7 business days after lading date(not included)	-
14	Chung Hung Steel Corporation	China Steel Corporation	2	Service revenue	349,717	T/T as the end of the month of when invoice is issued after final acceptance	-
14	Chung Hung Steel Corporation	China Steel Corporation	2	Purchase of goods	25,257,677	Letter of credit at sight/Payment after final acceptance	6
14	Chung Hung Steel Corporation	Dragon Steel Corporation	3	Purchase of goods	10,349,774	Letter of credit at sight/Payment after final acceptance	3
14	Chung Hung Steel Corporation	China Steel Global Trading Corporation	3	Purchase of goods	416,442	Letter of credit at sight/Payment after final acceptance	-
15	Hung Li Steel Corporation	China Steel Corporation	2	Service revenue	244,292	T/T as the end of the month of when invoice is issued	-
15	Hung Li Steel Corporation	Chung Hung Steel Corporation	2	Service revenue	157,170	T/T within a week after final acceptance/T/T as the end of the month of when invoice is issued	-
16	China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	1	Revenue from sale of goods	241,421	Net 270 days from the end of the month of when invoice is issued	-
16	China Steel Chemical Corporation	China Steel Corporation	2	Purchase of goods	2,509,963	Letter of credit at sight	1
16	China Steel Chemical Corporation	Dragon Steel Corporation	3	Purchase of goods	980,628	Letter of credit at sight	-
16	China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	1	Purchase of goods	915,512	Payment after final acceptance	-
17	Changzhou China Steel New Materials Technology Co., Ltd.	China Steel Chemical Corporation	2	Purchase of goods	241,421	Net 270 days from the end of the month of when invoice is issued	-
18	Formosa Ha Tinh CSCC (Cayman) International Limited	China Steel Chemical Corporation	2	Revenue from sale of goods	915,512	Receivables were collected after final acceptance	-
19	China Steel Global Trading Corporation	CSC Steel Sdn. Bhd.	3	Revenue from sale of goods	788,132	Receivables were collected after shipment date	-
19	China Steel Global Trading Corporation	China Steel Corporation	2	Revenue from sale of goods	516,245	Receivables were collected after final acceptance	-
19	China Steel Global Trading Corporation	Chung Hung Steel Corporation	3	Revenue from sale of goods	416,442	Receivables were collected after shipment date	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
19	China Steel Global Trading Corporation	China Steel Corporation	2	Service revenue	\$ 411,873	By contract terms	-
19	China Steel Global Trading Corporation	Dragon Steel Corporation	3	Revenue from sale of goods	220,989	Receivables were collected after shipment date	-
19	China Steel Global Trading Corporation	China Steel Corporation	2	Purchase of goods (Note 2)	1,098,442	Payment after shipment date	-
20	CSGT (Shanghai) Co., Ltd.	China Steel Precision Metals Kunshan Co., Ltd.	3	Purchase of goods	290,029	Payment after invoice	-
21	CSGT Metals Vietnam Joint Stock Company	China Steel Sumikin Vietnam Joint Stock Company	3	Purchase of goods	172,906	Accounts payable, 30 days term	-
21	CSGT Metals Vietnam Joint Stock Company	China Steel Corporation	2	Purchase of goods (Note 2)	1,588,740	Payment from counter-party notice after lading date	-
22	CHC RESOURCES CORPORATION	China Steel Corporation	2	Service revenue	1,817,983	Receivables were collected next month as the end of the month of when invoice is issued	-
22	CHC RESOURCES CORPORATION	Dragon Steel Corporation	3	Service revenue	1,314,070	Receivables were collected within 30-70 days as the end of the month of when invoice is issued	-
22	CHC RESOURCES CORPORATION	China Steel Resources Corporation	3	Service revenue	436,023	By contract terms	-
22	CHC RESOURCES CORPORATION	China Steel Corporation	2	Purchase of goods	502,012	Letter of credit	-
22	CHC RESOURCES CORPORATION	Chung Hung Steel Corporation	3	Purchase of goods	474,583	Letter of credit	-
22	CHC RESOURCES CORPORATION	Dragon Steel Corporation	3	Purchase of goods	279,224	Letter of credit	-
23	UNION STEEL DEVELOPMENT CORPORATION	CHC RESOURCES CORPORATION	2	Service revenue	274,713	Receivables were collected after 60 days as the end of the month of when invoice is issued	-
23	UNION STEEL DEVELOPMENT CORPORATION	Dragon Steel Corporation	3	Revenue from sale of goods	109,750	Receivables were collected after 60 days as the end of the month of when invoice is issued	-
24	INFOCHAMP SYSTEMS CORPORATION	China Steel Corporation	2	Service revenue	911,326	Receivables were collected within 30 days after shipment date	-
25	CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	3	Construction contracts revenue	644,204	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	1	Construction contracts revenue	461,551	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	2	Service revenue	394,496	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	2	Construction contracts revenue	124,353	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	3	Service revenue	118,302	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	2	Purchase of goods	4,331,704	Letter of credit/Prepayment before shipment date	1
25	CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	3	Purchase of goods	1,499,200	Letter of credit	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
26	United Steel Engineering & Construction Corporation	China Prosperity Development Corporation	3	Construction contracts revenue	\$ 1,292,603	Contractual period	-
26	United Steel Engineering & Construction Corporation	Dragon Steel Corporation	3	Construction contracts revenue	924,784	Contractual period	-
26	United Steel Engineering & Construction Corporation	Sing Da Marine Structure Corporation	3	Construction contracts revenue	538,608	Contractual period	-
26	United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	3	Construction contracts revenue	414,898	Contractual period	-
26	United Steel Engineering & Construction Corporation	China Steel Corporation	2	Construction contracts revenue	395,735	Contractual period	-
26	United Steel Engineering & Construction Corporation	Kaohsiung Rapid Transit Corporation	3	Construction contracts revenue	256,802	Contractual period	-
26	United Steel Engineering & Construction Corporation	Steel Castle Technology Corporation	3	Construction contracts outsourcing	433,435	Contractual period	-
26	United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	3	Purchase of goods	100,821	Contractual period	-
27	China Ecotek Corporation	China Steel Corporation	2	Construction contracts revenue	3,476,587	Contractual period	1
27	China Ecotek Corporation	Dragon Steel Corporation	3	Construction contracts revenue	1,369,799	Contractual period	-
27	China Ecotek Corporation	CSC Solar Corporation	3	Construction contracts revenue	1,248,788	Contractual period	-
27	China Ecotek Corporation	China Steel Machinery Corporation	3	Construction contracts revenue	106,635	Contractual period	-
27	China Ecotek Corporation	China Steel Machinery Corporation	3	Purchase of goods	448,045	Contractual period	-
28	China Steel Security Corporation	China Steel Corporation	2	Service revenue	297,401	By contract terms	-
29	Steel Castle Technology Corporation	China Steel Corporation	2	Service revenue	524,698	By contract terms	-
29	Steel Castle Technology Corporation	United Steel Engineering & Construction Corporation	3	Service revenue	330,322	By contract terms	-
29	Steel Castle Technology Corporation	Dragon Steel Corporation	3	Service revenue	158,206	By contract terms	-
30	HIMAG Magnetic Corporation	China Steel Corporation	2	Revenue from sale of goods	373,274	Receivables were collected within 10 days after shipment date	-
30	HIMAG Magnetic Corporation	China Steel Corporation	2	Purchase of goods	140,923	Letter of credit	-
31	China Steel Machinery Corporation	China Steel Corporation	2	Construction contracts revenue	2,904,871	Receivables were collected after final acceptance	1
31	China Steel Machinery Corporation	Dragon Steel Corporation	3	Construction contracts revenue	551,299	Receivables were collected after final acceptance	-
31	China Steel Machinery Corporation	Sing Da Marine Structure Corporation	3	Construction contracts revenue	465,890	Receivables were collected after final acceptance	-
31	China Steel Machinery Corporation	China Ecotek Corporation	3	Construction contracts revenue	428,438	Receivables were collected after final acceptance	-
31	China Steel Machinery Corporation	China Steel Corporation	2	Purchase of goods	287,903	Payment were collected after final acceptance	-
31	China Steel Machinery Corporation	INFOCHAMP SYSTEMS CORPORATION	3	Construction contracts outsourcing	168,004	Payment were collected after final acceptance	-
32	China Steel Sumikin Vietnam Joint Stock Company	CSGT Metals Vietnam Joint Stock Company	3	Revenue from sale of goods	190,349	Accounts receivable, 30 days term	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
32	China Steel Sumikin Vietnam Joint Stock Company	China Steel Corporation	2	Purchase of goods (Note 2)	\$ 10,282,973	Payment to the bank after the Corporation's shipment date	3
33	China Steel Corporation India Pvt. Ltd.	China Steel Corporation	2	Purchase of goods	3,150,084	Payment to the bank after the Corporation's shipment date	1
34	Kaohsiung Rapid Transit Corporation	China Steel Corporation	2	Service revenue	137,395	Receivables were collected within 15 days when invoice is issued	-
35	China Steel Resources Corporation	China Steel Corporation	2	Service revenue	581,368	Receivables were collected next month as the end of the month of when invoice is issued	-
36	CSC Precision Metal Industrial Corporation	China Steel Corporation	2	Service revenue	170,355	Receivables were collected next month as the end of the month of when invoice is issued	-
37	China Steel Precision Metals Kunshan Co., Ltd.	CSGT (Shanghai) Co., Ltd.	3	Revenue from sale of goods	285,155	Receivables were collected within 45 days when invoice is issued	-
37	China Steel Precision Metals Kunshan Co., Ltd.	China Steel Corporation	2	Purchase of goods	580,142	Payment within 85 days after shipment date	-

(Concluded)

Note 1: The relationships with counterparties are as follows:

- 1) Parent to subsidiaries
- 2) Subsidiaries to parent
- 3) Subsidiaries to subsidiaries

Note 2: Purchase amount includes the Corporation's sales commitment to Dragon Steel Corporation.

## CHINA STEEL CORPORATION AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
China Steel Corporation	Chung Hung Steel Corporation	Republic of China	Manufacture and sale of steel products	\$ 5,539,872	\$ 5,539,872	582,673,153	41	\$ 6,083,601	\$ 3,033,223	\$ 1,180,608	Subsidiaries
China Steel Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	334,285	334,285	68,787,183	29	2,094,831	1,508,446	431,255	Subsidiaries
China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	1,024,194	1,024,194	66,487,844	33	1,270,135	117,581	(55,710)	Subsidiaries
China Steel Corporation	China Ecotek Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	554,268	554,268	55,393,138	45	1,161,560	97,864	31,485	Subsidiaries
China Steel Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	261,677	261,677	49,289,597	20	896,440	834,880	163,339	Subsidiaries
China Steel Corporation	Dragon Steel Corporation	Republic of China	Hot-rolled coils, H beams, billets, flat steels	95,779,069	95,779,069	8,612,586,123	100	105,260,525	5,905,680	6,140,934	Subsidiaries
China Steel Corporation	CSC Steel Australia Holdings Pty Ltd	Australia	General investment	17,359,623	17,359,623	594,638	100	16,010,187	280,704	280,704	Subsidiaries
China Steel Corporation	China Steel Express Corporation	Republic of China	Shipping services for raw materials	2,504,071	2,504,071	422,545,250	100	11,840,131	1,797,301	1,663,394	Subsidiaries
China Steel Corporation	C.S.Aluminium Corporation	Republic of China	Production and sale of aluminum and non-ferrous metal products	3,922,801	3,922,801	840,122,049	100	8,151,379	(521,995)	(521,696)	Subsidiaries
China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Vietnam	Manufacture and sale of steel products	9,651,239	9,651,239	514,304,000	56	7,034,874	(144,447)	(80,890)	Subsidiaries
China Steel Corporation	Gains Investment Corporation	Republic of China	General investment	4,999,940	4,999,940	559,375,112	100	7,016,034	372,128	299,840	Subsidiaries
China Steel Corporation	China Steel Asia Pacific Holdings Pte. Ltd.	Singapore	General investment	6,625,316	38,902,967	195,914,332	100	4,142,730	152,311	152,311	Subsidiaries
China Steel Corporation	China Prosperity Development Corporation	Republic of China	Real estate development	4,749,938	4,749,938	509,802,912	100	3,706,884	190,215	189,374	Subsidiaries
China Steel Corporation	China Steel Global Trading Corporation	Republic of China	Buy and sell, and act as an agency for steel products	309,502	309,502	78,827,362	100	2,189,379	545,096	541,065	Subsidiaries
China Steel Corporation	China Steel Corporation India Pvt. Ltd.	India	Electrical steel	3,795,159	3,795,159	728,690,559	100	1,688,762	(415,444)	(415,444)	Subsidiaries
China Steel Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	1,303,873	1,303,873	120,799,811	43	1,334,447	71,681	31,081	Subsidiaries
China Steel Corporation	China Steel Machinery Corporation	Republic of China	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	591,748	591,748	86,338,564	74	1,070,002	209,694	115,571	Subsidiaries
China Steel Corporation	China Steel Resources Corporation	Republic of China	Other non metallic mineral products manufacturing	981,120	981,120	98,112,000	100	994,965	11,286	11,286	Subsidiaries
China Steel Corporation	Sing Da Marine Structure Corporation	Republic of China	Foundation of offshore wind power	821,000	-	82,100,000	100	754,140	(66,860)	(66,860)	Subsidiaries
China Steel Corporation	INFOCHAMP SYSTEMS CORPORATION	Republic of China	Enterprise information system integration services	357,602	357,602	41,465,634	100	742,119	170,293	173,936	Subsidiaries
China Steel Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	660,000	660,000	66,000,000	55	692,176	62,150	34,182	Subsidiaries
China Steel Corporation	China Steel Security Corporation	Republic of China	On-site security, systematic security	149,940	149,940	25,036,986	100	530,435	110,952	108,840	Subsidiaries
China Steel Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	389,497	389,497	19,183,286	69	386,104	29,560	20,342	Subsidiaries
China Steel Corporation	CSC Precision Metal Industrial Corporation	Republic of China	Other non-ferrous metal basic industries	872,500	872,500	32,250,000	100	289,338	(2,990)	(2,990)	Subsidiaries
China Steel Corporation	United Steel International Co., Ltd.	Samoa	General investment	269,141	-	12,000,000	80	266,381	(6,476)	10,263	Subsidiaries
China Steel Corporation	White BioTech Corporation	Republic of China	Biotechnology introduction and development	130,594	827,000	13,059,360	87	19,220	(8,048)	(7,000)	Subsidiaries
China Steel Corporation	ChinaSteel Management Consulting Corporaion	Republic of China	Business management and management consulting services	15,144	15,144	999,993	100	16,957	2,892	2,892	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
China Steel Corporation	China Steel Power Holding Corporation	Republic of China	General investment	\$ 5,000	\$ -	500,000	100	\$ 4,928	\$ (72)	\$ (72)	Subsidiaries
China Steel Corporation	Taiwan Rolling Stock Co., Ltd.	Republic of China	Manufacture of railway vehicles	985,625	985,625	95,527,811	48	1,007,233	(394,877)	(188,593)	Associates
China Steel Corporation	Honley Auto.Parts Co., Ltd.	Republic of China	Manufacture of automotive components	825,000	825,000	82,500,000	38	569,839	(202,573)	(77,727)	Associates
China Steel Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	450,000	450,000	45,000,000	18	510,552	158,114	28,460	Associates
China Steel Corporation	Eminent II Venture Capital Corporation	Republic of China	General investment	500,000	500,000	50,000,000	46	394,784	(4,517)	(2,088)	Associates
China Steel Corporation	Hsin Hsin Cement Enterprise Corporation	Republic of China	Cement manufacturing, nonmetallic mining, cement and concrete mixing manufacturing	320,929	320,929	28,658,729	31	370,263	27,670	10,948	Associates
China Steel Corporation	Dyna Rechi Co., Ltd.	Republic of China	Production and marketing of Brushless DC Motor (BLDCM)	400,000	400,000	40,000,000	25	296,830	(24,543)	(6,136)	Associates
China Steel Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	50,000	50,000	5,000,000	6	58,761	129,598	7,206	Associates
China Steel Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	7,629	7,629	833,350	17	13,307	15,726	2,621	Associates
Chung Hung Steel Corporation	Transglory Investment Corporation	Republic of China	General investment	2,001,152	2,001,152	289,620,871	41	2,462,217	217,245	-	Subsidiaries
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Republic of China	General investment	26,000	26,000	2,600,000	100	30,427	3,143	-	Subsidiaries
Chung Hung Steel Corporation	Taiwan Steel Corporation	Republic of China	Iron and steel industry chain industry	1,000	1,000	100,000	100	933	(6)	-	Subsidiaries
China Steel Chemical Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	91,338	91,338	15,019,341	6	295,984	834,880	-	Subsidiaries
China Steel Chemical Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	13,675	13,675	600,069	-	12,675	117,581	-	Subsidiaries
China Steel Chemical Corporation	Ever Wealthy International Corporation	Republic of China	General investment	300,083	300,083	104,574,982	100	1,241,844	108,069	-	Subsidiaries
China Steel Chemical Corporation	Transglory Investment Corporation	Republic of China	General investment	450,000	450,000	65,132,128	9	553,713	217,245	-	Subsidiaries
China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Cayman Island	International trade and investment	100,320	100,320	10,000,000	50	370,339	14,527	-	Subsidiaries
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	Cayman Island	International trade and investment	39,920	39,920	1,300,000	100	345,637	(54,773)	-	Subsidiaries
China Steel Chemical Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	180,000	180,000	18,000,000	15	188,775	62,150	-	Subsidiaries
China Steel Chemical Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	68,839	68,839	2,450,000	5	52,028	(306,812)	-	Subsidiaries
China Steel Chemical Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	47,950	47,950	2,161,203	8	43,722	29,560	-	Subsidiaries
China Steel Chemical Corporation	Gau Ruei Investment Corporation	Republic of China	General investment	15,070	15,070	1,196,000	40	25,320	6,061	-	Subsidiaries
China Steel Chemical Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	7,000	7,000	700,000	35	13,855	1,376	-	Subsidiaries
China Steel Chemical Corporation	Eminent Venture Capital Corporation	Republic of China	General investment	22,500	30,000	2,250,000	5	12,096	(13,836)	-	Subsidiaries
China Steel Chemical Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	80,000	80,000	8,000,000	9	77,529	(24,772)	-	Associates
China Steel Chemical Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	21,168	23,520	2,116,800	6	26,330	9,605	-	Associates
China Steel Chemical Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	2,295	2,295	249,999	5	3,991	15,726	-	Associates
Ever Wealthy International Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	-	56,667	-	-	-	117,581	-	Subsidiaries
Ever Wealthy International Corporation	Thintech Materials Technology Co., Ltd.	Republic of China	Sputtering target manufacturing and sales	45,987	45,987	6,119,748	8	91,878	43,481	-	Subsidiaries
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd.	Samoa	General investment	196,859	196,859	6,506,000	100	177,046	24,071	-	Subsidiaries
Ever Wealthy International Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	33,015	33,015	1,584,731	6	32,052	29,560	-	Subsidiaries
Ever Wealthy International Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	9,000	9,000	900,000	45	17,768	1,392	-	Subsidiaries
Ever Wealthy International Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	8,400	8,400	840,000	35	16,751	3,137	-	Subsidiaries

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Ever Wealthy International Corporation	Ding Da Investment Corporation	Republic of China	General investment	\$ 10,495	\$ 10,495	897,000	30	\$ 16,360	\$ 4,558	\$ -	Subsidiaries
China Ecotek Corporation	CEC Development Corporation	USA	General investment	494,146	494,146	489	100	1,161,617	41,382	-	Subsidiaries
China Ecotek Corporation	China Steel Machinery Corporation	Republic of China	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	329,174	329,174	30,374,606	26	427,477	209,694	-	Subsidiaries
China Ecotek Corporation	CEC Holding Company Limited	Samoa	General investment	339,339	339,339	14,860,000	100	201,593	(11,198)	-	Subsidiaries
China Ecotek Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	240,000	240,000	24,000,000	20	198,426	62,150	-	Subsidiaries
China Ecotek Corporation	CEC Holding Company Limited	Samoa	General investment	30,642	30,642	10,000,000	100	45,863	2,049	-	Subsidiaries
China Ecotek Corporation	China Ecotek Construction Corporation	Republic of China	Engineering service industry	25,000	25,000	2,500,000	100	26,546	(735)	-	Subsidiaries
China Ecotek Corporation	Econova Technology Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	25,000	-	2,500,000	100	24,508	(492)	-	Subsidiaries
China Ecotek Corporation	Chiun Yu Investment Corporation	Republic of China	General investment	14,233	14,233	1,196,000	40	23,593	3,812	-	Subsidiaries
China Ecotek Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	8,000	8,000	800,000	40	15,897	1,404	-	Subsidiaries
China Ecotek Corporation	Jiing-Cherng-Fa Investment Corporation	Republic of China	General investment	8,050	8,050	805,000	35	15,118	1,655	-	Subsidiaries
China Ecotek Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,846	1,392	-	Subsidiaries
China Ecotek Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	8,262	8,262	300,000	1	6,346	(306,813)	-	Subsidiaries
China Ecotek Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	50,000	50,000	5,000,000	6	48,456	(24,772)	-	Associates
China Ecotek Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	3,528	3,920	352,800	1	4,392	9,605	-	Associates
CEC International Corporation	China Ecotek India Private Limited	India	Projects designs, construction and related services	27,070	27,070	4,995,000	100	41,562	815	-	Subsidiaries
CEC Development Corporation	China Ecotek Vietnam Company Limited	Vietnam	Projects designs, construction and related services	302,065	302,065	-	100	915,279	68,877	-	Subsidiaries
CEC Development Corporation	China Ecotek India Private Limited	India	Projects designs, construction and related services	27	27	5,000	-	42	815	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	132,715	132,715	23,182,738	9	457,207	834,880	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	Republic of China	Construction and management of buildings, roads and railways, and other civil engineering projects	410,000	410,000	65,000,000	100	1,285,762	95,578	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	CHINA STEEL STRUCTURE INVESTMENT PTE. LTD.	Singapore	Holding and investment	134,578	134,578	4,100,000	100	229,930	(23,824)	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	China Steel Structure Holding Co., Ltd. (SAMOA)	Samoa	Holding and investment	148,264	148,264	4,400,000	37	133,127	(37,619)	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Chiun Yu Investment Corporation	Republic of China	General investment	12,453	12,453	1,046,500	35	20,644	3,812	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	17,080	17,080	769,829	3	15,579	29,560	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Chi-Yi Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,923	1,404	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Li-Ching-Long Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,875	1,376	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Wabo Global Trading Corporation	Republic of China	Buy and sell, and act as an agency for steel products	1,500	1,500	714,000	6	11,031	43,520	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Ascentek Venture Capital Corporation	Republic of China	General investment	15,876	17,640	1,587,600	5	19,727	9,605	-	Associates
CHINA STEEL STRUCTURE CO., LTD.	Nikken & CSSC Metal Products Co., Ltd.	Republic of China	Building materials wholesale industry, pollution prevention equipment wholesale industry, etc.	6,750	6,750	675,000	45	4,547	1,007	-	Associates
United Steel Engineering & Construction Corporation	UNITED STEEL INVESTMENT PTE. LTD.	Singapore	Holding and investment	126,806	126,806	4,180,000	100	278,169	12,089	-	Subsidiaries
United Steel Engineering & Construction Corporation	United Steel Development Co., Ltd.	Republic of China	Residential and building development and rental industry	53,550	53,550	5,355,000	100	60,453	389	-	Subsidiaries
United Steel Engineering & Construction Corporation	United Steel Construction (Vietnam) Co., Ltd.	Vietnam	Construction and management of buildings, roads and railways, and other civil engineering projects	33,129	33,129	-	100	57,001	2,063	-	Subsidiaries

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
United Steel Engineering & Construction Corporation	Shin Mau Investment Corporation	Republic of China	General investment	\$ 13,754	\$ 13,754	1,196,000	40	\$ 22,717	\$ 3,379	\$ -	Subsidiaries
United Steel Engineering & Construction Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	15,433	15,433	1,543,276	1	16,927	71,681	-	Subsidiaries
United Steel Engineering & Construction Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	100,000	100,000	10,000,000	4	113,456	158,114	-	Associates
United Steel Engineering & Construction Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	44,100	44,100	4,410,000	5	51,786	129,598	-	Associates
United Steel Engineering & Construction Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	5,292	5,880	529,200	2	6,562	9,605	-	Associates
UNITED STEEL INVESTMENT PTE. LTD.	Chungkang Steel Structure (Cambodia) Co., Ltd.	Cambodia	Building materials manufacturing, construction engineering	96,283	96,283	310	31	98,047	14,026	-	Associates
China Steel Structure Holding Co., Ltd. (SAMOA)	CHINA STEEL STRUCTURE INVESTMENT CO., LTD.	Samoa	Holding and investment	397,075	397,075	12,000,000	100	363,012	(37,620)	-	Subsidiaries
CHINA STEEL STRUCTURE INVESTMENT PTE. LTD.	China Steel Structure Holding Co., Ltd. (SAMOA)	Samoa	Holding and investment	248,811	248,811	7,600,000	63	229,914	(37,619)	-	Subsidiaries
CHC RESOURCES CORPORATION	Hsieh Sheng Development Corporation	Republic of China	Real estate sales and lease	1,142,189	-	68,493	100	1,147,317	5,127	-	Subsidiaries
CHC RESOURCES CORPORATION	Yu Cheng Lime Corporation	Republic of China	Real estate sales and lease, management of raw materials	126,010	126,010	108,000	90	141,317	1,903	-	Subsidiaries
CHC RESOURCES CORPORATION	CHC RESOURCES VIETNAM CO., LTD.	Vietnam	GBFS and GGBFS (slag powder) sales	129,922	55,191	-	85	134,265	25,056	-	Subsidiaries
CHC RESOURCES CORPORATION	UNION STEEL DEVELOPMENT CORPORATION	Republic of China	Manufacture and sale of iron powder, OEM and sales of refractory, trading, human dispatch	53,345	53,345	4,668,333	93	119,012	24,949	-	Subsidiaries
CHC RESOURCES CORPORATION	PAO GOOD INDUSTRIAL CO., LTD.	Republic of China	Sales of fly ash, manufacture and sales of dry-mix mortar, trading	50,937	50,937	5,408,550	51	99,091	22,435	-	Subsidiaries
CHC RESOURCES CORPORATION	Gau Ruei Investment Corporation	Republic of China	General investment	12,306	12,306	1,046,500	35	22,155	6,062	-	Subsidiaries
CHC RESOURCES CORPORATION	Ding Da Investment Corporation	Republic of China	General investment	12,516	12,516	1,196,000	40	21,813	4,558	-	Subsidiaries
CHC RESOURCES CORPORATION	Sheng Lih Dar Investment Corporation	Republic of China	General investment	9,600	9,600	960,000	40	19,145	3,137	-	Subsidiaries
CHC RESOURCES CORPORATION	Jiing-Cherng-Fa Investment Corporation	Republic of China	General investment	9,200	9,200	920,000	40	17,278	1,655	-	Subsidiaries
CHC RESOURCES CORPORATION	Shin Mau Investment Corporation	Republic of China	General investment	10,316	10,316	897,000	30	17,038	3,379	-	Subsidiaries
CHC RESOURCES CORPORATION	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	10,970	10,970	494,440	2	9,994	29,560	-	Subsidiaries
CHC RESOURCES CORPORATION	United Steel International Development Corporation	British Virgin Islands	General investment	8,254	8,254	300,000	1	6,347	(306,813)	-	Subsidiaries
CHC RESOURCES CORPORATION	Hsin Hsin Cement Enterprise Corporation	Republic of China	Cement manufacturing, nonmetallic mining, cement and concrete mixing manufacturing	73,269	73,269	9,298,583	10	108,773	27,670	-	Associates
CHC RESOURCES CORPORATION	Eminent III Venture Capital Corporation	Republic of China	General investment	15,000	15,000	1,500,000	2	14,537	(24,772)	-	Associates
CHC RESOURCES CORPORATION	Ascentek Venture Capital Corporation	Republic of China	General investment	10,584	11,760	1,058,400	3	13,165	9,605	-	Associates
UNION STEEL DEVELOPMENT CORPORATION	Chung Hung Steel Corporation	Republic of China	Manufacture and sale of steel products	1,522	1,522	106,445	-	1,479	3,033,223	-	Subsidiaries
China Steel Security Corporation	Steel Castle Technology Corporation	Republic of China	Firefighting engineering and mechatronic engineering	31,257	31,257	13,000,000	100	318,413	59,797	-	Subsidiaries
China Steel Security Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	17,000	17,000	1,700,000	1	18,773	71,681	-	Subsidiaries
China Steel Security Corporation	China Steel Management And Maintenance For Buildings Corporation	Republic of China	Management and maintenance for buildings	10,000	10,000	1,000,000	100	12,601	1,046	-	Subsidiaries
China Steel Security Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	5,000	5,000	500,000	1	4,846	(24,772)	-	Associates
China Steel Security Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	3,528	3,920	352,800	1	4,388	9,605	-	Associates
China Prosperity Development Corporation	Chateau International Development Co., Ltd.	Republic of China	Development of leisure business	131,921	131,921	22,491,623	20	343,977	20,560	-	Associates
China Prosperity Development Corporation	CK Japan Co., Ltd.	Japan	Real estate development	151,526	151,526	3,840	80	162,900	12,716	-	Subsidiaries
China Prosperity Development Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	130,000	130,000	13,000,000	5	143,724	71,681	-	Subsidiaries
China Prosperity Development Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	175,000	175,000	17,500,000	7	198,548	158,114	-	Associates

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
China Prosperity Development Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	\$ 7,056	\$ 7,840	705,600	2	\$ 8,778	\$ 9,605	\$ -	Associates
HIMAG Magnetic Corporation	MagnPower Corporation	Republic of China	Powder metallurgy	218,000	218,000	21,800,000	55	170,703	(47,200)	-	Subsidiaries
White BioTech Corporation	Renergy Biotech Corporation	Republic of China	Ethanol manufacturing	9,990	9,990	-	-	-	(67)	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	Universal eXchange Inc.	Republic of China	Wholesale of computer software, software design services, digital information supply services	60,784	60,784	5,825,030	35	64,601	12,391	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	40,265	40,265	5,200,319	2	57,551	71,681	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	INFO-CHAMP SYSTEM (B.V.I.) CORPORATION	British Virgin Islands	General investment	6,816	6,816	201,000	100	13,598	1,825	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	iPASS Corporation	Republic of China	Electronic stored value cards, electronic payment	40,000	40,000	4,000,000	4	36,136	(5,250)	-	Associates
INFOCHAMP SYSTEMS CORPORATION	Majestic Solid Light Corporation	Republic of China	Manufacture and sale of UV LED	4,500	4,500	450,000	45	2,314	968	-	Associates
Kaohsiung Rapid Transit Corporation	Taiwan Intelligent Transportation Co., Ltd.	Republic of China	Technical service	26,000	-	2,600,000	100	27,286	1,286	-	Subsidiaries
Kaohsiung Rapid Transit Corporation	iPASS Corporation	Republic of China	Electronic stored value cards, electronic payment	130,000	130,000	13,000,000	11	112,868	1,355	-	Associates
China Steel Machinery Corporation	CHINA STEEL MACHINERY VIETNAM CO., LTD.	Vietnam	Machines manufacturing	9,215	8,928	-	100	22,459	4,510	-	Subsidiaries
China Steel Machinery Corporation	China Steel Machinery Corporation India Private Limited	India	Machines manufacturing	9,122	8,839	1,966,424	99	-	(1,796)	-	Subsidiaries
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	Samoa	General investment.	9,307	9,017	303,000	100	-	171	-	Subsidiaries
China Steel Machinery Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	95,900	95,900	9,590,000	11	112,661	129,598	-	Associates
China Steel Machinery Corporation	Senergy Wind Power Co., Ltd.	Republic of China	Wind power energy generation	249,990	249,990	24,999,000	50	-	12,862	-	Associates
China Steel Machinery Holding Corporation	China Steel Machinery Corporation India Private Limited	India	Machines manufacturing	92	89	19,836	1	-	(1,796)	-	Subsidiaries
Dragon Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	98,266	98,266	3,500,000	2	81,190	117,581	-	Subsidiaries
Dragon Steel Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	120,000	120,000	12,000,000	10	125,850	62,150	-	Subsidiaries
C.S.Aluminium Corporation	ALU Investment Offshore Corporation	British Virgin Islands	Holding and investment	1,063,593	1,063,593	1	100	672,107	(198,170)	-	Subsidiaries
C.S.Aluminium Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	21,168	23,520	2,116,800	6	26,330	9,605	-	Associates
ALU Investment Offshore Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	1,063,593	1,063,593	31,650,000	65	672,098	(306,813)	-	Subsidiaries
United Steel International Development Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	7,056	7,840	705,600	2	8,777	9,605	-	Associates
China Steel Express Corporation	Transglory Investment Corporation	Republic of China	General investment	2,440,000	2,440,000	353,160,881	50	3,002,690	217,245	-	Subsidiaries
China Steel Express Corporation	CSE Transport Corporation	Panama	Shipping services for raw materials	316	316	10	100	2,836,374	129,610	-	Subsidiaries
China Steel Express Corporation	CSEI Transport (Panama) Corporation	Panama	Shipping services for raw materials	316	316	10	100	475,772	(47,377)	-	Subsidiaries
China Steel Express Corporation	Kaohsiung Port Cargo Handling Services Corporation	Republic of China	Ship cargo loading and unloading industry	35,013	35,013	3,275,000	66	42,914	7,743	-	Subsidiaries
China Steel Express Corporation	Transyang Shipping Pte Ltd	Singapore	Shipping services for raw materials	-	39,134	-	-	-	(728)	-	Subsidiaries
China Steel Express Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	21,168	23,520	2,116,800	6	26,330	9,605	-	Associates
China Steel Express Corporation	Senergy Wind Power Co., Ltd.	Republic of China	Wind power energy generation	-	7	-	-	-	12,862	-	Associates
Transglory Investment Corporation	Winning Investment Corporation	Republic of China	General investment	321,331	321,331	20,700,000	9	239,694	128,368	-	Subsidiaries
Gains Investment Corporation	Thintech Materials Technology Co., Ltd.	Republic of China	Sputtering target manufacturing and sales	212,912	212,912	23,423,016	32	351,517	43,481	-	Subsidiaries
Gains Investment Corporation	Eminence Investment Corporation	Republic of China	General investment	1,600,000	1,600,000	150,000,000	100	1,668,534	74,258	-	Subsidiaries
Gains Investment Corporation	Winning Investment Corporation	Republic of China	General investment	989,664	989,664	112,700,000	49	1,305,002	128,368	-	Subsidiaries
Gains Investment Corporation	Betacera Inc.	Republic of China	Manufacturing and trading of electronic ceramics	150,165	150,165	20,555,253	48	725,990	332,020	-	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Gains Investment Corporation	Eminent Venture Capital Corporation	Republic of China	General investment	\$ 225,000	\$ 300,000	22,500,000	50	\$ 120,955	\$ (13,836)	\$ -	Subsidiaries
Gains Investment Corporation	Universal eXchange Inc.	Republic of China	Wholesale of computer software, software design services, digital information supply services	170,432	170,432	10,533,713	64	116,818	12,391	-	Subsidiaries
Gains Investment Corporation	Gainsplus Asset Management Inc.	British Virgin Islands	General investment	3,072	2,976	100,000	100	55,193	(5,374)	-	Subsidiaries
Gains Investment Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	58,784	58,784	1,850,000	4	39,333	(306,813)	-	Subsidiaries
Gains Investment Corporation	Mentor Consulting Corporation	Republic of China	Management consulting services	25,909	25,909	1,000,000	100	26,068	7,202	-	Subsidiaries
Gains Investment Corporation	Fukuta Electric & Machinery Co., Ltd.	Republic of China	Motor manufacturing and selling	544,748	407,558	8,090,395	20	688,718	223,785	-	Associates
Gains Investment Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	200,000	200,000	20,000,000	22	193,822	(24,772)	-	Associates
Thintech Materials Technology Co., Ltd.	Thintech Global Limited	Samoa	International trade and investment	205,435	205,435	6,800,000	100	28,530	(10,243)	-	Subsidiaries
Thintech Materials Technology Co., Ltd.	Thintech United Limited	Samoa	International trade and investment	277,173	262,191	9,308,598	100	4,792	(14,971)	-	Subsidiaries
Betacera Inc.	Lefkara Ltd.	British Virgin Islands	Trading of electronic ceramics and life saving products	418,430	405,420	13,623,000	100	1,397,667	231,088	-	Subsidiaries
Betacera Inc.	Eminent III Venture Capital Corporation	Republic of China	General investment	25,000	25,000	2,500,000	3	24,228	(24,772)	-	Associates
Mentor Consulting Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	3,528	3,920	352,800	1	4,388	9,605	-	Associates
Eminence Investment Corporation	Shin Mau Investment Corporation	Republic of China	General investment	9,513	9,513	896,999	30	17,038	3,379	-	Subsidiaries
Eminence Investment Corporation	Ding Da Investment Corporation	Republic of China	General investment	8,970	8,970	897,000	30	16,360	4,558	-	Subsidiaries
Eminence Investment Corporation	Gau Ruei Investment Corporation	Republic of China	General investment	8,805	8,805	747,499	25	15,825	6,062	-	Subsidiaries
Eminence Investment Corporation	Chiun Yu Investment Corporation	Republic of China	General investment	7,475	7,475	747,500	25	14,746	3,812	-	Subsidiaries
Eminence Investment Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	6,262	6,262	600,000	30	11,875	1,376	-	Subsidiaries
Eminence Investment Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	5,317	5,317	500,000	21	9,970	3,137	-	Subsidiaries
Eminence Investment Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	5,222	5,222	501,000	25	9,956	1,404	-	Subsidiaries
Eminence Investment Corporation	Jiing-Cherng-Fa Investment Corporation	Republic of China	General investment	4,762	4,762	476,000	21	8,941	1,655	-	Subsidiaries
Eminence Investment Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	4,173	4,173	400,000	20	7,897	1,392	-	Subsidiaries
Eminence Investment Corporation	Fukuta Electric & Machinery Co., Ltd.	Republic of China	Motor manufacturing and selling	27,900	28,500	142,171	-	21,074	223,785	-	Associates
Shin Mau Investment Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	5,454	5,454	512,685	-	10,352	834,880	-	Subsidiaries
Shin Mau Investment Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	5,619	5,619	341,896	-	7,654	117,581	-	Subsidiaries
Shin Mau Investment Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	1,000	1,000	100,000	5	1,974	1,392	-	Subsidiaries
Shin Mau Investment Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	990	990	99,000	5	1,967	1,404	-	Subsidiaries
Ding Da Investment Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	17,404	17,404	474,220	-	14,739	1,508,446	-	Subsidiaries
Ding Da Investment Corporation	Jiing-Cherng-Fa Investment Corporation	Republic of China	General investment	990	990	99,000	4	1,857	1,655	-	Subsidiaries
Ding Da Investment Corporation	Betacera Inc.	Republic of China	Manufacturing and trading of electronic ceramics	25	25	1,000	-	35	332,020	-	Subsidiaries
Ding Da Investment Corporation	Universal eXchange Inc.	Republic of China	Wholesale of computer software, software design services, digital information supply services	17	17	1,600	-	17	12,391	-	Subsidiaries
Jiing-Cherng-Fa Investment Corporation	China Ecotek Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	7,874	7,874	302,052	-	7,257	97,864	-	Subsidiaries
Gau Ruei Investment Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	17,584	17,584	474,220	-	14,739	1,508,446	-	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Gau Ruei Investment Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	\$ 1,000	\$ 1,000	100,000	4	\$ 1,996	\$ 3,137	\$ -	Subsidiaries
Gau Ruei Investment Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	1,000	1,000	100,000	5	1,979	1,376	-	Subsidiaries
Sheng Lih Dar Investment Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	5,678	5,678	512,535	-	10,352	834,880	-	Subsidiaries
Chiun Yu Investment Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	4,204	4,204	325,896	-	7,228	117,581	-	Subsidiaries
Chiun Yu Investment Corporation	China Ecotek Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	5,764	5,764	275,469	-	6,652	97,864	-	Subsidiaries
China Steel Global Trading Corporation	CSGT International Corporation	Samoa	Investment, buy and sell	631,983	631,983	20,740,000	100	940,936	63,784	-	Subsidiaries
China Steel Global Trading Corporation	Chung Mao Trading (Samoa) Corporation	Samoa	Investment, buy and sell	212,822	212,822	11,800,000	100	658,959	21,844	-	Subsidiaries
China Steel Global Trading Corporation	CSGT (Singapore) Pte, Ltd.	Singapore	Buy and sell, and act as an agency for steel products	22,600	22,600	6,100,000	100	388,499	122,643	-	Subsidiaries
China Steel Global Trading Corporation	Wabo Global Trading Corporation	Republic of China	Buy and sell, and act as an agency for steel products	11,000	11,000	5,236,000	44	80,891	43,520	-	Subsidiaries
China Steel Global Trading Corporation	Chung Mao Trading (BVI) Corporation	British Virgin Islands	Buy and sell, and act as an agency for steel products	32,591	32,591	1,301,300	65	58,815	7,312	-	Subsidiaries
China Steel Global Trading Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	69,232	69,232	2,220,000	5	47,144	(306,813)	-	Subsidiaries
China Steel Global Trading Corporation	CSGT Trading India Private Limited	India	Buy and sell, and act as an agency for steel products	240	240	48,000	1	172	2,531	-	Subsidiaries
China Steel Global Trading Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	7,056	7,840	705,600	2	8,773	9,605	-	Associates
Wabo Global Trading Corporation	CK Japan Co., Ltd.	Japan	Real estate development	37,488	37,488	960	20	40,618	12,716	-	Subsidiaries
Wabo Global Trading Corporation	CSGT JAPAN Co., Ltd.	Japan	Buy and sell, and act as an agency for steel products	10,160	10,160	800	100	19,967	931	-	Subsidiaries
Chung Mao Trading (Samoa) Corporation	United Steel International Co., Ltd.	Samoa	General investment	86,140	83,462	3,000,000	20	66,595	(6,476)	-	Subsidiaries
Chung Mao Trading (BVI) Corporation	CSGT Hong Kong Limited	Hong Kong	Buy and sell, and act as an agency for steel products	3,944	3,822	1,000,000	100	25,361	11,717	-	Subsidiaries
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Vietnam	Cutting and processing of steel products	228,972	221,852	11,950,830	54	282,370	79,059	-	Subsidiaries
CSGT International Corporation	CSGT Trading India Private Limited	India	Buy and sell, and act as an agency for steel products	23,884	23,142	4,752,000	99	17,045	2,531	-	Subsidiaries
CSGT International Corporation	TSK Steel Company Limited	Thailand	Steel coil processing and distributing	88,708	85,950	408,000	34	195,569	10,024	-	Associates
CSGT International Corporation	Mahindra Auto Steel Private Limited	India	Cutting and processing of steel products	84,712	82,078	16,782,500	25	98,384	46,467	-	Associates
CSGT International Corporation	Tatt Giap Steel Centre Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	57,942	56,141	5,600,000	14	4,086	(51,748)	-	Associates
CSGT (Singapore) Pte, Ltd.	CSCD Limited	Cyprus	International trade and investment	114,695	59,280	1,876,795	49	309,162	168,660	-	Associates
CSC Steel Australia Holdings Pty Ltd	CSC Sonoma Pty Ltd	Australia	Investments in mining industry	356,173	381,161	16,440,001	100	131,480	(28,476)	-	Subsidiaries
CSC Steel Australia Holdings Pty Ltd	7623704 Canada Inc.	Canada	Investments in mining industry	5,720,076	6,121,392	270,122,727	25	8,306,551	1,214,366	-	Associates
China Steel Asia Pacific Holdings Pte. Ltd.	CSC Steel Holdings Berhad	Malaysia	General investment	1,113,002	1,078,396	171,000,000	46	2,642,517	154,535	-	Subsidiaries
China Steel Asia Pacific Holdings Pte. Ltd.	United Steel International Co., Ltd.	Samoa	General investment	-	382,356	-	-	-	(6,476)	-	Subsidiaries
China Steel Asia Pacific Holdings Pte. Ltd.	SINO VIETNAM HI-TECH MATERIAL CO., LTD.	Vietnam	Color coated steel coil	61,430	59,520	-	20	41,384	5,037	-	Associates
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	2,117,904	2,105,992	220,000,000	100	4,559,344	124,245	-	Subsidiaries
CSC Steel Holdings Berhad	Group Steel Corporation (M) Sdn. Bhd.	Malaysia	General investment	528,657	1,508,691	1,000,000	100	46,022	35,930	-	Subsidiaries
CSC Steel Holdings Berhad	CSGT Metals Vietnam Joint Stock Company	Vietnam	Cutting and processing of steel products	19,700	19,590	1,328,940	6	31,561	79,059	-	Subsidiaries
CSC Steel Holdings Berhad	Tatt Giap Steel Centre Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	58,486	58,157	8,000,000	20	5,838	(51,748)	-	Associates
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	Malaysia	General investment	5,334	5,304	750,000	100	6,490	195	-	Subsidiaries

(Concluded)

## CHINA STEEL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017(Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017(Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shanghai Xike Ceramic Electronic Co., Ltd.	Manufacturing and trading of electronic ceramics	\$ 36,858	2	\$ 36,674	\$ -	\$ -	\$ 36,674	\$ 7,792	100	\$ 7,753	\$ 106,708	\$ -	Note 3 (1)
CSGT (Shanghai) Co., Ltd.	Buy and sell, and act as an agency for steel products	22,209	2	18,429	-	-	18,429	3,991	100	3,991	32,794	30,684	Note 3 (1)
CSMC (Shanghai) Global Trading Co., Ltd.	Wholesale and retail trade	-	2	9,214	-	9,214	-	1,673	100	1,673	-	3,679	Note 3 (1)
Wuhan InfoChamp I.T. Co., Ltd.	Enterprise information system integration services	6,143	2	6,143	-	-	6,143	1,957	100	1,957	13,153	55,453	Note 3 (1)
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Manufacture and sale of products of steel structure	368,580	2	368,580	-	-	368,580	(37,620)	100	(37,620)	362,985	-	Note 3 (1)
Taicang Thintech Materials Co., Ltd.	Sputtering target manufacturing and sales	208,862	2	208,862	-	-	208,862	(10,243)	100	(10,243)	28,530	-	Note 3 (1)
Wuhan WISCO YUTEK Environment Technology Co., Ltd.	Environmental protection mechanical and electrical engineering and generation of operations	-	2	340,580	-	-	340,580	-	-	-	-	-	Note 3 (1), Note 6
Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd.	Consulting services of construction technology	122,860	2	13,822	-	-	13,822	(95,092)	30	(28,528)	63,049	-	Note 3 (1), Note 4
China Steel Precision Metals Qingdao Co., Ltd.	Cutting and processing of steel products	614,300	2	430,010	-	-	430,010	33,891	70	23,725	436,063	-	Note 3 (1)
HC&C Auto Parts Co., Ltd.	Manufacture of automotive components	1,075,025	2	30,715	76,788	-	107,502	320	10	32	103,230	-	Note 3 (1)
Changzhou China Steel New Materials Technology Co., Ltd.	Mesophase sales and trading	199,832	2	199,832	-	-	199,832	24,070	100	24,070	177,046	-	Note 3 (1)
Changzhou China Steel Precision Materials Co., Ltd.	Production and sale of titanium and titanium alloys, nickel and nickel alloys	1,339,174	2	937,422	-	-	937,422	94,686	70	66,280	821,313	-	Note 3 (1)
Xiamen Ecotek PRC Company Limited	Sales agency for import and export of equipment and materials	184,290	2	184,290	-	-	184,290	1,456	100	1,456	174,584	-	Note 3 (1)
Ningbo Huayang Aluminium-Tech Co., Ltd.	Production of aluminum products	1,505,035	2	1,190,820	-	-	1,190,820	(306,827)	79	(242,393)	815,542	15,796	Note 3 (1)
China Steel Precision Metals Kunshan Co., Ltd.	Manufacturing and trading of aeronautical or marine life saving products	460,725	2	493,283	-	-	493,283	(6,476)	100	(6,476)	48,476	-	Note 3 (1)
Betacera (Su Zhou) Co., Ltd.	Manufacturing and trading of electronic ceramics	135,146	2	135,146	-	-	135,146	60,132	100	60,132	396,830	-	Note 3 (1)
Suzhou Betacera Technology Co., Ltd.	Manufacturing and trading of aeronautical or marine life saving products	460,725	2	460,725	-	-	460,725	21,327	100	21,327	558,441	-	Note 3 (1)
Thintech United Metal Resources (Taicang) Co., Ltd.	Precious metal refining and sales	322,508	2	270,906	15,008	-	285,914	(16,666)	100	(14,971)	4,792	-	Note 3 (1)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 5)
China Steel Corporation	\$ 1,808,130	\$ 1,808,130	\$ -
China Steel Chemical Corporation	275,084	275,084	4,191,122
CHINA STEEL STRUCTURE CO., LTD.	368,580	368,580	2,534,912
China Ecotek Corporation	547,906	679,296	1,798,690
C.S.Aluminium Corporation	972,130	972,130	4,960,961
Gains Investment Corporation	56,823	56,823	3,976,397

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 5)
Thintech Materials Technology Co., Ltd.	\$ 494,776	\$ 494,776	\$ 661,783
Betacera Inc.	632,545	632,545	906,543
China Steel Global Trading Corporation	246,703	246,703	1,342,470
China Steel Machinery Corporation	-	-	985,900
INFOCHAMP SYSTEMS CORPORATION	6,143	6,143	476,337
CHC RESOURCES CORPORATION	9,214	9,214	2,940,236

(Concluded)

Note 1: The amounts were calculated based on the foreign exchange rate as of December 31, 2018.

Note 2: Methods of investment are classified as below:

- 1) Direct Investment.
- 2) Investments through a holding company registered in a third region.

Note 3: The basis for recognition of investment income (loss) is based on the following:

- 1) From the financial statements reviewed and attested by R.O.C. parent company's CPA.
- 2) From the investee company, which had not been audited and attested by independent accountants.

Note 4: Capital increase of USD750 thousand was derived from retained earnings in the third quarter of 2013.

Note 5: As the Corporation has obtained the certificate of qualified for operating headquarters issued by the Industrial Development Bureau, MOEA, the limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" is not applicable, while other companies, investments shall not exceed 60% of their net worth.

Note 6: The process of disposal and equity transfer were completed in June 2018. As of December 31, 2018, NT\$201,582 thousand has not been collected yet.

## CHINA STEEL CORPORATION AND SUBSIDIARIES

**CHANGES OF DEFERRED TAX ASSETS AND LIABILITIES  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
 (In Thousands of New Taiwan Dollars)**

For the Year Ended December 31, 2018

	Balance, Beginning of Year	Adjustment on Initial Application of IFRS 9	Changes in Tax Rates	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Acquisitions Through Business Combinations	Exchange Differences	Others	Balance, End of Year
<u>Deferred tax assets</u>										
Temporary differences										
Defined benefit plan and estimated preferential severance pay	\$ 1,345,190	\$ -	\$ 225,045	\$ (10,980)	\$ 220,156	\$ -	\$ -	\$ -	\$ (1,462)	\$ 1,777,949
Unrealized loss on inventories	923,090	-	161,926	105,256	-	-	(193)	-	-	1,190,079
Provisions	673,576	-	118,866	78,098	-	-	-	-	-	870,540
Impairment loss on financial assets	217,276	(216,935)	(6,793)	8,880	-	-	-	-	-	2,428
Unrealized loss on construction	288,613	-	50,932	621,296	-	-	-	-	-	960,841
Difference between tax reporting and financial reporting - revenue recognition	118,794	-	20,964	11,816	-	-	-	68	-	151,642
Unrealized gain on the transactions with subsidiaries and associates	175,754	-	31,016	17,828	-	-	-	-	-	224,598
Unrealized settlement loss on foreign exchange forward for hedging	71,719	-	12,656	(9,892)	-	-	-	-	-	74,483
Foreign investment loss	614,181	(35,767)	101,601	55,541	-	-	-	-	(515)	735,041
Others	1,326,606	34,909	159,988	474,200	(52,189)	-	-	763	4,856	1,949,133
	5,754,799	(217,793)	876,201	1,352,043	167,967	-	-	638	2,879	7,936,734
Loss carryforwards	435,604	-	65,989	(104,594)	-	-	-	(1,061)	(10)	395,928
Investment credits	2,377	-	-	(2,377)	-	-	-	-	-	-
	<u>\$ 6,192,780</u>	<u>\$ (217,793)</u>	<u>\$ 942,190</u>	<u>\$ 1,245,072</u>	<u>\$ 167,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (423)</u>	<u>\$ 2,869</u>	<u>\$ 8,332,662</u>
<u>Deferred tax liabilities</u>										
Temporary differences										
Land value increment tax	\$ 10,240,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,463	\$ -	\$ -	\$ 10,314,586
Difference between tax reporting and financial reporting - depreciation methods	717,936	-	103,289	(108,798)	-	-	-	802	-	713,229
Foreign investment income	1,093,323	2,956	165,254	35,788	-	-	-	11,275	3,791	1,312,387
Others	154,393	(407)	29,763	35,767	60,743	(116)	-	100,172	(12,398)	367,917
	<u>\$ 12,205,775</u>	<u>\$ 2,549</u>	<u>\$ 298,306</u>	<u>\$ (37,243)</u>	<u>\$ 60,743</u>	<u>\$ (116)</u>	<u>\$ 74,463</u>	<u>\$ 112,249</u>	<u>\$ (8,607)</u>	<u>\$ 12,708,119</u>

(Continued)



For the Year Ended December 31, 2017

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>						
Temporary differences						
Defined benefit plan and estimated preferential severance pay	\$ 1,118,088	\$ (7,358)	\$ 234,460	\$ -	\$ -	\$ 1,345,190
Unrealized loss on inventories	1,038,741	(115,588)	-	-	(63)	923,090
Provisions	729,422	(55,846)	-	-	-	673,576
Impairment loss on financial assets	126,361	90,915	-	-	-	217,276
Unrealized loss on construction	55,633	232,980	-	-	-	288,613
Difference between tax reporting and financial reporting - revenue recognition	163,449	(44,655)	-	-	-	118,794
Unrealized gain on the transactions with subsidiaries and associates	194,359	(18,605)	-	-	-	175,754
Unrealized settlement loss on foreign exchange forward for hedging	85,239	(13,520)	-	-	-	71,719
Foreign investment loss	519,409	94,772	-	-	-	614,181
Others	<u>947,835</u>	<u>293,434</u>	<u>77,387</u>	<u>-</u>	<u>7,950</u>	<u>1,326,606</u>
	4,978,536	456,529	311,847	-	7,887	5,754,799
Loss carryforwards	384,781	51,525	-	-	(702)	435,604
Investment credits	<u>9,664</u>	<u>(7,287)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,377</u>
	<u>\$ 5,372,981</u>	<u>\$ 500,767</u>	<u>\$ 311,847</u>	<u>\$ -</u>	<u>\$ 7,185</u>	<u>\$ 6,192,780</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Land value increment tax	\$ 10,240,123	\$ -	\$ -	\$ -	\$ -	\$ 10,240,123
Difference between tax reporting and financial reporting - depreciation methods	808,075	(93,121)	-	-	2,982	717,936
Foreign investment income	972,942	119,520	-	-	861	1,093,323
Others	<u>240,149</u>	<u>(73,715)</u>	<u>(11,949)</u>	<u>(92)</u>	<u>-</u>	<u>154,393</u>
	<u>\$ 12,261,289</u>	<u>\$ (47,316)</u>	<u>\$ (11,949)</u>	<u>(\$ 92)</u>	<u>\$ 3,843</u>	<u>\$ 12,205,775</u> (Concluded)

## V. 2018 Standalone Financial Statements

### **INDEPENDENT AUDITORS' REPORT**

China Steel Corporation

#### **Opinion**

We have audited the accompanying standalone financial statements of China Steel Corporation (the Corporation), which comprise the standalone balance sheets as of December 31, 2018 and 2017, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent auditors (refer to the other matter paragraph below), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2018 and 2017, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

As disclosed in Note 3 to the standalone financial statements, the Corporation has applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC starting from 2018. Our opinion is not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2018 are stated as follows:

## Inventory Valuation

As of December 31, 2018, inventories of the Corporation amounted to NT\$50,931,887 thousand, representing 11% of the Corporation's total assets. Due to the drastic fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involved critical accounting estimates, is deemed to be a key audit matter. Refer to Notes 4, 5 and 12 to the Corporation's financial statements for the related accounting policies and disclosures on inventory valuation.

We focused on inventory valuation, and the audit procedures we performed included the following:

1. We evaluated the appropriateness of the approach applied to the inventory valuation.
2. We verified the completeness of inventory included in inventory valuation.
3. We tested the net realizable value of inventory items on a sample basis and evaluated the underlying assumptions and supporting documents, re-performed and calculated the appropriateness of net realizable value and the value written-off.

## Valuation of Financial Assets At Fair Value Through Other Comprehensive Income - Formosa Ha Tinh (Cayman) Limited

As of December 31, 2018, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$29,358,000 thousand, representing 6% of the Corporation's total assets. Such investment is an unlisted investment with no active market. Therefore, the Corporation engaged an appraiser who made an appraisal and issued a valuation report, which was used as the basis for determining the fair value of the investment. Assets of FHC were mainly from its wholly-owned subsidiary, Formosa Ha Tinh Steel Corporation (FHS). The appraiser adopted the market approach to appraise FHS which involved various assumptions and unobservable inputs, including comparable companies, market multiplier, discount for lack of marketability and control premium. As a result, the fair value of the investment in FHC is deemed to be a key audit matter. Refer to Notes 4 and 5 to the Corporation's standalone financial statements for the related accounting policies on valuation of financial assets.

The audit procedures we performed included the following:

1. We assessed the professional qualifications, competence, objectivity and independence of the appraiser hired by the Corporation.
2. We discussed with the management the scope of work performed by the independent appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and we identified no concerns over the appraiser's objectivity or any restriction imposed on the scope of the work.
3. We confirmed the valuation method adopted by the independent appraiser is complied with IFRSs.

We also consulted our internal valuation experts in the assessment of the appropriateness of the appraisal and in verifying the key assumptions and the reasonableness of key inputs, including the comparable companies, market multiplier, discount for lack of marketability and control premium.

## **Other Matter**

Certain investments accounted for using the equity method in the Corporation's standalone financial statements for the year ended December 31, 2017 were based on financial statements audited by other independent auditors. The share of comprehensive income amounted to loss of NT\$875,298 thousand, representing 6% of the Corporation's total comprehensive income, for the year ended December 31, 2017.

## **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the Corporation's financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Corporation audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee-Yuan Kuo and Cheng-Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2019

#### Notice to Readers

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

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

# CHINA STEEL CORPORATION

## STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,619,772	2	\$ 2,923,910	1	Short-term borrowings and bank overdraft (Notes 18, 30 and 31)	\$ 17,328,763	4	\$ 10,722,766	2
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	112,155	-	-	-	Short-term bills payable (Note 18)	-	-	6,296,753	1
Available-for-sale financial assets - current (Notes 4 and 9)	-	-	111,603	-	Derivative financial liabilities for hedging - current (Note 10)	-	-	20,674	-
Derivative financial assets for hedging - current (Note 10)	-	-	44,469	-	Financial liabilities for hedging - current (Note 10)	4,192,300	1	-	-
Financial assets for hedging - current (Note 10)	811,156	-	-	-	Contract liabilities - current (Notes 4 and 24)	1,788,593	-	-	-
Contract assets - current (Notes 4 and 24)	204,993	-	-	-	Accounts payable	7,205,398	1	4,145,456	1
Notes receivable (Notes 4 and 11)	686,507	-	681,901	-	Accounts payable - related parties (Note 30)	2,277,200	-	1,813,858	-
Notes receivable - related parties (Notes 4, 11 and 30)	428,768	-	223,073	-	Other payables (Notes 20 and 30)	18,238,258	4	16,253,268	3
Accounts receivable, net (Notes 4 and 11)	2,872,455	1	2,246,631	1	Current tax liabilities (Note 26)	2,857,677	1	2,103,954	1
Accounts receivable - related parties (Notes 4, 11 and 30)	1,893,989	1	2,526,127	1	Provisions - current (Notes 4 and 21)	4,933,753	1	2,239,559	1
Other receivables	1,356,235	-	805,299	-	Current portion of bonds payable (Note 19)	5,649,340	1	7,698,974	2
Other receivables - loans to related parties (Note 30)	10,794,160	2	7,356,950	2	Current portion of long-term bank borrowings (Note 18)	-	-	9,860,615	2
Inventories (Notes 4, 5 and 12)	50,931,887	11	48,024,231	10	Refund liabilities - current (Notes 20 and 21)	3,040,059	1	-	-
Noncurrent assets held for sale (Notes 4 and 17)	594,606	-	-	-	Other current liabilities	500,564	-	3,910,313	1
Other financial assets - current (Notes 15 and 31)	6,070,843	1	6,869,408	1					
Other current assets	934,428	-	1,889,815	-	Total current liabilities	68,011,905	14	65,066,190	14
Total current assets	85,311,954	18	73,703,417	16	<b>NONCURRENT LIABILITIES</b>				
<b>NONCURRENT ASSETS</b>					Derivative financial liabilities for hedging - noncurrent (Note 10)	-	-	8,112	-
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,651,808	-	-	-	Financial liabilities for hedging - noncurrent (Note 10)	4,350,730	1	-	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	46,868,501	10	-	-	Bonds payable (Note 19)	72,304,214	15	59,967,190	13
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 9)	-	-	16,418,690	3	Long-term bank borrowings (Note 18)	-	-	20,653,020	5
Derivative financial assets for hedging - noncurrent (Note 10)	-	-	12,583	-	Long-term bills payable (Note 18)	5,897,729	1	5,899,102	1
Financial assets for hedging - noncurrent (Note 10)	767	-	-	-	Deferred tax liabilities (Notes 4 and 26)	10,722,181	2	10,715,281	2
Debt investments with no active market - noncurrent (Notes 4 and 13)	-	-	1,761,421	-	Net defined benefit liabilities (Notes 4 and 22)	6,887,381	2	6,048,974	1
Investments accounted for using equity method (Notes 4 and 14)	180,223,533	38	207,523,641	44	Other noncurrent liabilities	-	-	59,580	-
Property, plant and equipment (Notes 4, 16 and 30)	155,897,997	32	162,042,223	34	Total noncurrent liabilities	100,162,235	21	103,351,259	22
Investment properties (Notes 4 and 17)	6,532,164	1	7,129,792	2					
Intangible assets	34,847	-	44,810	-	Total liabilities	168,174,140	35	168,417,449	36
Deferred tax assets (Notes 4 and 26)	4,500,087	1	3,371,609	1	<b>EQUITY (Notes 4 and 23)</b>				
Refundable deposits	60,519	-	100,092	-	Share capital				
Other financial assets - noncurrent (Note 15)	-	-	319,234	-	Ordinary shares	157,348,610	33	157,348,610	33
Total noncurrent assets	395,770,223	82	398,724,095	84	Preference shares	382,680	-	382,680	-
					Total share capital	157,731,290	33	157,731,290	33
					Capital surplus	38,545,884	8	38,211,082	8
					Retained earnings				
					Legal reserve	63,228,774	13	61,538,216	13
					Special reserve	27,649,488	6	27,655,869	6
					Unappropriated earnings	31,804,134	6	20,033,060	4
					Total retained earnings	122,682,396	25	109,227,145	23
					Other equity	2,595,167	1	7,372,935	2
					Treasury shares	(8,646,700)	(2)	(8,532,389)	(2)
					Total equity	312,908,037	65	304,010,063	64
<b>TOTAL</b>	<b>\$ 481,082,177</b>	<b>100</b>	<b>\$ 472,427,512</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 481,082,177</b>	<b>100</b>	<b>\$ 472,427,512</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 25, 2019)

# CHINA STEEL CORPORATION

## STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24 and 30)	\$ 235,403,151	100	\$ 207,098,630	100
OPERATING COSTS (Notes 12 and 30)	<u>210,430,943</u>	<u>89</u>	<u>187,568,805</u>	<u>90</u>
GROSS PROFIT	24,972,208	11	19,529,825	10
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(63,751)</u>	<u>-</u>	<u>147,162</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>24,908,457</u>	<u>11</u>	<u>19,676,987</u>	<u>10</u>
OPERATING EXPENSES				
Selling and marketing expenses	3,093,162	1	2,836,946	1
General and administrative expenses	3,715,086	2	3,544,812	2
Research and development expenses	<u>1,783,578</u>	<u>1</u>	<u>1,720,185</u>	<u>1</u>
Total operating expenses	<u>8,591,826</u>	<u>4</u>	<u>8,101,943</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>16,316,631</u>	<u>7</u>	<u>11,575,044</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 30)	1,587,435	1	1,383,476	1
Other gains and losses (Notes 25 and 30)	(61,193)	-	268,918	-
Finance costs (Notes 25 and 30)	(1,652,214)	(1)	(1,919,054)	(1)
Share of profit of subsidiaries and associates	<u>10,206,731</u>	<u>5</u>	<u>7,212,280</u>	<u>3</u>
Total non-operating income and expenses	<u>10,080,759</u>	<u>5</u>	<u>6,945,620</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	26,397,390	12	18,520,664	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,943,238</u>	<u>1</u>	<u>1,615,076</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>24,454,152</u>	<u>11</u>	<u>16,905,588</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(757,319)	-	(1,179,124)	-

(Continued)

# CHINA STEEL CORPORATION

## STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ (1,154,367)	(1)	\$ -	-
Gains and losses on hedging instruments	(117,906)	-	-	-
Share of the other comprehensive income of subsidiaries and associates	432,420	-	(188,829)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	158,592	-	200,451	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	92,177	-	(1,726,614)	(1)
Unrealized gains and losses on available-for-sale financial assets	-	-	895,527	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	-	-	(30,552)	-
Gains and losses on hedging instruments	(207,788)	-	-	-
Share of the other comprehensive income of subsidiaries and associates	104,052	-	(451,326)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	-	-	5,194	-
Other comprehensive income (loss) for the year, net of income tax	<u>(1,450,139)</u>	<u>(1)</u>	<u>(2,475,273)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 23,004,013</u>	<u>10</u>	<u>\$ 14,430,315</u>	<u>7</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 1.58</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 1.57</u>		<u>\$ 1.09</u>	

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)



# CHINA STEEL CORPORATION

## STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Share Capital			Retained Earnings			Other Equity						Treasury Shares	Total Equity
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-For-Sale Financial Assets	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Gains and Losses on Hedging Instruments	Total Other Equity		
	BALANCE AT JANUARY 1, 2017	\$ 157,348,610	\$ 382,680	\$ 37,807,466	\$ 59,934,379	\$ 29,786,846	\$ 17,196,041	\$ (32,048)	\$ 8,650,573	\$ -	\$ 62,181	\$ -		
Appropriation of 2016 earnings (Note 23)														
Legal reserve	-	-	-	1,603,837	-	(1,603,837)	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(2,130,614)	2,130,614	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.85 per share	-	-	-	-	-	(13,374,632)	-	-	-	-	-	-	-	(13,374,632)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(363)	363	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	16,905,588	-	-	-	-	-	-	-	16,905,588
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(1,167,502)	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	(2,475,273)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	15,738,086	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	14,430,315
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(19,595)	(19,595)
Disposal of the Corporation's shares held by subsidiaries	-	-	28,066	-	-	-	-	-	-	-	-	-	64,048	92,114
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	267,245	-	-	-	-	-	-	-	-	-	-	267,245
Adjustment from changes in equity of subsidiaries and associates	-	-	108,305	-	-	-	-	-	-	-	-	-	-	108,305
BALANCE AT DECEMBER 31, 2017	157,348,610	382,680	38,211,082	61,538,216	27,655,869	20,033,060	(2,110,593)	9,614,863	-	(131,335)	-	7,372,935	(8,532,389)	304,010,063
Effect of retrospective application (Note 3)	-	-	-	-	-	3,842,218	(4,005,260)	(9,614,863)	5,251,741	131,335	3,972,776	(4,264,271)	-	(422,053)
Balance after adjustments at January 1, 2018	157,348,610	382,680	38,211,082	61,538,216	27,655,869	23,875,278	(6,115,853)	-	5,251,741	-	3,972,776	3,108,664	(8,532,389)	303,588,010
Appropriation of 2017 earnings (Note 23)														
Legal reserve	-	-	-	1,690,558	-	(1,690,558)	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(5,992)	5,992	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.88 per share	-	-	-	-	-	(13,846,677)	-	-	-	-	-	-	-	(13,846,677)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(389)	389	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	24,454,152	-	-	-	-	-	-	-	24,454,152
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(826,559)	196,229	-	(950,911)	-	131,102	(623,580)	-	(1,450,139)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	23,627,593	196,229	-	(950,911)	-	131,102	(623,580)	-	23,004,013
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(115,054)	(115,054)
Disposal of the Corporation's shares held by subsidiaries	-	-	262	-	-	-	-	-	-	-	-	-	378	640
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	281,424	-	-	-	-	-	-	-	-	-	-	281,424
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(110,083)	-	-	110,083	-	-	110,083	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	53,116	-	-	(4,225)	-	-	-	-	-	-	365	49,256
BALANCE AT DECEMBER 31, 2018	\$ 157,348,610	\$ 382,680	\$ 38,545,884	\$ 63,228,774	\$ 27,649,488	\$ 31,804,134	\$ (5,919,624)	\$ -	\$ 4,410,913	\$ -	\$ 4,103,878	\$ 2,595,167	\$ (8,646,700)	\$ 312,908,037

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

(With Deloitte & Touche audit report dated March 25, 2019)

# CHINA STEEL CORPORATION

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 26,397,390	\$ 18,520,664
Adjustments for:		
Depreciation	17,609,689	17,394,877
Amortization	9,963	9,975
Net gain on financial assets at fair value through profit or loss	(3,802)	-
Finance costs	1,652,214	1,919,054
Interest income	(197,865)	(146,636)
Dividend income	(363,401)	(335,909)
Share of profit of subsidiaries and associates	(10,206,731)	(7,212,280)
Loss on disposal of property, plant and equipment	51,676	9,721
Gain on disposal of investments	-	(771,464)
Impairment loss recognized on financial assets	-	532,792
Impairment loss recognized on nonfinancial assets	-	40,311
Write-down (reversal of) inventories	42,812	(551,871)
Unrealized (realized) gain on the transactions with subsidiaries and associates	63,751	(147,162)
Recognition of provisions	1,783,317	774,194
Others	(154,575)	49,800
Changes in operating assets and liabilities		
Financial assets for hedging	118,500	-
Contract assets	(137,438)	-
Notes receivable	(4,606)	(209,708)
Notes receivable - related parties	(205,695)	101,384
Accounts receivable	(625,824)	(988,974)
Accounts receivable - related parties	632,138	(710,728)
Other receivables	(543,113)	321,472
Inventories	(2,790,464)	(4,988,766)
Other current assets	955,387	(1,071,405)
Contract liabilities	(814,399)	-
Accounts payable	3,059,942	3,396
Accounts payable - related parties	463,342	844,470
Other payables	3,277,721	1,377,976
Provisions	-	(939,437)
Other current liabilities	46,449	584,464
Net defined benefit liabilities	81,088	84,024
Refund liabilities	1,215,587	-
Cash generated from operations	<u>41,413,053</u>	<u>24,494,234</u>
Income taxes paid	<u>(2,369,887)</u>	<u>(1,355,517)</u>
Net cash generated from operating activities	<u>39,043,166</u>	<u>23,138,717</u>

(Continued)

# CHINA STEEL CORPORATION

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (15,000)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	16	-
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	107,527	-
Proceeds from disposal of available-for-sale financial assets	-	841,250
Proceeds from the capital reduction on available-for-sale financial assets	-	1,284
Acquisition of financial liabilities for hedging	3,642,472	-
Derecognition of financial liabilities for hedging	(18,406,432)	-
Acquisition of investments accounted for using equity method	(826,000)	(779,498)
Proceeds from the capital reduction on investments accounted for using equity method	1,529,916	-
Acquisition of property, plant and equipment	(10,914,218)	(11,701,039)
Proceeds from disposal of property, plant and equipment	-	419
Decrease (increase) in refundable deposits	39,573	(44,404)
Increase in other receivables - loans to related parties	(3,437,210)	(145,141)
Decrease in other financial assets	198,391	466,929
Interest received	190,042	144,903
Dividends received from subsidiaries and associates	5,859,772	4,963,105
Other dividends received	<u>363,401</u>	<u>350,463</u>
Net cash used in investing activities	<u>(21,667,750)</u>	<u>(5,901,729)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	21,006,626	17,971,900
Repayments of short-term borrowings	(17,508,172)	(16,590,000)
Proceeds from short-term bills payable	80,103,247	122,646,753
Repayments of short-term bills payable	(86,400,000)	(116,350,000)
Issuance of bonds payable	18,000,000	-
Repayments of bonds payable	(7,700,000)	(5,200,000)
Repayments of long-term bank borrowings	(7,598,710)	(4,242,113)
Dividends paid	(13,892,306)	(13,428,207)
Interest paid	<u>(1,797,782)</u>	<u>(2,088,514)</u>
Net cash used in financing activities	<u>(15,787,097)</u>	<u>(17,280,181)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,588,319</b>	<b>(43,193)</b>

(Continued)

# CHINA STEEL CORPORATION

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

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	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	\$ <u>829,222</u>	\$ <u>872,415</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>2,417,541</u>	\$ <u>829,222</u>
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2018 and 2017:		
Cash and cash equivalents in the standalone balance sheets	\$ 7,619,772	\$ 2,923,910
Bank overdraft	<u>(5,202,231)</u>	<u>(2,094,688)</u>
Cash and cash equivalents in the standalone statements of cash flows	\$ <u>2,417,541</u>	\$ <u>829,222</u>

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)

# CHINA STEEL CORPORATION

## NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

China Steel Corporation (the Corporation) was incorporated on December 3, 1971. It manufactures and sells steel products and engages in mechanical, communications, and electrical engineering.

The shares of the Corporation have been listed on the Taiwan Stock Exchange since December 1974. As of December 31, 2018, the Ministry of Economic Affairs (MOEA), Republic of China owned 20.05% of the Corporation's issued ordinary shares.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the board of directors and authorized for issue on March 25, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation's accounting policies:

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the other requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

#### Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Corporation has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		IAS 39	IFRS 9	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
	IAS 39	IFRS 9				
<b>Financial Assets</b>						
Cash and cash equivalents	Loans and receivables	Amortized cost				
Derivative financial instruments	Derivative financial assets for hedging	Financial assets for hedging				
Equity investment	Available-for-sale	Designated as at fair value through other comprehensive income (FVTOCI) - financial assets				
Notes and accounts receivable (including related parties) and other receivables (including loans to related parties)	Loans and receivables	Amortized cost				
Debt investments with no active market	Loans and receivables	Mandatorily at fair value through profit or loss (FVTPL)				
Pledged time deposits	Loans and receivables	Amortized cost				
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost				
Hedging foreign-currency deposits	Loans and receivables	Financial assets for hedging				
Refundable deposits	Loans and receivables	Amortized cost				
Deposits for projects	Loans and receivables	Amortized cost				
<b>Financial Liabilities</b>						
Derivative financial instruments	Derivative financial liabilities for hedging	Financial liabilities for hedging				
Short-term borrowings and bank overdraft	Amortized cost	Amortized cost				
Short-term bills payable	Amortized cost	Amortized cost				
Accounts payable (including related parties)	Amortized cost	Amortized cost				
Other payables	Amortized cost	Amortized cost				
Bonds payable	Amortized cost	Amortized cost				
Long-term bank borrowings	Amortized cost	Financial liabilities for hedging				
Long-term bills payable	Amortized cost	Amortized cost				
Deposits received	Amortized cost	Amortized cost				
	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018		
Fair value through profit or loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From loans and receivables (IAS 39)						
Mandatorily at FVTPL as of January 1, 2018	-	1,761,421	(205,353)	1,556,068	(205,353)	-
	-	1,761,421	(205,353)	1,556,068	(205,353)	-
FVTOCI - equity instrument	-	-	-	-	-	-
From available for sale (IAS 39)	-	16,530,293	-	16,530,293	4,117,536	(4,117,536)
	-	16,530,293	-	16,530,293	4,117,536	(4,117,536)

(Continued)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi - cations	Remea - surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
Amortized cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From loans and receivables (IAS 39)	-	23,133,217	-	23,133,217	-	-
	-	23,133,217	-	23,133,217	-	-
	\$ -	\$ 41,424,931	\$ (205,353)	\$ 41,219,578	\$ 3,912,183	\$ (4,117,536)

(Concluded)

The impact on assets, liabilities and equity when retrospectively applying IFRS 9 on January 1, 2018 is detailed below:

	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application of IFRS 9	IFRS 9 Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through other comprehensive income - current	\$ -	\$ 111,603	\$ 111,603
Available-for-sale financial assets - current	111,603	(111,603)	-
Derivative financial assets for hedging - current	44,469	(44,469)	-
Financial assets for hedging - current	-	963,877	963,877
Other financial assets - current	6,869,408	(919,408)	5,950,000
Financial assets at fair value through profit or loss - noncurrent	-	1,556,068	1,556,068
Financial assets at fair value through other comprehensive income - noncurrent	-	16,418,690	16,418,690
Available-for-sale financial assets - noncurrent	16,418,690	(16,418,690)	-
Derivative financial assets for hedging - noncurrent	12,583	(12,583)	-
Financial assets for hedging - noncurrent	-	12,583	12,583
Debt investments with no active market - noncurrent	1,761,421	(1,761,421)	-
Investments accounted for using equity method	207,523,641	686	207,524,327
Deferred tax assets	<u>3,371,609</u>	<u>(217,793)</u>	<u>3,153,816</u>
Total effect on assets	<u>\$ 236,113,424</u>	<u>\$ (422,460)</u>	<u>\$ 235,690,964</u>
Derivative financial liabilities for hedging - current	\$ 20,674	\$ (20,674)	\$ -
Financial liabilities for hedging - current	-	9,881,289	9,881,289
Current portion of long-term bank borrowings	9,860,615	(9,860,615)	-
Derivative financial liabilities for hedging - noncurrent	8,112	(8,112)	-

(Continued)

	<b>IAS 39 Carrying Amount as of January 1, 2018</b>	<b>Adjustments Arising from Initial Application of IFRS 9</b>	<b>IFRS 9 Carrying Amount as of January 1, 2018</b>
Financial liabilities for hedging - noncurrent	\$ -	\$ 20,661,132	\$ 20,661,132
Long-term bank borrowings	20,653,020	(20,653,020)	-
Deferred tax liabilities	<u>10,715,281</u>	<u>(407)</u>	<u>10,714,874</u>
Total effect on liabilities	<u>\$ 41,257,702</u>	<u>\$ (407)</u>	<u>\$ 41,257,295</u>
Retained earnings	\$ 109,227,145	\$ 3,842,218	\$ 113,069,363
Exchange differences on translating foreign operations	(2,110,593)	(4,005,260)	(6,115,853)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	5,251,741	5,251,741
Unrealized gains and losses on available-for-sale financial assets	9,614,863	(9,614,863)	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(131,335)	131,335	-
Gains and losses on hedging instruments	<u>-</u>	<u>3,972,776</u>	<u>3,972,776</u>
Total effect on equity	<u>\$ 116,600,080</u>	<u>\$ (422,053)</u>	<u>\$ 116,178,027</u> (Concluded)

Explanations for the main adjustments are as follows:

- a) The Corporation elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gains and losses on available-for-sale financial assets of NT\$9,614,863 thousand was reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.
- b) The Corporation recognized impairment loss on certain investments in equity securities previously classified as available-for-sale under IAS 39. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of NT\$4,117,536 thousand in other equity - unrealized gains and losses on financial assets at FVTOCI and an increase of NT\$4,117,536 thousand in retained earnings on January 1, 2018.
- c) Hedges of net investments in foreign operations included in other equity - exchange differences on translating the financial statements of foreign operations of NT\$4,005,260 thousand under IAS 39 was reclassified to other equity - gains and losses on hedging instruments under IFRS 9.

#### Hedge accounting

Due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging from January 1, 2018.



The impact on assets, liabilities and equity in the current year of the initial application of the treatment of hedging accounting in IFRS 9 is not material.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies.

The Corporation elected to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

	<b>IAS 11 and IAS 18 Carrying Amount as of January 1, 2018</b>	<b>Adjustments Arising from Initial Application of IFRS 15</b>	<b>IFRS 15 Carrying Amount as of January 1, 2018</b>
Impact on asset - contract assets - current	\$ <u>-</u>	\$ <u>67,555</u>	\$ <u>67,555</u>
Contract liabilities - current	\$ -	\$ 2,543,412	\$ 2,543,412
Other payables	16,253,268	(1,755,008)	14,498,260
Provisions - current	2,239,559	910,877	3,150,436
Refund liabilities - current	-	1,824,472	1,824,472
Other current liabilities	3,910,313	(3,456,198)	454,115
Contract liabilities - noncurrent	-	59,580	59,580
Other noncurrent liabilities	<u>59,580</u>	<u>(59,580)</u>	<u>-</u>
Impact on liabilities	<u>\$ 22,462,720</u>	<u>\$ 67,555</u>	<u>\$ 22,530,275</u>

If the Corporation continues to adopt IAS 11/IAS 18 in 2018, the impact on the current year of the application of IFRS 15 is detailed below:

Impact on assets, liabilities and equity for current year

	<b>December 31, 2018</b>
Decrease in contract assets - current	\$ (204,993)
Increase in amounts due from customers for construction contracts	<u>-</u>
Decrease in assets	<u>\$ (204,993)</u>
Decrease in contract liabilities - current	\$ (1,788,593)
Increase in amounts due to customers for construction contracts	2,865,550
Increase in other payables	2,765,525
Decrease in provisions - current	(2,155,160)
Increase in other current liabilities	1,147,744
Decrease in refund liabilities - current	<u>(3,040,059)</u>
Decrease in liabilities	<u>\$ (204,993)</u>

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

#### 1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for identifying lease agreements and the accounting of lessor and lessee, and will supersede IAS 17 “Lease”, IFRIC 4 “Determining whether an Arrangement Contains a Lease” and a number of related interpretations.

##### Definition of a lease

Upon initial application of IFRS 16, the Corporation will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

##### The Corporation as lessee

Upon initial application of IFRS 16, the Corporation will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the standalone balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the standalone statements of comprehensive income, the Corporation will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the standalone statements of cash flows, cash payments for the principal and interest portion of lease liabilities will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the standalone statements of cash flows. Leased assets and lease payables are recognized for contracts classified as finance leases.

The Corporation anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the rate the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at either an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Corporation will apply IAS 36 to all right-of-use assets.

The Corporation expects to apply the following practical expedients:

- a) The Corporation will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Corporation will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Corporation will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Corporation will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Corporation as lessor

The Corporation will not make any adjustments for leases in which it is a lessor in transitional period and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Except for the adjustments arising from initial application mentioned below, the accounting of the Corporation as lessor and lessee is not expected to have a material impact.

Anticipated impact on assets, liabilities and equity

	<b>December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>January 1, 2019</b>
Right - of - use assets	\$ -	\$ 1,603,338	\$ 1,603,338
Total effect on assets	<u>\$ -</u>	<u>\$ 1,603,338</u>	<u>\$ 1,603,338</u>
Lease liabilities - current	\$ -	\$ 306,672	\$ 306,672
Lease liabilities - noncurrent	<u>-</u>	<u>1,296,666</u>	<u>1,296,666</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 1,603,338</u>	<u>\$ 1,603,338</u>

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will

accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the accounting of the Corporation is not expected to have a material impact.

Except for the above impact, as of the date the standalone financial statements were authorized for issue, the Corporation assessed that there would be no material impact of the initial application of other standards and the amendments to interpretations on its financial position and results of operations.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note2: The Corporation shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note3: The Corporation shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

For readers’ convenience, the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail. However, the accompanying standalone financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

The subsidiaries and associates are incorporated in the standalone financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the standalone financial statements equal to those attributed to owners of the Corporation on consolidated financial statements, the effect of the differences between basis of standalone and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and associates and related equity.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

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

Current liabilities include:

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

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Foreign currencies

In preparing the standalone financial statements of the Corporation, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are recognized in profit or loss for the period except for exchange difference arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting standalone financial statements, the investments of the Corporation's foreign operations (including subsidiaries and associates operating in other countries or using currencies different from the Corporation's) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Corporation. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing of control over the subsidiary are accounted for as equity transaction. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

g. Investment in associates

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

The Corporation uses equity method to account for investment in associates. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the share of equity of associates.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporations' share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

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

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

When the Corporation ceases to have significant influence over the associate, the Corporation will measure the retained investment at fair value at that date. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Corporation transacts with its associates, profits or losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associate that are not related to the Corporation.

#### h. Property, Plant, and Equipment

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

Property, plant, and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Except that depreciation of the rollers (spare parts) is calculated based on their level of wear, other depreciation is recognized using the straight-line method. Each significant component is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

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

#### i. Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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



j. Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

k. Noncurrent assets held for sale

Noncurrent assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, equity instruments at FVTOCI, and financial assets at amortized cost.

i Financial assets at FVTPL

Financial assets classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

ii Investments in equity instruments at FVTOCI

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

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

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

iii Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost, net (including related parties), other receivables (including loans to related parties), refundable deposits and other financial assets) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

## 2017

Financial assets held by the Corporation include available-for-sale financial assets and loans and receivables.

### i Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity investments are recognized when the Corporation's right to receive the dividends is established.

### ii Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net (including related parties), other receivables (including loans to related parties), debt investments with no active market, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

### b) Impairment of financial assets and contract assets

## 2018

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Corporation always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivables, and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

that will result from all possible default events over the expected life of a financial instrument.

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

## 2017

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, higher probability that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

### c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

## 3) Financial liabilities

### a) Subsequent measurement

Except for the following situation, financial liabilities are measured at amortized cost using the effective interest method:

#### Financial guarantee contracts

##### i 2018

Financial guarantee contracts issued by the Corporation, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses and amortized cost.

##### ii 2017

Financial guarantee contracts issued by the Corporation are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at amortized cost. However, if it is probable to pay the amount of the contract obligation, they are subsequently measured at the higher of the best estimate of the obligation under the contract and amortization cost.

### b) Derecognition of financial liabilities

The Corporation derecognizes financial liabilities only when the obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### 4) Derivative financial instruments

The Corporation enters the derivative financial instruments and foreign exchange forward contracts, to manage its exposure to foreign exchange rate risks.

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

#### 5) Hedge Accounting

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

##### a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2017, hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when the hedging instrument no longer meets the criteria for hedge accounting. Starting from 2018, the Corporation discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

##### b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized in profit or loss.

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

Before 2017, hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when the hedging instrument no longer meets the criteria for hedge accounting.

Starting from 2018, the Corporation discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

c) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve in and before 2017. From 2018, it is recognized in gains and losses on hedging instruments. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Treasury Shares

Share of the Corporation held by the subsidiaries are reclassified to treasury shares from investments accounted for using equity method at the acquisition cost.

o. Revenue Recognition

Contracts applicable to IFRS 15 starting from 2018

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

1) Revenue from sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Corporation to customers to satisfy performance obligations, as follows: domestic sales - when products are moved out of the Corporation premises for delivery to customers; exports - when products are loaded onto vessels. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation with customers. Estimated discount or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Corporation transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for any effect of a significant financing component.

## 2) Construction contract revenue

As property is being constructed and construction is in progress, the Corporation recognizes revenue from construction contract over time. The Corporation measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligation. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payments exceed the revenue recognized to date, then the Corporation recognizes a contract liability for the difference.

### Contracts prior to 2018 without retrospective application of IFRS 15

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

#### 1) Sale of goods

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers as follows: domestic sales - when products are move out of the Corporation's premises for delivery to customers; exports - when products are loaded onto vessels. Revenues are recognized because the earning process is accomplished and revenue is realized or realizable.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation with customers. But if the related receivable is due within one year, the difference between its present value and undiscounted amount is immaterial, and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

#### 2) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services. If a service contract is estimated to bear a loss prior to completion, the Corporation recognizes the full amount of the loss immediately. However, if the loss is estimated to be smaller in future years, the difference is reversed and recognized as a gain in the year of determination.

#### p. Borrowing Costs

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

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

Other than those stated above, all borrowing costs are recognized in profit or loss in the year in which they are incurred.

#### q. Employee benefits

##### 1) Short-term employee benefits

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



## 2) Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## 3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

## 4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognizes any related restructuring costs.

## r. Taxation

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

### 1) Current tax

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

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

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3) Current and deferred tax for the year

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

4) According to Income Tax Law and related regulations, the Corporation files a consolidated tax return with its 100% owned subsidiary. The appropriation of the income tax relating to the subsidiary is recognized as other receivables or other payables.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

a. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

b. Fair value of emerging market shares and unlisted equity securities

As described in Note 29, the Corporation applied valuation techniques commonly used by market practitioners to evaluate fair value of the financial instruments that do not have listed market price in an

active market. The measurement for the fair value of emerging market shares and equity securities includes assumptions not based on observable market prices or interest rates; therefore, unlisted fair value may change significantly.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 18,824	\$ 18,698
Checking accounts and demand deposits	2,600,948	1,613,494
Cash equivalents (investments with original maturities less than three months)		
Time deposits	5,000,000	-
Commercial papers with repurchase agreements	-	914,418
Bonds with repurchase agreements	-	377,300
	<u>\$ 7,619,772</u>	<u>\$ 2,923,910</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31, 2018</b>
<u>Noncurrent</u>	
Unlisted preference shares - overseas	
East Asia United Steel Corporation (EAUS) - preference A	<u>\$ 1,651,808</u>

Above investments were classified as debt investments with no active market under IAS 39 (Note 13). However, under IFRS 9, they were classified mandatorily as at FVTPL.

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

	<b>December 31, 2018</b>
<u>Current</u>	
Domestic investments	
Listed shares	<u>\$ 112,155</u>
<u>Noncurrent</u>	
Domestic investments	
Listed shares	\$ 10,356,678
Unlisted shares	845,486
	<u>11,202,164</u>

(Continued)

	<b>December 31, 2018</b>
Foreign investments	
Listed shares	\$ 2,171,073
Unlisted shares	<u>33,495,264</u>
	<u>35,666,337</u>
	<u>\$ 46,868,501</u>
	(Concluded)

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 9 for information relating to reclassification and comparative information for 2017.

Dividends of NT\$363,401 thousand were recognized for the year ended December 31, 2018, all of which was related to investments still held as of December 31, 2018.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December, 31 2017</b>
<u>Current</u>	
Domestic investments	
Listed shares	<u>\$ 111,603</u>
<u>Noncurrent</u>	
Domestic investments	
Listed shares	\$ 8,886,307
Emerging market shares and unlisted shares	<u>821,594</u>
	<u>9,707,901</u>
Foreign investments	
Listed shares	2,112,543
Unlisted shares	<u>4,598,246</u>
	<u>6,710,789</u>
	<u>\$ 16,418,690</u>

## 10. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2018	December 31, 2017
<hr/> <u>Financial assets for hedging - current</u> <hr/>		
Foreign exchange forward contracts	\$ 7,162	\$ -
Hedging foreign-currency deposits (Note 15)	<u>803,994</u>	<u>-</u>
	<u>\$ 811,156</u>	<u>\$ -</u>
<hr/> <u>Financial assets for hedging - noncurrent</u> <hr/>		
Foreign exchange forward contracts	<u>\$ 767</u>	<u>\$ -</u>
<hr/> <u>Financial liabilities for hedging - current</u> <hr/>		
Foreign exchange forward contracts	\$ 15,191	\$ -
Bank loans (Note 18)	<u>4,177,109</u>	<u>-</u>
	<u>\$ 4,192,300</u>	<u>\$ -</u>
<hr/> <u>Financial liabilities for hedging - noncurrent</u> <hr/>		
Foreign exchange forward contracts	\$ 2,168	\$ -
Bank loans (Note 18)	<u>4,348,562</u>	<u>-</u>
	<u>\$ 4,350,730</u>	<u>\$ -</u>
<hr/> <u>Derivative financial assets for hedging - current</u> <hr/>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 44,469</u>
<hr/> <u>Derivative financial assets for hedging - noncurrent</u> <hr/>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 12,583</u>
<hr/> <u>Derivative financial liabilities for hedging - current</u> <hr/>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 20,674</u>
<hr/> <u>Derivative financial liabilities for hedging - noncurrent</u> <hr/>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 8,112</u>

Refer to Note 29 for information relating to financial instruments for hedging.

## 11. NOTES AND ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Notes receivable		
Operating	\$ 1,115,275	\$ 904,974
Non-operating	<u>-</u>	<u>-</u>
	1,115,275	904,974
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,115,275</u>	<u>\$ 904,974</u>
Accounts receivable	\$ 4,766,444	\$ 4,772,758
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 4,766,444</u>	<u>\$ 4,772,758</u>

### For the year ended December 31, 2018

The Corporation makes prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. The Corporation did transactions with a large number of unrelated customers and no concentration of credit risk was observed. The Corporation continues to manage the financial condition and entire credit risk of their customers, and obtain sufficient collateral if needed to mitigate the risk of financial loss from late payment.

The expected credit losses on notes and accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast GDP and direction of economic conditions at the reporting date.

The Corporation continues to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Corporation reviews the recoverable amount of receivables one by one on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The following table details the loss allowance of notes and accounts receivable based on the impaired aging analysis.

### December 31, 2018

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 365 Days</b>	<b>Total</b>
Gross carrying amount	\$ 5,739,242	\$ 142,477	\$ -	\$ -	\$ 5,881,719
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 5,739,242</u>	<u>\$ 142,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,881,719</u>

### For the year ended December 31, 2017

The Corporation has the same credit policy in 2017 and 2018.

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. In determining the recoverability of notes and accounts receivable, the Corporation considered any change in the credit quality of the notes and accounts receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable

not collected after executing legal procedures, the Corporation will recognize 100% allowance for doubtful accounts.

The Corporation had not recognized an allowance for some notes and accounts receivable that are past due at the end of the reporting period because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancement for these balances.

The aging of notes and accounts receivable was as follows (the past due notes and accounts receivable were unimpaired):

	<b>December 31, 2017</b>
Not past due	\$ 5,535,818
1-30 days	141,914
31-60 days	-
61-365 days	-
	<u>\$ 5,677,732</u>

Above analysis of notes and accounts receivable was based on the past due days from end of credit term.

The Corporation entered into accounts receivable factoring agreements (without recourse) with Mega Bank, Bank of Taiwan, Taishin Bank, Chinatrust Commercial Bank (CTBC Bank) and Mizuho Bank. Under the agreements, the Corporation is empowered to sell accounts receivable to the banks upon the delivery of products to customers and is required to complete related formalities at the next banking day.

The related information for the Corporation's sale of accounts receivable was as follows:

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Annual Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2018						
Mega Bank	\$ 3,946,637	\$ 10,988,135	\$ 10,625,300	\$ 4,309,472	1.05-1.68	NT\$9 billion
Bank of Taiwan	1,473,874	4,194,030	4,085,875	1,582,029	1.05-1.68	NT\$3 billion
Bank of Taiwan	649,515	5,843,018	6,000,810	491,723	0.55-3.47	USD130,000 thousand
Taishin Bank	1,626,213	9,471,752	7,756,173	3,341,792	2.00-3.00	USD120,000 thousand
CTBC Bank	677,245	3,143,818	2,774,972	1,046,091	2.00-3.47	USD40,000 thousand
Mizuho Bank	-	202,522	189,150	13,372	2.19-2.92	USD10,000 thousand
	<u>\$ 8,373,484</u>	<u>\$ 33,843,275</u>	<u>\$ 31,432,280</u>	<u>\$ 10,784,479</u>		
For the Year Ended December 31, 2017						
Mega Bank	\$ 3,407,655	\$ 10,454,377	\$ 9,915,395	\$ 3,946,637	1.02-1.68	NT\$9 billion
Bank of Taiwan	1,305,411	4,022,227	3,853,764	1,473,874	1.02-1.68	NT\$3 billion
Bank of Taiwan	658,609	5,912,848	5,921,942	649,515	1.84-2.49	USD130,000 thousand
Taishin Bank	1,944,923	7,724,850	8,043,560	1,626,213	1.59-2.00	USD123,000 thousand
CTBC Bank	552,811	2,567,555	2,443,121	677,245	1.59-2.02	USD40,000 thousand
	<u>\$ 7,869,409</u>	<u>\$ 30,681,857</u>	<u>\$ 30,177,782</u>	<u>\$ 8,373,484</u>		

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Finished goods	\$ 11,501,847	\$ 12,097,386
Work in progress	17,171,433	16,280,300
Raw materials	8,481,807	8,914,391
Supplies	3,995,010	3,636,407
Raw materials and supplies in transit	9,668,574	6,981,833
By-products	<u>113,216</u>	<u>113,914</u>
	<u>\$ 50,931,887</u>	<u>\$ 48,024,231</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was NT\$203,825,079 thousand and NT\$181,850,825 thousand, respectively, including loss on inventory value decline of NT\$42,812 thousand and reversal of inventories NT\$551,871 thousand, respectively.

## 13. DEBT INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	<b>December 31, 2017</b>
Unlisted preference shares - overseas	
East Asia United Steel Corporation (EAUS) - Preference A	<u>\$ 1,761,421</u>

In July 2003, the Corporation and Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation established the joint venture company EAUS in Japan. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation also signed a long-term purchase agreement with EAUS and promised to purchase certain amount of slabs annually. In 2015, the Corporation sold 3,333 shares of preference A of EAUS to Nippon Steel & Sumitomo Metal Corp.

## 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Investments in subsidiaries	\$ 177,001,964	\$ 204,006,310
Investments in associates	<u>3,221,569</u>	<u>3,517,331</u>
	<u>\$ 180,223,533</u>	<u>\$ 207,523,641</u>



a. Investments in subsidiaries

	<b>December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>% of Owner - ship</b>	<b>Amount</b>	<b>% of Owner - ship</b>
<b>Listed companies</b>				
Chung Hung Steel Corporation (CHS)	\$ 6,083,601	41	\$ 4,886,391	41
China Steel Chemical Corporation (CSCC)	2,094,831	29	1,955,790	29
China Steel Structure Co., Ltd. (CSSC)	1,270,135	33	1,358,447	33
China Ecotek Corporation (CEC)	1,161,560	45	1,201,380	45
CHC Resources Corporation (CHC)	<u>896,440</u>	20	<u>776,888</u>	20
	11,506,567		10,178,896	
Less: Shares held by subsidiaries accounted for as treasury shares	<u>2,076,756</u>		<u>2,036,818</u>	
	<u>9,429,811</u>		<u>8,142,078</u>	
<b>Unlisted companies</b>				
Dragon Steel Corporation (DSC)	105,260,525	100	101,500,932	100
CSC Steel Australia Holdings Pty Ltd. (CSCAU)	16,010,187	100	15,753,650	100
China Steel Express Corporation (CSE)	11,840,131	100	11,129,193	100
C. S. Aluminium Corporation (CSAC)	8,151,379	100	8,696,161	100
China Steel Sumikin Vietnam Joint Stock Company (CSVC)	7,034,874	56	6,896,002	56
Gains Investment Corporation (GIC)	7,016,034	100	7,040,641	100
China Steel Asia Pacific Holdings Pte. Ltd. (CSAPH)	4,142,730	100	36,127,072	100
China Prosperity Development Corporation (CPDC)	3,706,884	100	3,695,653	100
China Steel Global Trading Corporation (CSGT)	2,189,379	100	2,111,723	100
China Steel Corporation India Pvt. Ltd. (CSCI)	1,688,762	100	2,228,405	100
Kaohsiung Rapid Transit Corporation (KRTC)	1,334,447	43	1,312,936	43
China Steel Machinery Corporation (CSMC)	1,070,002	74	956,927	74
China Steel Resources Corporation (CSRC)	994,965	100	994,103	100
Sing Da Marine Structure Corporation (SDMS)	754,140	100	-	-
InfoChamp Systems Corporation (ICSC)	742,119	100	756,401	100
CSC Solar Corporation (CSCSC)	692,176	55	657,994	55
China Steel Security Corporation (CSS)	530,435	100	529,945	100
Himag Magnetic Corporation (HMC)	386,104	69	390,505	69
CSC Precision Metal Industrial Corporation (CSCPM)	289,338	100	842,328	100
United Steel International Co., Ltd. (USICL)	266,381	80	-	-
White Biotech Corporation (WBC)	19,220	87	722,626	87
China Steel Management Consulting Corporation (CSMCC)	16,957	100	16,606	100
China Steel Power Holding Corporation (CPHC)	<u>4,928</u>	100	<u>-</u>	-
	174,142,097		202,359,803	
Less: Shares held by subsidiaries accounted for as treasury shares	<u>6,569,944</u>		<u>6,495,571</u>	
	<u>167,572,153</u>		<u>195,864,232</u>	
	<u>\$ 177,001,964</u>		<u>\$ 204,006,310</u>	

In January 2016, the Corporation's investment in CSAPH amounted to NT\$11,063,857 thousand (USD329,135 thousand), and CSAPH deployed all of the capital injection in Formosa Ha Tinh (Cayman) Limited (FHC) with its shareholding ratio increasing from 19% to 25%. In July 2017 and April 2018, the Corporation's subsidiary CSAPH did not participate in the cash capital increase of FHC and decreased its shareholding ratio. Since the Corporation and its subsidiary CSAPH have no right to participate in the financial and operating policy decisions of FHC, the investment was reclassified to

available-for-sale financial assets.

Due to structural adjustment resolved by CSAPH's board of directors, CSAPH reduced its capital in shares and in cash on June 1, 2018. The capital in shares and in cash pertaining to the shareholdings of FHC and USICL in CSAPH were returned to the Corporation.. In addition, the capital in cash returned to the Corporation amounted to NT\$283,510 thousand, and the total shareholding percentage remained unchanged. Starting from June 1, 2018, FHC and USICL are reclassified to financial assets at FVTOCI-noncurrent and investments accounted for using equity method, respectively.

In June 2017, the subsidiary WBC's board of directors resolved to change WBC's operating strategy. The Corporation thus recognized an impairment loss of NT\$40,311 thousand. On January 16, 2018, the subsidiary WBC reduced its capital by NT\$696,406 thousand; the total shareholding percentage remained unchanged.

In December 2017, the Corporation increased its investment in CSCSC by NT\$330,000 thousand and acquired 33,000 thousand common shares where the total shareholding percentage remained unchanged.

In March 2018, the Corporation's board of directors resolved to invested NT\$3,420,000 thousand to establish SDMS. The Corporation continued to invest NT\$21,000 thousand and NT\$800,000 thousand in April and August 2018, respectively. SDMS mainly engages in the offshore wind power business.

In June 2018, the Corporation invested NT\$5,000 thousand for 100% shareholding in CPHC, which mainly engages in general investment.

October 31, 2018, the subsidiary CSCPM reduced its capital. The total reduction amounted to NT\$550,000 thousand where the total shareholding percentage remained unchanged.

Fair values (Level 1) of the listed companies accounted for using equity method with available published price quotation are summarized as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
CSCC	<u>\$ 9,423,844</u>	<u>\$ 8,770,366</u>
CHS	<u>\$ 6,234,603</u>	<u>\$ 7,225,147</u>
CHC	<u>\$ 2,469,409</u>	<u>\$ 2,643,715</u>
CSSC	<u>\$ 1,751,955</u>	<u>\$ 1,306,486</u>
CEC	<u>\$ 1,645,176</u>	<u>\$ 2,365,287</u>

The above market prices are calculated on the basis of the closing price at the end of the reporting period.

b. Investments in associates

	<b>December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>% of Owner - ship</b>	<b>Amount</b>	<b>% of Owner - ship</b>
Taiwan Rolling Stock Co., Ltd. (TRSCL)	\$ 1,007,233	48	\$ 1,194,880	48
Honley Auto. Parts Co., Ltd. (HAPC)	569,839	38	655,653	38
Kaohsiung Arena Development Corporation (KADC)	510,552	18	500,091	18

(Continued)

	<b>December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>% of Owner - ship</b>	<b>Amount</b>	<b>% of Owner - ship</b>
Eminent II Venture Capital Corporation (EVCC II)	\$ 394,784	46	\$ 435,370	46
Hsin Hsin Cement Enterprise Corp. (HHCEC)	370,263	31	361,293	31
Dyna Rechi Co., Ltd. (DRC)	296,830	25	305,297	25
Overseas Investment & Development Corp. (OIDC)	58,761	6	50,326	6
TaiAn Technologies Corporation (TTC)	<u>13,307</u>	17	<u>14,421</u>	17
	<u>\$ 3,221,569</u>		<u>\$ 3,517,331</u>	

(Concluded)

In July 2017, the Corporation increased its investment in TRSCL by NT\$449,498 thousand, and increased the total shareholding from 36% to 48%.

In August 2017, the subsidiaries CSMC and Union Steel Development Corp. increased investments in OIDC where the Corporation's total equity in OIDC increases to 21%, including 6% directly owned and 15% indirectly owned through CSMC and Union Steel Development Corp. As a result, the investment was reclassified from available-for-sale financial assets to investments accounted for using equity method.

The Corporation's total equity in KADC is 29%, including 18% directly owned and 11% indirectly owned through United Steel Construction Corporation and CPDC. The Corporation's total equity in TTC is 22%, including 17% directly owned and 5% indirectly owned through CSCC.

The above associates are not individually material. The related summarized information was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
The Corporation's share of		
Net profit (loss) for the year	\$ (225,309)	\$ (28,919)
Other comprehensive income	<u>(15,677)</u>	<u>(229,723)</u>
Total comprehensive income	<u>\$ (240,986)</u>	<u>\$ (258,642)</u>

Refer to Table 8 "Information on Investees" for the above investees' main business nature, principal places of business and countries of incorporation.

## 15. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current		
Pledged time deposits (Note 31)	\$ 5,850,000	\$ 5,850,000
Hedging foreign-currency deposits	-	919,408

(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Current</b>		
Time deposits with original maturities more than three months	\$ 100,000	\$ 100,000
Deposits for projects	<u>120,843</u>	<u>-</u>
	<b>\$ 6,070,843</b>	<b>\$ 6,869,408</b>
<b>Noncurrent</b>		
Deposits for projects	<u>\$ -</u>	<u>\$ 319,234</u>
		(Concluded)

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation purchased foreign-currency deposits and entered into foreign exchange forward contracts. As of December 31, 2018 and 2017, the balance of the foreign-currency deposits, which were designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT\$803,994 thousand (USD5,935 thousand, EUR17,287 thousand and JPY47,432 thousand) and NT\$919,408 thousand (USD16,310 thousand, EUR10,793 thousand and JPY189,728 thousand). As of December 31, 2018 and 2017 cash outflows would be expected from aforementioned contracts for the period through 2019 and through 2018, respectively.

Under IFRS 9, hedging foreign - currency deposits are reclassified to financial assets for hedging.

## 16. PROPERTY, PLANT AND EQUIPMENT

### For the Year Ended December 31, 2018

<u>Cost</u>	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Balance at January 1, 2018	\$ 52,264,108	\$ 4,716,932	\$ 66,207,180	\$ 356,770,164	\$ 2,138,681	\$ 6,576,876	\$ 6,325,097	\$ 15,782,874	\$ 510,781,912
Additions	-	-	739,363	15,541,180	55,256	398,495	662,655	(5,882,832)	11,514,117
Disposals	-	(4,328)	(1,700)	(2,270,667)	(30,839)	(408,254)	(555,164)	-	(3,270,952)
Reclassification	-	-	(18,665)	(1,318,019)	(576)	1,317,629	-	-	(19,631)
Balance at December 31, 2018	<u>\$ 52,264,108</u>	<u>\$ 4,712,604</u>	<u>\$ 66,926,178</u>	<u>\$ 368,722,658</u>	<u>\$ 2,162,522</u>	<u>\$ 7,884,746</u>	<u>\$ 6,432,588</u>	<u>\$ 9,900,042</u>	<u>\$ 519,005,446</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2018	\$ -	\$ 4,497,592	\$ 35,911,133	\$ 298,461,456	\$ 1,700,068	\$ 5,512,785	\$ 2,656,655	\$ -	\$ 348,739,689
Depreciation	-	36,990	2,171,846	13,876,287	131,984	565,533	804,641	-	17,587,281
Disposals	-	(4,328)	(502)	(2,222,080)	(30,477)	(406,725)	(555,164)	-	(3,219,276)
Reclassification	-	-	820	(41,624)	24	40,535	-	-	(245)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 4,530,254</u>	<u>\$ 38,083,297</u>	<u>\$ 310,074,039</u>	<u>\$ 1,801,599</u>	<u>\$ 5,712,128</u>	<u>\$ 2,906,132</u>	<u>\$ -</u>	<u>\$ 363,107,449</u>
Carrying amount at December 31, 2018	<u>\$ 52,264,108</u>	<u>\$ 182,350</u>	<u>\$ 28,842,881</u>	<u>\$ 58,648,619</u>	<u>\$ 360,923</u>	<u>\$ 2,172,618</u>	<u>\$ 3,526,456</u>	<u>\$ 9,900,042</u>	<u>\$ 155,897,997</u>

### For the Year Ended December 31, 2017

<u>Cost</u>	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Balance at January 1, 2017	\$ 49,110,712	\$ 4,716,932	\$ 65,814,949	\$ 355,016,570	\$ 2,086,543	\$ 6,260,801	\$ 6,790,392	\$ 12,706,157	\$ 502,503,056
Additions	3,153,296	-	422,099	3,973,872	150,943	461,970	578,753	3,076,717	11,817,650
Disposals	-	-	(3,136)	(2,219,831)	(98,805)	(146,342)	(1,044,048)	-	(3,512,162)
Reclassification	100	-	(26,732)	(447)	-	447	-	-	(26,632)
Balance at December 31, 2017	<u>\$ 52,264,108</u>	<u>\$ 4,716,932</u>	<u>\$ 66,207,180</u>	<u>\$ 356,770,164</u>	<u>\$ 2,138,681</u>	<u>\$ 6,576,876</u>	<u>\$ 6,325,097</u>	<u>\$ 15,782,874</u>	<u>\$ 510,781,912</u>

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation</u>									
Balance at January 1, 2017	\$ -	\$ 4,449,953	\$ 33,730,800	\$ 286,889,119	\$ 1,673,159	\$ 5,222,191	\$ 2,905,672	\$ -	\$ 334,870,894
Depreciation	-	47,639	2,184,308	13,786,131	125,484	434,405	795,031	-	17,372,998
Disposals	-	-	(1,794)	(2,213,626)	(98,575)	(143,979)	(1,044,048)	-	(3,502,022)
Reclassification	-	-	(2,181)	(168)	-	168	-	-	(2,181)
Balance at December 31, 2017	\$ -	\$ 4,497,592	\$ 35,911,133	\$ 298,461,456	\$ 1,700,068	\$ 5,512,785	\$ 2,656,655	\$ -	\$ 348,739,689
Carrying amount at December 31, 2017	\$ 52,264,108	\$ 219,340	\$ 30,296,047	\$ 58,308,708	\$ 438,613	\$ 1,064,091	\$ 3,668,442	\$ 15,782,874	\$ 162,042,223

(Concluded)

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Land improvements

Bridge	40 years
Drainage system	40 years
Wall	20-40 years
Wharf	20-40 years
Disposal site	7 years

Buildings

Main structure	2-60 years
Facility	8-40 years
Mechanical and electrical facilities	10-15 years
Trellis and corrugated iron building	3-20 years
Road	7-8 years

Machinery and equipment

Power equipment	3-25 years
Process equipment	8-18 years
Lifting equipment	5-12 years
Electrical equipment	3-16 years
High-temperature equipment	3-17 years
Examination equipment	3-10 years

Transportation equipment

Railway equipment	5-20 years
Telecommunication equipment	5 years
Transportation equipment	3-10 years

Other equipment

Office and extinguishment equipment	5-10 years
Computer equipment	3-10 years
Air condition equipment	5-8 years

## 17. INVESTMENT PROPERTIES

For the Year Ended December 31, 2018

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2018	\$ 6,130,771	\$ 1,240,531	\$ 7,371,302
Transferred from property, plant and equipment	-	19,631	19,631
Transferred to noncurrent assets held for sale	(594,606)	-	(594,606)
Balance at December 31, 2018	\$ 5,536,165	\$ 1,260,162	\$ 6,796,327

(Continued)

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Accumulated depreciation</u>			
Balance at January 1, 2018	\$ -	\$ 241,510	\$ 241,510
Depreciation	-	22,408	22,408
Transferred from property, plant and equipment	-	245	245
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 264,163</u>	<u>\$ 264,163</u>
Carrying amount at December 31, 2018	<u>\$ 5,536,165</u>	<u>\$ 995,999</u>	<u>\$ 6,532,164</u> (Concluded)

For the Year Ended December 31, 2017

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2017	\$ 6,130,871	\$ 1,213,799	\$ 7,344,670
Transferred from property, plant and equipment	-	26,732	26,732
Transferred to property, plant and equipment	(100)	-	(100)
Balance at December 31, 2017	<u>\$ 6,130,771</u>	<u>\$ 1,240,531</u>	<u>\$ 7,371,302</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2017	\$ -	\$ 217,450	\$ 217,450
Depreciation	-	21,879	21,879
Transferred from property, plant and equipment	-	2,181	2,181
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 241,510</u>	<u>\$ 241,510</u>
Carrying amount at December 31, 2017	<u>\$ 6,130,771</u>	<u>\$ 999,021</u>	<u>\$ 7,129,792</u>

The following items of investment properties are depreciated on a straight-line basis over the following useful lives:

**Buildings**

Main structure 10-60 years

The Corporation participated in the “Qianzhen Residential Building Project”, which was jointly conducted by its subsidiary CPDC, and signed the land sales agreements with its employees. According to the agreements, payment for the land received from employees were deposited in the Bank of Taiwan and recognized as other financial assets while other liabilities were recognized simultaneously. After acquiring the building use permit in November 2018, the “Qianzhen Residential Building Project” was reclassified to noncurrent assets held for sale.

The fair value of the investment properties was arrived at on the basis of valuation carried out in January 2013, September 2013, December 2014, April 2015, December 2015, March 2017 and July 2017 by independent appraisers, who are not related parties. Lands were valued under market approach, income approach and land developing analysis approach. Buildings were evaluated using Level 3 inputs under market approach, cost approach and income approach. In December 2016, due to the significant change in the present value assessed for several pieces of land, the Corporation, based on the actual land sale prices in the vicinity, reappraised the land value. The important assumptions and fair value were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value	<u>\$ 23,924,857</u>	<u>\$ 24,625,526</u>
Depreciation rate (%)	1.90-2.71	1.90-2.71
Discount rate (%)	0.99-2.56	0.99-2.56

All of the Corporation's investment properties are held under freehold interests.

## 18. BORROWINGS

### a. Short-term borrowings and bank overdraft

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Unsecured loans - interest at 0.47%-0.50% p.a. and 0.42%-0.45% p.a. as of December 31, 2018 and 2017, respectively	\$ 11,500,000	\$ 7,490,000
Bank overdraft (Note 31) - interest at 0.14%-0.27% p.a. as of December 31, 2018 and 2017	5,202,231	2,094,688
Export bill loans - interest at 0.21%-3.36% p.a. and 0.37%-6.45% p.a. as of December 31, 2018 and 2017, respectively	612,035	780,207
Letters of credit - interest at 0% p.a. as of December 31, 2018 and 2017	14,497	7,871
Loans from related parties (Note 30) - interest at 0.50%-0.51% p.a. as of December 31, 2017	<u>-</u>	<u>350,000</u>
	<u>\$ 17,328,763</u>	<u>\$ 10,722,766</u>

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Commercial paper - interest at 0.39%-0.43% p.a. as of December 31, 2017	\$ -	\$ 6,300,000
Less: Unamortized discounts	<u>-</u>	<u>3,247</u>
	<u>\$ -</u>	<u>\$ 6,296,753</u>

The above commercial paper was unsecured, and the financial institutions included International Bills Finance Corporation, Mega Bills Finance Corporation, China Bills Finance Corporation and E.SUN Bank.

c. Long-term borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Unsecured loans		
Due on various dates through December 2021, interest at 0.29%-3.57% p.a. and 0.28%-2.57% p.a. as of December 31, 2018 and 2017, respectively	\$ 8,525,671	\$ 11,181,049
Syndicated bank loans		
Banks of Taiwan and other banks		
USD500,000 thousand, repayable in several installments from February 2020, repaid in February and May 2018, respectively, in advance, interest at 2.94% p.a. as of December 31, 2017	-	14,880,000
Mizuho Bank and other banks		
USD150,000 thousand, repaid in August 2018, interest at 2.50%-2.57% p.a. as of December 31, 2017	-	4,464,000
	<u>8,525,671</u>	<u>30,525,049</u>
Less: Syndicated loan fee	-	11,414
	<u>8,525,671</u>	<u>30,513,635</u>
Less: Current portion	-	9,860,615
Financial liabilities for hedging - current	4,177,109	-
Financial liabilities for hedging - noncurrent	<u>4,348,562</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 20,653,020</u>

In July and August 2015, the Corporation entered into syndicated credit facility agreements with Mizuho Bank along with 7 other banks and Bank of Taiwan along with 14 other banks for USD150,000 thousand and USD500,000 thousand unsecured non-revolving credit lines, respectively. Loans from Bank of Taiwan had been repaid in May and February 2018, respectively; loans from Mizuho bank had been repaid in August 2018. Under the agreements, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately. The above syndicated credit facility agreements obtained by the Corporation are intended to hedge the exchange rate fluctuations of the foreign currency equity investment of the subsidiary CSAPH.

However, the subsidiary CSAPH carried out a capital reduction in shares in June 2018, which resulted in the change on its risk management strategy and the hedge relationship became ineffective. The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the six months ended June 30, 2018 and for the year ended December 31, 2017.

The amount of USD183,548 thousand and JPY10.38 billion (NT\$8,525,671 thousand), which is included in the above bank loans as of December 31, 2018 and the amount of USD933,548 thousand and JPY10.38 billion (NT\$30,525,049 thousand), which is included in the above bank loans and syndicated bank loans as of December 31, 2017 were used to hedge the exchange rate fluctuations on equity investments in EAUS, CSAPH, CSVC, Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. At the adoption of IFRS 9, long-term borrowings used to hedge exchange rate fluctuation risk were reclassified to financial liabilities for hedging (including current and noncurrent).



d. Long-term bills payable

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Commercial paper - interest at 0.51%-0.79% p.a. and 0.52%-0.72% p.a. as of December 31, 2018 and 2017, respectively	\$ 5,900,000	\$ 5,900,000
Less: Unamortized discounts	<u>2,271</u>	<u>898</u>
	<u>\$ 5,897,729</u>	<u>\$ 5,899,102</u>

The Corporation entered into unsecured commercial paper contracts with Cathay United Bank, CTBC Bank and Taishin Bank in February 2016, March 2016 and May 2016, respectively. The duration of the contracts is four years. In the fourth year, the contracts can only be issued after negotiating between the counterparties. During the cycle of issuance, the Corporation only has to pay service fees and interests. Therefore, the Corporation recorded those commercial papers issued as long-term bills payable.

**19. BONDS PAYABLE**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
7-year unsecured bonds - issued at par in:		
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	\$ -	\$ 5,200,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	2,500,000	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
May 2018; repayable in May 2024 and May 2025; interest at 0.95% p.a., payable annually	6,000,000	-
October 2018; repayable 25% in October 2024 and 75% in October 2025; interest at 0.90% p.a., payable annually	4,150,000	-
10-year unsecured bonds - issued at par in:		
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
August 2018; repayable in August 2027 and August 2028; interest at 1.10% p.a., payable annually	5,600,000	-
October 2018; repayable in October 2027 and October 2028; interest at 1.05% p.a., payable annually	2,250,000	-
15-year unsecured bonds - issued at par in:		
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000

(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	\$ 9,000,000	\$ 9,000,000
	78,000,000	67,700,000
Less: Issuance cost of bonds payable	46,446	33,836
Current portion	<u>5,649,340</u>	<u>7,698,974</u>
	<u>\$ 72,304,214</u>	<u>\$ 59,967,190</u>
		(Concluded)

## 20. OTHER PAYABLES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Salaries and incentive bonus	\$ 4,406,050	\$ 3,982,131
Purchase of equipment	3,472,471	3,013,928
Consignment payable	2,339,590	939,626
Employee compensation and remuneration of directors	1,776,755	1,236,147
Outsourced repair and construction	893,148	784,534
Interest payable	800,597	804,809
Sales returns and discounts	-	1,755,008
Others	<u>4,549,647</u>	<u>3,737,085</u>
	<u>\$ 18,238,258</u>	<u>\$ 16,253,268</u>

Under IFRS 15, sales returns and discounts are reclassified to refund liability - current.

## 21. PROVISIONS - CURRENT

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Onerous contracts (a)	\$ 4,933,298	\$ 2,210,635
Sales discounts (b)	-	28,469
Construction warranties (c)	<u>455</u>	<u>455</u>
	<u>\$ 4,933,753</u>	<u>\$ 2,239,559</u>

	<b>Onerous Contracts</b>	<b>Sales Discounts</b>	<b>Construction Warranties</b>	<b>Total</b>
Balance at January 1, 2018	\$ 2,210,635	\$ 28,469	\$ 455	\$ 2,239,559
Adjustment on initial application of IFRS 15	939,346	(28,469)	-	910,877
Recognized	<u>1,783,317</u>	<u>-</u>	<u>-</u>	<u>1,783,317</u>
Balance at December 31, 2018	<u>\$ 4,933,298</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,933,753</u>

(Continued)

	<b>Onerous Contracts</b>	<b>Sales Discounts</b>	<b>Construction Warranties</b>	<b>Total</b>
Balance at January 1, 2017	\$ 2,404,802	\$ -	\$ -	\$ 2,404,802
Recognized (reversal)	(194,167)	967,906	455	774,194
Paid	<u>-</u>	<u>(939,437)</u>	<u>-</u>	<u>(939,437)</u>
Balance at December 31, 2017	<u>\$ 2,210,635</u>	<u>\$ 28,469</u>	<u>\$ 455</u>	<u>\$ 2,239,559</u> (Concluded)

- a. The provision for onerous contracts represents the present value of the future payments that the Corporation was presently obligated to make under non-cancellable onerous purchase contracts, less revenue expected to be earned on the contracts, and the difference between the estimated cost in the future to satisfy performance obligation and estimated revenue of the Corporation from non-cancellable construction contracts. Under IFRS 15, expected loss of construction contracts were reclassified to the provision for onerous contracts.
- b. The provision for sales discounts, recognized as a reduction of operating revenues, represents the annual rewards estimated on the basis of historical experience, management's judgments and other known reasons. Under IFRS 15, the provision for sales discounts were reclassified to refund liability - current.
- c. The provision for construction warranties represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Corporation's obligations for warranties. The estimate had been made on the basis of historical warranty trends.

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Corporation has no right to influence the investment policy and strategy. Starting from August 1999, the Corporation has also made contributions, equal to a certain percentage of salaries of management personnel (vice president above), to another pension fund, which are deposited and administered by the officers' pension fund management committee. The Corporation has also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The amount of defined benefit plans included in the standalone balance sheets were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 22,454,011	\$ 22,864,140
Fair value of plan assets	<u>(15,497,311)</u>	<u>(16,739,964)</u>
Deficit	6,956,700	6,124,176
Net defined benefit liabilities - recognized in other payables	<u>(69,319)</u>	<u>(75,202)</u>
Net defined benefit liabilities	<u>\$ 6,887,381</u>	<u>\$ 6,048,974</u>

Movements of net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	<u>\$ 22,864,140</u>	<u>\$ (16,739,964)</u>	<u>\$ 6,124,176</u>
Service cost			
Current service cost	598,881	-	598,881
Interest expense (income)	<u>200,061</u>	<u>(148,819)</u>	<u>51,242</u>
Recognized in profit or loss	<u>798,942</u>	<u>(148,819)</u>	<u>650,123</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(549,152)	(549,152)
Actuarial loss - changes in financial assumptions	798,554	-	798,554
Actuarial loss - experience adjustments	<u>507,917</u>	<u>-</u>	<u>507,917</u>
Recognized in other comprehensive income	<u>1,306,471</u>	<u>(549,152)</u>	<u>757,319</u>
Contributions from the employer	-	(504,204)	(504,204)
Benefits paid	(2,522,511)	2,451,797	(70,714)
Contributions of employee returning to the Corporation	<u>6,969</u>	<u>(6,969)</u>	<u>-</u>
	<u>(2,515,542)</u>	<u>1,940,624</u>	<u>(574,918)</u>
Balance at December 31, 2018	<u>\$ 22,454,011</u>	<u>\$ (15,497,311)</u>	<u>\$ 6,956,700</u>
Balance at January 1, 2017	<u>\$ 23,398,429</u>	<u>\$ (18,525,309)</u>	<u>\$ 4,873,120</u>
Service cost			
Current service cost	617,383	-	617,383
Interest expense (income)	<u>204,736</u>	<u>(164,495)</u>	<u>40,241</u>
Recognized in profit or loss	<u>822,119</u>	<u>(164,495)</u>	<u>657,624</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,631)	(11,631)
Actuarial loss - changes in demographic assumptions	948	-	948

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Actuarial loss - changes in financial assumptions	\$ 498,915	\$ -	\$ 498,915
Actuarial loss - experience adjustments	<u>690,892</u>	<u>-</u>	<u>690,892</u>
Recognized in other comprehensive income	<u>1,190,755</u>	<u>(11,631)</u>	<u>1,179,124</u>
Contributions from the employer	-	(541,849)	(541,849)
Benefits paid	(2,550,296)	2,506,453	(43,843)
Contributions of employee returning to the Corporation	<u>3,133</u>	<u>(3,133)</u>	<u>-</u>
	<u>(2,547,163)</u>	<u>1,961,471</u>	<u>(585,692)</u>
Balance at December 31, 2017	<u>\$ 22,864,140</u>	<u>\$ (16,739,964)</u>	<u>\$ 6,124,176</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	\$ 457,350	\$ 478,765
Operating expenses	192,276	178,659
Others	<u>497</u>	<u>200</u>
	<u>\$ 650,123</u>	<u>\$ 657,624</u>

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate (%)	0.875	0.875
Expected rate of salary increase (%)	2.500	1.875
Turnover rate (%)	0.000-0.100	0.000-0.100

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate		
0.25% increase	<u>\$ (333,203)</u>	<u>\$ (341,787)</u>
0.25% decrease	<u>\$ 342,913</u>	<u>\$ 351,621</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 332,659</u>	<u>\$ 342,358</u>
0.25% decrease	<u>\$ (324,974)</u>	<u>\$ (334,519)</u>

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	<u>\$ 468,682</u>	<u>\$ 535,793</u>
The average duration of the defined benefit obligation	6.1 years	6.3 years

## 23. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Number of shares authorized (in thousands)	<u>17,000,000</u>	<u>17,000,000</u>
Shares authorized	<u>\$ 170,000,000</u>	<u>\$ 170,000,000</u>
Number of shares issued and fully paid (in thousands)		
Ordinary shares (in thousands)	15,734,861	15,734,861
Preference shares (in thousands)	<u>38,268</u>	<u>38,268</u>
	<u>15,773,129</u>	<u>15,773,129</u>

(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Shares issued		
Ordinary shares	\$ 157,348,610	\$ 157,348,610
Preference shares	<u>382,680</u>	<u>382,680</u>
	<u>\$ 157,731,290</u>	<u>\$ 157,731,290</u>
		(Concluded)

1) Ordinary shares

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

2) Preference shares

Preference shareholders have the following entitlements or rights:

- a) 14% annual dividends, with dividend payments ahead of those to ordinary shareholders;
- b) Preference over ordinary shares in future payment of dividends in arrears;
- c) The sequence and percentage of appropriation of residual property are the same with ordinary shares;
- d) The same rights as ordinary shareholders, except the right to vote for directors; and
- e) Redeemable by the Corporation and convertible to ordinary shares by preference shareholders with the ratio of 1:1.

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's ordinary shares and the issued GDRs account for the Corporation's ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of December 31, 2018 and 2017, the outstanding depositary receipts were 769,313 units and 1,019,241 units, equivalent to 15,386,570 ordinary shares (including 310 fractional shares) and 20,385,130 ordinary shares (including 310 fractional shares), which represented 0.09% and 0.13% of the outstanding ordinary shares, respectively.

b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)		
Additional paid-in capital	\$ 31,154,766	\$ 31,154,766
Treasury share transactions	329,558	329,296
Others	<u>8,099</u>	<u>8,099</u>
	<u>31,492,423</u>	<u>31,492,161</u>
May be used to offset deficits only (see 2 below)		
Treasury share transactions	6,429,481	6,148,057
Share of change in equity of subsidiaries	507,077	467,953
Share of change in equity of associates	<u>116,903</u>	<u>102,911</u>
	<u>7,053,461</u>	<u>6,718,921</u>
	<u>\$ 38,545,884</u>	<u>\$ 38,211,082</u>

- 1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital).
- 2) The capital surplus included the share of change in equity of subsidiaries recognized without any actual acquisition or disposal of subsidiaries' share by the Corporation or the adjustments to capital surplus of subsidiaries under equity method.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated in the following order:

- 1) 10% as legal reserve;
- 2) Preference share dividends at 14% of par value;
- 3) Ordinary share dividends at no more than 14% of par value; and
- 4) The remainder, if any, as additional dividends divided equally between the holders of preference and ordinary shares.

The board of directors should propose the appropriation of earnings. If necessary, it may, after appropriating for preference share dividends, propose to appropriate a special reserve or to retain certain earnings. These proposals should be submitted to the shareholders' meeting for approval.

The Corporation's steel business is in a phase of stable growth; thus, 75% or more of the appropriation for dividends should be in cash and 25% or less in shares.

Appropriation of earnings to legal reserve could be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse a special



reserve. In addition, if the market price of the Corporation's ordinary shares held by subsidiaries is lower than the carrying value of the Corporation's shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meeting in June 2018 and 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share (NT\$)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 1,690,558	\$ 1,603,837		
Reversal of special reserve	(5,992)	(2,130,614)		
Preference shares				
Cash dividends	53,575	53,575	<u>\$ 1.40</u>	<u>\$ 1.40</u>
Ordinary shares				
Cash dividends	13,846,677	13,374,632	<u>\$ 0.88</u>	<u>\$ 0.85</u>

The appropriations of earnings for 2018 had been proposed by the Corporation's board of directors on March 25, 2019 as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 2,445,415	
Special reserve	154,480	
Preference shares		
Cash dividends	53,575	<u>\$ 1.40</u>
Ordinary shares		
Cash dividends	15,734,861	<u>\$ 1.00</u>

The appropriations of earnings for 2018 are subject to the resolution of the shareholder's meeting to be held in June 2019.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 27,655,869	\$ 29,786,846
Reversal of special reserve		
The difference between carrying amount of the Corporation's shares held by subsidiaries	(5,992)	(2,130,614)
Disposal of property, plant and equipment	<u>(389)</u>	<u>(363)</u>
Balance, end of year	<u>\$ 27,649,488</u>	<u>\$ 27,655,869</u>

e. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year (IAS 39)	\$ (2,110,593)	\$ (32,048)
Adjustment on initial application of IFRS 9	<u>(4,005,260)</u>	<u>-</u>
Balance, beginning of year (IFRS 9)	<u>(6,115,853)</u>	<u>(32,048)</u>
Recognized during the year		
Exchange differences arising on translating foreign operations	92,177	(4,015,339)
Share from subsidiaries and associates accounted for using the equity method	104,052	(351,931)
Gains and losses on hedging instruments designated in hedges of the net investment in foreign operations	<u>-</u>	<u>2,288,725</u>
Other comprehensive income recognized in the year	<u>196,229</u>	<u>(2,078,545)</u>
Balance, end of year	<u>\$ (5,919,624)</u>	<u>\$ (2,110,593)</u>

2) Unrealized gains and losses on available-for-sale financial assets

	<b>Amount</b>
Balance at January 1, 2018 (IAS 39)	\$ 9,614,863
Adjustment on initial application of IFRS 9	<u>(9,614,863)</u>
Balance at January 1, 2018 (IFRS 9)	<u>\$ -</u>
Balance at January 1, 2017	<u>\$ 8,650,573</u>
Recognized during the year	
Unrealized gains and losses on available-for-sale financial assets	1,134,199
Share from subsidiaries and associates accounted for using the equity method	68,763
Reclassification adjustment	
Reclassified to profit or loss on disposal of available-for-sale financial assets	(771,464)
Impairment on available-for-sale financial assets	<u>532,792</u>
Other comprehensive income recognized in the year	<u>964,290</u>
Balance at December 31, 2017	<u>\$ 9,614,863</u>

3) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>5,251,741</u>
Balance at January 1, 2018 (IFRS 9)	<u>5,251,741</u>

(Continued)

	<b>For the Year Ended December 31, 2018</b>
Recognized during the year	
Unrealized gains and losses - equity instruments	\$ (1,154,367)
Share from subsidiaries and associates accounted for using the equity method	<u>203,456</u>
Other comprehensive income recognized in the year	<u>(950,911)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>110,083</u>
Balance at December 31, 2018	<u>\$ 4,410,913</u> (Concluded)

4) The effective portion of gains and losses on hedging instruments in a cash flow hedge

	<b>Amount</b>
Balance at January 1, 2018 (IAS 39)	\$ (131,335)
Adjustment on initial application of IFRS 9	<u>131,335</u>
Balance at January 1, 2018 (IFRS 9)	<u>\$ -</u>
Balance at January 1, 2017	\$ 62,181
Fair value changes of hedging instruments	(56,570)
Income tax relating to fair value changes	9,617
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	26,018
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(4,423)
Share from of subsidiaries and associates accounted for using the equity method	<u>(168,158)</u>
Balance at December 31, 2017	<u>\$ (131,335)</u>

5) Gains and losses on hedging instrument

	<b>Cash Flow Hedges</b>	<b>Fair Value Hedges</b>	<b>Hedges of Net Investments in Foreign Operations</b>	<b>Total</b>
Balance at January 1, 2018 (IAS 39)	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>(131,335)</u>	<u>98,851</u>	<u>4,005,260</u>	<u>3,972,776</u>
Balance at January 1, 2018 (IFRS 9)	(131,335)	98,851	4,005,260	3,972,776
Increase (decrease) in the year	<u>422,186</u>	<u>(83,296)</u>	<u>(207,788)</u>	<u>131,102</u>
Balance at December 31, 2018	<u>\$ 290,851</u>	<u>\$ 15,555</u>	<u>\$ 3,797,472</u>	<u>\$ 4,103,878</u>

a) Cash flow hedges

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>(131,335)</u>
Balance at January 1, 2018 (IFRS 9)	<u>(131,335)</u>
Effect of change in tax rate	(1,387)
Recognized during the year	
Foreign currency risk - hedging foreign - currency deposits	23,504
Foreign currency risk - foreign exchange forward contracts	(37,696)
Tax effect	2,838
Share from subsidiaries and associates accounted for using the equity method	451,261
Reclassification adjustment	
Foreign currency risk - hedging foreign - currency deposits	(20,418)
Tax effect	<u>4,084</u>
Other comprehensive income recognized in the year	<u>422,186</u>
Balance at December 31, 2018	<u>\$ 290,851</u>

b) Fair value hedges

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>98,851</u>
Balance at January 1, 2018 (IFRS 9)	<u>98,851</u>
Recognized during the year	
Foreign currency risk - bank loans	<u>(83,296)</u>
Balance at December 31, 2018	<u>\$ 15,555</u>

c) Hedges of net investments in foreign operations

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>4,005,260</u>
Balance at January 1, 2018 (IFRS 9)	<u>4,005,260</u>
Recognized during the year	
Foreign currency risk - bank loans	<u>(207,788)</u>
Balance at December 31, 2018	<u>\$ 3,797,472</u>

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares			December 31	
	Beginning of Year	Addition	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2018					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>315,166</u>	<u>4,878</u>	<u>40</u>	<u>320,004</u>	<u>\$8,646,700</u>
For the year ended December 31, 2017					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>318,007</u>	<u>804</u>	<u>3,645</u>	<u>315,166</u>	<u>\$8,532,389</u>

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as financial assets at fair value through other comprehensive income - current and financial assets at fair value through other comprehensive income - noncurrent). The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other ordinary shareholders. The increase of treasury shares was due to acquisition of the Corporation's shares by subsidiaries in which the Corporation has less than 50% shareholding. The decrease of treasury shares was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

Refer to Table 3 for the Corporation's shares held by subsidiaries. For the year ended December 31, 2018, a total of 55 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT\$1,334 thousand. Calculated based on the percentage of shares held, the proceeds of treasury shares sold were NT\$640 thousand, and after deducting book values, the remainders amounted to NT\$262 thousand, recorded as addition to the capital surplus. As of December 31, 2018 and 2017, the market values of the treasury shares calculated by combined holding percentage were NT\$7,761,396 thousand and NT\$7,801,566 thousand, respectively.

## 24. OPERATING REVENUES

	For the Year Ended December 31	
	2018	2017
Revenue from sale of goods	\$ 229,993,271	\$ 201,669,087
Other revenues	<u>5,409,880</u>	<u>5,429,543</u>
	<u>\$ 235,403,151</u>	<u>\$ 207,098,630</u>

a. Contract balances

	<b>December 31, 2018</b>
Notes and accounts receivable (Note 11)	<u>\$ 5,881,719</u>
Contract assets	
Construction contracts	<u>\$ 204,993</u>
Contract liabilities	
Sale of goods	\$ 1,037,999
Construction contracts	690,158
Advances received	<u>60,436</u>
	<u>\$ 1,788,593</u>

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing difference between the Corporation's performance and the respective customer's payment. There is no significant changes in the balance of contract assets and contract liabilities of the Corporation for the year ended December 31, 2018.

b. Disaggregation of revenue

For the year ended December 31, 2018

<u>Type of goods or services</u>	<b>Steel Department</b>	<b>Others</b>	<b>Total</b>
Sale of goods	\$ 229,993,271	\$ -	\$ 229,993,271
Others	<u>-</u>	<u>5,409,880</u>	<u>5,409,880</u>
	<u>\$ 229,993,271</u>	<u>\$ 5,409,880</u>	<u>\$ 235,403,151</u>

c. Partially completed contracts

The transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	<b>December 31, 2018</b>
Construction contracts	
In 2018	\$ 1,170,010
In 2019	2,284,244
In 2020 and the following years	<u>8,642,485</u>
	<u>\$ 12,096,739</u>

## 25. PROFIT BEFORE INCOME TAX

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Rental income	\$ 526,855	\$ 418,182
Dividend income	363,401	335,909
Interest income	197,865	146,636
Royalty income	155,064	125,314
Others	<u>344,250</u>	<u>357,435</u>
	<u>\$ 1,587,435</u>	<u>\$ 1,383,476</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Net foreign exchange gain	\$ 394,597	\$ 423,946
Loss on disposal of property, plant and equipment	(51,676)	(9,721)
Gain arising on financial assets at fair value through profit or loss	3,802	-
Impairment loss	-	(573,103)
Gain on disposal of investments	-	771,464
Other losses	<u>(407,916)</u>	<u>(343,668)</u>
	<u>\$ (61,193)</u>	<u>\$ 268,918</u>

The components of net foreign exchange gain were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange gain	\$ 1,018,473	\$ 1,197,237
Foreign exchange loss	<u>(623,876)</u>	<u>(773,291)</u>
Net exchange gain	<u>\$ 394,597</u>	<u>\$ 423,946</u>

The components of impairment loss were as follows:

	<b>For the Year Ended December 31, 2017</b>
Available-for-sale financial assets	\$ 532,792
Investments accounted for using equity method	<u>40,311</u>
	<u>\$ 573,103</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest of bonds payable	\$ 1,179,089	\$ 1,209,980
Interest of short-term borrowings and bank overdraft	529,249	770,132
Interest of bills payable	<u>85,232</u>	<u>88,964</u>
Total interest expense for financial liabilities measured at amortized cost	1,793,570	2,069,076
Less: Amounts included in the cost of qualifying assets	<u>141,356</u>	<u>150,022</u>
	<u>\$ 1,652,214</u>	<u>\$ 1,919,054</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Capitalized amounts	\$ 141,356	\$ 150,022
Capitalized annual rates (%)	1.21-1.40	1.27-1.55

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 17,587,281	\$ 17,372,998
Investment properties	22,408	21,879
Intangible assets	<u>9,963</u>	<u>9,975</u>
	<u>\$ 17,619,652</u>	<u>\$ 17,404,852</u>
An analysis of depreciation by function		
Operating costs	\$ 16,410,561	\$ 16,299,935
Operating expenses	1,085,787	1,072,979
Others	<u>113,341</u>	<u>21,963</u>
	<u>\$ 17,609,689</u>	<u>\$ 17,394,877</u>
An analysis of amortization by function		
Operating costs	\$ 9,956	\$ 9,956
Operating expenses	<u>7</u>	<u>19</u>
	<u>\$ 9,963</u>	<u>\$ 9,975</u>

e. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Direct operating expenses of investment properties that generated rental income	<u>\$ 52,389</u>	<u>\$ 53,852</u>



f. Employee benefits

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits		
Salaries	\$ 17,706,124	\$ 16,978,709
Labor and health insurance	960,646	928,497
Others	<u>625,479</u>	<u>551,301</u>
	<u>19,292,249</u>	<u>18,458,507</u>
Post-employment benefits		
Defined contribution plans	258,614	233,755
Defined benefit plans (Note 22)	<u>650,123</u>	<u>657,624</u>
	<u>908,737</u>	<u>891,379</u>
Termination benefits	<u>78,722</u>	<u>77,106</u>
	<u>\$ 20,279,708</u>	<u>\$ 19,426,992</u>
Analysis of employee benefits by function		
Operating costs	\$ 16,639,396	\$ 15,916,983
Operating expenses	3,481,047	3,344,099
Others	<u>159,265</u>	<u>165,910</u>
	<u>\$ 20,279,708</u>	<u>\$ 19,426,992</u>

As of December 31, 2018 and 2017, the Corporation's number of employees were 10,431 and 10,236, respectively, and the headcount basis was the same as the basis of employee benefits expenses.

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation, the article stipulates the Corporation distributed employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 0.15%, respectively, of the pre-tax profit prior to deducting employees' compensation and remuneration of directors.

The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Corporation's board of directors in March 2019 and 2018, respectively, were as follows:

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	\$ 1,744,054	\$ 1,213,396
Remuneration of directors	32,701	22,751

Accrual Rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation (%)	6.19	6.14
Remuneration of directors (%)	0.12	0.12

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the standalone financial statements for the years ended December 31, 2017 and 2016.

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

## 26. INCOME TAX

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

The major components of income tax were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 3,715,188	\$ 1,880,933
Income tax on unappropriated earnings	15,363	229,337
In respect of prior years	(607,057)	(181,498)
Deferred tax		
In respect of the current year	(567,545)	(115,766)
In respect of prior years	(180,413)	(197,930)
Changes in tax rates	<u>(432,298)</u>	<u>-</u>
	<u>\$ 1,943,238</u>	<u>\$ 1,615,076</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Profit before income tax	<u>\$ 26,397,390</u>	<u>\$ 18,520,664</u>
Income tax expense calculated at the statutory rate	\$ 5,279,478	\$ 3,148,513
Non-deductible expenses in determining taxable income	12,361	9,945
Tax-exempt income	(2,106,903)	(1,383,223)
Changes in tax rates	(432,298)	-
Income tax on unappropriated earnings	15,363	229,337
Investment credits in respect of the current year	(9,643)	(10,068)
Adjustments for prior years' tax in respect of the current year	(787,470)	(379,428)
Realized investment loss on investees' capital reduction to cover losses	<u>(27,650)</u>	<u>-</u>
	<u>\$ 1,943,238</u>	<u>\$ 1,615,076</u>

In 2017, the applicable corporate income tax rate used by the Corporation is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of appropriations of earnings for 2019 is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	\$ 116	\$ 92
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	(116)	(92)
	<u>\$ -</u>	<u>\$ -</u>

c. Income tax benefit recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Changes in tax rates - remeasurement of defined benefit plans	\$ 1,595	\$ -
Changes in tax rates - fair value changes of cash flow hedges	(1,387)	-
Current - fair value changes of cash flow hedges	2,838	9,617
Current - remeasurement of defined benefit plan	151,462	200,451
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	<u>4,084</u>	<u>(4,423)</u>
	<u>\$ 158,592</u>	<u>\$ 205,645</u>

d. Current tax

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax liabilities		
Income tax payable	<u>\$ 2,857,677</u>	<u>\$ 2,103,954</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2018

	Balance, Beginning of Year	Adjustment on Initial Application of IFRS 9	Changes in Tax Rates	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
<u>Deferred tax assets</u>							
Temporary differences							
Defined benefit pension plan	\$ 1,041,110	\$ -	\$ 183,725	\$ 15,041	\$ 151,462	\$ -	\$ 1,391,338
Unrealized loss on inventories	643,528	-	113,564	8,563	-	-	765,655
Impairment loss on financial assets	216,935	(216,935)	-	-	-	-	-

(Continued)

	Balance, Beginning of Year	Adjustment on Initial Application of IFRS 9	Changes in Tax Rates	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
Provision	\$ 375,808	\$ -	\$ 66,319	\$ 68,456	\$ -	\$ -	\$ 510,583
Unrealized gain on the transactions with subsidiaries and associates	165,498	-	29,206	12,750	-	-	207,454
Unrealized settlement loss on foreign exchange forward for hedging	71,719	-	12,656	(9,892)	-	-	74,483
Unrealized construction loss	231,932	-	40,929	529,031	-	-	801,892
Estimated preferential severance pay	18,597	-	3,282	655	-	-	22,534
Foreign investment loss	542,778	(35,767)	89,473	10,611	-	-	607,095
Others	63,704	34,909	17,403	3,037	-	-	119,053
	<u>\$ 3,371,609</u>	<u>\$ (217,793)</u>	<u>\$ 556,557</u>	<u>\$ 638,252</u>	<u>\$ 151,462</u>	<u>\$ -</u>	<u>\$ 4,500,087</u>
<b>Deferred tax liabilities</b>							
Temporary differences							
Land value increment tax	\$ 10,011,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	584,937	-	103,224	(103,911)	-	-	584,250
Unrealized exchange gains, net	64,004	(407)	11,223	(3,313)	-	-	71,507
Unrealized gain on revaluation increment	32,776	-	5,784	-	-	(116)	38,444
Unrealized gain on cash flow hedge	7,862	-	1,387	-	(6,922)	-	2,327
Others	13,786	-	2,433	(2,482)	-	-	13,737
	<u>\$ 10,715,281</u>	<u>\$ (407)</u>	<u>\$ 124,051</u>	<u>\$ (109,706)</u>	<u>\$ (6,922)</u>	<u>\$ (116)</u>	<u>\$ 10,722,181</u>

(Concluded)

For the Year Ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
<b>Deferred tax assets</b>					
Temporary differences					
Defined benefit pension plan	\$ 828,430	\$ 12,229	\$ 200,451	\$ -	\$ 1,041,110
Unrealized loss on inventories	737,346	(93,818)	-	-	643,528
Impairment loss on financial assets	126,361	90,574	-	-	216,935
Provision	408,816	(33,008)	-	-	375,808
Unrealized gain on the transactions with subsidiaries and associates	190,516	(25,018)	-	-	165,498
Unrealized settlement loss on foreign exchange forward for hedging	85,239	(13,520)	-	-	71,719
Unrealized construction loss	-	231,932	-	-	231,932
Estimated preferential severance pay	20,214	(1,617)	-	-	18,597
Foreign investment loss	461,423	81,355	-	-	542,778
Others	78,129	(14,425)	-	-	63,704
	<u>\$ 2,936,474</u>	<u>\$ 234,684</u>	<u>\$ 200,451</u>	<u>\$ -</u>	<u>\$ 3,371,609</u>
<b>Deferred tax liabilities</b>					
Temporary differences					
Land value increment tax	\$ 10,011,916	\$ -	\$ -	\$ -	\$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	669,334	(84,397)	-	-	584,937
Unrealized exchange gains, net	54,670	9,334	-	-	64,004
Unrealized gain on revaluation increment	32,868	-	-	(92)	32,776
Unrealized gain on cash flow hedge	13,056	-	(5,194)	-	7,862
Others	17,735	(3,949)	-	-	13,786
	<u>\$ 10,799,579</u>	<u>\$ (79,012)</u>	<u>\$ (5,194)</u>	<u>\$ (92)</u>	<u>\$ 10,715,281</u>

f. Income tax assessments

The Corporation's income tax returns through 2016 have been assessed by the tax authorities.

## 27. EARNINGS PER SHARE

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

Net profit for the year

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Net profit for the year	\$ 24,454,152	\$ 16,905,588
Less: Dividends on preference shares	<u>53,575</u>	<u>53,575</u>
Net profit used in computation of basic earnings per share	24,400,577	16,852,013
Add: Dividends on preference shares	<u>53,575</u>	<u>-</u>
Net profit used in computation of diluted earnings per share	<u>\$ 24,454,152</u>	<u>\$ 16,852,013</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Weighted average number of ordinary shares used in computation of basic earnings per share	15,416,806	15,420,290
Effect of dilutive potential ordinary shares:		
Employees' compensation	84,201	60,344
Convertible preference shares	<u>38,268</u>	<u>-</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>15,539,275</u>	<u>15,480,634</u>

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2017 because of their anti-dilutive effect.

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. CAPITAL MANAGEMENT

The management of the Corporation optimized the balances of working capital, debt and equity as well as the related cost through monitoring the Corporation's capital structure and capital demand by reviewing quantitative data and considering industry characteristics, domestic and international economic environment, interest rate fluctuation, strategies for development, etc.

Except for Note 18, the Corporation is not subject to any externally imposed capital requirements.

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial instruments that are not measured at fair value, such as cash and cash equivalent, receivables and payables approximate their fair values.

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

#### 1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2018</u>				
Financial assets at fair value through profit or loss				
Foreign unlisted preference shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>1,651,808</u>	\$ <u>1,651,808</u>
Financial assets at fair value through other comprehensive income				
Equity instruments				
Domestic listed shares	\$ 10,468,833	\$ -	\$ -	\$ 10,468,833
Foreign listed shares	2,171,073	-	-	2,171,073
Domestic unlisted shares	-	-	845,486	845,486
Foreign unlisted shares	<u>          -</u>	<u>          -</u>	<u>33,495,264</u>	<u>33,495,264</u>
	<u>\$ 12,639,906</u>	<u>\$ -</u>	<u>\$ 34,340,750</u>	<u>\$ 46,980,656</u>
Financial assets for hedging				
Foreign exchange forward contracts	\$ <u>          -</u>	\$ <u>7,929</u>	\$ <u>          -</u>	\$ <u>7,929</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	\$ <u>          -</u>	\$ <u>17,359</u>	\$ <u>          -</u>	\$ <u>17,359</u>
<u>December 31, 2017</u>				
Available-for-sale financial assets				
Domestic listed shares	\$ 8,997,910	\$ -	\$ -	\$ 8,997,910
Foreign listed shares	2,112,543	-	-	2,112,543
Domestic emerging market shares and unlisted shares	-	-	821,594	821,594
Foreign unlisted shares	<u>          -</u>	<u>          -</u>	<u>4,598,246</u>	<u>4,598,246</u>
	<u>\$ 11,110,453</u>	<u>\$ -</u>	<u>\$ 5,419,840</u>	<u>\$ 16,530,293</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedging				
Foreign exchange forward contracts	\$ <u>          -</u>	\$ <u>  57,052</u>	\$ <u>          -</u>	\$ <u>  57,052</u>
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	\$ <u>          -</u>	\$ <u>  28,786</u>	\$ <u>          -</u>	\$ <u>  28,786</u> (Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

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

For the year ended December 31, 2018

	<u>Equity Instruments</u>		
	<u>Financial Assets at Fair Value Through Profit or Loss</u>	<u>Financial Assets at Fair Value Through Other Comprehensive Income</u>	<u>Total</u>
Balance, beginning of year (IAS 39)	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>1,556,068</u>	<u>5,419,840</u>	<u>6,975,908</u>
Balance, beginning of year (IFRS 9)	1,556,068	5,419,840	6,975,908
Recognized in profit or loss	95,740	-	95,740
Recognized in other comprehensive income	-	(2,711,547)	(2,711,547)
Capital reduction in shares from subsidiary	-	31,725,000	31,725,000
Purchases	-	15,000	15,000
Disposal	-	(16)	(16)
Capital reduction	<u>-</u>	<u>(107,527)</u>	<u>(107,527)</u>
Balance, end of year	<u>\$ 1,651,808</u>	<u>\$ 34,340,750</u>	<u>\$ 35,992,558</u>

For the year ended December 31, 2017

	<b>Amount</b>
Balance, beginning of year	\$ 6,281,794
Recognized in profit or loss - other gains and losses	(532,792)
Recognized in other comprehensive income - unrealized gains and losses on available-for-sale financial assets	471,487
Reclassification	(50,000)
Transfer out of Level 3	(749,365)
Capital reduction	<u>(1,284)</u>
Balance, end of year	<u>\$ 5,419,840</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement.

Derivative instruments - A discounted cash flow analysis was performed using the applicable yield curve for the duration of the derivative instruments for foreign exchange forward contracts. The estimates and assumptions used by the Corporation were consistent with those that market participants would use in setting a price for the financial instrument.

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

- a) For emerging market shares, fair values were estimated on the basis of the closing price and liquidity.
- b) For domestic unlisted shares and some foreign unlisted shares, fair values were determined based on industry types, valuations of similar companies and operations.
- c) For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected return by using discounted cash flow model. Significant unobservable inputs were as follows; if the long-term pre-tax operating income rate increased or discount rate decreased, the fair value of the investments would increase.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Long-term pre-tax operating income rate (%)	9.79-58.59	11.08-52.06
Discount rate (%)	8.50-10.37	6.52-10.37

If the below input to the valuation model was changed to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the equity investment would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Long-term pre-tax operating income rate		
Increase 1%	<u>\$ 195,918</u>	<u>\$ 199,149</u>
Decrease 1%	<u>\$ (197,357)</u>	<u>\$ (200,299)</u>
Discount rate		
Increase 1%	<u>\$ (497,271)</u>	<u>\$ (579,987)</u>
Decrease 1%	<u>\$ 606,196</u>	<u>\$ 716,859</u>

- d) For the remaining few foreign unlisted shares, their fair values were measured under the market approach. In particular significant unobservable inputs included discount for lack of marketability and control premium. If discount for lack of marketability decreased or control premium increased, the fair values of the investments would increase.



c. Categories of financial instruments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	\$ 1,651,808	\$ -
Derivative instruments in designated hedge accounting relationships	-	57,052
Financial assets for hedging	811,923	-
Loans and receivables 1)	-	25,814,046
Available-for-sale financial assets	-	16,530,293
Financial assets at amortized cost 2)	31,783,248	-
Financial assets at fair value through other comprehensive income	46,980,656	-
<b>Financial liabilities</b>		
Derivative instruments in designated hedge accounting relationships	-	28,786
Financial liabilities for hedging	8,543,030	-
Measured at amortized cost 3)	132,013,487	144,693,866

- 1) The balances as of December 31, 2017 included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including loans to related parties), debt investments with no active market, refundable deposits and other financial assets.
- 2) The balances as of December 31, 2018 included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including loans to related parties), refundable deposits and other financial assets.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings and bank overdraft, short-term bills payable, accounts payable (including related parties), other payables, refund liabilities, bonds payable, long-term bank borrowings, long-term bills payable and deposits received.

d. Financial risk management objectives and policies

The Corporation places great emphasis on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation was equipped with sufficient and cost - efficient working capital, which reduced financial uncertainty that may have adverse effects on the operations.

The significant financial activities of the Corporation are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Corporation for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Corporation was exposed to foreign currency risk due to purchases, construction undertaking, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts, foreign deposits or foreign borrowings.

The carrying amounts of the significant non-functional currency monetary assets and liabilities at the end of the reporting period were referred to Note 33.

The Corporation was mainly exposed to the currency USD. The following table details the sensitivity to a 1% increase in NTD against the relevant foreign currency.

	<b>USD Impact</b>	
	<b>For the Year Ended</b>	
	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Pre-tax profit or loss	\$ 35,766 i	\$ 9,302 i
Equity	54,554 ii	272,970 ii

i. These were mainly attributable to the exposure of cash, outstanding receivables and payables, deposits received and short-term borrowings which were not hedged at the balance sheet date.

ii. These were attributable to financial assets for hedging that were designated as hedging instruments in cash flow hedges, other financial assets and financial liabilities for hedging that were designated as hedging instruments in foreign equity investments and net investments in foreign operations hedges.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the year.

Hedge accounting

The Corporation's hedging strategies were as follows:

i. The Corporation's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency capital expenditure. Those transactions are designated as cash flow hedges.

ii. The Corporation has designated certain long-term foreign currency borrowing as a hedge to manage its foreign currency risk:

i) Currency risks on foreign equity investments are accounted for as fair value hedge. Changes in the fair value of hedging instruments are recognized, based on the nature of hedged items, either in other gains or losses or other comprehensive income. The Corporation performs assessment of hedging effectiveness and it expects that the value of long-term foreign currency borrowing and the value of the foreign equity investment will systematically change in opposite direction in response to movements in the underlying exchange rates.

- ii) Foreign currency risk on investments in foreign operations is managed by using long-term foreign currency borrowing as a hedge instrument to hedge the investment in subsidiary CSVC, which has USD as their functional currency.

The following tables summarize the information relating to the hedges of foreign currency risk.

December 31, 2018

Hedging Instruments/ Hedged Items	Currency	Contract Amount (In thousands)	Maturity	Forward Price	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Foreign exchange forward contracts/Forecast purchases and construction contracts	NTD/USD	NTD88,610/ USD2,842	March 2019 - April 2020	28.794-31.790	Financial assets/ liabilities for hedging	\$ 184	\$ 3,255
	NTD/EUR	NTD1,210,328/ EUR34,156	January 2019 - December 2021	33.885-35.933	Financial assets/ liabilities for hedging	7,745	14,104
Hedging foreign-currency deposits/Forecast purchases and construction contracts	USD	\$ 5,935	-	-	Financial assets for hedging	182,298	-
	EUR	17,287	-	-	Financial assets for hedging	608,500	-
	JPY	47,432	-	-	Financial assets for hedging	13,196	-
Net investment hedge in foreign operations							
Foreign currency bank borrowings/Investment in foreign operations	USD	183,548	April 2019 - April 2021	-	Financial liabilities for hedging	-	5,637,677
Fair value hedge							
Foreign currency bank borrowings/Financial assets at FVTOCI	JPY	3,814,000	November 2019 - December 2021	-	Financial liabilities for hedging	-	1,061,055
Foreign currency bank borrowings/Financial assets at FVTPL	JPY	6,567,000	June 2021	-	Financial liabilities for hedging	-	1,826,939

Hedging Instruments/ Hedged Items	Currency	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity		Fair Value Hedge - Hedged Items' Carrying Amount Asset	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments Asset
				Continuing Hedges	Discontinuing Hedges		
Cash flow hedge							
Foreign exchange forward contracts/Forecast purchases and construction contracts	NTD/USD	\$ 21,750	\$ (21,750)	\$ (3,071)	\$ -	NA	NA
	NTD/EUR	(59,695)	59,695	(6,359)	-	NA	NA
	NTD/JPY	249	(249)	-	-	NA	NA
Hedging foreign-currency deposits/Forecast purchases and construction contracts	USD	(5,171)	5,171	6,098	-	NA	NA
	EUR	7,081	(7,081)	14,568	-	NA	NA
	JPY	1,176	(1,176)	398	-	NA	NA
Net investment hedge in foreign operations							
Foreign currency bank borrowings/Investment in foreign operations	USD	(160,066)	160,066	(169,190)	3,966,662	NA	NA
Fair value hedge							
Foreign currency bank borrowings/Financial assets at FVTOCI	JPY	(53,396)	53,377	15,555	-	\$ 2,171,073	\$ (43,077)
Foreign currency bank borrowings/Financial assets at FVTPL	JPY	(91,938)	93,338	NA	NA	1,651,808	(182,134)

For the year ended December 31, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffec - tiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Foreign exchange forward contracts	\$ (37,696)	\$ -	-	\$ -	\$ -
Hedging foreign - currency deposits	3,086	-	-	-	-
	<u>\$ (34,610)</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
Net investment hedge in foreign operations					
Foreign currency bank borrowings	<u>\$ (207,788)</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2017

The hedging policy for foreign currency risk is the same in 2018 and 2017 which used the hedging instruments described below.

The terms of the foreign exchange forward contracts are negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>			
Buy	NTD/USD	March 2018-April 2020	NTD405,923/USD12,959
Buy	NTD/EUR	January 2018-December 2021	NTD1,977,488/EUR56,877
Buy	NTD/JPY	December 2018	NTD12,797/JPY47,432

b) Interest rate risk

The Corporation was exposed to interest rate risk because the Corporation borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	<u>December 31</u>	
	2018	2017
Fair value interest rate risk		
Financial liabilities	\$ 77,953,554	\$ 73,962,917
Cash flow interest rate risk		
Financial liabilities	31,752,163	47,135,503

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2018 and 2017 would have been lower/higher by NT\$317,522 thousand and NT\$471,355 thousand, respectively.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in domestic and foreign listed shares.

If equity prices had been 1% higher/lower, the other comprehensive income for the year ended December 31, 2018 would have been higher/lower by NT\$126,399 thousand, as a result of the changes in fair value of financial assets at fair value through other comprehensive income.

If equity prices had been 1% higher/lower, the other comprehensive income for the year ended December 31, 2017 would have been higher/lower by NT\$111,105 thousand, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in

financial loss to the Corporation. As of the balance sheet date, the Corporation's maximum exposure to credit risk is the carrying amount of the financial assets on the standalone balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

The Corporation does not expect significant credit risk because the counterparties are creditworthy financial institutions and companies. The Corporation did transactions with a large number of unrelated customers and no concentration of credit risk was observed.

As of December 31, 2018 and 2017, the maximum credit risk of off-balance-sheet guarantees provided to subsidiaries and investees of co-investment for procurement and investment compliance was NT\$29,274,586 thousand and NT\$27,224,137 thousand, respectively.

### 3) Liquidity risk

The management of the Corporation continuously monitors the movement of cash flows, net cash position, significant capital expenditures and the utilization of bank loan commitments to control proportion of the long-term and short-term bank loans or issue bonds payable, and ensures compliance with loan covenants.

The following table details the undiscounted cash flows of the Corporation's remaining contractual maturity for its non-derivative financial liabilities from the earliest date on which they can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>December 31, 2018</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 26,920,259	\$ -	\$ -	\$ 26,920,259
Variable interest rate liabilities	21,677,920	10,331,506	-	32,009,426
Fixed interest rate liabilities	7,569,694	41,526,973	35,619,200	84,715,867
Refund liabilities	3,040,059	-	-	3,040,059
Financial guarantee liabilities	<u>320,087</u>	<u>28,460,872</u>	<u>493,627</u>	<u>29,274,586</u>
	<u>\$ 59,528,019</u>	<u>\$ 80,319,351</u>	<u>\$ 36,112,827</u>	<u>\$ 175,960,197</u>
<u>December 31, 2017</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 21,407,773	\$ -	\$ -	\$ 21,407,773
Variable interest rate liabilities	21,375,942	27,193,868	-	48,569,810
Fixed interest rate liabilities	15,818,304	38,722,498	25,881,204	80,422,006
Financial guarantee liabilities	<u>191,898</u>	<u>12,491,760</u>	<u>14,540,479</u>	<u>27,224,137</u>
	<u>\$ 58,793,917</u>	<u>\$ 78,408,126</u>	<u>\$ 40,421,683</u>	<u>\$ 177,623,726</u>

The amounts included above for financial guarantee contracts were the maximum amounts the Corporation could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that none of the amount will be payable under the arrangement.

### 30. TRANSACTIONS WITH RELATED PARTIES

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

<u>Company</u>	<u>Relationship</u>
C. S. Aluminium Corporation (CSAC)	Subsidiaries
China Steel Express Corporation (CSE)	Subsidiaries
China Steel Chemical Corporation (CSCC)	Subsidiaries
China Steel Global Trading Corporation (CSGT)	Subsidiaries
CHC Resources Corporation (CHC)	Subsidiaries
China Ecotek Corporation (CEC)	Subsidiaries
China Steel Structure Co., Ltd. (CSSC)	Subsidiaries
Chung Hung Steel Corporation (CHS)	Subsidiaries
China Steel Machinery Corporation (CSMC)	Subsidiaries
Gains Investment Corporation (GIC)	Subsidiaries
China Steel Security Corporation (CSS)	Subsidiaries
China Prosperity Development Corp. (CPDC)	Subsidiaries
InfoChamp Systems Corporation (ICSC)	Subsidiaries
China Steel Management Consulting Corporation	Subsidiaries
Himag Magnetic Corporation	Subsidiaries
Dragon Steel Corporation (DSC)	Subsidiaries
China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Subsidiaries
Chung Mao Trading (BVI) Corporation	Subsidiaries
Chung Mao Trading (Samoa) Corporation	Subsidiaries
CSGT (Singapore) Pte. Ltd.	Subsidiaries
CSE Transport Corporation	Subsidiaries
CSEI Transport (Panama) Corporation	Subsidiaries
Mentor Consulting Corporation	Subsidiaries
Steel Castle Technology Corporation	Subsidiaries
Union Steel Development Corp.	Subsidiaries
Betacera Inc.	Subsidiaries
Wabo Global Trading Corporation	Subsidiaries
Universal Exchange Inc.	Subsidiaries
United Steel Engineering & Construction Corp.	Subsidiaries
Thintech Materials Technology Co., Ltd.	Subsidiaries
CSGT International Corporation	Subsidiaries
CSGT Metals Vietnam Joint Stock Company	Subsidiaries
CSC Steel Sdn. Bhd.	Subsidiaries
CSGT Japan Co., Ltd.	Subsidiaries
CSGT Hong Kong Limited	Subsidiaries
CSGT (Shanghai) Co., Ltd.	Subsidiaries
CSMC (Shanghai) Global Trading Co., Ltd.	Subsidiaries
Changzhou China Steel Precision Materials Co., Ltd. (CCSPMC)	Subsidiaries
China Steel Corporation India Pvt. Ltd. (CSCI)	Subsidiaries
China Steel Precision Metals-Qingdao Co., Ltd. (QCSPMC)	Subsidiaries
Hung Li Steel Corporation Ltd	Subsidiaries

(Continued)

<b>Company</b>	<b>Relationship</b>
China Steel Precision Metals Kunshan Co., Ltd. (CSMK)	Subsidiaries
Hung Kao Investment Corporation	Subsidiaries
White Biotech Corporation	Subsidiaries
CSC Precision Metal Industrial Corporation (CSCPM)	Subsidiaries
China Steel Resources Corporation	Subsidiaries
CK Japan Co., Ltd.	Subsidiaries
China Steel Management and Maintenance for Buildings Corporation	Subsidiaries
Kaohsiung Rapid Transit Corporation	Subsidiaries
Taiwan Intelligent Transportation Co., Ltd.	Subsidiaries
Kaohsiung Port Cargo Handling Services Corporation	Subsidiaries
Pao Good Industrial Co., Ltd.	Subsidiaries
CSC Sonoma Pty Ltd	Subsidiaries
China Steel Machinery Vietnam Co., Ltd.	Subsidiaries
CSC Solar Corporation	Subsidiaries
Changzhou China Steel New Materials Technology Co., Ltd.	Subsidiaries
Sing Da Marine Structure Corporation	Subsidiaries
China Steel Power Holding Corporation (CPHC)	Subsidiaries
CSGT Trading India Private Limited	Subsidiaries
CSC Steel Australia Holdings Pty Ltd (CSCAU)	Subsidiaries
CSC Educational Foundation	Other related parties
HC&C Auto Parts Co., Ltd.	Associates
TaiAn Technologies Corporation	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
Dyna Rechi (Jiujiang) Co., Ltd.	Associates
Tatt Giap Steel Centre Sdn. Bhd.	Associates
Formosa Ha Tinh (Cayman) Limited (FHC)	Other related parties (associates before July 2017)
Formosa Ha Tinh Steel Corporation	Other related parties (associates before July 2017)
TSK Steel Company Limited	Associates
Fukuta Electric & Machinery Co., Ltd.	
PT. MICS Steel Indonesia	Associates
Honley Auto. Parts Co., Ltd. (HAPC)	Associates
Changchun CECK Auto. Parts Co., Ltd. (CCCA)	Associates
Mahindra Auto Steel Private Limited	Associates
Taiwan Rolling Stock Company Ltd.	Associates
Eminent II Venture Capital Corporation	Associates
CSBC Corporation, Taiwan	The Corporation as key management personnel of other related parties
CDIB Bioscience Ventures I, Inc.	The Corporation as key management personnel of other related parties
Rechi Precision Co., Ltd.	The Corporation as key management personnel of other related parties
TCL Rechi (Huizhou) Refrigeration Equipment Ltd.	The Corporation as key management personnel of other related parties

(Continued)

<u>Company</u>	<u>Relationship</u>
Rechi Refrigeration (Dongguan) Co, Ltd.	The Corporation as key management personnel of other related parties
Sakura Ferroalloys Sdn. Bhd.	The Corporation as key management personnel of other related parties
East Asia United Steel Corporation	The Corporation as key management personnel of other related parties
TANG ENG IRON WORKS CO., LTD.	The Corporation as key management personnel of other related parties
Taiwan High Speed Rail Corporation	The Corporation as key management personnel of other related parties
CSC Labor Union Overseas Investment & Development Corp.	Directors of the Corporation Associates (reclassified as the Corporation as key management personnel of other related parties before September 2017) (Concluded)

b. Operating revenues

<u>Account Items</u>	<u>Related Parties Types /Names</u>	<u>For the Year Ended December 31</u>	
		<u>2018</u>	<u>2017</u>
Revenues from sales of goods	Subsidiaries		
	CHS	\$ 25,132,836	\$ 20,235,517
	Others	18,771,476	16,359,851
	The Corporation as key management personnel of other related parties	2,688,218	1,531,828
	Associates	1,141,724	1,051,740
	Other related parties	<u>-</u>	<u>370,729</u>
		<u>\$ 47,734,254</u>	<u>\$ 39,549,665</u>

Sales to related parties were made at arm's length applied to similar transactions in the market except for terms of sales to CSCI and CSVC, for which the receivables were collected either by account receivable factoring or within 14 days after shipment date, for terms of sales to QCSPMC, for which the receivables were collected within 60 days after shipment date, terms of sales to CSMK, for which the receivables were collected within 85 days after shipment date and term of sales to some subsidiaries without similar transactions with other unrelated parties.



c. Purchase of goods

<b>Related Parties Types/Names</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Subsidiaries		
DSC	\$ 21,796,702	\$ 18,737,860
Others	14,073,389	11,800,539
Other related parties	2,931,799	70,172
Associates	203,177	180,258
The Corporation as key management personnel of other related parties	<u>73,742</u>	<u>-</u>
	<u>\$ 39,078,809</u>	<u>\$ 30,788,829</u>

Purchased from related parties were made at arm's length applied to similar transactions in the market except for terms of purchases from some subsidiaries without similar transactions with other unrelated parties.

d. Receivables from related parties (not including loans to related parties)

<b>Account Items</b>	<b>Related Parties Types /Names</b>	<b>December 31</b>	
		<b>2018</b>	<b>2017</b>
Notes and accounts receivable	Subsidiaries		
	CHS	\$ 452,156	\$ 1,104,920
	Others	1,189,273	1,277,146
	The Corporation as key management personnel of other related parties	491,957	223,073
	Other related parties	118,409	144,061
	Associates	<u>70,962</u>	<u>-</u>
		<u>\$ 2,322,757</u>	<u>\$ 2,749,200</u>

No guarantee had been received for receivables from related parties. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties (not including loans from related parties)

<b>Account Items</b>	<b>Related Parties Types /Names</b>	<b>December 31</b>	
		<b>2018</b>	<b>2017</b>
Accounts payable	Subsidiaries		
	CSE	\$ 1,215,959	\$ 937,726
	DSC	690,286	539,447
	Others	336,467	314,398
	Associates	<u>34,488</u>	<u>22,287</u>
		<u>\$ 2,277,200</u>	<u>\$ 1,813,858</u>

The outstanding accounts payable to related parties are unsecured.

f. Loans to related parties (recognized as other receivables - loans to related parties)

Related Parties Types/Names	December 31	
	2018	2017
Subsidiaries		
CSAC	\$ 3,600,000	\$ 3,600,000
CHS	2,450,000	-
Others	<u>4,744,160</u>	<u>3,756,950</u>
	<u>\$ 10,794,160</u>	<u>\$ 7,356,950</u>

The Corporation provided short-term loans to its subsidiaries, with the interest rate calculated at the latest 30-day average rate of the Corporation's short-term loans in the same currencies from ordinary financial institutions. As of December 31, 2018 and 2017, the interest rate was 0.54%-3.80% p.a. and 0.50%-4.22% p.a., respectively.

Loans to the Corporation's subsidiaries were unsecured loans with interest income of NT\$60,403 thousand and NT\$60,482 thousand for the years ended December 31, 2018 and 2017, respectively.

g. Loans from related parties (recognized as short-term borrowings and bank overdraft)

Related Parties Types/Names	December 31	
	2018	2017
Subsidiaries		
CSCPM	\$ -	\$ 300,000
CSS	<u>-</u>	<u>50,000</u>
	<u>\$ -</u>	<u>\$ 350,000</u>

The rate of loans from subsidiaries is calculated at the latest 30-day average rate of the Corporation's short-term loans in the same currencies from ordinary financial institutions and adjusted based on the circumstances. As of December 31, 2017, the interest rate was 0.50%-0.51% p.a.

Loans from the Corporation's subsidiaries were unsecured loans with interest expense of NT\$1,396 thousand and NT\$7,002 thousand for the years ended December 31, 2018 and 2017, respectively.

h. Other related parties transactions

- 1) The Corporation signed brokerage contract with its subsidiary DSC. For the years ended December 31, 2018 and 2017, the commission revenue was NT\$764,391 thousand and NT\$193,400 thousand, respectively.

The balances of consignment payable to related parties, which were included in other payables, were as follows:

Related Parties Types/Names	December 31	
	2018	2017
Subsidiary		
DSC	<u>\$ 2,339,590</u>	<u>\$ 939,626</u>

- 2) Other revenues which pertained to services, processing of products, utilities, royalties and other services to related parties were recognized as operating revenues and non-operating income as follows.

<b>Related Parties Types</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Subsidiaries	\$ 1,533,853	\$ 1,025,109
The Corporation as key management personnel of other related parties	244,359	7,140
Other related parties	239,656	110,020
Associates	5,279	249,958
Others	<u>47</u>	<u>44</u>
	<u>\$ 2,023,194</u>	<u>\$ 1,392,271</u>

- 3) Other expenditures paid to related parties which pertained to commissions for processing services, maintenance and repairs, construction, commissions for export and import services, etc. were recognized as operating costs, manufacturing expenses, operating expenses and non-operating expenses.

<b>Related Parties Types</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Subsidiaries	\$ 8,574,057	\$ 8,291,547
Associates	660,035	91,793
Other related parties	11,058	10,143
Others	<u>8,995</u>	<u>7,866</u>
	<u>\$ 9,254,145</u>	<u>\$ 8,401,349</u>

- 4) Capital expenditures

<b>Related Parties Types/Names</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Subsidiaries		
CSMC	\$ 2,298,693	\$ 2,149,334
CEC	1,979,170	991,851
ICSC	24,863	541,370
Others	<u>625,834</u>	<u>6,134</u>
	<u>\$ 4,928,560</u>	<u>\$ 3,688,689</u>

The balances of outsourced repair and construction payable (recognized as other payables) were as follows:

<b>Related Parties Types/Names</b>	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Subsidiaries		
CSMC	\$ 128,488	\$ 446,111
ICSC	25,831	572,521
Others	<u>147,508</u>	<u>340,128</u>
	<u>\$ 301,827</u>	<u>\$ 1,358,760</u>

- 5) As of December 31, 2018 and 2017, guarantees provided to the related parties for investment compliance were as follows:

Related Parties Types/Names	December 31	
	2018	2017
Other related parties - FHC		
Amount endorsed	\$ 37,885,002	\$ 30,332,880
Amount utilized	<u>(28,460,872)</u>	<u>(22,833,360)</u>
	<u>\$ 9,424,130</u>	<u>\$ 7,499,520</u>
Subsidiaries		
CPHC		
Amount endorsed	\$ 3,000,000	\$ -
Amount utilized	<u>-</u>	<u>-</u>
	<u>\$ 3,000,000</u>	<u>\$ -</u>
CSCAU		
Amount endorsed	\$ -	\$ 3,720,000
Amount utilized	<u>-</u>	<u>(3,720,000)</u>
	<u>\$ -</u>	<u>\$ -</u>
The Corporation as key management personnel of other related parties		
Amount endorsed	\$ 938,807	\$ 927,582
Amount utilized	<u>(813,714)</u>	<u>(670,777)</u>
	<u>\$ 125,093</u>	<u>\$ 256,805</u>

i. Compensation of key management personnel

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

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 114,076	\$ 92,973
Post-employment benefits	<u>542</u>	<u>758</u>
	<u>\$ 114,618</u>	<u>\$ 93,731</u>

### 31. ASSETS PLEDGED AS COLLATERAL OR SECURITY

As of December 31, 2018 and 2017, time deposits pledged as collateral for bank overdraft was both NT\$5,850,000 thousand.

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2018 were as follows:

- a. The Corporation provided letters of credits for NT\$6.1 billion guaranteed by financial institutions for several construction and lease contracts.
- b. Unused letters of credit for importation of materials and machinery amounted to NT\$4 billion.
- c. Property purchase and construction contracts for NT\$3.6 billion were signed but not yet recorded.
- d. The Corporation entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, China, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 5 years. Contracted annual purchases of 8,060,000 metric tons of coal, 15,910,000 metric tons of iron ore, and 2,180,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2018 were USD3.5 billion (including 6,630,000 metric tons of coal, 29,290,000 metric tons of iron ore, and 460,000 metric tons of limestone).
- e. In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD0.246 billion credit line. The syndicated credit facility agreement has been re-signed in December 2017 for a USD0.126 billion credit line. In addition, the subsidiary CSVC continually entered into several short-term financing contracts with Standard Chartered Bank and other banks for a total amount of USD92,500 thousand credit line. Under the agreements, the Corporation should hold at least 51% and 56% of CSVC's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2018, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.
- f. Starting from May 2014, the subsidiary CSCI entered into several short-term financing contracts with CTBC Bank and other banks for totaling INR1.9 billion credit lines as well as USD0.11 billion syndicated credit facility agreement. The syndicated credit facility agreement has been re-signed in November 2016, with the credit line remained unchanged. Under the agreements, the Corporation should hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2018, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.
- g. Starting from January 2016, the subsidiary CCSPMC entered into several credit facility agreements with ANZ Bank and other banks for total amount of USD47,000 thousand (or the equal amount in RMB, the credit line remained unchanged) and RMB105,000 thousand. Under the agreements, the Corporation and its subsidiaries should collectively hold over 50% of the CCSPMC's equity and half of the seats in the board of directors and supervisors. As of December 31, 2018, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.
- h. Starting from August 2014, the associate CCCA entered into several credit facility agreements with CTBC Bank and other banks for USD11,000 thousand (or the equal amount in EUR, the credit line remained unchanged) and USD 14,000 thousand short and medium term credit lines. Under the agreement, the Corporation and its associates should collectively hold at least 38% or 30% of CCCA's issued shares and one seat in the board of directors. As of December 31, 2018, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.
- i. Starting from November 2014, the associate HAPC entered into a construction financing agreement for a NT\$295,000 thousand factory building loan commitment which had been transferred to long-term credit line since March 2016, NT\$150,000 thousand credit line and NT\$100,000 thousand financing commercial paper with Shanghai Commercial and Savings Bank and several financial institutions. Under the agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of December 31, 2018, the Corporation held 38% equity of HAPC and two seats in the board of directors.

- j. Starting from March 2015, the subsidiary CSMK entered into several short-term financing contracts with ANZ Bank and other banks for USD26,000 thousand short term credit line (or the equal amount in RMB, the credit line remained unchanged) and RMB50,000 thousand short term credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold 100% of CSMK's issued shares and all of the seats in the board of directors. As of December 31, 2018, the Corporation and the subsidiary CSGT collectively held 100% equity of CSMK and all of the seats in the board of directors.
- k. The amount utilized for guarantees provided to related parties and investees of co-investment for procurement and investment compliances was NT\$29,274,586 thousand.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
<u>December 31, 2018</u>			
Monetary foreign currency assets			
USD	\$ 85,602	30.7150	\$ 2,630,310
JPY	7,827,352	0.2782	2,177,569
Non-monetary foreign currency assets			
Financial assets at fair value through other comprehensive income			
USD	1,038,305	30.7150	31,891,532
JPY	7,804,000	0.2782	2,171,073
MYR	225,504	7.1120	1,603,732
Investments accounted for using equity method			
USD	376,199	30.7150	11,443,985
AUD	738,989	21.6650	16,010,187
INR	3,852,103	0.4384	1,688,762
Monetary foreign currency liabilities			
USD	379,694	30.7150	11,662,298
JPY	11,891,411	0.2782	3,308,191
<u>December 31, 2017</u>			
Monetary foreign currency assets			
USD	130,471	29.7600	3,882,779
JPY	7,592,275	0.2642	2,005,879
Non-monetary foreign currency assets			
Available-for-sales financial assets			
USD	87,920	29.7600	2,616,509

(Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
JPY	\$ 7,996,000	\$ 0.2642	\$ 2,112,543
MYR	280,223	7.0720	1,981,737
Investments accounted for using equity method			
USD	1,445,806	29.7600	43,023,074
AUD	679,476	23.1850	15,753,650
INR	4,793,299	0.4649	2,228,405
Monetary foreign currency liabilities			
USD	1,078,963	29.7600	32,109,945
JPY	11,425,187	0.2642	3,018,534
			(Concluded)

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains were NT\$394,597 thousand and NT\$423,946 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

#### **34. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1) (Please refer to Page 285-287)
- 2) Endorsements/guarantees provided (Table 2) (Please refer to Page 288-289)
- 3) Marketable securities held (Table 3) (Please refer to Page 290-305)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4) (Please refer to Page 306)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5) (Please refer to Page 307-308)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6) (Please refer to Page 309-316)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7) (Please refer to Page 317-318)
- 9) Trading in derivative instruments (Note 29)
- 10) Information on investees (Table 8) (Please refer to Page 326-332 Table 9)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9) (Please refer to Page 333-334 Table 10)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices and payment terms:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 6) (Please refer to Page 309-316)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6) (Please refer to Page 309-316)
  - c) The amount of property transactions and the amount of the resultant gains or losses (None)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2) (Please refer to Page 288-289)
  - e) The highest balance, the end of period balance and the interest rate range with respect to financing of funds (Table 1) (Please refer to Page 285-287)
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)

**35. SEGMENT INFORMATION**

Disclosure of the segment information in standalone financial statements is waived.



VI. Impact on the Financial Status of the Company Due to Financial Difficulties Experienced by the Company and Its Affiliated Companies

## Chapter VII. Analysis of Financial Status and Financial Performance and Risk Management

### I. Financial Status

#### (I) Comparative Analysis of Financial Status - Consolidated

Unit: NT\$ thousands

Item \ Year	End of 2018	End of 2017	Difference	
			Amount	%
Current assets	174,307,744	150,980,415	23,327,329	15
Property, plant and equipment	398,733,684	413,821,236	(15,087,552)	(4)
Other noncurrent assets	101,485,168	102,914,228	(1,429,060)	(1)
Total assets	674,526,596	667,715,879	6,810,717	1
Current liabilities	155,338,705	144,320,040	11,018,665	8
Noncurrent liabilities	176,390,173	191,443,852	(15,053,679)	(8)
Total liabilities	331,728,878	335,763,892	(4,035,014)	(1)
Share capital	157,731,290	157,731,290	-	-
Capital surplus	38,545,884	38,211,082	334,802	1
Retained earnings	122,682,396	109,227,145	13,455,251	12
Other equity	2,595,167	7,372,935	(4,777,768)	(65)
Treasury shares	(8,646,700)	(8,532,389)	(114,311)	(1)
Non-controlling interests	29,889,681	27,941,924	1,947,757	7
Total equity	342,797,718	331,951,987	10,845,731	3

Note

Note: Other equity decreased by NT\$4,777,768 thousand, mainly due to the application of IFRS 9 starting January 1, 2018, in which the retroactive adjustment of previously recognized impairment of equity instruments resulted in a decrease in other equity valuation and an increase in retained earnings.

## (II) Comparative Analysis of Financial Status – Standalone

Unit: NT\$ thousands

Item \ Year	End of 2018	End of 2017	Difference	
			Amount	%
Current assets	85,311,954	73,703,417	11,608,537	16
Property, plant and equipment	155,897,997	162,042,223	(6,144,226)	(4)
Other noncurrent assets	239,872,226	236,681,872	3,190,354	1
Total assets	481,082,177	472,427,512	8,654,665	2
Current liabilities	68,011,905	65,066,190	2,945,715	5
Noncurrent liabilities	100,162,235	103,351,259	(3,189,024)	(3)
Total liabilities	168,174,140	168,417,449	(243,309)	-
Share capital	157,731,290	157,731,290	-	-
Capital surplus	38,545,884	38,211,082	334,802	1
Retained earnings	122,682,396	109,227,145	13,455,251	12
Other equity	2,595,167	7,372,935	(4,777,768)	(65)
Treasury shares	(8,646,700)	(8,532,389)	(114,311)	(1)
Total equity	312,908,037	304,010,063	8,897,974	3

Note

Note: Other equity decreased by NT\$4,777,768 thousand, mainly due to the application of IFRS 9 starting January 1, 2018, in which the retroactive adjustment of previously recognized impairment of equity instruments resulted in a decrease in other equity valuation and an increase in retained earnings.

## II. Financial Performance

### (I) Comparative Analysis of Financial Performance - Consolidated

Unit: NT\$ thousands

Item	Year		Increase (Decrease)	Percentage Change (%)	
	2018	2017			
Operating revenues	400,665,057	347,012,002	53,653,055	15	
Operating costs	351,826,655	307,672,853	44,153,802	14	
Gross profit	48,838,402	39,339,149	9,499,253	24	Note 1
Realized (unrealized) gain on sales	-	-	-	-	
Operating expenses	15,259,391	14,417,520	841,871	6	
Profit from operations	33,579,011	24,921,629	8,657,382	35	Note 2
Non-operating income and expenses	(1,657,266)	(1,518,332)	(138,934)	(9)	
Profit before income tax	31,921,745	23,403,297	8,518,448	36	Note 3
Income tax	4,035,136	2,972,107	1,063,029	36	Note 4
Net profit	27,886,609	20,431,190	7,455,419	36	Note 5
Other comprehensive income (net of income tax)	(1,218,335)	(3,298,276)	2,079,941	63	Note 6
Total comprehensive income	26,668,274	17,132,914	9,535,360	56	Note 7

Note:

- Gross profit increased by NT\$9,499,253 thousand from the previous year, mainly due to the situation in which the increase in unit selling price of steel products was greater than the increase in unit cost of goods sold, and the increase in sales volume.
- Profit from operations increased by NT\$8,657,382 thousand from the previous year due to reasons stated in Note 1.
- Profit before income tax increased by NT\$8,518,448 thousand from the previous year due to reasons stated in Note 1.
- Income tax expense increased by NT\$1,063,029 thousand from the previous year, mainly due to the increase in profit before income tax and the increase in tax rate of profit-seeking enterprise.
- Net profit increased by NT\$7,455,419 thousand from the previous year due to reasons stated in Notes 1 to 4.
- Other comprehensive income (net of income tax) for the period increased by NT\$2,079,941 thousand from the previous year, mainly due to favorable exchange differences in the translation of financial statements of foreign operations.
- Total comprehensive income increased by NT\$9,535,360 thousand from the previous year due to reasons stated in Notes 1 to 6.

## (II) Comparative Analysis of Financial Performance – Standalone

Unit: NT\$ thousands

Item \ Year	2018	2017	Increase (Decrease)	Percentage Change (%)	
Operating revenues	235,403,151	207,098,630	28,304,521	14	
Operating costs	210,430,943	187,568,805	22,862,138	12	
Gross profit	24,972,208	19,529,825	5,442,383	28	Note 1
Realized (unrealized) gain on sales	(63,751)	147,162	(210,913)	(143)	Note 2
Operating expenses	8,591,826	8,101,943	489,883	6	
Profit from operations	16,316,631	11,575,044	4,741,587	41	Note 3
Non-operating income and expenses	10,080,759	6,945,620	3,135,139	45	Note 4
Profit before income tax	26,397,390	18,520,664	7,876,726	43	Note 5
Income tax	1,943,238	1,615,076	328,162	20	Note 6
Net profit	24,454,152	16,905,588	7,548,564	45	Note 7
Other comprehensive income (net of income tax)	(1,450,139)	(2,475,273)	1,025,134	41	Note 8
Total comprehensive income	23,004,013	14,430,315	8,573,698	59	Note 9

Note:

1. Gross profit increased by NT\$5,442,383 thousand from the previous year, mainly due to the situation in which the increase in unit selling price of steel products was greater than the increase in unit cost of goods sold.
2. Realized (unrealized) gain on sales decreased by NT\$210,913 thousand from the previous year, mainly due to the increase of unrealized gross profit from steel products sold to subsidiaries this year compared to last year.
3. Profit from operations increased by NT\$4,741,587 thousand from the previous year due to reasons stated in Notes 1 and 2.
4. Non-operating income and expenses increased by NT\$3,135,139 thousand from the previous year, mainly due to the increase in the share of the profit (loss) of subsidiaries and associates.
5. Profit before income tax increased by NT\$7,876,726 thousand from the previous year due to reasons stated in Notes 1 to 4.
6. Income tax expense increased by NT\$328,162 thousand from the previous year, mainly due to the increase in profit before income tax.
7. Net profit increased by NT\$7,548,564 thousand from the previous year due to reasons stated in Notes 1 to 6.
8. Other comprehensive income (net of income tax) for the period increased by NT\$1,025,134 thousand from the previous year, mainly due to favorable exchange differences in the translation of financial statements of foreign operations.
9. Total comprehensive income increased by NT\$8,573,698 thousand from the previous year due to reasons stated in Notes 1 to 8.

## (III) Expected Sales Volume in the Coming Year and Its Basis

Please refer to Business Objectives in V. Operations Highlights in this annual report (Page 124).

### III. Cash Flow

#### 1. Analysis of Changes in Cash Flow for the Year – Consolidated

The net amount of cash and cash equivalents of the Company and our subsidiaries in 2018 increased by NT\$2,639,303 thousand (Note), where changes in various types of cash flows are described as follows:

- (1) Operating activities: Net cash generated from operating activities totaled NT\$65,104,198 thousand, mainly due to the profit before income tax of NT\$31,921,745 thousand and add-back of depreciation of NT\$34,160,855 thousand in the current year.
- (2) Investing activities: Net cash used in investing activities totaled NT\$34,138,546 thousand, mainly due to the acquisition of property, plant and equipment of NT\$18,704,664 thousand, de-recognition of financial liabilities for hedging of NT\$18,409,436 thousand and add-back of proceeds from disposal of financial assets at fair value through profit or loss totaled NT\$3,064,280 thousand.
- (3) Financing activities: Net cash used in financing activities totaled NT\$29,613,111 thousand, mainly due to a net increase of NT\$16,800,000 thousand in corporate bonds payable, a net decrease of NT\$22,576,379 thousand in long-term bank borrowings, a net decrease of NT\$6,293,665 thousand in long-term bills payable, an interest payment of NT\$3,567,240 thousand, and dividends paid to the owners of the Company of NT\$13,892,306 thousand.

Note: Changes in the balance of cash and cash equivalents include bank overdraft.

#### Cash Flow Analysis for the Coming Year

Unit: NT\$ millions

Year	Cash balance at the beginning of the period ①	Estimated net cash generated from operating activities for the year ②	Estimated cash used in investing activities for the year ③	Estimated cash used in financing activities for the year ④	Estimated cash surplus (deficit) ①+②-③-④	Remedial measures for cash deficit
						Financing plan
2019	12,523	58,609	29,735	26,911	14,486	-

Analysis of changes in cash flows in 2019:

1. Net cash generated from operating activities is mainly affected by net profit, depreciation and amortization.
2. Cash used in investing activities is mainly affected by the acquisition of property, plant and equipment.
3. Cash used in financing activities is mainly affected by the cash dividends paid.

## 2. Analysis of Changes in Cash Flow for the Year – Standalone

The net amount of cash and cash equivalents of the Company in 2018 increased by NT\$1,588,319 thousand (Note), where changes in various types of cash flows are described as follows:

- (1) Operating activities: Net cash generated from operating activities totaled NT\$39,043,166 thousand, mainly due to the profit before income tax of NT\$26,397,390 thousand, add-back of depreciation of NT\$17,609,689 thousand, and deduction of share of the profit of subsidiaries and associates of NT\$10,206,731 thousand.
- (2) Investing activities: Net cash used in investing activities totaled NT\$21,667,750 thousand, mainly due to the de-recognition of financial liabilities for hedging of NT\$18,406,432 thousand, acquisition of property, plant and equipment of NT\$10,914,218 thousand, and dividends received from subsidiaries and affiliates of NT\$5,859,772 thousand.
- (3) Financing activities: Net cash used in financing activities totaled NT\$15,787,097 thousand, mainly due to a net increase of NT\$10,300,000 thousand in corporate bonds payable, repayment of long-term bank borrowings of NT\$7,598,710 thousand, dividends paid of NT\$13,892,306 thousand, and a net decrease of NT\$6,296,753 thousand in short-term bills payable.

Note: Changes in the balance of cash and cash equivalents include bank overdraft.

### Analysis of Cash Flow in the Coming Year

Unit: NT\$ millions

Year	Cash balance at the beginning of the period ①	Estimated net cash generated from operating activities for the year ②	Estimated cash used in investing activities for the year ③	Estimated cash used in financing activities for the year ④	Estimated cash surplus (deficit) ①+②-③-④	Remedial measures for cash deficit
						Financing plan
2019	2,417	27,904	5,150	21,647	3,524	-

Analysis of changes in cash flows in 2019:

1. Net cash generated from operating activities is mainly affected by net profit.
2. Cash used in investing activities is mainly affected by the acquisition of property, plant and equipment.
3. Cash used in financing activities is mainly affected by the cash dividends paid.

#### IV. Impact of Major Capital Expenditure on the Company's Finance and Business in 2018

The Company's internal fixed asset investment plan included new production lines, equipment upgrades, production capacity or quality improvement, resource recycling, and other general items. A total of NT\$10.9 billion has been paid for the acquisition of property, plant and equipment in 2018. The major individual projects with an investment amount of NT\$2 billion, which are currently in progress, are listed as follows:

##### (I) Uses of major capital expenditure and sources of funds

Unit: NT\$ million

Project	Source of Funds	Actual or Scheduled Completion Date	Investment Amount	Funds for Each Year				
				2015	2016	2017	2018	2019
Improvement for Reduction of Effluent Ammonia Nitrogen Concentration	Equity 77.28% Long-term borrowings 22.72%	May 2018	2,658	501	870	814	242	-
Revamping of the 2nd Campaign of No. 3 Blast Furnace	Equity 77.28% Long-term borrowings 22.72%	June 2018	5,634	214	1,876	2,695	849	-
Upgrading Project of the Process Control and Electrical Control System of the No. 2 Hot Strip Mill	Equity 77.28% Long-term borrowings 22.72%	December 2020	2,292	142	345	328	730	439
Revamping plan of Phase 1 and 2 Coke Ovens (Stage 1)	Equity 77.28% Long-term borrowings 22.72%	December 2024	2,768	-	-	-	321	354

##### (II) Expected Benefits

###### 1. Improvement for Reduction of Effluent Ammonia Nitrogen Concentration

This improvement project is established to meet the new emission standards, and to revamp the existing related process equipment in coal chemical plants that currently produce coke and biochemical wastewater treatment plants. Upon completion, the concentration of ammonia nitrogen (NH<sub>3</sub>-N) emission can be reduced from the current level of 40 to 120 ppm to the emission standard level of 20 ppm and below, thereby preventing penalties or even production shutdown.

###### 2. Revamping of the 2nd Campaign of No. 3 Blast Furnace

This investment project includes the upgrade of furnace casing, redesign of furnace cooling elements to increase operating efficiency, and upgrade of pollution prevention equipment to improve environmental quality. The estimated internal rate of return is 23.3%.

###### 3. Upgrading Project of the Process Control and Electrical Control System of the No.2



### Hot Strip Mill

This project can solve the problem that no spare parts are available for electrical control in the 2nd hot strip mill, avoid interruption in material supply in the downstream due to production shutdown and downtime, expand the process control capacity of equipments, and increase the process capability of production lines in developing new type of steel.

#### 4. Revamping plan of Phase 1 and 2 Coke Ovens (Stage 1)

This project is the first stage of the revamping of Phase 1 and 2 coke ovens, with an aim of upgrading equipment and improving environmental protection.

(III) Investments with amount exceeding 5% of paid-in capital in the most recent year: None.

### V. Investment Policies, Major Causes for Profit or Loss and Improvement Plans in the Most Recent Year and Investment Plans for the Coming Year

The Company's investment policy mainly revolves around our business strategies of further consolidating the steel business, expanding export markets, securing sources of raw materials, including coal and iron ore. We focus on enhancing industrial competitiveness with professional cooperation among associates, in hopes of creating synergy, thereby increasing investment income to enhance shareholders' interests.

The share of the profit of subsidiaries and associates indicated in the Company's 2018 standalone financial statements was NT\$10.207 billion, an increase of NT\$2.994 billion or 42% from 2017. The share of profit rose in this year mainly due to the stable steel market. Our subsidiaries, Dragon Steel Corporation and Chung Hung Steel Corporation experienced operational growth, resulting in share of profit from these two companies increased. In addition, due to reduction of shareholding ratio, the Company no longer holds significant influence on Formosa Ha Tinh (Cayman) Limited from July 2017, where investing results was recorded at available-for-sale financial asset (and reclassified as "Financial assets at fair value through other comprehensive income" in 2018 according to IFRS 9) instead of recognizing income. Furthermore, investment loss from China Steel Corporation India Pvt. Ltd., C.S. Aluminium Corporation, and Taiwan Rolling Stock Co., Ltd. increased, whereas recognized investment income from CSC Steel Australia Holdings Pty Ltd decreased.

The share of the profit of associates indicated in the consolidated financial statements in 2018 by equity method was NT\$186 million, an increase of NT\$510 million from the share of loss of NT\$324 million recognized by the equity method in 2017. This was mainly resulted from the decrease of share of loss recognized from Formosa Ha Tinh (Cayman) Limited, decrease of share of profit from 7623704Canada Inc. in Canada by NT\$246 million and an increase of share of loss from Taiwan Rolling Stock Co., Ltd.

In the future, the Company will continue to improve investment management, to implement performance appraisal system, and to drive investee companies to improve operating performance so as to increase the Company's investment income, and create synergy from all businesses to enhance competitiveness, thereby becoming a steel enterprise of global distinction.

Future investment projects will continue to revolve around the steel business, which highly related to our sales, technology and process, and target emerging countries in Asia with strong steel demand growth. Considering differences in steel demand in various regions and those of

our products with greater market advantage, the Company plans the expansion of landscape of the overall steel businesses taking into account the overall production and sales allocation of CSC Group and mutual support between production lines. To achieve the steady development of CSC Group, the Company will take advantage of operating synergies of CSC Group to enhance the operational efficiency of non-steel businesses.

## VI. Risk Management

### (I) Organization of Risk Management

#### 1. Organization and operation of risk management:

- (1) Risk control at the Company is divided into three levels (mechanisms): The organizing unit is the "first mechanism", and has to assume the responsibility for initial detection, designing of the assessment and control and prevention of risks in operations. The second mechanism is various functional committees, monthly and morning management meetings hosted by the Vice Presidents or the President, which includes the feasibility assessment as well as various types of risk assessments and legal advice and setting of control points provided by the Legal Department and the Internal Audit Office. The third mechanism is the review and approval from the Audit Committee and the Board of Directors, while the Internal Audit Office regularly or irregularly carries out random checks and assessment on various risk reports. The Company adopts comprehensive risk control over all employees, which is usually implemented from level to level, instead of being controlled by a single person. This is the most practical approach for risk control.
- (2) The medium-term and long-term goals of the Company are led by the Secretariat Department, while annual management policy is led by the Industrial Engineering Department. Risk assessment at each operation level is included by the Industrial Engineering Department in the establishment and tracking of annual management policy and objectives at all first echelon units. Matters to be implemented will also be reviewed at each level, while cross-unit task forces have to be formed to implement risk detection, assessment and prevention if needed. During normal times, the Internal Audit Office regularly carries out the examination of all items in each operating cycle, in hopes of early detection, correction and prevention of possible risks.
- (3) At the beginning of each year, all first echelon units, from bottom to top, carry out risk assessment on various operating items and prepare self-assessment reports, which are then reviewed by the Internal Audit Office. Each division also performs overall risk assessment in each operating cycle, and prepares self-assessment reports based on the five major components of internal control, which are then submitted to the President for review. These reports and written reports prepared by the Internal Audit Office, which are listed as the main basis for the Company to issue the Statement on Internal Control System, are submitted to the Audit Committee and the Board of Directors for review. In summary, the Company's approach is extremely stringent to circumvent possible risks and well implemented.

2. Organizational structure of risk management:

Important Risk Assessment Item	Direct Risk Control Unit (Direct Business Unit) (First Mechanism)	Risk Review and Control (Second Mechanism)	Audit Committee, Board of Directors and Internal Audit Office (Third Mechanism)
(1) Changes in interest rates, exchange rates and inflation	Finance Department	Vice President of Finance Division, monthly and morning management meetings, and Internal Audit Office	Audit Committee and Board of Directors: (Risk assessment control and ultimate control)  Internal Audit Office: (Risk inspection, assessment, supervision, improvement tracking and reporting)
(2) High-risk and high-leverage investments, loaning of funds to others, derivative instruments, and financial investment	Finance Department		
(3) R&D Projects	Iron & Steel Research & Development Department, and New Materials Research & Development Department	Vice President at each divisions, Total Quality Management Committee, Legal Department, and Internal Audit Office	
(4) Changes in policies and laws	Secretariat Department, Industrial Engineering Department, and Legal Department		
(5) Technological and industrial changes and strengthening relationship with customers	Marketing Department, Marketing Administration Department, and Metallurgical Department		
(6) Changes in corporate image	Marketing Department , Public Affairs Department and Corporate Strategy Department		
(7) Benefits from investments, reinvestments and mergers and acquisitions	Corporate Strategy Department, Finance Department, factories (departments) governing the investment targets, and Legal Department	Vice President of Corporate Planning Division, Vice President of Finance Division, Group Business Conference, and Internal Audit Office	
(8) Plant expansion or production	All departments	Vice President of Production Division, Vice President of Commercial Division, Vice President of Engineering Division; Production-sales meeting, and Internal Audit Office	
(9) Concentration of purchases and sales	Purchasing Department, Marketing Department, and Marketing Administration Department		
(10) Information on investments in Mainland China	Corporate Strategy Department and Finance Department	Vice President of Corporate Planning Division, Vice President	

Important Risk Assessment Item	Direct Risk Control Unit (Direct Business Unit) (First Mechanism)	Risk Review and Control (Second Mechanism)	Audit Committee, Board of Directors and Internal Audit Office (Third Mechanism)
(11) Transfers or changes in shareholdings of directors, supervisors and major shareholders	Finance Department	of Finance Division, Vice President of Administration Division, monthly and morning management meetings, Legal Department, and Internal Audit Office	
(12) Changes in management rights	Finance Department		
(13) Litigious or non-litigious matters	Legal Department, Public Affairs Department, and		
(14) Other operational matters	business units involved in such cases		
(15) Employee behavior, ethics and conduct	Supervisors and executives at various levels, and Human Resources Department	Rewards and Punishments Review Committee	
(16) SOP and legal compliance	Supervisors and executives at various levels	Legal Department and Internal Audit Office	
(17) Management of Board of Directors' meetings	Secretariat Department	Legal Department and Internal Audit Office	
(18) External construction contracts	Engineering Division, Wind Power Business Development Committee and all first echelon units	Vice President of Engineering Division, Chairman of the Wind Power Business Development Committee; Legal Department, and Internal Audit Office	

(II) Impact on profit and loss of the Company due to interest rate and exchange rate fluctuation and inflation and response measures thereof

1. Impact on profit and loss of the Company

Unit: NT\$ thousands; %

Item	2018
Net interest income or expense	-1,454,349
Net exchange gain or loss	394,597
Ratio of net interest income or expense to net revenue	-0.62%
Ratio of net interest income or expense to profit before income tax	-5.51%
Ratio of net exchange gain or loss to net revenue	0.17%
Ratio of net exchange gain or loss to profit before income tax	1.49%

(1) Changes in interest rate

The Company sources funds through both fixed and floating interest rates borrowings, thereby resulting in exposure to interest rate risk. Hence, the

Company manages interest rate risks by maintaining a suitable combination of fixed and floating interest rates. If interest rate increases or decreases by 1%, the Company's profit before income tax in 2018 will decrease or increase by NT\$318 million assuming all other variables remain unchanged. Since the beginning of the interest rate hike cycle in December 2015, the US has raised Fed interest rates 9 times as of December 2018. Markets expect a slowdown in global growth in 2019, coupled with the impact of the US-China trade tensions, the interest rate policy of the US Fed will be dynamically adjusted according to actual economic data, instead of adopting prior hawkish approach. The Company's US dollar loans constituted a small proportion of the total borrowings. Hence, Fed interest rate hikes had a considerably small impact on all long-term loans. All in all, interest rate risks experienced by the Company due to changes in interest rates remains within a controllable range.

(2) Changes in exchange rates

Although the payment of raw materials for the daily operations of the Company increased due to the recovery of coking coal and iron ore prices, export prices also benefited from the upward trend in international steel market. Overall, currently the increase in U.S. dollar income is still able to support increased expenditure resulted from rising raw material prices. Offsetting income and expenditure, the risk of exchange rate fluctuations arising from daily operations remains within a controllable range.

(3) Inflation

The Company's production costs are mainly resulted from imported raw materials, and those affected by domestic inflation include utilities and supplies, which accounted for less than 10% of the total cost. A 1% increase in inflation rate will increase the Company's annual cost by less than NT\$150 million. Hence, domestic inflation poses little risk on the Company's earnings.

2. Future response measures

(1) Response measures for changes in interest rates

The Company should pay attention to foreign currency borrowings (mainly denominated in US dollar), and take response measures such as making early repayments when necessary.

(2) Response measures for changes in exchange rates

In order to reduce the risk of exchange rate fluctuations for equipment or engineering procurement involving large payment amounts and long payment periods, the Company hedges against risks by purchasing forward foreign exchange contracts in batches so as to lock in the cost of foreign currency purchases required for procurement cases and avoid deviation of procurement costs due to exchange rate fluctuations in future payments. As of the end of 2018, the balance of unexpired forward foreign exchange contracts purchased by the Company for imported equipment were 2,842 thousand US dollars and 34,156 thousand euros, whereas the total unrealized loss based on fair value assessment was approximately NT\$9,430 thousand.

(3) Response measures for inflation

Inflation poses little risk on the Company's earnings.

(III) Since the Company's policies focus on our main businesses, the Company does not engage in high-risk or high-leverage trading activities. The purpose of derivatives trading is limited to hedging against risks. Forward foreign exchange contracts, which were yet to expire at the end of 2018, were purchased for the procurement of imported equipment in order to hedge against risks. In addition, the Company provides guarantees only to our subsidiaries or invested companies which is guaranteed by all joint shareholders according to the shareholding ratio. Such guarantees are strictly controlled through careful evaluation procedures before they are provided to reduce possible risks.

(IV) Impact on profit and loss of the Group due to interest rate and exchange rate fluctuation and inflation and future response measures thereof

1. Impact on profit and loss of CSC Group

Unit: NT\$ thousands; %

Item	2018
Net interest income or expense	-2,957,280
Net exchange gain or loss	421,557
Ratio of net interest income or expense to net revenue	-0.74%
Ratio of net interest income or expense to profit before income tax	-9.26%
Ratio of net exchange gain or loss to net revenue	0.11%
Ratio of net exchange gain or loss to profit before income tax	1.32%

(1) Changes in interest rates

The Company and our subsidiaries sources funds through both fixed and floating interest rates borrowings, thereby resulting in exposure to interest rate risk. Hence, the Company and our subsidiaries manage interest rate risks by maintaining a suitable combination of fixed and floating interest rates. If interest rate increases or decreases by 1%, the Company's consolidated profit before income tax in 2018 will decrease or increase by NT\$1.02 billion assuming all other variables remain unchanged. Since the beginning of the interest rate hike cycle in December 2015, the US has raised Fed interest rates 9 times as of December 2018. Markets expect a slowdown in global growth in 2019, coupled with the impact of the US-China trade tensions, the interest rate policy of the US Fed will be dynamically adjusted according to actual economic data, instead of adopting prior hawkish approach. The Company's US dollar loans constituted a small proportion of the total borrowings. Hence, Fed interest rate hikes had a considerably small impact on all long-term loans. All in all, interest rate risks experienced by the Company and our subsidiaries due to changes in interest rates remains within a controllable range.

(2) Changes in exchange rates

Companies of CSC Group mainly engage in the steel business. Although the payment of raw materials for daily operations increased due to the recovery of coking coal and iron ore prices, export prices also benefited from the upward trend in international steel market. Overall, currently the increase in U.S. dollar

income is still able to support increased expenditure resulted from rising raw material prices. Offsetting income and expenditure, the risk of exchange rate fluctuations arising from daily operations remains within a controllable range.

(3) Inflation

Domestic inflation poses little risk to the profits of companies of CSC Group.

2. Future response measures

(1) Response measures for changes in interest rates

The Company and our subsidiaries manage interest rate risks by maintaining an appropriate combination of fixed and floating interest rates, and utilize interest rate swaps to manage interest rate risks when necessary.

(2) Response measures for changes in exchange rates

The Company and our subsidiaries manage exposure to exchange rate risks by engaging in forward foreign exchange contracts to purchase or borrow foreign currency within the scope permitted by policies.

(3) Response measures for inflation

Inflation poses little risk to the earnings of the Company and our subsidiaries.

(V) Future R&D Projects and Expected R&D Expenditure

1. China Steel Corporation

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of electrical sheet for smart electric vehicle motors	<ol style="list-style-type: none"> <li>1. A top-grade ultra-thin electrical sheet for the drive motor in the Tesla Model 3 electric vehicle has been successfully developed.</li> <li>2. A type of ultra-thin steel with a thickness of 0.25mm is currently being developed according to the requirements of other vehicle manufacturers. The coils possess the features of lower iron loss, higher magnetic density, and higher strength, so as to meet the requirements of higher efficiency design in future electric vehicle motors.</li> </ol>	1,200	2019.12	<ol style="list-style-type: none"> <li>1. Establish component effect and formulate the best range for components.</li> <li>2. Establish analysis of cross-process microstructure and texture evolution, and optimize parameters for cross-process production conditions.</li> </ol>
Development of high-reaming-ratio hot-rolled steel with 60 kg strength	<ol style="list-style-type: none"> <li>1. The structure of the steel material has been refined through optimized alloy design and hot rolling process, where a second phase, i.e. high-strength phase, exists, and the final hot-rolled steel material has high strength.</li> <li>2. The formation of carbides in the structure has been controlled and inhibited based on the ratio of the two phases, so that the steel material not only has high strength, but also has a high hole expansion rate.</li> </ol>	800	2019.12	<ol style="list-style-type: none"> <li>1. Enhance structure control in three directions to meet the strength uniformity of plates in different rolling directions.</li> <li>2. Perform alloy and process optimization to meet fatigue resistance requirements.</li> </ol>

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of low-carbon green process steelmaking technology	<ol style="list-style-type: none"> <li>1. Study and develop advanced ironmaking process technologies in basic oxygen furnaces to establish fundamental technologies such as rapid dissolution of large amounts of iron sources, recarburization of liquid steel, and life extension for bottom blowing; and complete the development of refining technology with 100% scrap-to-hot metal ratio using experimental basic oxygen furnace.</li> <li>2. Develop basic oxygen furnace blowing technology with 25% scrap ratio according to the route plan for the development of low-carbon steelmaking process, and develop intelligent computational analysis system as the basis for the development of high-performance intelligent steelmaking technology.</li> </ol>	800	2019.12	<ol style="list-style-type: none"> <li>1. Improve existing technologies for basic oxygen furnaces.</li> <li>2. Take part in the industry-academia collaboration with universities to perform computer simulation.</li> <li>3. Conduct basic oxygen furnace experiments to obtain key process technologies.</li> <li>4. Maintain strengths and offset weakness by establishing collaboration with international manufacturers.</li> </ol>
Establishment of iron ore sintering technology with low air leakage rate and high productivity	<p>The following technologies have been developed:</p> <ol style="list-style-type: none"> <li>1. Online detection and early warning system for air leakage in sintering trolleys</li> <li>2. Automatic measurement of air leakage rate in sintering air suction systems</li> <li>3. Identification technology for type of air leakage in sintering trolleys.</li> </ol>	1,000	2019.12	<ol style="list-style-type: none"> <li>1. Online ranking and early warning systems for air leakage in sintering trolleys have been applied in plants.</li> <li>2. Air leakage pattern identification technology for sintering trolleys, which is still being developed, has been able to identify major air leakage patterns and positions.</li> <li>3. Automated operation of the online measurement of air leakage rate in sintering air suction systems has been completed.</li> </ol> <p>Development of the three technologies above has played a role in preventing air leakage in the sintering process, and currently these technologies are still undergoing further improvement.</p>
Development of intelligent batch annealing technology	<ol style="list-style-type: none"> <li>1. Establish the optimal heating curve AI model for batch annealing.</li> <li>2. Establish a hardness prediction AI model.</li> </ol>	300	2019.12	Estimate the hardness of coil after annealing using the hardness prediction AI model, then search for the optimal annealing curve using the optimal heating curve AI model for batch annealing, in order to meet the requirements for coil hardness and energy saving.
Development	The pilot test for locally made	900	2019.12	Establish a database for the



Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
and application of online membrane monitoring and anti-scale technology	membrane bio-reactor (MBR) has been completed, where it can save about 25% of membrane replacement cost. In addition, high-sensitivity and ultrasonic monitoring method for RO membrane fouling and high-efficiency cleaning of UF membrane with oxalic acid in industrial wastewater purification plants have been completed. Besides, anti-scaling agent and bactericide for RO membranes have also been developed, where they can extend the RO membrane cleaning cycle.			relationship between field ultrasound data and pressure difference in membranes, and construct the online monitoring technology for film fouling.
Development of high-grade chromium-free galvanized coil	Self-made fingerprint-resistant galvanized coil B4 has been successfully promoted and mass-produced. Standard chromium-free hot dip galvanized alloy (GA) steel has been promoted since 2018 Q2. Large-size panel fingerprint-resistant cold-rolled galvanized coil has been developed, and is currently being tested by customers. High corrosion-resistant chromium-free GA technology is currently being developed.	600	2019.12	<ol style="list-style-type: none"> <li>1. The Marketing Department and the Metallurgical Department will be tasked with marketing the product, while the New Materials Research &amp; Development Department will be responsible for providing assistance related to technical services.</li> <li>2. Incorporate a new anti-corrosion system for silicone compounds into the development of high corrosion-resistant GA technology.</li> </ol>
Development of functional coated electrical steel coils	Self-adhesive coatings have been developed in the laboratory based on self-made formulation, and on-site trial production has been completed in 2018 Q4. Trial production for chromium-free annealing-resistant coated ES and chromium-containing annealing-resistant coated ES has been completed, while both products are currently being tested by customers.	600	2020.08	<ol style="list-style-type: none"> <li>1. Set up equipment for the mass production of frequency sticking for self-adhesive coatings.</li> <li>2. Rely on business and technical services to promote the product for trial use.</li> <li>3. Incorporate locally made resin sources to reduce the cost of self-adhesive coatings.</li> </ol>
Inventory check for heavy metal emission and end-of-pipe emission reduction at steel plants	Analysis and comparison of inventory check for heavy metal emissions in raw materials including coal, iron ore and stone have been completed, while materials with high content of heavy metal is currently under review, where used of these materials would be terminated or reduced. In addition, continuous research on the improvement of scrubbing efficiency for the pilot flue gas desulfurization (FGD) in	1,400	2019.12	<ol style="list-style-type: none"> <li>1. Review the analysis on the amount of heavy metal in new sources of raw materials and the applicability of production process.</li> <li>2. The pilot FGD mode field equipment functions well, and the experimental progress is effectively implemented.</li> <li>3. Master the operating techniques for the material flow analysis model, as well as Input/Output review and</li> </ol>

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
	sinter plants is being carried out in order to reduce the amount of heavy metal by increasing fine particle washout.			revision.
Development of emission reduction for dissipative dust from stockpiles	<ol style="list-style-type: none"> <li>1. The Gaussian Plume Model for LIDAR monitoring and pollution source tracing has been established, while field parameters at the storage yard have also been set up.</li> <li>2. The evaluation test of water mist for dust suppression in Phase 3 raw material storage yards showed that the water mist spray distance and range complied with requirements.</li> <li>3. Dust suppression efficiency improved by approximately 40%, and each originally set experiment target has been achieved.</li> </ol>	2,800	2020.10	<ol style="list-style-type: none"> <li>1. Establish LIDAR dust monitoring and dissipative pollution source tracing technologies at raw material storage yards.</li> <li>2. Establish a water mist dedusting system for operations such as stockpile reclamation to optimize connection to LIDAR and enhance the efficiency of dust dissipation via water spray.</li> <li>3. Complete 5 assessments of environmental impact and pollution prevention measures at raw material storage yards.</li> </ol>
Development of intelligent monitoring technology for biochemical wastewater plant	The development of four biological activity monitoring technologies has been completed, with field data currently being collected. In addition, with regard to the water quality of coking wastewater, a plan has been put in place to set up online monitoring equipment, where the prototype has been completed, and the offline test result deviated from the laboratory test data obtained by the Utilities Department by <10%. Online testing is expected to be conducted at the biochemical wastewater plant in January 2019, where the subject matters will be Phase 3 and Phase 4 coking wastewater.	1,900	2021.04	<ol style="list-style-type: none"> <li>1. Establish biological activity monitoring technology for adenosine triphosphate (ATP), oxygen uptake rate (OUR), fluorescence in-situ hybridization (FISH), and quantitative polymerase chain reaction (qPCR).</li> <li>2. Establish online detection technologies for three key water quality items, including cyanide (CN-), thiocyanate (SCN-), and total phenolic.</li> <li>3. Develop biological preparations for removing phenol/SCN-.</li> <li>4. Complete the development of expert system for biochemical wastewater plant.</li> </ol>
Establishment of applied technology for self-adhesive coil processing	<ol style="list-style-type: none"> <li>1. Basic research for the key technology required for self-adhesive coil molds has been completed.</li> <li>2. The prototype for self-adhesive mold with small size motor core has been completed, while other functional tests and improvements currently being conducted.</li> <li>3. Compression heating equipment for batch production of large size motor core is currently under construction, while induction heating uniformity is currently being studied.</li> </ol>	1,050	2020.04	<ol style="list-style-type: none"> <li>1. Establish simulation assessment capabilities for innovative heating methods with the academia.</li> <li>2. Establish cross-disciplinary technical cooperation with outstanding domestic mold and automation equipment manufacturers.</li> <li>3. Establish and maintain close communication with domestic and overseas stamping and motor manufacturers to identify actual application needs and cost targets.</li> </ol>
Establishment of solar	1. The thermal-fluid and electrical models for predicting battery	2,800	2021.03	1. Establish rapid identification technology for defective

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
photovoltaic efficiency improvement technology	temperature based on sunlight, wind speed, and atmospheric temperature, and predicting electricity generated by power plants based on the I-V curve of the module have been successfully developed. 2. Comprehensive health checks is currently being conducted at PV sites of the entire group.			modules on site. 2. Evaluate the degree of corrosion and degradation of the support frame structure of PV systems, and establish key maintenance technology.
Development of new formulation of AO coating materials for hot stamping	Newly formulated coatings have been developed in the laboratory based on self-made formulation, while assessment of application characteristics complied with quality requirements. These coatings are awaiting on-site roll coating test.	600	2019.12	1. Establish mass production technology for new formulations. 2. Cooperate with subsidiary Honley Auto. Parts Co., Ltd. to promote trial use. 3. Incorporate sticking agents developed by the Company to reduce coating cost.
Development of ladle health care system	1. The blow hole inspection system for ladle slag line in the refinement operation has been developed. This system filters the impact of high-temperature slag splash through image processing, and can correctly restore the thermal image outside the ladle wall. At present, this system has been installed in the north of LF1 and LF2 at the plant for system validation. 2. The ladle-related inspection system is currently being developed. As different steelmaking processes have different effects on the ladle body, corresponding solutions need to be developed for various types of blow holes that occur in the plant, so as to achieve stable production and enhance industrial safety.	1,500	2021.12	1. Establish an online real-time inspection system that can be used in line with the steelmaking process. 2. Establish a database for the history of ladle use, and optimize online and offline schedule planning for ladles, along with online production parameters.

## 2. China Steel Chemical Corporation

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Small-particle size high-magnification anode materials for lithium ion batteries - UF1 series	Low-impedance, high-magnification materials with ultra-small particle size of <5um have been developed, and are currently undergoing stability testing.	2,000	2019.Q4	Demand for batteries with high-magnification charge and discharge power, such as xEV.
Development of fast-charging soft carbon materials	The formulation and heat treatment temperature of this material have been determined, while its performance is currently being verified.	1,000	2019.Q4	Fast-charging battery for electric scooters
Development of high-capacity silicon-carbon anode materials	High-capacity 500 mAh/g silicon-carbon materials are continuously being developed, while trial production equipment is currently being planned.	4,000	2020.Q2	Anode materials for next generation high-capacity lithium battery.
Development carbon materials for next-generation high-voltage supercapacitors	The stability and optimized conditions between supercapacitor carbon materials and other materials are currently being studied.	1,000	2019.Q4	Its applications include wind energy storage, automobile start-stop system, electric bus, and light rail vehicle.
Development of high-grade fine-structure isotropic graphite	Trial production equipment is currently being planned. Samples of high-quality fine-structure isotropic graphite have been sent for testing.	2,500	2019.Q2	Advanced 3C products molds, electrical discharge machining electrodes, and continuous casting graphite molds.

## 3. CHC Resources Corporation

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Research and development of special performance blast furnace cement and promotion of its application	Special-performance blast furnace cement products can still be further refined. Upon a series of research, blast furnace cement with better durability than the original products has been developed.	200	2019.12	1. Improve product quality. 2. Verify the concrete performance of products with academic units.
Research and development and promotion of high-quality wet grouting materials	This material has been widely used in the southern region from 2014 to 2018. According to statistics, as of December 2018, it has been used in a total of 76 construction projects, with a cumulative sales volume of 322 thousand bags.	80	2019.12	1. Continue to maintain stable quality. 2. Provide product technical services to customers.
Promotion of air-cooled blast furnace slag in Phase 2 of the	Since May 2018, air-cooled blast furnace slag has been used in Phase 2 of the Kaohsiung Circular Light Rail Project, with a total of 2,172 tons of	150	2019.12	1. Control quality stability. 2. Verify the engineering performance of products with academic units.

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Kaohsiung Light Rail Project	air-cooled blast furnace slag used.			
Trial paving and promotion of asphalt concrete graded aggregates applications on public constructions	<ol style="list-style-type: none"> <li>1. Research results from CSC's factories to public constructions between 2006 and 2012 have convinced the Public Construction Commission to approve that no engineering or environmental verification is required for basic oxygen furnace asphalt concrete.</li> <li>2. Basic oxygen furnace slag was included in the construction specifications of Kaohsiung City and Taichung City in 2015 and 2017, respectively.</li> <li>3. Public service institutions expanded the use of basic oxygen furnace asphalt concrete, where hundreds of roads have been paved using this material.</li> <li>4. User manual for basic oxygen furnace asphalt concrete was completed, and passed the review conducted by the Industrial Development Bureau.</li> </ol>	800	2019.12	<ol style="list-style-type: none"> <li>1. Eliminate concerns regarding the use of basic oxygen furnace slag raised by public service departments and Taiwan Asphalt Industrial Association, and encourage the inclusion of basic oxygen furnace slag in the construction specifications of various city and county governments.</li> <li>2. Complete the evaluation of life cycle effectiveness of basic oxygen furnace asphalt concrete.</li> </ol>
Upgrade of steel slag resourcezation technology	<p>Promoting the use of basic oxygen furnace slag in a variety of areas domestically and abroad as follows:</p> <ol style="list-style-type: none"> <li>1. AC aggregate (including recycled asphalt pavement)</li> <li>2. Paving brick</li> <li>3. Artificial building materials</li> <li>4. Soil improvement agents</li> <li>5. Foundation stones in maritime and hydraulic engineering</li> <li>6. Reclamation materials</li> <li>7. Marine algal reefs</li> <li>8. Development of cladding materials</li> </ol>	1,200	2019.12	<ol style="list-style-type: none"> <li>1. Eliminate concerns regarding the use of basic oxygen furnace slag raised by public service departments and Taiwan Asphalt Industrial Association, and encourage the inclusion of basic oxygen furnace slag in the construction specifications of various city and county governments.</li> <li>2. Set up performance verification for the application of basic oxygen furnace slag in marine engineering.</li> <li>3. Develop assessment of the effects of cladding materials on expansion prevention and acid neutralization.</li> </ol>
Recycling and resourcezation of solid waste	Develop exclusive binding material and plastic block-making technology used in basic oxygen process for Dragon Steel Corporation and applicable in scrap returns at steel plants	100	2019.12	Strength of granulated finished products and changes in moisture conditions affect the willingness of steel factories to apply them to scrap returns.
Resourcezation of mineral fines	<ol style="list-style-type: none"> <li>1. An autonomous management plan for mineral fines has been established according to the effect of constructions using controlled-low-strength-material (CLSM).</li> <li>2. Self-propelled block-making</li> </ol>	150	2019.12	<ol style="list-style-type: none"> <li>1. Changes in the steelmaking process will directly affect the composition and subsequent use of mineral fines.</li> <li>2. Develop zero-slump mixture and take into consideration product durability and integrity.</li> </ol>

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
	machines have been introduced, while the block-making mixture for mineral fines has been developed, in order to improve ways for resourcezation of products. 3. Pig iron processing has been tested and the processing line has been planned based on mineral fines quality, so as to improve recycling of iron resources.			3. Changes in the quality of raw materials and fluctuated metallic iron quality as pig iron processed.
Treatment of contaminated soil and dredged mud	The amount of contaminated soil and dredged mud is reduced after treatment, in order to increase reutilization rate and reduce final disposal costs.	200	2019.12	1. Acceptance of new technologies by government agencies and Taiwan International Ports Corporation. 2. Trends in harbor dredging and soil pollution remediation policies.
Resourcezation of used refractories	1. The use of medium to high magnesium used refractories as auxiliary materials for sintering at steel plants has been completed in 2018, and the production and sale of these materials have also been balanced. 2. The volume expansion and stability technology for used refractories has been developed to reduce offsite resourcezation risk	200	2019.12	Control the quality of raw materials, particle size, variation of free magnesium oxide content, degree of volume stability and quantity used of offsite resourcezation.

#### 4. Chung Hung Steel Corporation

Project in the Most Recent Year (Title)	Project Category	Further R&D Expenditure (NT\$ ten thousands)
Hot rolling - Development of low-temperature rolling and fine blanking materials S55C	R&D and Improvement Plan in 2019	20,472
Hot rolling - Replacement of pipes and skids in Reheating Furnace No. 2		
Hot rolling - Revamping of Grinder No. 3		
Hot rolling - Replacement of 400hp public spiral air compressors		
Hot rolling - Optimization of PDA inspection system for reheating furnaces		
Hot rolling - Improvement works for public water pollution prevention		
Hot rolling - Improvement of F3 AGC servo system		
Cold rolling - Development of product EN10139 DC01 C490		
Cold rolling - Development of high-grade fine blanking materials for gears		
Pickling and galvanizing - Addition of automated surface inspection system (ASIS) to pickling lines		
Pickling and galvanizing - Upgrading of power monitoring and control system		
Pickling and galvanizing - Reconstruction of KATHABAR and establishment of K7 and K8 coil storage areas		
Pickling and galvanizing - TPM modification (Phase 1)		
Steel pipes and tubes - Establishment of forming performance simulation technology for pipe production line No. 4		
Steel pipes and tubes - Development of CH300YU3 steel pipes (for J55 upgradable)		
Hot rolling - High-grade PO materials	Unfinished projects in 2018 will be	36,441
Hot rolling - Modification and improvement of SPM pressure roll		

Project in the Most Recent Year (Title)	Project Category	Further R&D Expenditure (NT\$ ten thousands)
Hot rolling - Replacement of pipes and skids in Reheating Furnace No. 2	continued in 2019	
Hot rolling - Revamping of Grinder No. 2		
Hot rolling - Addition of automated surface inspection system (ASIS) to skin pass mills		
Hot rolling - Upgrade of D/C width gauges		
Cold rolling - Adjustment of mechanical properties and establishment of carbide control technology for BA SDCQ2		
Cold rolling - Development of product J4B 0.254mm×900mm		
Cold rolling - Work roll chock assembling		
Cold rolling - Modification of electrical control equipment for Cold Rolling Line No. 1		
Cold rolling - Upgrade of thickness gauge for finishing lines		
Cold rolling - Modification of 10-ton boiler combustion system		
Pickling and galvanizing - Upgrading of electrical control equipment at pickling lines		
Pickling and galvanizing - Upgrading of air compressors		
Pickling and galvanizing - Groundwater recycling and reuse at Station No. 5		
Pickling and galvanizing - Phase 2 of electrical control system improvement for bridge cranes		
Steel pipes and tubes - Development of heat treatment simulation test capabilities		
Steel pipes and tubes - Development of API 5L X70M PSL2 steel pipe with diameter 16" or above		
Steel pipes and tubes - Replacement of inspection equipment in small-diameter pipe production line No. 2		

#### 5. China Steel Structure Co., Ltd.

Project in the Most Recent Year (Title)	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Change of FCAW packaging method for BOX inline baffle plate to barrel	Test plan scheduling and equipment procurement have been carried out to perform mock-up assembly	20	2019.09	1. Welding parameter test 2. Equipment procurement 3. Component assembly and welding 4. Training for on-site welding personnel
Development of single-sided welding, double-sided forming backing weld technology	Mock-up and assembly have been set up	50	2019.06	1. Welding sequence control 2. Establishment of welding procedure manual 3. Training for on-site welding personnel
Development of offshore wind power process technology	Test plan scheduling and process technology R&D have been conducted to carry out equipment procurement and mock-up assembly	300	2019.10	1. Research and development of process technology 2. Establishment of welding procedure manual 3. Equipment procurement 4. Training for on-site welding personnel

## 6. China Ecotek Corporation

Project in the Most Recent Year (Title)	Project Category	Further R&D Expenditure (NT\$ ten thousands)
Development of fluorine-containing wastewater treatment technology	R&D Plan in 2019	1,000
Research and development of high-efficiency, small-footprint sludge drying system		
Establishment of flue gas desulfurization technology at coking plants with the R&D unit at CSC		
Development and engineering application of medium-temperature SCR catalyst at coking plants with the R&D unit at CSC		
Active development of online smart monitoring system, and establishment of equipment monitoring system center to enhance the application of equipment monitoring technologies		
Improvement of high-order pipe stress analysis technology		
Integrated research on building information modeling (BIM)		

Looking into the future, CSC and companies of CSC Group not only are continuously committed to technological innovation and R&D by creating independent core technologies, but also establish R&D alliances with domestic steel-using industries, continuously develop high-end and high value-added products, and promote industrial upgrading, in order to meet quality requirements in the downstream industry and reduce customers' costs, thereby enhancing the international competitiveness of upstream and downstream steel industries. The Company also integrates CSC Group's marketing resources to improve sales and technical services for customers.

(VI) Impact on the Company's finance and business due to changes in important domestic/foreign policies and laws and response measures thereof

1. Application of the new International Financial Reporting Standards (IFRSs):

The Financial Supervisory Commission announced that IFRS 16 "Leases" will be effective on January 1, 2019. IFRS 16 specifies the accounting treatment for leases, and will replace IAS 17 "Leases" and related interpretations.

When IFRS 16 is applied, the Company and its subsidiaries, who are lessees, shall recognize right-of-use assets and lease liabilities for all leases in the consolidated balance sheets, except for low-value and short-term leases which may be treated using methods related to operating leases in accordance with IAS 17. Depreciation expense on right-of-use assets and interest expense on lease liabilities calculated using the effective interest method shall be presented separately in the consolidated statement of comprehensive income. In the consolidated statement of cash flows, principal and interest payments on lease liabilities shall be presented as financing activities.

When IFRS 16 takes effect, the Company and its subsidiaries chose to recognize the cumulative effect of initial application at the date of initial application. Accounting treatment of leases in which the Company and its subsidiaries are lessors and lessees is expected to have no material impact on consolidated financial statements.

2. The Company Act amendments were published by the President on August 1, 2018 and the amended Act announced by Executive Yuan with issuance number 1070037184 was effective from November 1, 2018. Since charters related to annual shareholders' meeting and the board of directors was amended, the Company



coordinately amended “Rules Governing Procedures for Shareholders’ Meeting”, “Rules Governing the Election of Directors” and “Corporate Governance Best-Practice Principles” and will submit to 2019 Shareholdings’ Meeting for approval and report.

(VII) Impact on the Company's finance and business due to technological and industrial changes and response measures thereof

With the rapid development of technology, the Company faces cross-industry competition globally. In order to steadily and effectively support the ever-expanding business landscape, as well as demand for flexible and massive capital management, the Company must improve the visibility of capital flow and financial forecasts and develop support tools for rapid financial decision making.

Therefore, the Company creates a common and integrated financial and accounting system using the latest information technology and scientific methods in a modularized, real-time, smart, mobile and organized manner, in order to integrate resources and information flow and realize synergy from group management. At the same time, the Company enhances the supply chain and strategic partnerships, improves product grade and service value, as well as pursues minimum costs and the most effective methods to satisfy customer needs in production and sales collaborations, so as to create a win-win situation through cooperation between upstream and downstream of the industry, thereby becoming a trustworthy steel company of global distinction.

Furthermore, with the widespread use of the Internet, hackers, computer viruses, and scam e-mails are on the rise. To raise information security awareness among our coworkers and effectively maintain the safety of personnel, equipment, information, and systems, the Company has not only set up a joint information security protection team by integrating various units and companies of CSC Group, established an information security events monitoring and reporting mechanism, and formulated the standard operating procedures for information security, but also established cooperation with external information security experts to monitor external network traffic and packets at all times, red flags will be alerted automatically and handled. At the same time, the Company regularly and randomly tests the alertness of our coworkers in all companies through phishing e-mails. Besides, the Company conducts quarterly visits to each company to check their information security protection measures and reinforce them as needed. For production equipment that is enclosed and has difficulties in updating firmware, whitelisting is used to block invasion from such illegal software.

(VIII) Impact on the Company's corporate crisis management due to changes in corporate image and response measures thereof

In 2018, the Company won various awards given by domestic and foreign institutions, such as: 1. Winning the Gold Class award in RobecoSAM's Sustainability Yearbook in 2018, and obtaining the highest score among global steel industry, indicating that the Company is highly recognized by the international community and corporate sustainability assessment agencies in areas such as sustainable management and transparency in corporate governance. 2. In 2018, the Company was being selected as a constituent of the DJSI (Dow Jones Sustainability Indexes) Emerging Markets Indices, indicating that CSC has earned high praise and recognition from the international community and investment institutions in areas such as corporate governance, social engagement, and environmental

protection. 3. Winning the "The Most Prestigious Sustainability Awards-Top Ten Domestic Corporates" for the 5th consecutive time, as well as 8 other awards, including the "Top 50 Corporate Sustainability Report Award-Platinum Award in Traditional Manufacturing Sector", the "English Report Award", the "Sustainable Water Management Award", the "Climate Leadership Award", the "Growth through Innovation Award", the "Circular Economy Leadership Award" and the "Talent Development Award". The Company is not only dedicated to elevate values for steel industrial chain but also promotes 5G strategy, namely Green Process, Green Product, Green Business, Green Partner, and Green Life, where corporate social responsibility is implemented to build a triple-win sustainable development environment integrated society, environment, and economy, which have further earned high acclaim from members of the selection committee.4. The Company has won the "Leader in Sustainability Award" by BSI, where this award is given to companies which have complied with the verification of CSR reports for more than 5 consecutive years and successfully obtained more than 5 certifications in association with more than 5 international standards corresponding to environmental, economic, and social aspects, thereby demonstrating that the Company's sustainable governance-related conduct has earned high recognition and acclaim.

The CSC Group highly emphasizes on environmental protection and energy saving, and regards the currently most important social responsibility issues as the mission of everyone in the Group, so that everyone will work together to maintain sustainable development. The publication of corporate social responsibility reports not only enables companies of CSC Group to pay more attention to the use and reuse of resources, but also promotes a better future for Taiwan. Looking into the future, the Company is committed to continuing efforts to implement and learn about corporate sustainable management so as to enhance sustainable growth in all areas. Besides, the Company also works hand in hand with all business partners in the value chain to jointly enhance high-quality growth of Taiwanese and international companies, while taking care of the interests of all stakeholders, thereby striving for sustainable management of enterprises and industries.

(IX) Expected benefits and potential risks related to mergers and acquisitions

The 17th meeting of the 13th Board of Directors of Chung Hung Steel was held on November 2, 2017. During the meeting, the Board of Directors approved the merger between Chung Hung Steel Corporation and its wholly-owned subsidiary, Hung Li Steel Corporation Ltd., with Chung Hung Steel Corporation being the surviving company and Hung Li Steel Corporation the dissolved company. The merger, effective from June 1, 2018, is expected to improve operational efficiency and enhance the company's competitiveness.

(X) Expected benefits and potential risks related to plant expansion

In assessing plant expansions, the Company and companies of CSC Group have taken into account investment benefits and potential risks, and have conducted evaluations through a complete, cautious, and professional process. Significant capital expenditures must also be reported to the Audit Committee for review, and to the Board of Directors for approval. To reduce risks arising from market changes, risk sensitivity analysis has been enhanced, while benefit performance assessment has been implemented.

(XI) Risks related to concentration of purchases and sales

1. Risk related to concentration of purchases

(1) Equipment

The Company has always invited well-known manufacturers from all over the world to bid for equipment procurement after carrying out extensive investigations on potential suppliers, in order to avoid over concentrated sources of procurement. However, the steel production equipment is a highly specialized industry, and the number of manufacturers in this industry is already quite limited. In recent years, equipment suppliers in various countries achieved business integration through mergers, acquisitions, and strategic alliances; therefore, only a handful of manufacturers are able to provide quotations. Reduced competitiveness may prompt manufacturers to raise price quotes, thereby increasing equipment investment costs.

(2) Raw materials

The Company and Dragon Steel Corporation are the only integrated steel mills in the CSC Group. Coking coal is mainly sourced from Australia, with a small amount from Canada. Meanwhile, iron ore is primarily sourced from Australia and Brazil, with a small amount originates from Canada. The Company takes the following response measures:

- 1) Develop new material sources in other regions.
- 2) Invest in mining to improve self-sufficiency of raw materials and ensure prioritized purchasing
- 3) Spot purchase a few amount of raw materials required in order to respond flexibly to changing circumstances.

2. Risk related to concentration of sales

In order to disperse risks arising from concentration of sales while maintaining the mindset of global development strategy, the Company and steel companies of CSC Group adopt the sales channel strategy of "focusing on domestic sales, supplemented with export sales," which is adjusted according to changes in market conditions. The specific measures taken include: increasing the promotion of new products to create new value; mastering developments in related industries to expand the scope of product supply; actively seeking investment opportunities in downstream steel manufacturers or steel-using industries; and establishing coil centers in overseas markets with development potential to rapidly respond to customer needs and establish steady long-term strategic partnerships. At present, the Company has established 14 coil centers in various countries and regions, including Mainland China, Southeast Asia, India, and Italy, in order to disperse risks arising from recession in individual regional economies.

(XII) Information on Investments in Mainland China

In January 2011, the Company invested US\$30.52 million in Changzhou China Steel Precision Materials Co., Ltd. through a wholly-owned subsidiary, China Steel Asia Pacific Holdings Pte Ltd, holding 70% of its shares. This company, which completed the construction and commenced in July 2011, engages in the manufacture and sale of high-purity titanium, titanium alloys, nickel-based alloys, tool and die steel. Realizing our development into the special steel industry, the investment in Changzhou China Steel

Precision Materials Co., Ltd. is helpful for the Company in developing towards high-end and high value-added products, establishing a more complete product line, and enhancing the overall value of CSC Group.

In December 2012 and October 2013, the Company invested a cumulative amount of US\$12 million in China Steel Precision Metals Qingdao Co., Ltd. through a wholly-owned subsidiary, China Steel Asia Pacific Holdings Pte Ltd, holding 60% of its shares. This company, which commenced in the fourth quarter of 2013, mainly engages customers from sectors such as automobiles, motors, home appliances and information. This investment help the Company establish sales locations in North China, expand sales channels and keep abreast of market developments.

In July 2014, the Company acquired 80% stake in Kunshan United Steel Engineering Co., Ltd. (renamed as China Steel Precision Metals Kunshan Co., Ltd. in September 2017) through a wholly-owned subsidiary, China Steel Asia Pacific Holdings Pte Ltd, with a cumulative investment of US\$12.848 million. This company, which commenced in the third quarter of 2015, becomes our coil center in East China. It mainly engages in expanding sales to customers from sectors such as automobiles, 3C, home appliances and electric machines, and serves to keep abreast of market developments.

In June 2016, February 2017, September and December 2018, the Company, through its wholly-owned subsidiary, China Steel Asia Pacific Holdings Pte Ltd, together with Honley Auto. Parts Co., Ltd. and China Automotive Engineering Research Institute Co., Ltd., invested a cumulative amount of US\$3.50 million to establish Chongqing HC&C Auto Parts Co., Ltd., holding 10% of its shares. Chongqing HC&C Auto Parts Co., Ltd. will build a plant in Chongqing, Mainland China to produce hot stamping parts for automobiles. Aiming at penetrating into the markets of hot stamping, plastic composites and aluminum alloy extrusion parts for automobiles in Southwest China, this investment enhance sales of our automobile sheets and improve synergy between the development and supply of the Company's high-strength automobile steels and coated steels. The plant of this company is expected to be completed in June 2019.

- (XIII) Impact of major transfers or changes in shareholdings of directors, supervisors or major shareholders with over 10% shareholding on the Company

No such circumstance was found from 2018 up to the publication date of this annual report (March 31, 2019).

- (XIV) Impact and risks of changes in management rights on the Company

No such circumstance was found from 2018 up to the publication date of this annual report (March 31, 2019).

- (XV) Litigious or non-litigious matters: List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any of its director, supervisor, president, person with actual responsibility for the company, major shareholder with over 10% shareholding, and/or any affiliated companies; and (2) have been concluded with a final judgment, or are still under litigation. Where such a dispute could materially affect shareholders' rights or share prices, the annual report shall provide the facts in issue, amount of money at issue, commencement date, litigants, and current status of the case as of the publication date of this annual report.

Listed below are the cases in which major litigious, non-litigious or administrative disputes

involving affiliates, with a subject matter value of NT\$100 million, have been concluded with a final judgment or are still under litigation:

Name of Affiliates	Litigant	Fact in Issue	Amount of Money at Issue	Commencement Date	Case Status as of the Publication Date of this Annual Report
Kaohsiung Rapid Transit Corporation (KRTC)	Maeda Corporation Long Da Construction & Development Corporation	Maeda-Long Da was the EPC contractor for the EPC Project for the Orange Line CO2 Section of Kaohsiung MRT. On December 4, 2005, a collapse accident took place during the construction of catch basin in the cross passage of tunnel LU009. After completing the reconstruction, a lawsuit was filed to seek payment for resulting additional expenses. The first instance case number was Taiwan Kaohsiung District Court 2010 Chien Tzu No. 34. After the first instance judgment on August 31, 2016, the EPC contractor filed an appeal to Taiwan High Court Kaohsiung Branch Court, where the second instance case number was Taiwan High Court Kaohsiung Branch Court 2016 Chien Tzu No. 32.	NT\$1.675 billion	On September 26, 2016, the plaintiff filed an appeal. Then, the court of second instance held the first session in Taiwan High Court Kaohsiung Branch Court on December 30, 2016.	This lawsuit was filed on October 9, 2009 by the plaintiff in Taiwan Kaohsiung District Court and the first instance judgment was made 6 years and 10 months later on August 31, 2016. "The plaintiff's lawsuit is dismissed, and the litigation costs will be borne by the plaintiff," the verdict of the district court reads. The court of first instance commented that the request made by the plaintiff (i.e. the EPC contractor) for disaster reconstruction expenses was unreasonable. In other words, KRTC won the case in the court of first instance. As the plaintiff refused to accept the judgment thereafter, the plaintiff submitted an appeal against the first instance judgment to seek full payment for amount of money at issue, and filed a lawsuit to the court of second instance. The Taiwan High Court Kaohsiung Branch Court, which accepted the second instance lawsuit, held the first court session on December 30, 2016. Preliminary proceeding has gone through 10 court sessions. As the appellant has expressed its willingness to pay the fee for the supplementary appraisal report on the reasonable and necessary project expenses, the court has issued a letter to Taiwan Construction Research Institute (TCRI) to request a supplementary appraisal and the request was accepted by TCRI. The proceeding will resume upon completion of supplementary appraisal by TCRI. As of the publication date of this annual report, i.e. March 31, 2019, it is not viable to estimate the timeline for the court of second instance to complete the trial or pronounce the sentence. At present, KRTC is actively preparing for the relevant procedures according to the notice issued by the court of second instance.
CHC Resources Corporation	Kaohsiung City Government	CHC Resources Corporation received a letter from the Environmental Protection Bureau of Kaohsiung City Government in June and October 2018, respectively. These letters recognized that CHC Resources Corporation should be jointly liable for clean-up in the case regarding the backfilling of BOFS graded aggregates in certain land parcels in the Dalin section of Cishan District by Chien Fa Construction Co., Ltd.	None	January 31, 2019	On January 31, 2019, CHC Resources Corporation filed an administrative lawsuit with Kaohsiung High Administrative Court.

(XVI) Other significant risks: None.

VII. Other Significant Matters: None.

## **Chapter VIII. Special Disclosures**

### **I. Information on Affiliated Companies**

(I) 2018 Consolidated Financial Statements of Affiliated Companies: None.



## 2. Basic Information on Affiliated Companies

(As of March 31, 2019)

Unit: \$ thousands

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
Chung Hung Steel Corporation	1983.09.29	No. 317, Yuliao Rd., Qiaotou Dist., Kaohsiung City, Taiwan	NT\$	14,355,444	Manufacture and sale of steel products
Hung Kao Investment Corporation	2006.09.26	28F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	26,000	General investment
Taiwan Steel Corporation	1993.09.16	No. 296-2, Yuliao Rd., Qiaotou Dist., Kaohsiung City, Taiwan	NT\$	1,000	Steel refining
China Steel Chemical Corporation	1989.02.03	25F, No. 88, Chengong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	2,369,044	Manufacture of coal chemicals and specialty chemicals
Ever Wealthy International Corporation	1999.08.30	25F, No. 88, Chengong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	1,045,749	General investment
Ever Glory International Co., Ltd.	1997.01.31	P.O. Box 31106 SMB, Grand Cayman	US\$	1,300	International trade and investment
Formosa Ha Tinh CSCC (Cayman) International Limited	2016.01.04	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Rd., P.O. Box 32052, Grand Cayman KY1-1208 Cayman Islands	US\$	20,000	International trade and investment
Changzhou China Steel New Materials Technology Co., Ltd.	2013.12.19	No. 18, Changyang Rd., Wujin Economic Development Zone, Changzhou, Jiangsu Prov., China	CNY\$	39,950	Processing and sale of green mesophase powder
CHC Resources Corporation	1991.05.25	22F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	2,485,404	Manufacture and sale of GBFS powder and GBFS cement, air-cooled BFS and BOFS, soil and groundwater pollution remediation, treatment of hazardous industrial waste, recycling of resources
Hsieh Sheng Development Corporation	2007.06.15	No.5, Guangyang St., Xiaogang Dist., Kaohsiung City, Taiwan	NT\$	68,493	Real estate leasing
Yu Cheng Lime Corporation	1969.04.16	No.1, Youcheng Ln., Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City, Taiwan	NT\$	12,000	Real estate leasing and tally service of raw materials
Union Steel Development Corporation	1995.06.20	11F-2, No. 243, Yixin 1st Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	50,000	Manufacture and sale of iron powder, contract manufacturing and sale of refractory materials, trading and labor dispatching
Pao Good Industrial Co., Ltd.	1996.08.29	31F, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	106,050	Trading of fly ash, production and sale of dry-mix mortar and trading business
CHC Resources Vietnam Co., Ltd	2016.03.17	Complex of Formosa Ha Tinh Steel Corporation Administration Area, Vung Ang Economic Zone, Ky Long Ward, Ky Anh Town, Ha Tinh Prov., Vietnam	US\$	11,000	Sale of water-quenched slag
China Steel Structure Co., Ltd.	1978.02.24	No. 500, Zhongxing Rd., Yanchao Dist, Kaohsiung City, Taiwan	NT\$	2,000,000	Manufacture and sale of steel structures
United Steel Engineering & Construction Corporation	1985.01.10	8F-1 to 4, No. 88, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City, Taiwan	NT\$	740,000	Contracting and management of civil engineering construction, etc
China Steel Structure Holding Co., Ltd.	2003.11.03	Portcullis Chambers, P.O. Box 1225, Apia, Samoa	US\$	12,000	Holding and investment



Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
China Steel Structure Investment Pte. Ltd.	1997.01.13	160 Robinson Rd., #15-06 SBF Centre, Singapore	US\$	4,100	Holding and investment
United Steel Development Corporation Limited	2008.11.04	8F-1 to 4, No. 88, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City, Taiwan	NT\$	53,550	Development, leasing and sale of residential houses and commercial buildings
China Steel Structure Investment Co., Ltd.	2003.11.03	Portcullis Chambers, P.O. Box 1225, Apia, Samoa	US\$	12,000	Holding and investment
United Steel Construction (Vietnam) Co., Ltd.	1999.03.26	9F, Petroland Tower, No. 12, Tan Trao St., Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	US\$	1,000	Contracting and management of civil engineering construction, etc
United Steel Investment Pte Ltd	1994.05.20	160 Robinson Rd., #15-06 SBF Centre, Singapore	US\$	4,180	Holding and investment
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	2004.01.13	No. 168, Shuanghua Rd., Huaqiao Kunshan Jiangsu Prov., China	US\$	12,000	Manufacture and sale of steel structures
China Ecotek Corporation	1993.03.15	8F, No. 8, Minguan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	1,237,426	Environmental and electromechanical engineering, Operation & Maintenance (O&M)
Econova Technology Corporation	2018.07.13	8F, No. 8, Minguan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	25,000	Environmental and electromechanical engineering, Operation & Maintenance (O&M)
China Ecotek Construction Corporation	2012.11.20	8F, No. 6, Minguan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	25,000	Engineering services
CEC International Corporation	2002.10.08	Portcullis Chambers, P.O. Box 1225, Apia, Samoa	US\$	1,000	General investment
CEC Holding Company Limited	2012.08.24	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$	11,196	General investment
CEC Development Corporation	2003.01.02	1308, Delaware Avenue, Wilmington, DE 19806, New Castle County, USA	US\$	16,450	General investment
China Ecotek India Private Limited	2012.08.17	B-33, 2F, Janki Residency, Unera-Koyali Rd., Unera, Vadodara, Gujarat, India	INRS	50,000	Engineering design-build services
China Ecotek Vietnam Company Limited	2010.06.09	Phuoc Lap Zone, My Xuan Ward, Phu My Town, Ba Ria Vung Tau Prov., Vietnam	US\$	10,000	Engineering design-build services
Xiamen Ecotek PRC Company Limited	2011.11.09	Rm. 2502, Lin Shinn Plaza, No. 90 Hubin South Rd., Siming Dist., Xiamen City, Fujian Prov., China	US\$	6,000	Sales agency for import and export of equipment and materials
Dragon Steel Corporation	1993.11.18	No. 100, Longchang Rd., Longjing Dist., Taichung City, Taiwan	NT\$	86,125,861	Hot-rolled coils, H beams, billets, flat steels
Gains Investment Corporation	1996.04.01	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	5,593,820	General investment
Winning Investment Corporation	1997.04.25	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	2,300,000	General investment
Thintech Materials Technology Co., Ltd.	2000.03.29	8F-4, No. 140, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City, Taiwan	NT\$	734,981	Manufacture and sale of sputtering targets
Betacera Inc.	1987.11.06	No. 35-4, Yingtao Rd., Yingge Dist., New Taipei City, Taiwan	NT\$	427,803	Manufacture and trading of electronic ceramics
Universal Exchange Inc.	2000.01.21	6F, No. 20, Nanhai Rd., Zhongzheng Dist., Taipei City, Taiwan	NT\$	165,449	Wholesale, service of IT software and electronic information services supply

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
Mentor Consulting Corporation	1996.06.05	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	10,000	Management consulting business
Eminence Investment Corporation	1996.06.06	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	1,500,000	General investment
Gainsplus Asset Management Inc.	1997.04.03	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, B.V.I	US\$	100	General investment
Shin Mau Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	General investment
Ding Da Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	General investment
Gau Rwei Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	General investment
Chiun Yu Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	General investment
Lefkara Ltd.	1992.04.01	P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, B.V.I	US\$	13,623	Trading of electronic ceramics and life-saving products
Thintech Global Limited	2011.02.23	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$	6,800	International trade and investment
Thintech United Limited	2011.02.23	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$	9,309	International trade and investment
Li-Ching-Long Investment Corporation	1999.09.27	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	20,000	General investment
Sheng Lih Dar Investment Corporation	1999.09.27	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	24,000	General investment
Jiing-Cherng-Fa Investment Corporation	1999.09.27	26F, No. 88 Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	23,000	General investment
Hung-Chuan Investment Corporation	1999.09.27	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	20,000	General investment
Chi-Yi Investment Corporation	1999.10.04	26F, No. 88 Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	20,000	General investment
Betacera (Su Zhou) Co., Ltd.	2000.08.18	No. 1219, Yunli Rd., Economic Develop Zone, Wujiang City, Jianggsu Prov., China	US\$	4,400	Manufacture and trading of electronic ceramics
Suzhou Betacera Technology Co., Ltd.	2007.06.04	No. 500, Ganquan West Rd., Economic Develop Zone, Wujiang City, Jianggsu Prov., China	US\$	15,000	Manufacture and trading of life-saving equipment for shipping and aviation
Shanghai Xike Ceramic Electronic Co., Ltd.	1992.08.11	No. 600, Xiaomuqiao Rd., Xuhui Dist., Shanghai, China	US\$	1,200	Manufacture and trading of electronic ceramics
Taicang Thintech Materials Co., Ltd.	2011.07.28	No. 98, Huan Rd., Industrial Development Zone, Shaxi Town, Taicang City, Jiangsu Prov., China	US\$	6,800	Manufacture and sale of sputtering targets
China Steel Express Corporation	1996.02.13	24F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	4,225,453	Dry bulk shipping business
Kaohsiung Port Cargo Handling Services Corporation	1997.11.08	33F-1, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	50,000	Ship stevedoring

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
Transglory Investment Corporation	2005.05.13	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	7,079,139	General investment
CSE Transport Corporation	1996.10.04	78E, No. 30, Loma Alegre, San Francisco, Panama City, Republic of Panama	US\$	10	Dry bulk shipping business
CSEI Transport (Panama) Corporation	1999.05.06	Proconsa No. 1 Building, 12F, Maneuel Maria Icaza and 51st St., Panama City, Republic of Panama	US\$	10	Dry bulk shipping business
C.S.Aluminium Corporation	1996.01.16	No. 17, Donglin Rd., Xiaogang Dist., Kaohsiung City, Taiwan	NT\$	8,402,512	Production and trading of aluminum products and other non-ferrous metal products
ALU Investment Offshore Corporation	2002.01.04	Portcullis Chambers, 4F, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, B.V.I	US\$	31,650	Holding and investment
United Steel International Development Corporation	1997.04.11	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, Tortola, B.V.I	US\$	49,000	General investment
Ningbo Huayang Aluminium-Tech Co., Ltd.	2002.10.30	No. 288 Si-Ming East Rd., High-Tech Development Zone, Fenghua, Zhejiang, China	US\$	49,000	Production and trading of aluminum products
China Prosperity Development Corporation	1998.08.18	23F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	5,098,095	Development of real estate
CK Japan Co., Ltd.	2012.01.06	2-4-7, Uchihommachi, Osaka Shi Chuo Ku, Osaka Fu, 540-0026, Japan	JP\$	480,000	Leasing of real estate
China Steel Asia Pacific Holdings Pte Ltd	2000.11.01	160 Robinson Rd., SBF Center #15-06, Singapore	SG\$	195,914	General investment
Changzhou China Steel Precision Materials Co., Ltd.	2008.09.17	No. 18, Changyang Rd., Wujin Economic Development Zone, Changzhou, Jiangsu Prov., China	US\$	43,600	Manufacture and trading of titanium alloys, nickel alloys, non-ferrous forged products
China Steel Precision Metals Qingdao Co., Ltd.	2012.11.06	Building No. 3, No. 500, Fenjin Rd., Economic & Technological Dist. Qingdao, Shandong, China	US\$	20,000	Cutting and processing of steel products
CSC Steel Holdings Berhad	2004.01.20	180, Kawasan Industri Ayer Keroh, 75450 Melaka, Malaysia	RM\$	380,000	General investment
Group Steel Corporation (M) Sdn. Bhd.	1994.12.19	180, Kawasan Industri Ayer Keroh, 75450 Melaka, Malaysia	RM\$	1,000	General investment
CSC Steel Sdn. Bhd.	1991.11.14	180, Kawasan Industri Ayer Keroh, 75450 Melaka, Malaysia	RM\$	359,000	Manufacture and sale of steel products
Constant Mode Sdn. Bhd.	2010.11.19	180, Kawasan Industri Ayer Keroh, 75450 Melaka, Malaysia	RM\$	750	General investment
China Steel Global Trading Corporation	1996.04.02	10F, No. 88, Chenggong 2nd Rd., QianZhen Dist., Kaohsiung City, Taiwan	NT\$	788,298	Sales agent and trading of steel products
Wabo Global Trading Corporation	1997.11.24	9F, No. 88, Chenggong 2nd Rd., Quianzhen Dist., Kaohsiung City, Taiwan	NT\$	119,000	Sales agent and trading of steel products
Chung Mao Trading (Samoa) Corporation	2002.07.04	TrustNet Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	US\$	11,800	Investment and trading business
Chung Mao Trading (BVI) Corporation	1997.08.15	P.O. Box 3321, Road Town, Tortola B.V.I	US\$	502	Sales agent and trading of steel products

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
CSGT International Corporation	2007.08.07	Portcullis TrustNet Chambers P.O. Box 1225, Apia, Samoa	US\$	20,740	Investment and trading business
CSGT (Singapore) Pte. Ltd.	2001.02.03	#14-01, MAS Building, 10 Shenton Way, Singapore	SG\$	6,100	Sales agent and trading of steel products
CSGT Hong Kong Limited	1998.01.14	Rm. 1407, 14F, World-Wide House, 19 Des Voeux Road Central, Hong Kong, China	HK\$	1,000	Sales agent and trading of steel products
CSGT Japan Co., Ltd.	1998.03.17	2-4-7, Uchihommachi, Osaka Shi Chuo Ku, Osaka Fu, 540-0026, Japan	JP\$	40,000	Sales agent and trading of steel products
CSGT Metals Vietnam Joint Stock Company	2007.10.31	Lot VI-1A, The 6th Rd., Ho Nai Industrial Zone, Trang Bom Dist., Dong Nai Prov., Vietnam	US\$	13,800	Cutting and processing of steel products
CSGT Trading India Private Limited	2014.09.10	215, Atrium Unit No. 101-102 1F, A-Wing, Andheri Kurla Rd., Andheri- E, Mumbai, India	INR\$	48,000	Sales agent and trading of steel products
CSGT (Shanghai) Co., Ltd.	2002.09.23	Rm. 1907, No. 501, Daming Rd., Hongkou Dist., Shanghai, China	USD\$	600	Sales agent and trading of steel products
InfoChamp Systems Corporation	2000.03.27	19F, No. 88, Chengong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	414,706	ERP system integration services
Info-Champ System (B.V.I) Corporation	2000.04.28	Portcullis Chambers, 4F, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, B.V.I	US\$	201	General investment
Wuhan InfoChamp I.T. Co., Ltd.	2002.04.22	15F, Quanta Building, No. 1 Friendship Ave, Wuchang Dist., Wuhan, China	US\$	200	ERP system integration services
China Steel Security Corporation	1997.11.27	17F-1, No. 247, Minsheng 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan	NT\$	250,470	On-site guarding and system security
Steel Castle Technology Corporation	1999.04.20	17F-2, No. 247, Minsheng 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan	NT\$	130,000	Installation of fire protection equipment
China Steel Management And Maintenance For Buildings Corporation	2012.01.02	17F-2, No. 247, Minsheng 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan	NT\$	10,000	Management and maintenance for buildings
HIMAG Magnetic Corporation	1991.01.10	No. 24-1, Chienkuo Rd., Fengtien Vill., Neipu Township, Pingtung Country, Taiwan	NT\$	276,055	Manufacture and trading of magnetic materials, specialty chemicals and iron oxide
MagnPower Corporation	2014.09.30	No. 36, Jingjian Rd., Pingtung City, Pingtung Country, Taiwan	NT\$	400,000	Powder metallurgy
China Steel Machinery Corporation	2001.09.20	No. 3, Taichi Rd., Xiaogang Dist., Kaohsiung City, Taiwan	NT\$	1,167,234	Manufacture and sale of mechanical equipments, including steel making equipment, rolling stock, transportation equipment, power plant equipment, etc.
China Steel Machinery Corporation India Private Limited	2013.07.19	2F, B1/462, Siddharth Bunglows, Sama-Savli Rd., Vadodara -390022, Gujarat, India	INR\$	19,863	Machinery manufacturing
China Steel Machinery Holding Corporation	2012.09.24	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$	3	General investment

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
China Steel Machinery Vietnam Co., Ltd.	2013.04.15	32 Hoang Viet, Ngoc Ha Neighborhood, Phu My Town, Phu My Ward, Ba Ria Vung Tau Prov., Vietnam	US\$	300	Machinery manufacturing
ChinaSteel Management Consulting Corporaion	1998.11.30	No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	10,000	Corporate business management consulting
Eminent Venture Capital Corporation	2005.03.25	28F, No. 7, Sec.5, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan	NT\$	450,045	General investment
CSC Steel Australia Holdings Pty Ltd	2007.02.05	Level 23, 240 Queen St., Brisbane, QLD 4000, Australia	AU\$	594,638	General investment
CSC Sonoma Pty Ltd	2007.02.05	Level 23, 240 Queen St., Brisbane, QLD 4000, Australia	AU\$	16,440	Mining investment
China Steel Sumikin Vietnam Joint Stock Company	2009.06.09	My Xuan A2 Industrial Zone, My Xuan Ward, Phu My Town, Ba Ria-Vung Tau Prov., Vietnam	US\$	574,000	Manufacture and sale of steel products
China Steel Corporation India Pvt. Ltd.	2011.10.20	Office No. 204, 2F, Iscon Atria, Tower-2, Gotri Rd., Vadodara Gujarat, India	INR\$	7,286,906	Electrical sheets
Kaohsiung Rapid Transit Corporation	2000.12.28	No. 1, Jungan Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	2,786,064	Mass rapid transit system operations
Taiwan Intelligent Transportation Co., Ltd.	2018.10.01	7F, No.1, Jungan Rd., Kaohsiung City, Taiwan	NT\$	26,000	Technical services
China Steel Resources Corporation	2014.02.18	No. 38, Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City, Taiwan	NT\$	981,120	Manufacture of other non-metallic mineral products
CSC Precision Metal Industrial Corporation	2014.06.05	28F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	322,500	Other non-ferrous metal basic industries
White Biotech Corporation	2012.12.13	23F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	150,020	Introduction and development of biotechnology
CSC Solar Corporation	2016.10.11	9F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	1,200,000	Solar power generation
Sing Da Marine Structure Corporation	2018.04.19	14F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	2,121,000	Offshore wind power substructure
United Steel International Co., Ltd.	2003.11.19	Portcullis Chambers, P.O. Box 1225, Apia, Samoa	US\$	15,000	General investment
China Steel Precision Metals Kunshan Co., Ltd.	2004.06.10	No. 168, ShuangHua Rd., HuaQiao Kunshan Jiangsu Prov., China	US\$	15,000	Cutting and processing of steel products
China Steel Power Holding Corporation	2018.06.28	15F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	5,000	General investment

3. Information on common shareholders of companies with control or subordinate relationship: None

#### 4. Business Scope and Relationships of Affiliated Companies

(As of March 31, 2019)

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
Steel industry	CSC Steel Sdn. Bhd.	Purchasing hot-rolled coils from China Steel Corporation and Chung Hung Steel Corporation
	Dragon Steel Corporation	Supplying hot-rolled coils and slabs to China Steel Corporation
	Chung Hung Steel Corporation	Purchasing slabs from China Steel Corporation
	Taiwan Steel Corporation	A subsidiary of Chung Hung Steel Corporation
	China Steel Sumikin Vietnam Joint Stock Company	Purchasing hot-rolled coils from China Steel Corporation
	China Steel Corporation India Pvt. Ltd.	Purchasing cold-rolled coils from China Steel Corporation
Steel cutting and processing	CSGT Metals Vietnam Joint Stock Company	A subsidiary of CSGT International Corporation
	China Steel Precision Metals Qingdao Co., Ltd.	Purchasing hot-rolled and cold-rolled coils from China Steel Corporation
	China Steel Precision Metals Kunshan Co., Ltd.	Purchasing hot-rolled and cold-rolled coils from China Steel Corporation
Non-ferrous industrial materials	Changzhou China Steel Precision Materials Co., Ltd.	Selling titanium and nickel alloy plates to China Steel Corporation
	C.S.Aluminium Corporation	Supplying aluminum bars, wires and drops to China Steel Corporation
	Ningbo Huayang Aluminium-Tech Co., Ltd.	A subsidiary of United Steel International Development Corporation
	Thintech Materials Technology Co., Ltd.	Purchasing titanium from China Steel Corporation and supplying sputtering targets to Taicang Thintech Materials Co., Ltd.
	Taicang Thintech Materials Co., Ltd.	Purchasing sputtering targets from Thintech Materials Technology Co., Ltd.
Non-ferrous industrial materials	Betacera Inc.	Supplying materials of electronic ceramics to Betacera (Su Zhou) Co., Ltd. and Shanghai Xike Ceramic Electronic Co., Ltd.
	Lefkara Ltd.	Purchasing electronic ceramics products from Betacera (Su Zhou) Co., Ltd. and purchasing lifesaving products from Suzhou Betacera Technology Co., Ltd.
	Shanghai Xike Ceramic Electronic Co., Ltd.	Purchasing materials of electronic ceramics from Betacera Inc.
	Betacera (Su Zhou) Co., Ltd.	Purchasing materials of electronic ceramics from Betacera Inc. and supplying electronic ceramics products to Lefkara Ltd.
	Suzhou Betacera Technology Co., Ltd.	Selling lifesaving products to Lefkara Ltd.
	Yu Cheng Lime Corporation	Providing storages for BFS material and finished products from CHC Resources Corporation
	CHC Resources Corporation	Purchasing water-quenched slag from China Steel Corporation and processing BOFS and air-cooled BFS from China Steel Corporation
	Pao Good Industrial Co., Ltd.	Supplying fly ash to CHC Resources Corporation
	CHC Resources Vietnam Co., Ltd	Supplying water-quenched slag to CHC Resources Corporation
	China Steel Chemical Corporation	Purchasing coal tar, light oil and other raw materials from China Steel Corporation
	Changzhou China Steel New Materials Technology Co., Ltd.	Purchasing mesophase graphite from China Steel Chemical Corporation
	HIMAG Magnetic Corporation	Purchasing iron oxides from China Steel Corporation and providing specialty chemicals to CSC Group
	China Steel Resources Corporation	Processing of desulfurized slag from China Steel Corporation

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
	CSC Precision Metal Industrial Corporation	Providing special alloy products machining and finishing business for China Steel Corporation
	MagnPower Corporation	A subsidiary of HIMAG Magnetic Corporation
Ocean freight forwarding and stevedoring	China Steel Express Corporation	Providing shipping services for CSC Group
	CSE Transport Corporation	Providing shipping services for CSC Group
	CSEI Transport (Panama) Corporation	Providing shipping services for CSC Group
	Kaohsiung Port Cargo Handling Services Corporation	Providing shipping cargo loading and unloading services for CSC Group
International trade	China Steel Global Trading Corporation	Sales agent for CSC Group steel and aluminum products
	Wabo Global Trading Corporation	Sales agent for CSC Group steel and aluminum products
	CSGT Hong Kong Limited	Sales agent for CSC Group steel and aluminum products
	CSGT Japan Co., Ltd.	Sales agent for CSC Group steel and aluminum products
	CSGT (Singapore) Pte. Ltd.	Sales agent for CSC Group steel and aluminum products
	CSGT (Shanghai) Co., Ltd.	Sales agent for CSC Group steel and aluminum products
	Ever Glory International Co., Ltd.	Trading with China Steel Chemical Corporation
	Formosa Ha Tinh CSCC (Cayman) International Limited	Trading with China Steel Chemical Corporation
	Xiamen Ecotek PRC Company Limited	A subsidiary of CEC Development Corporation
	CSGT Trading India Private Limited	Sales agent for CSC Group steel and aluminum products
Investment holding companies	ALU Investment Offshore Corporation	A subsidiary of C.S.Aluminium Corporation
	United Steel International Development Corporation	A subsidiary of ALU Investment Offshore Corporation
	Chung Mao Trading (BVI) Corporation	A subsidiary of China Steel Global Trading Corporation
	Chung Mao Trading (Samoa) Corporation	A subsidiary of China Steel Global Trading Corporation
	CSGT International Corporation	A subsidiary of China Steel Global Trading Corporation
	Gains Investment Corporation	A subsidiary of China Steel Corporation
	Winning Investment Corporation	A joint-company invested by Gains Investment Corporation and Transglory Investment Corporation
	Eminence Investment Corporation	A subsidiary of Gains Investment Corporation
	Shin Mau Investment Corporation	A joint-company invested by Eminence Investment Corporation, CHC Resources Corporation and United Steel Engineering & Construction Corporation
	Gau Ruei Investment Corporation	A joint-company invested by Eminence Investment Corporation, CHC Resources Corporation and China Steel Chemical Corporation
	Ding Da Investment Corporation	A joint-company invested by Eminence Investment Corporation, CHC Resources Corporation and Ever Wealthy International Corporation
	Chiun Yu Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and China Steel Structure Co., Ltd.
Sheng Lih Dar Investment Corporation	A joint-company invested by Eminence Investment Corporation, CHC Resources Corporation and Ever Wealthy International Corporation	

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
Investment holding companies	Li-Ching-Long Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Steel Chemical Corporation and China Steel Structure Co., Ltd.
	Jiing-Cherng-Fa Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and CHC Resources Corporation
	Chi-Yi Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and China Steel Structure Co., Ltd.
	Hung-Chuan Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and Ever Wealthy International Corporation
	Gainsplus Asset Management Inc.	A subsidiary of Gains Investment Corporation
	Thintech Global Limited	A subsidiary of Thintech Materials Technology Co., Ltd.
	Thintech United Limited	A subsidiary of Thintech Materials Technology Co., Ltd.
	Eminent Venture Capital Corporation	A subsidiary of Gains Investment Corporation and China Steel Chemical Corporation
	Info-Champ System (B.V.I) Corporation	A subsidiary of InfoChamp Systems Corporation
	China Steel Structure Investment Pte. Ltd.	A subsidiary of China Steel Structure Co., Ltd.
	China Steel Structure Holding Co., Ltd.	A subsidiary of China Steel Structure Co., Ltd.
	China Steel Structure Investment Co., Ltd.	A subsidiary of China Steel Structure Holding Co., Ltd.
	United Steel Investment Pte Ltd	A subsidiary of United Steel Engineering & Construction Corporation
	United Steel International Co., Ltd.	A joint-company invested by China Steel Corporation and Chung Mao Trading (Samoa) Corporation
	Ever Wealthy International Corporation	A subsidiary of China Steel Chemical Corporation
	CEC International Corporation	A subsidiary of China Ecotek Corporation
	CEC Development Corporation	A subsidiary of China Ecotek Corporation
	CEC Holding Company Limited	A subsidiary of China Ecotek Corporation
	China Steel Asia Pacific Holdings Pte Ltd	A subsidiary of China Steel Corporation
	CSC Steel Holdings Berhad	A subsidiary of China Steel Asia Pacific Holdings Pte Ltd
	CSC Steel Australia Holdings Pty Ltd	A subsidiary of China Steel Corporation
	CSC Sonoma Pty Ltd	A subsidiary of CSC Steel Australia Holdings Pty Ltd
	China Steel Machinery Holding Corporation	A subsidiary of China Steel Machinery Corporation
	Transglory Investment Corporation	A joint-company invested by China Steel Express Corporation, Chung Hung Steel Corporation and China Steel Chemical Corporation
	Hung Kao Investment Corporation	A subsidiary of Chung Hung Steel Corporation
	Group Steel Corporation (M) Sdn. Bhd.	A subsidiary of CSC Steel Holdings Berhad
	China Steel Power Holding Corporation	A subsidiary of China Steel Corporation
Management consulting companies	Mentor Consulting Corporation	A subsidiary of Gains Investment Corporation
	ChinaSteel Management Consulting Corporation	Providing business management and consulting services management for CSC Group



Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
Other metal products manufacturing	Union Steel Development Corporation	Processing refractory from China Steel Corporation
Fire protection, security and business management services	China Steel Security Corporation	Providing services of on-site security and systematic security for CSC Group
	Steel Castle Technology Corporation	Providing services of firefighting engineering, mechatronic engineering and professional technical operation for CSC Group
	China Steel Management And Maintenance For Buildings Corporation	Providing services of management and maintenance of office building for CSC Group
Machinery manufacturing and assembly	China Steel Machinery Corporation	Purchasing steel plate from China Steel Corporation
	China Steel Machinery Vietnam Co., Ltd.	Providing repair & maintenance and manufacturing service of mechanical equipment for China Steel Sumikin Vietnam Joint Stock Company
	China Steel Machinery Corporation India Private Limited	Providing mechanical equipment manufacturing service for China Steel Corporation India Pvt. Ltd.
Real estate development	China Prosperity Development Corporation	Providing real estate development services for CSC Group
	CK Japan Co., Ltd.	Providing real estate leasing services for CSC Group
	United Steel Development Corporation Limited	A subsidiary of United Steel Engineering & Construction Corporation
	Constant Mode Sdn. Bhd.	A subsidiary of CSC Steel Sdn. Bhd.
	Hsieh Sheng Development Corporation	Providing land and factory building for CHC Resources Corporation
Construction engineering	China Steel Structure Co., Ltd.	Providing plant design and construction services for CSC Group
	United Steel Engineering & Construction Corporation	Providing civil engineering services of plant construction for CSC Group
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Providing civil engineering services of plant construction for CSC Group
	United Steel Construction (Vietnam) Co., Ltd.	A subsidiary of United Steel Engineering & Construction Corporation
Engineering services	China Ecotek Corporation	Providing environmental engineering and plant construction services for CSC Group
	China Ecotek Vietnam Company Limited	Providing plant construction services for CSC Group
	China Ecotek India Private Limited	Providing plant construction services for CSC Group
	China Ecotek Construction Corporation	A subsidiary of China Ecotek Corporation
	Econova Technology Corporation	A subsidiary of China Ecotek Corporation
Information services	InfoChamp Systems Corporation	Providing ERP establishment services for CSC Group
	Wuhan InfoChamp I.T. Co., Ltd.	A subsidiary of Info-Champ System (B.V.I) Corporation
Green energy	CSC Solar Corporation	Renting the roof of the factory buildings of CSC Group to implement the solar photovoltaic business
	Sing Da Marine Structure Corporation	Purchasing steel plate from China Steel Corporation
E-commerce	Universal Exchange Inc.	Providing the Electronic Letter of Credit service for CSC Group
Mass transit system operation	Kaohsiung Rapid Transit Corporation	A subsidiary of China Steel Corporation
	Taiwan Intelligent Transportation Co., Ltd.	A subsidiary of Kaohsiung Rapid Transit Corporation
Biotechnology	White Biotech Corporation	Producing ethanol by utilizing LDG of China Steel Corporation

### 5. Directors, Supervisors and Presidents of Affiliated Companies

(As of March 31, 2019)

Unit: shares, %

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Chung Hung Steel Corporation	Chairman	China Steel Corporation (Representative: Yi-Chung Han)	582,673,153	40.59%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	582,673,153	40.59%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	582,673,153	40.59%
	Independent Director	Juh-Shan Chiou	0	0.00%
	Independent Director	Hsien-Tang Tsai	0	0.00%
	Independent Director	Lin-Lin Lee	0	0.00%
	Director and President	China Steel Corporation (Representative: Tsung-Chang Lee)	582,673,153	40.59%
Hung Kao Investment Corporation	Chairman	Chung Hung Steel Corporation (Representative: Chia-Wen Luo)	2,600,000	100.00%
	President	Pei-Yu Lee	0	0.00%
Taiwan Steel Corporation	Chairman	Chung Hung Steel Corporation (Representative: Tsung-Chang Lee)	100,000	100.00%
	President	Chia-Wen Luo	0	0.00%
China Steel Chemical Corporation	Chairman	China Steel Corporation (Representative: Tsan-Ying Ho)	68,787,183	29.04%
	Director	China Steel Corporation (Representative: Shyi-Chin Wang)	68,787,183	29.04%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	68,787,183	29.04%
	Director	International CSRC Investment Holdings Co., Ltd. (Representative: An-Ping Chang)	11,759,096	4.96%
	Director	China Steel Corporation (Representative: Horng-Nan Lin)	68,787,183	29.04%
	Director	International CSRC Investment Holdings Co., Ltd. (Representative: Tien-Fu Chao)	11,759,096	4.96%
	Independent Director	Chris Wang	0	0.00%
	Independent Director	Hsin-Shu Hsieh	0	0.00%
	Supervisor	Kai-Chieh Chia	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Supervisor	CTCI Corporation (Representative: Tzun-Yen Yu)	1,776,916	0.75%
	Supervisor	Peter Chen	0	0.00%
	Director and President	China Steel Corporation (Representative: Ming-Da Fang )	68,787,183	29.04%
Ever Wealthy International Corporation	Chairman	China Steel Chemical Corporation (Representative: Ming-Da Fang)	104,574,982	100.00%
	President	Chu-Kai Huang	0	0.00%
Ever Glory International Co., Ltd.	Chairman	China Steel Chemical Corporation (Representative: Ming-Da Fang)	1,300,000	100.00%
Formosa Ha Tinh CSCC (Cayman) International Limited	Director	China Steel Chemical Corporation (Representative: Chu-Kai Huang)	10,000,000	50.00%
	Director	China Steel Chemical Corporation (Representative: Tsan-Ying Ho)	10,000,000	50.00%
	Director	China Steel Chemical Corporation (Representative: Ming-Da Fang)	10,000,000	50.00%
	Director	Formosa Ha Tinh (Cayman) Limited (Representative: Kuen-Mu Chen)	10,000,000	50.00%
	Director	Formosa Ha Tinh (Cayman) Limited (Representative: Fu-Ning Jang)	10,000,000	50.00%
	Director	Formosa Ha Tinh (Cayman) Limited (Representative: Hung-Ming Lu)	10,000,000	50.00%
Changzhou China Steel New Materials Technology Co., Ltd.	Chairman	Ever Wealthy International Corporation (Representative: Ming-Da Fang)	CNY\$ 39,950,000	100.00%
	Director	Ever Wealthy International Corporation (Representative: Tsan-Ying Ho)	CNY\$ 39,950,000	100.00%
	Director	Ever Wealthy International Corporation (Representative: Jui-Pin Yen)	CNY\$ 39,950,000	100.00%
	President	Shun-Chi Hsu	CNY\$ 0	0.00%
	Supervisor	Ever Wealthy International Corporation (Representative: Chu-Kai Huang)	CNY\$ 39,950,000	100.00%
CHC Resources Corporation	Chairman	China Steel Corporation (Representative: Chih-Tai Charng)	49,289,597	19.83%
	Director	China Steel Corporation (Representative: Huan-Wen Wang)	49,289,597	19.83%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	China Steel Chemical Corporation (Representative: Chu-Kai Huang)	15,019,341	6.04%
	Director	Asia Cement Corporation (Representative: Chen-Ho Chung)	22,801,185	9.17%
	Director	Southeast Cement Corporation (Representative: Chang-Chih Wu)	13,083,801	5.26%
	Director	Asia Cement Corporation (Representative: Ying-Fong Chang)	22,801,185	9.17%
	Director	Taiwan Cement Corporation (Representative: Wei-Chueh Hong)	30,196,163	12.15%
	Director	China Steel Structure Co., Ltd. (Representative: Sheng-Yi Chen)	23,182,738	9.33%
	Director	China Steel Corporation (Representative: Hung-Kuang Yeh)	49,289,597	19.83%
	Director	Taiwan Cement Corporation (Representative: Chung-Chih Hung)	30,196,163	12.15%
	Director	Universal Cement Corporation (Representative: Chih-Yuan Hou)	17,020,254	6.85%
	Independent Director	Jung-Shien Wang	0	0.00%
	Independent Director	Chung-Chia Yang	0	0.00%
	Director and President	China Steel Corporation (Representative: Jenq-Jang Ou)	49,289,597	19.83%
Hsieh Sheng Development Corporation	Chairman and President	CHC Resources Corporation (Representative: Chih-Lin Yang)	68,493	100.00%
Yu Cheng Lime Corporation	Supervisor	Chih-Lin Yang	0	0.00%
	Chairman and President	CHC Resources Corporation (Representative: Hung-Shu Chung)	108,000	90.00%
Union Steel Development Corporation	Chairman	CHC Resources Corporation (Representative: Jenq-Jang Ou)	4,668,333	93.37%
	President	Yuan-Chih Shu	0	0.00%
	Supervisor	Yi-Min Wu	0	0.00%
Pao Good Industrial Co., Ltd.	Chairman	CHC Resources Corporation (Representative: Ming-Chang Chiu)	5,408,550	51.00%
	Director	CHC Resources Corporation (Representative: Jenq-Jang Ou)	5,408,550	51.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Pao Good Industrial Co., Ltd.	Director	CHC Resources Corporation (Representative: Hung-Shu Chung)	5,408,550	51.00%
	Director	Nan Hwa Cement Corporation (Representative: Wen-Hua Yeh)	3,287,550	31.00%
	Director	Nan Hwa Cement Corporation (Representative: Chen-Ho Chung)	3,287,550	31.00%
	President	Shih-Sheng Ho	0	0.00%
	Supervisor	Yuen Shwei Enterprise Co., Ltd. (Representative: Hsin-Lu Liu)	1,060,500	10.00%
CHC Resources Vietnam Co., Ltd	Chairman	CHC Resources Corporation (Representative: Chung-Jen King)	USD\$ 9,350,000	85.00%
	Director	CHC Resources Corporation (Representative: Chih-Tai Charng)	USD\$ 9,350,000	85.00%
	Director	Formosa Ha Tinh Steel Corporation (Representative: Yuan-Cheng Chen)	USD\$ 1,650,000	15.00%
	Director	CHC Resources Corporation (Representative: Jenq-Jang Ou)	USD\$ 9,350,000	85.00%
	Director	Formosa Ha Tinh Steel Corporation (Representative: Tsung-Ming Ling)	USD\$ 1,650,000	15.00%
	President	Chao-Kuei Huang	USD\$ 0	0.00%
China Steel Structure Co., Ltd.	Chairman	China Steel Corporation (Representative: Tien-Ming Chen)	66,487,844	33.24%
	Director	China Steel Chemical Corporation (Representative: Chi-Yung Kou)	600,069	0.30%
	Director	IHI Corporation (Representative: Tao-Peng Lin)	11,061,690	5.53%
	Director	Dragon Steel Corporation (Representative: Der-Shern Chen)	3,500,000	1.75%
	Director	Grace Investment Co., Ltd. (Representative: Che-Sheng Chen)	496,000	0.25%
	Director	Great Grandeul Steel Co., Ltd (Representative: Chih-Hao Kuo)	3,513,000	1.76%
	Director	China Steel Corporation (Representative: Chien-Chih Hwang)	66,487,844	33.24%
	Independent Director	Wei Lo	0	0.00%
	Independent Director	Hsiu-Ling Lee	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Independent Director	Hwa-Teng Lee	0	0.00%
	Director and President	China Steel Corporation (Representative: Jui-Teng Chen)	66,487,844	33.24%
United Steel Engineering & Construction Corporation	Chairman	China Steel Structure Co., Ltd. (Representative: Jui-Teng Chen)	74,000,000	100.00%
	Director	China Steel Structure Co., Ltd. (Representative: Sheng-Yi Chen)	74,000,000	100.00%
	Director	China Steel Structure Co., Ltd. (Representative: Ping-Hao Li)	74,000,000	100.00%
	Director	China Steel Structure Co., Ltd. (Representative: Tien-Ming Chen)	74,000,000	100.00%
	Director and President	China Steel Structure Co., Ltd. (Representative: Wei-Chang Lu)	74,000,000	100.00%
China Steel Structure Holding Co., Ltd.	Director	China Steel Structure Co., Ltd. (Representative: Tien-Ming Chen)	4,400,000	36.67%
China Steel Structure Investment Pte. Ltd.	Director	Choon-Chiaw Loo	0	0.00%
	Director	China Steel Structure Co., Ltd. (Representative: Jui-Teng Chen)	4,100,000	100.00%
United Steel Development Corporation Limited	Director	United Steel Engineering & Construction Corporation (Representative: Tung-Jung Tsai)	5,355,000	100.00%
	Director	United Steel Engineering & Construction Corporation (Representative: Tien-Ming Chen)	5,355,000	100.00%
	Supervisor	United Steel Engineering & Construction Corporation (Representative: Sheng-Yi Chen)	5,355,000	100.00%
	Chairman and President	United Steel Engineering & Construction Corporation (Representative: Jui-Teng Chen)	5,355,000	100.00%
China Steel Structure Investment Co., Ltd.	Director	China Steel Structure Holding Co., Ltd. (Representative: Tien-Ming Chen)	12,000,000	100.00%
United Steel Construction (Vietnam) Co., Ltd.	Chairman	United Steel Engineering & Construction Corporation (Representative: Jui-Teng Chen)	USD\$ 1,000,000	100.00%
	President	Hai-Min Lee	USD\$ 0	0.00%
United Steel Investment Pte Ltd	Director	Choon-Chiaw Loo	0	0.00%
	Director	United Steel Engineering & Construction Corporation (Representative: Jui-Teng Chen)	4,180,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Chairman	China Steel Structure Investment Co., Ltd. (Representative: Jui-Teng Chen)	USD\$ 12,000,000	100.00%
	President	Ta-Chuan Kuo	USD\$ 0	0.00%
	Supervisor	China Steel Structure Investment Co., Ltd. (Representative: Yung-Chih Wang)	USD\$ 12,000,000	100.00%
China Ecotek Corporation	Chairman	China Steel Corporation (Representative: Chung-Te Chen)	55,393,138	44.76%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	55,393,138	44.76%
	Director	China Steel Corporation (Representative: Huo-Kun Chen)	55,393,138	44.76%
	Director	Chun Yuan Steel Industry Co., Ltd. (Representative: Wen-Lung Li)	2,990,772	2.42%
	Director	Hua Eng Wire And Cable Co., Ltd. (Representative: Ming-Hsiang Lin)	11,843,730	9.57%
	Director	China Steel Corporation (Representative: Horng-Nan Lin)	55,393,138	44.76%
	Director	Great Grandeul Steel Co., Ltd. (Representative: Yu-Lun Kuo)	3,764,000	3.04%
	Independent Director	Chia-Jung Chen	0	0.00%
	Independent Director	Po-Han Wang	0	0.00%
	Supervisor	Chun Yu Works & Co., Ltd. (Representative: Ming-Huang Li)	4,333,266	3.50%
	Supervisor	Bai Chien Investment (Representative: Pai-Nien Lin)	3,005,000	2.43%
	Supervisor	Chin Ho Fa Steel & Iron Co., Ltd. (Representative: Wei-Yan Hong)	3,610,475	2.92%
	Director and President	China Steel Corporation (Representative: Tzu-An Wu)	55,393,138	44.76%
Econova Technology Corporation	Chairman and President	China Ecotek Corporation (Representative: Tzu-An Wu)	2,500,000	100.00%
China Ecotek Construction Corporation	Chairman and President	China Ecotek Corporation (Representative: Ching-Sung Tu)	2,500,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CEC International Corporation	Director	China Ecotek Corporation (Representative: Juinn-Sheng Lee)	10,000,000	100.00%
CEC Holding Company Limited	Director	China Ecotek Corporation (Representative: Li-Ming Hu)	14,860,000	100.00%
CEC Development Corporation	Director	China Ecotek Corporation (Representative: Tzu-An Wu)	489	100.00%
China Ecotek India Private Limited	Director	CEC International Corporation (Representative: Juinn-Sheng Lee)	4,995,000	99.90%
	Director	Tung-Chieh Chuang	0	0.00%
China Ecotek Vietnam Company Limited	Director	CEC Development Corporation (Representative: Tzu-An Wu)	USD\$ 10,000,000	100.00%
	President	Juinn-Sheng Lee	USD\$ 0	0.00%
Xiamen Ecotek PRC Company Limited	Director and President	CEC Development Corporation (Representative: Juinn-Sheng Lee)	USD\$ 6,000,000	100.00%
Dragon Steel Corporation	Chairman	China Steel Corporation (Representative: Shyi-Chin Wang)	8,612,586,123	100.00%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	8,612,586,123	100.00%
	Director	China Steel Corporation (Representative: Horng-Nan Lin)	8,612,586,123	100.00%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	8,612,586,123	100.00%
	Director	China Steel Corporation (Representative: Chih-Tai Charng)	8,612,586,123	100.00%
	President	Der-Sheng Chen	0	0.00%
	Supervisor	China Steel Corporation (Representative: Chiu-Po Chang)	8,612,586,123	100.00%
	Supervisor	China Steel Corporation (Representative: Hung-Tai Chou)	8,612,586,123	100.00%



Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Gains Investment Corporation	Chairman	China Steel Corporation (Representative: Pai-Chien Huang)	559,375,112	100.00%
	Director	China Steel Corporation (Representative: Yueh-Kun Yang)	559,375,112	100.00%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	559,375,112	100.00%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	559,375,112	100.00%
	Director	China Steel Corporation (Representative: Horng-Nan Lin)	559,375,112	100.00%
	President	Chun-Hui Wu	0	0.00%
	Supervisor	Chiu-Chen Hung	0	0.00%
Winning Investment Corporation	Director	Maruichi Steel Tube Ltd. (Representative: Takeshi Takeuchi)	96,600,000	42.00%
	Director	Maruichi Steel Tube Ltd. (Representative: Hiroyuki Suzuki)	96,600,000	42.00%
	Director	Gains Investment Corporation (Representative: Kuan-Fu Chen)	112,700,000	49.00%
	Director	Gains Investment Corporation (Representative: Chien-Chih Hwang)	112,700,000	49.00%
	Supervisor	Transglory Investment Corporation (Representative: Hung-Tai Chou)	20,700,000	9.00%
	Chairman and President	Gains Investment Corporation (Representative: Chun-Hui Wu)	112,700,000	49.00%
Thintech Materials Technology Co., Ltd.	Chairman	Gains Investment Corporation (Representative: Song-Jau Tsai)	23,423,016	31.87%
	Director	Gains Investment Corporation (Representative: Pai-Chien Huang)	23,423,016	31.87%
	Director	United Renewable Energy Co., Ltd. (Representative: Hui-Ping Li)	4,000,000	5.44%
	Director	Ever Wealthy International Corporation (Representative: Ming-Da Fang)	6,119,748	8.33%
	Independent Director	Chang-Yung Liu	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Independent Director	Yu-Sen Yang	0	0.00%
	Independent Director	Sheng-Jung Chiang	0	0.00%
	President	Huan-Chien Tung	0	0.00%
Betacera Inc.	Chairman	Gains Investment Corporation (Representative: Hua-Ming Huang)	20,555,253	48.05%
	Director	Gains Investment Corporation (Representative: Shyi-Chin Wang)	20,555,253	48.05%
	Director	Gains Investment Corporation (Representative: Ching-Fang Tu)	20,555,253	48.05%
	Director	Gains Investment Corporation (Representative: Chun-Hui Wu)	20,555,253	48.05%
	Director	Delta Electronics, Inc. (Representative: Hsun-Hai Chang)	8,101,732	18.94%
	Director	Delta Electronics, Inc. (Representative: Chen-Yu Yu)	8,101,732	18.94%
	Supervisor	Chih-Lu Fan	0	0.00%
	Supervisor	Ding Da Investment Corporation (Representative: Kai-Ching Huang)	1,000	0.00%
	Director and President	Ping-Yang Chien	600,112	1.40%
Universal Exchange Inc.	Chairman	Gains Investment Corporation (Representative: I-Shih Su)	10,533,713	63.67%
	Director	InfoChamp Systems Corporation (Representative: Cheng-Hsien Ma)	5,825,030	35.21%
	Director	Gains Investment Corporation (Representative: Chun-Hui Wu)	10,533,713	63.67%
	President	Tai-Chen Chen	26,000	0.16%
	Supervisor	Ding Da Investment Corporation (Representative: Chia-Jui Hsu)	1,600	0.01%
Mentor Consulting Corporation	Chairman	Gains Investment Corporation (Representative: Pai-Chien Huang)	1,000,000	100.00%
	President	Chun-Hui Wu	0	0.00%
Eminence Investment Corporation	Chairman	Gains Investment Corporation (Representative: Pai-Chien Huang)	150,000,000	100.00%
	President	Chun-Hui Wu	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Gainsplus Asset Management Inc.	Chairman and President	Gains Investment Corporation (Representative: Pai-Chien Huang)	100,000	100.00%
Shin Mau Investment Corporation	Supervisor	CHC Resources Corporation (Representative: Ching-An Lin)	897,000	30.00%
	Chairman and President	Eminence Investment Corporation (Representative: Chiung-Wen Hsu)	896,999	30.00%
Ding Da Investment Corporation	Supervisor	Ever Wealthy International Corporation (Representative: Li-Li Kuo)	897,000	30.00%
	Chairman and President	Eminence Investment Corporation (Representative: Hung-Tsung Hsiao)	897,000	30.00%
Gau Ruei Investment Corporation	Supervisor	CHC Resources Corporation (Representative: Ching-An Lin)	1,046,500	35.00%
	Chairman and President	Eminence Investment Corporation (Representative: Yung-Chung Lin)	747,499	25.00%
Chiun Yu Investment Corporation	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	1,196,000	40.00%
	Chairman and President	Eminence Investment Corporation (Representative: Ming-Chu Chu)	747,500	25.00%
Lefkara Ltd.	Chairman	Betacera Inc. (Representative: Hua-Ming Huang)	13,623,000	100.00%
	Director	Betacera Inc. (Representative: Chen-Yu Yu)	13,623,000	100.00%
	Director	Betacera Inc. (Representative: Ping-Yang Chien)	13,623,000	100.00%
Thintech Global Limited	Chairman	Thintech Materials Technology Co., Ltd. (Representative: Huan-Chien Tung)	6,800,000	100.00%
Thintech United Limited	Chairman	Thintech Materials Technology Co., Ltd. (Representative: Huan-Chien Tung)	9,308,598	100.00%
Li-Ching-Long Investment Corporation	Supervisor	China Steel Chemical Corporation (Representative: Li-Li Kuo)	700,000	35.00%
	Chairman and President	Gau Ruei Investment Corporation (Representative: Fu-Chang Huang)	100,000	5.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Sheng Lih Dar Investment Corporation	Supervisor	Ever Wealthy International Corporation (Representative: Li-Li Kuo)	840,000	35.00%
	Chairman and President	Gau Ruei Investment Corporation (Representative: Kuei-Nien Chou)	100,000	4.17%
Jiing-Cherng-Fa Investment Corporation	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	805,000	35.00%
	Chairman and President	Ding Da Investment Corporation (Representative: Fu-Ching Yang)	99,000	4.30%
Hung-Chuan Investment Corporation	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	600,000	30.00%
	Chairman and President	Shin Mau Investment Corporation (Representative: Wan-Fei Wu)	100,000	5.00%
Chi-Yi Investment Corporation	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	800,000	40.00%
	Chairman and President	Shin Mau Investment Corporation (Representative: Chin-Chun Lin)	99,000	4.95%
Betacera (Su Zhou) Co., Ltd.	Director	Lefkara Ltd. (Representative: Chen-Yu Yu)	USD\$ 4,400,000	100.00%
	Director	Lefkara Ltd. (Representative: Hua-Ming Huang)	USD\$ 4,400,000	100.00%
	Supervisor	Lefkara Ltd. (Representative: Kai-Ching Huang)	USD\$ 4,400,000	100.00%
	Chairman and President	Lefkara Ltd. (Representative: Ping-Yang Chien)	USD\$ 4,400,000	100.00%
Suzhou Betacera Technology Co., Ltd.	Director	Lefkara Ltd. (Representative: Chen-Yu Yu)	USD\$ 15,000,000	100.00%
	Director	Lefkara Ltd. (Representative: Hua-Ming Huang)	USD\$ 15,000,000	100.00%
	Supervisor	Lefkara Ltd. (Representative: Kai-Ching Huang)	USD\$ 15,000,000	100.00%
	Chairman and President	Lefkara Ltd. (Representative: Ping-Yang Chien)	USD\$ 15,000,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Shanghai Xike Ceramic Electronic Co., Ltd.	Director	Lefkara Ltd. (Representative: Chen-Yu Yu)	USD\$ 1,194,000	99.50%
	Director	Shanghai Xike Special Ceramics Electric Factory (Representative: Yun Zhang)	USD\$ 6,000	0.50%
	Director	Lefkara Ltd. (Representative: Hua-Ming Huang)	USD\$ 1,194,000	99.50%
	Supervisor	Lefkara Ltd. (Representative: Kai-Ching Huang)	USD\$ 1,194,000	99.50%
	Chairman and President	Lefkara Ltd. (Representative: Ping-Yang Chien)	USD\$ 1,194,000	99.50%
Taicang Thintech Materials Co., Ltd.	Chairman	Thintech Global Limited (Representative: Huan-Chien Tung)	USD\$ 6,800,000	100.00%
	Director	Thintech Global Limited (Representative: Chuan-Tung Huang)	USD\$ 6,800,000	100.00%
	Supervisor	Thintech Global Limited (Representative: Chang-Ming Lin)	USD\$ 6,800,000	100.00%
	Director and President	Thintech Global Limited (Representative: Chien-Hui Yu)	USD\$ 6,800,000	100.00%
China Steel Express Corporation	Chairman	China Steel Corporation (Representative: Shin-Min Lee)	422,545,250	100.00%
	Director	China Steel Corporation (Representative: Shyi-Chin Wang)	422,545,250	100.00%
	Director	China Steel Corporation (Representative: Chien-Chih Hwang)	422,545,250	100.00%
	Director	China Steel Corporation (Representative: Horng-Nan Lin)	422,545,250	100.00%
	Director	China Steel Corporation (Representative: Chang Chih-Tai)	422,545,250	100.00%
	President	Hong-Joe Chen	0	0.00%
Kaohsiung Port Cargo Handling Services Corporation	Chairman	China Steel Express Corporation (Representative: Hong-Joe Chen)	3,275,000	65.50%
	Director	China Steel Express Corporation (Representative: Yi Chen )	3,275,000	65.50%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	Eastern Media International Corporation (Representative: Chin-Chi Chen)	750,000	15.00%
	President	Yu-Jeng Hsiao	0	0.00%
	Supervisor	Chia-Hua Chen	500,000	10.00%
Transglory Investment Corporation	Chairman	China Steel Express Corporation (Representative: Horng-Nan Lin)	353,160,881	49.89%
	President	Pai-Chien Huang	0	0.00%
	Supervisor	China Steel Chemical Corporation (Representative: Chu-Kai Huang)	65,132,128	9.20%
CSE Transport Corporation	Director	China Steel Express Corporation (Representative: Chin-Chun Lin)	10	100.00%
	Director	China Steel Express Corporation (Representative: Yi Chen )	10	100.00%
	Director and President	China Steel Express Corporation (Representative: Hong-Joe Chen)	10	100.00%
CSEI Transport (Panama) Corporation	Director	China Steel Express Corporation (Representative: Yi Chen )	10	100.00%
	Director	China Steel Express Corporation (Representative: Chin-Chun Lin)	10	100.00%
	Director and President	China Steel Express Corporation (Representative: Hong-Joe Chen)	10	100.00%
C.S.Aluminium Corporation	Chairman	China Steel Corporation (Representative: Shyan-Ming Lan)	840,122,049	99.98%
	Director	China Steel Corporation (Representative: Song-Jau Tsai)	840,122,049	99.98%
	Director	China Steel Corporation (Representative: Yueh-Kun Yang)	840,122,049	99.98%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	840,122,049	99.98%
	Supervisor	Pei-How Hung	0	0.00%
	Director and President	China Steel Corporation (Representative: Jye-Long Lee)	840,122,049	99.98%
ALU Investment Offshore Corporation	Director	C.S.Aluminium Corporation (Representative: Jye-Long Lee)	1	100.00%
United Steel International Development Corporation	Chairman	ALU Investment Offshore Corporation (Representative: Jye-Long Lee)	31,650,000	64.59%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	Mayer Steel Pipe Corporation (Representative: Lung-Chi Wu)	1,250,000	2.55%
	Director	ALU Investment Offshore Corporation (Representative: Shyan-Ming Lan)	31,650,000	64.59%
	Director	Fu Tai Universal Incorporated (Representative: Jan-San Chen)	3,430,000	7.00%
	Director	Ye-Ming Cheng	1,250,000	2.55%
	Director	ALU Investment Offshore Corporation (Representative: Li-Chung Chen)	31,650,000	64.59%
	Director	ALU Investment Offshore Corporation (Representative: Ying-Pin Hsieh)	31,650,000	64.59%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	2,220,000	4.53%
	Director	ALU Investment Offshore Corporation (Representative: Song-Jau Tsai)	31,650,000	64.59%
	Director	Chin Ho Fa Steel & Iron Co., Ltd. (Representative: Hung-Chih Chen)	400,000	0.82%
	Director	ALU Investment Offshore Corporation (Representative: Shih-Yung Lin)	31,650,000	64.59%
	Supervisor	ALU Investment Offshore Corporation (Representative: Yueh-Kun Yang)	31,650,000	64.59%
	Supervisor	ALU Investment Offshore Corporation (Representative: Kuan-Fu Chen)	31,650,000	64.59%
	Supervisor	China Steel Chemical Corporation (Representative: Wen-Pin Chiang)	2,450,000	5.00%
	Supervisor	Chun Yuan Investment (Singapore) Pte Ltd (Representative: Hsi-Chi Tsai)	1,500,000	3.06%
Ningbo Huayang Aluminium-Tech Co., Ltd.	Chairman	United Steel International Development Corporation (Representative: Jye-Long Lee)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Shyan-Ming Lan)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Song-Jau Tsai)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Jan-San Cheng)	USD\$ 49,000,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	United Steel International Development Corporation (Representative: Yi-Jen Kuo)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Ying-Pin Hsieh)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Lung-Chi Wu)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Ye-Ming Cheng)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Shih-Yung Lin)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Hung-Chih Cheng)	USD\$ 49,000,000	100.00%
	Supervisor	United Steel International Development Corporation (Representative: Yueh-Kun Yang)	USD\$ 49,000,000	100.00%
	Supervisor	United Steel International Development Corporation (Representative: Wen-Pin Ching)	USD\$ 49,000,000	100.00%
	Supervisor	United Steel International Development Corporation (Representative: Hsi-Chi Tsai)	USD\$ 49,000,000	100.00%
	Supervisor	United Steel International Development Corporation (Representative: Kuan-Fu Chen)	USD\$ 49,000,000	100.00%
	Director and President	United Steel International Development Corporation (Representative: Li-Chung Chen)	USD\$ 49,000,000	100.00%
	China Prosperity Development Corporation	Chairman	China Steel Corporation (Representative: Chao-Tung Wong)	509,802,912
Director		China Steel Corporation (Representative: Horng-Nan Lin)	509,802,912	100.00%
Director		China Steel Corporation (Representative: Hung-Tai Chou)	509,802,912	100.00%
President		Yi-Chih Hsu	0	0.00%
Supervisor		Jheng-Hong Chen	0	0.00%
CK Japan Co., Ltd.	Chairman	Wabo Global Trading Corporation (Representative: Wei-Ting Chen)	960	20.00%
	Director	China Prosperity Development Corporation (Representative: Yi-Chih Hsu)	3,840	80.00%
	Director	China Prosperity Development Corporation (Representative: Kuan-Fu Chen)	3,840	80.00%



Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Supervisor	China Prosperity Development Corporation (Representative: Huei-Wen Chou)	3,840	80.00%
China Steel Asia Pacific Holdings Pte Ltd	Director	China Steel Corporation (Representative: Wei-Tei Chen)	195,914,332	100.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	195,914,332	100.00%
Changzhou China Steel Precision Materials Co., Ltd.	Chairman	China Steel Asia Pacific Holdings Pte Ltd (Representative: Rong-Yuan Hsieh)	USD\$ 30,520,000	70.00%
	Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Shyi-Chin Wang)	USD\$ 30,520,000	70.00%
	Director	Concord Industries Ltd. (Representative: Chih-Ta Wang)	USD\$ 13,080,000	30.00%
	President	Bao-Tuan Hung	USD\$ 0	0.00%
	Supervisor	China Steel Asia Pacific Holdings Pte Ltd (Representative: Ming-Yuan Chen)	USD\$ 30,520,000	70.00%
China Steel Precision Metals Qingdao Co., Ltd.	Chairman	Chung Mao Trading (Samoa) Corporation (Representative: Yi-Jen Kuo)	USD\$ 2,000,000	10.00%
	Director	Rechi Holdings Co., Ltd. (Representative: Hsiao-Shih Lee)	USD\$ 6,000,000	30.00%
	Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Yeong-Kuen Chen)	USD\$ 12,000,000	60.00%
	President	Pai-Cheng Chang	USD\$ 0	0.00%
	Supervisor	Rechi Holdings Co., Ltd. (Representative: Yong-Guang Niu)	USD\$ 6,000,000	30.00%
CSC Steel Holdings Berhad	Director	Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud	0	0.00%
	Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Chien-Chih Hwang)	171,000,000	46.30%
	Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Yi-Jen Kuo)	171,000,000	46.30%
	Independent Director	Lay-Ching Lim	0	0.00%
	Independent Director	Hon-Wai Phong	0	0.00%
	Executive Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Chieh-Tu Chen)	171,000,000	46.30%
	Director and President	China Steel Asia Pacific Holdings Pte Ltd (Representative: Ie-Hsian Lee)	171,000,000	46.30%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Group Steel Corporation (M) Sdn. Bhd.	Director and President	CSC Steel Holdings Berhad (Representative: Ie-Hsian Lee)	1,000,000	100.00%
CSC Steel Sdn. Bhd.	Director	CSC Steel Holdings Berhad (Representative: Chien-Chih Hwang)	359,000,000	100.00%
	Director	CSC Steel Holdings Berhad (Representative: Yi-Jen Kuo)	359,000,000	100.00%
	Director and President	CSC Steel Holdings Berhad (Representative: Ie-Hsian Lee)	359,000,000	100.00%
Constant Mode Sdn. Bhd.	Director and President	CSC Steel Sdn. Bhd. (Representative: Ie-Hsian Lee)	750,000	100.00%
China Steel Global Trading Corporation	Chairman	China Steel Corporation (Representative: Hwang Chien-Chih)	78,827,362	100.00%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	78,827,362	100.00%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	78,827,362	100.00%
	President	Yi-Jen Kuo	0	0.00%
	Supervisor	Ming-Rea Kao	0	0.00%
Wabo Global Trading Corporation	Chairman	China Steel Global Trading Corporation (Representative: Chien-Chih Hwang )	5,236,000	44.00%
	Director	China Steel Global Trading Corporation (Representative: Ming-Yuan Chen)	5,236,000	44.00%
	Director	China Steel Global Trading Corporation (Representative: Tzu-Chien Chao)	5,236,000	44.00%
	Director	Bichain Trading Co., Ltd. (Representative: Po-Nien Lin)	595,000	5.00%
	Director	Brimetal International Co., Ltd. (Representative: Kwo-Shyang Shen)	595,000	5.00%
	Director	Great Grandeul Corporation (Representative: Young-Ho Kuo)	1,309,000	11.00%
	Director	China Steel Global Trading Corporation (Representative: Yeong-Kuen Chen)	5,236,000	44.00%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	5,236,000	44.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	China Steel Global Trading Corporation (Representative: Yeou-Ching Ferng)	5,236,000	44.00%
	Director	China Steel Structure Co., Ltd. (Representative: Wei-Yao Huang)	714,000	6.00%
	Director	Top Steel Corporation (Representative: Su-Hao Chen)	1,547,000	13.00%
	Director	Shen Tai Trading Corporation Limited; (Representative: Ping-Chun Chen)	1,309,000	11.00%
	Supervisor	Chun Yuan Steel Industry Co., Ltd. (Representative: Charng-Yi Tsai)	595,000	5.00%
	Director and President	China Steel Global Trading Corporation (Representative: Wei-Ting Chen)	5,236,000	44.00%
Chung Mao Trading (Samoa) Corporation	Chairman	China Steel Global Trading Corporation (Representative: Chien-Chih Hwang )	11,800,000	100.00%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	11,800,000	100.00%
	Director	China Steel Global Trading Corporation (Representative: Wen-Hao Lin)	11,800,000	100.00%
Chung Mao Trading (BVI) Corporation	Chairman	China Steel Global Trading Corporation (Representative: Chien-Chih Hwang )	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Min-Hsiung Liu)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Chi-Hung Chou)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Yeou-Ching Ferng)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Ming-Yuan Chen)	326,300	65.00%
	Director	Jo & Dave Company Ltd. (Representative: Jean-Jean Wang)	37,650	7.50%
	Director	Cathay Gen International Co., Ltd. (Representative: Fu-Lin Kao)	12,550	2.50%
	Director	Chun Yuan Steel Industry Co., Ltd (Representative: Chang-Yi Tsai)	37,650	7.50%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	Faith Union International Limited (Representative: Sung-Shyong Hong)	25,100	5.00%
	Director	Chang Yee Steel Co., Ltd. (Representative: Tsai-Fu Yun)	50,200	10.00%
	Director	China Steel Global Trading Corporation (Representative: Chang-His Chen)	326,300	65.00%
	Director	Mayer Steel Pipe Corp. (Representative: Lung-Chi Wu)	12,550	2.50%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Rong-Jer Lee)	326,300	65.00%
	Director and President	China Steel Global Trading Corporation (Representative: Wei-Kang Tu)	326,300	65.00%
CSGT International Corporation	Chairman	China Steel Global Trading Corporation (Representative: Chien-Chih Hwang)	20,740,000	100.00%
	Director	China Steel Global Trading Corporation (Representative: Wen-Hao Lin)	20,740,000	100.00%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	20,740,000	100.00%
CSGT (Singapore) Pte. Ltd.	Chairman	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	6,100,000	100.00%
	Director	China Steel Global Trading Corporation (Representative: Choon-Chiaw Loo)	6,100,000	100.00%
	Director and President	China Steel Global Trading Corporation (Representative: Wei-Tei Chen)	6,100,000	100.00%
CSGT Hong Kong Limited	Chairman	Chung Mao Trading (BVI) Corporation (Representative: Chien-Chih Hwang)	1,000,000	100.00%
	Director and President	Chung Mao Trading (BVI) Corporation (Representative: Wei-Kang Tu)	1,000,000	100.00%
CSGT Japan Co., Ltd.	Director and President	Wabo Global Trading Corporation (Representative: Wei-Ting Chen)	800	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CSGT Metals Vietnam Joint Stock Company	Chairman	CSGT International Corporation (Representative: Chang-His Chen)	11,950,830	53.96%
	Director	CSGT International Corporation (Representative: Ming-Yuan Chen)	11,950,830	53.96%
	Director	CSGT International Corporation (Representative: Yi-Jen Kuo)	11,950,830	53.96%
	Director	Kao Hsing Chang Iron And Steel Corporation (Representative: Jung-Feng Lu)	1,328,940	6.00%
	Director	Kingrock International Development Limited (Representative: Sung-Shyong Hong)	3,322,350	15.00%
	Director	Fuku Holding Co., Ltd. (Representative: Yu-Fu Chang)	1,328,940	6.00%
	Director	CSC Steel Holdings Berhad (Representative: Ie-Hsian Lee)	1,328,940	6.00%
	Director	Nippon Steel & Sumikin Bussan Corporation (Representative: Jun Tokunaga)	2,889,000	13.04%
	Supervisor	Kingrock International Development Limited (Representative: Tsang-Yuan Wang)	3,322,350	15.00%
	Supervisor	CSGT International Corporation (Representative: Chin-Da Lin)	11,950,830	53.96%
	Director and President	CSGT International Corporation (Representative: Tu-Sheng Shao)	11,950,830	53.96%
	CSGT Trading India Private Limited	Chairman	CSGT International Corporation (Representative: Yeou-Ching Ferng)	4,752,000
Director		CSGT International Corporation (Representative: Kuei-Sung Tseng)	4,752,000	99.00%
Director and President		CSGT International Corporation (Representative: Yung-Chen Wu)	4,752,000	99.00%
CSGT (Shanghai) Co., Ltd.	Chairman	Chung Mao Trading (Samoa) Corporation (Representative: Chien-Chih Hwang)	USD\$ 600,000	100.00%
	Director	Chung Mao Trading (Samoa) Corporation (Representative: Yi-Jen Kuo)	USD\$ 600,000	100.00%
	Director	Chung Mao Trading (Samoa) Corporation (Representative: Min-Hsiung Liu)	USD\$ 600,000	100.00%
	President	Wei-Kang Tu	USD\$ 0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Supervisor	Chung Mao Trading (Samoa) Corporation (Representative: Ming-Yuan Chen)	USD\$ 600,000	100.00%
InfoChamp Systems Corporation	Chairman	China Steel Corporation (Representative: Chi-Hsiou Liang)	41,465,634	99.99%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	41,465,634	99.99%
	Director	China Steel Corporation (Representative: Hung-Tai Chou)	41,465,634	99.99%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	41,465,634	99.99%
	Director	China Steel Corporation (Representative: Song-Jau Tsai)	41,465,634	99.99%
	President	Jiang-Kuen Kuo	0	0.00%
	Supervisor	Tsyr-Ling Su	0	0.00%
Info-Champ System (B.V.I) Corporation	Director	InfoChamp Systems Corporation (Representative: Chi-Hsiou Liang)	201,000	100.00%
Wuhan InfoChamp I.T. Co., Ltd.	President	Jung-Chen Lin	USD\$ 0	0.00%
	Executive Director	Info-Champ System (B.V.I) Corporation (Representative: Cheng-Hsien Ma)	USD\$ 200,000	100.00%
	Supervisor	Info-Champ System (B.V.I) Corporation (Representative: Ruey-Suey Hung)	USD\$ 200,000	100.00%
China Steel Security Corporation	Chairman	China Steel Corporation (Representative: Chu-Hsiu Yeh)	25,036,986	99.96%
	Director	China Steel Corporation (Representative: Horng-Nan Lin)	25,036,986	99.96%
	Director	China Steel Corporation (Representative: Chiu-Po Chang)	25,036,986	99.96%
	President	Kuo-Yuan Wu	0	0.00%
	Supervisor	Iuan-Yuan Lu	0	0.00%
Steel Castle Technology Corporation	Chairman	China Steel Security Corporation (Representative: Chu-Hsiu Yeh)	13,000,000	100.00%
	Director	China Steel Security Corporation (Representative: Mei-Lung Lin)	13,000,000	100.00%
	Director	China Steel Security Corporation (Representative: Han-Yuan Chen)	13,000,000	100.00%
	President	Chang-Chin Yu	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
China Steel Management and Maintenance for Buildings Corporation	Chairman	China Steel Security Corporation (Representative: Kuo-Yuan Wu)	1,000,000	100.00%
	President	Wei-Hua Chiang	0	0.00%
HIMAG Magnetic Corporation	Chairman	China Steel Corporation (Representative: Chung-Shin Chen)	19,183,286	69.49%
	Director	China Steel Corporation (Representative: Ching-Fang Tu)	19,183,286	69.49%
	Director	China Steel Corporation (Representative: Kai-Ching Huang)	19,183,286	69.49%
	President	Chii-Tai Chen	0	0.00%
	Supervisor	Ever Wealthy International Corporation (Representative: Wen-Liang Tseng)	1,584,731	5.74%
Magnpower Corporation	Chairman	HIMAG Magnetic Corporation (Representative: Chii-Tai Chen)	21,800,000	54.50%
	Director	HIMAG Magnetic Corporation (Representative: Song-Jau Tsai)	21,800,000	54.50%
	Director	Super Electronics Co., Ltd. (Representative: Chi-Ping Lee)	15,200,000	38.00%
	President	Chi-Lih Chen	0	0.00%
	Supervisor	Rechi Investments Holdings Co., Ltd. (Representative: Hsiao-Hsih Lee)	3,000,000	7.50%
China Steel Machinery Corporation	Chairman	China Steel Corporation (Representative: Ching-Chung Cheng)	86,338,564	73.97%
	Director	China Steel Corporation (Representative: Huo-Kun Chen)	86,338,564	73.97%
	Director	China Steel Corporation (Representative: Pai-Chien Huang)	86,338,564	73.97%
	President	Chia-Chi Chang	0	0.00%
	Supervisor	China Ecotek Corporation (Representative: Tzu-An Wu)	30,374,606	26.02%
China Steel Machinery Corporation India Private Limited	Chairman	China Steel Machinery Corporation (Representative: Hsin-Fa Li)	1,966,424	99.00%
	Director	China Steel Machinery Corporation (Representative: Chun-Hsiung Hsiao)	1,966,424	99.00%
	Director	China Steel Machinery Corporation (Representative: I-Yu Chen)	1,966,424	99.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	President	Cheng-Hsin Huang	0	0.00%
China Steel Machinery Holding Corporation	Director	China Steel Machinery Corporation (Representative: Chia-Chi Chang)	3,000	100.00%
China Steel Machinery Vietnam Co., Ltd.	Chairman	China Steel Machinery Corporation (Representative: Chia-Chi Chang)	USD\$ 300,000	100.00%
	President	Hsin-Fa Li	USD\$ 0	0.00%
ChinaSteel Management Consulting Corporation	Chairman	China Steel Corporation (Representative: Ya-Tang Liang)	999,993	100.00%
	President	Hsi-Ju Tseng	0	0.00%
	Supervisor	Jheng-Hong Chen	0	0.00%
Eminent Venture Capital Corporation	Chairman	Gains Investment Corporation (Representative: Pai-Chien Huang)	22,500,000	50.00%
	Director	TaiAn Technologies Corporation (Representative: Yueh-Kun Yang)	4,500	0.01%
	Director	Mega International Commercial Bank Co., Ltd. (Representative: Hui-Tzu Shih)	11,250,000	25.00%
	Director	Mega International Commercial Bank Co., Ltd. (Representative: Kuei-Yen Wu)	11,250,000	25.00%
	Director	Gains Investment Corporation (Representative: Chun-Hui Wu)	22,500,000	50.00%
	Director	Taiwan Fertilizer Co., Ltd.	4,500,000	10.00%
	Director	Oriental Union Chemical Corporation (Representative: Hsi-Chin Tsai)	4,500,000	10.00%
	President	Shih-Chia Lin	0	0.00%
	Supervisor	China Steel Chemical Corporation (Representative: Ming-Da Fang)	2,250,000	5.00%
	Supervisor	Tu-Mu Kuo	0	0.00%
CSC Steel Australia Holdings Pty Ltd	Director	China Steel Corporation (Representative: John Toigo)	594,638	100.00%
	Director	China Steel Corporation (Representative: Chun-Hsien Liao)	594,638	100.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	594,638	100.00%



Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CSC Sonoma Pty Ltd	Director	CSC Steel Australia Holdings Pty Ltd (Representative: Kuan-Fu Chen)	16,440,001	100.00%
	Director	CSC Steel Australia Holdings Pty Ltd (Representative: Chun-Hsien Liao)	16,440,001	100.00%
	Director	CSC Steel Australia Holdings Pty Ltd (Representative: John Toigo)	16,440,001	100.00%
China Steel Sumikin Vietnam Joint Stock Company	Director	China Steel Corporation (Representative: Min Ju)	514,304,000	56.00%
	Director	China Steel Corporation (Representative: Kuei-Sung Tseng)	514,304,000	56.00%
	Director	China Steel Corporation (Representative: Ming-Yuan Chen)	514,304,000	56.00%
	Director	Nippon Steel & Sumitomo Metal Corporation (Representative: Ichiro Sato)	275,520,000	30.00%
	Supervisor	China Steel Corporation (Representative: Hung-Tai Chou)	514,304,000	56.00%
	Supervisor	China Steel Corporation (Representative: Yu-Chia Huang)	514,304,000	56.00%
	Supervisor	Nippon Steel & Sumikin Bussan Corporation (Representative: Kazuhide Sakai)	45,920,000	5.00%
	Chairman and President	China Steel Corporation (Representative: Jiunn-Yann Lee)	514,304,000	56.00%
	Director	China Steel Corporation (Representative: Tse-Wei Hsu)	514,304,000	56.00%
	Director	Nippon Steel & Sumitomo Metal Corporation (Representative: Hiroaki Takenaka)	275,520,000	30.00%
China Steel Corporation India Pvt. Ltd.	Chairman	China Steel Corporation (Representative: Wen-Yen Fu)	728,690,560	100.00%
	Director	China Steel Corporation (Representative: Ming-Yuan Chen)	728,690,560	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	China Steel Corporation (Representative: Hung-Tai Chou)	728,690,560	100.00%
	Director	China Steel Corporation (Representative: Kuei-Sung Tseng)	728,690,560	100.00%
	Director and President	China Steel Corporation (Representative: Chien-Hung Lin)	728,690,560	100.00%
Kaohsiung Rapid Transit Corporation	Chairman	Chien-Sheng Hao	15,000	0.01%
	Director	Bank Of Kaohsiung Corporation (Representative: Tien-Yin Yeh)	643,031	0.23%
	Director	Bank Of Kaohsiung Corporation (Representative: Milton May)	643,031	0.23%
	Director	China Prosperity Development Corporation (Representative: Yi-Chih Hsu)	13,000,000	4.67%
	Director	China Steel Corporation (Representative: Ching-Chung Cheng)	120,799,811	43.36%
	Director	China Steel Corporation (Representative: Yueh-Kun Yang)	120,799,811	43.36%
	Director	China Steel Corporation (Representative: Pai-Chien Huang)	120,799,811	43.36%
	Director	National Development Fund, Executive Yuan (Representative: Chi-Kuo Lin)	38,560,638	13.84%
	Director	Asia Cement Corporation (Representative: Chan-Fong Cheng)	15,873,243	5.70%
	President	Hsiu-Chi Chang	0	0.00%
	Supervisor	Far Eastern Department Store, Ltd. (Representative: Wei-Kun Chou)	6,286,063	2.26%
	Taiwan Intelligent Transportation Co., Ltd.	Chairman	Kaohsiung Rapid Transit Corporation (Representative: Chien-Sheng Hao)	2,600,000
Director		Kaohsiung Rapid Transit Corporation (Representative: Hsin Ho)	2,600,000	100.00%
Director		Kaohsiung Rapid Transit Corporation (Representative: Chih-Ming Lin)	2,600,000	100.00%
Supervisor		Kaohsiung Rapid Transit Corporation (Representative: Kun-Chi Wu)	2,600,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
China Steel Resources Corporation	Chairman	China Steel Corporation (Representative: Huan-Wen Wang)	98,112,000	100.00%
CSC Precision Metal Industrial Corporation	Chairman	China Steel Corporation (Representative: Li-Chih Pan)	32,250,000	100.00%
White Biotech Corporation	President	China Steel Corporation (Representative: Horng-Nan Lin)	13,059,360	87.05%
	Liquidator	China Steel Corporation (Representative: Kuan-Fu Chen)	13,059,360	87.05%
	Supervisor	TaiAn Technologies Corporation (Representative: Cheng Lee)	158	0.00%
CSC Solar Corporation	Chairman	China Ecotek Corporation (Representative: Tzu-An Wu)	24,000,000	20.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	66,000,000	55.00%
	Supervisor	China Steel Chemical Corporation (Representative: Shao-Jung Lu)	18,000,000	15.00%
CSC Solar Corporation	Director and President	China Steel Corporation (Representative: Der-Shuh Ting)	66,000,000	55.00%
Sing Da Marine Structure Corporation	Chairman	China Steel Corporation (Representative: Ya-Chou Wang)	212,100,000	100.00%
	Director	China Steel Corporation (Representative: Hung-Tai Chou)	212,100,000	100.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	212,100,000	100.00%
	President	Wu-Hsiung Lu	0	0.00%
United Steel International Co., Ltd.	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	12,000,000	80.00%
	Director	Chung Mao Trading (Samoa) Corporation (Representative: Chien-Chih Hwang)	3,000,000	20.00%
China Steel Precision Metals Kunshan Co., Ltd.	Chairman	United Steel International Co., Ltd. (Representative: Yi-Jen Kuo)	USD\$ 15,000,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	United Steel International Co., Ltd. (Representative: Hsi-Chang Ou)	USD\$ 15,000,000	100.00%
	Director	United Steel International Co., Ltd. (Representative: Yeong-Kuen Chen)	USD\$ 15,000,000	100.00%
	President	Shyi-Hrong Liou	USD\$ 0	0.00%
	Supervisor	United Steel International Co., Ltd. (Representative: Wei-Kang Tu)	USD\$ 15,000,000	100.00%
China Steel Power Holding Corporation	Chairman	China Steel Corporation (Representative: Bor-Chih Hwang)	500,000	100.00%
	Director	China Steel Corporation (Representative: Ya-Chou Wang)	500,000	100.00%
	Director	China Steel Corporation (Representative: Ming-Cheng Cheng)	500,000	100.00%
	Supervisor	China Steel Corporation (Representative: Hung-Tai Chou)	500,000	100.00%

## 6. Operating Overview of Affiliated Companies

(From January 1, 2018 to December 31, 2018)

Unit: NT\$ thousands

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Chung Hung Steel Corporation	14,355,444	33,419,164	18,655,918	14,763,246	47,916,095	2,778,127	3,033,223	2.11
Hung Li Steel Corporation (Note 1)	0	0	0	0	627,870	59,374	61,838	0.21
Hung Kao Investment Corporation	26,000	32,177	1,750	30,427	5,164	3,766	3,143	1.21
Taiwan Steel Corporation	1,000	932	0	932	0	(7)	(6)	(0.06)
China Steel Chemical Corporation	2,369,044	11,056,315	4,071,112	6,985,203	8,192,713	1,652,744	1,508,446	6.50
Ever Wealthy International Corporation	1,045,749	1,898,763	5,684	1,893,079	108,679	107,092	108,069	1.03
China Steel Carbon Materials Technology Co., Ltd.	196,859	177,047	0	177,047	0	0	24,071	3.70
Changzhou China Steel New Materials Technology Co., Ltd.	197,448	439,856	262,810	177,046	463,571	28,507	24,070	NA
Ever Glory International Co., Ltd.	39,920	345,913	275	345,638	0.00	(992.73)	(54,773)	(42.13)
Formosa Ha Tinh CSCC (Cayman) International Limited	668,800	1,332,957	592,279	740,678	1,153,176	18,349	14,527	0.73
China Steel Structure Co., Ltd.	2,000,000	12,585,578	8,360,724	4,224,854	11,691,592	(15,718)	117,581	0.61
United Steel Engineering & Construction Corporation	650,000	5,593,258	4,264,352	1,328,906	8,548,196	62,125	95,578	1.47
United Steel Development Corporation Limited	53,550	63,409	2,955	60,454	0	(217)	389	0.07
United Steel Investment Pte Ltd	126,806	278,169	0	278,169	0	(1,154)	12,089	2.89
United Steel Construction (Vietnam) Co., Ltd.	33,129	86,089	29,088	57,001	22,305	1,672	2,063	NA
China Steel Structure Holding Co., Ltd.	397,075	363,041	0	363,041	0	0	(37,619)	(3.13)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
China Steel Structure Investment Co., Ltd.	397,075	363,012	0	363,012	0	0	(37,620)	(3.14)
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	397,075	687,297	324,312	362,985	571,484	(21,744)	(37,620)	NA
China Steel Structure Investment Pte. Ltd.	134,578	229,930	0	229,930	0	0	(23,824)	(5.81)
China Ecotek Corporation	1,237,426	7,697,273	4,699,456	2,997,817	9,271,598	(27,786)	97,864	0.79
Econova Technology Corporation	25,000	24,508	0	24,508	0	(528)	(492)	(0.20)
China Ecotek Construction Corporation	25,000	61,444	34,898	26,546	28,068	(812)	(735)	(0.29)
CEC International Corporation	30,642	45,863	0	45,863	18,604	1,051	2,049	0.20
China Ecotek India Private Limited	27,097	41,645	41	41,604	0	(626)	815	0.16
CEC Holding Company Limited	339,339	201,593	0	201,593	0	0	(11,198)	(0.75)
CEC Development Corporation	494,146	1,161,617	0	1,161,617	0	(734)	41,382	84,625.77
China Ecotek Vietnam Company Limited	302,065	1,304,429	389,150	915,279	1,598,777	60,944	68,877	NA
Xiamen Ecotek PRC Company Limited	176,514	174,676	92	174,584	0	(3,044)	1,456	NA
CHC Resources Corporation	2,485,404	9,093,573	4,193,180	4,900,393	8,592,453	987,813	834,880	3.36
Hsieh Sheng Development Corporation	68,493	262,433	51,132	211,301	13,900	7,543	6,244	91.16
Yu Cheng Lime Corporation	12,000	187,359	49,357	138,002	13,007	2,318	1,903	15.86
Union Steel Development Corporation	50,000	213,006	85,543	127,463	511,986	30,151	24,950	4.99
Pao Good Industrial Co., Ltd.	106,050	228,758	34,463	194,295	260,704	25,864	22,435	2.12
CHC Resources Vietnam Co., Ltd	152,850	172,060	14,102	157,958	216,091	21,498	25,056	NA
Dragon Steel Corporation	86,125,861	174,591,832	68,496,173	106,095,659	98,771,686	7,213,140	5,905,681	0.69

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
China Steel Security Corporation	250,470	1,108,942	574,212	534,730	1,291,064	48,035	110,952	4.43
Steel Castle Technology Corporation	130,000	736,540	418,127	318,413	1,239,910	66,626	59,797	4.60
China Steel Management And Maintenance For Buildings Corporation	10,000	16,790	4,189	12,601	21,361	1,255	1,046	1.05
ChinaSteel Management Consulting Corporation	10,000	19,282	2,324	16,958	26,958	3,191	2,892	2.89
China Prosperity Development Corporation	5,098,095	9,679,965	4,097,903	5,582,062	332,696	200,957	190,215	0.37
CK Japan Co., Ltd.	189,408	530,366	326,741	203,625	54,759	22,638	12,716	2,649.17
HIMAG Magnetic Corporation	276,055	672,632	114,233	558,399	953,269	63,445	29,560	1.07
MagnPower Corporation	400,000	564,144	250,928	313,216	39,265	(47,220)	(47,200)	(1.18)
Sing Da Marine Structure Corporation	821,000	827,503	73,363	754,140	0	(67,616)	(66,860)	(0.81)
China Steel Power Holding Corporation	5,000	4,988	60	4,928	0	(74)	(72)	(0.14)
CSC Solar Corporation	1,200,000	2,719,737	1,461,234	1,258,503	209,069	84,185	62,150	0.52
White Biotech Corporation	150,020	22,244	164	22,080	0	(8,214)	(8,048)	(0.54)
Reenergy Biotech Corporation	0	0	0	0	0	(86)	(67)	(0.07)
CSC Precision Metal Industrial Corporation	322,500	302,864	13,526	289,338	170,355	(5,864)	(2,990)	(0.09)
China Steel Resources Corporation	981,120	1,911,574	916,609	994,965	581,368	17,432	11,286	0.12
InfoChamp Systems Corporation	414,706	1,775,759	981,864	793,895	1,801,380	199,543	170,293	4.11
Info-Champ System (B.V.I) Corporation	6,828	13,631	33	13,598	0	(132)	1,825	9.08
Wuhan InfoChamp I.T. Co., Ltd.	6,793	51,853	38,700	13,153	76,156	1,980	1,957	NA
Kaohsiung Rapid Transit Corporation	2,786,063	6,506,241	3,428,643	3,077,598	2,574,969	14,527	71,681	0.26

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Taiwan Intelligent Transportation Co., Ltd.	26,000	38,243	10,956	27,287	11,629	1,604	1,286	0.49
China Steel Machinery Corporation	1,167,234	3,991,382	2,348,215	1,643,167	6,710,263	162,044	209,694	1.86
China Steel Machinery Corporation India Private Limited	8,946	0	0	0	0	(655)	(1,796)	(0.90)
China Steel Machinery Holding Corporation	89	0	0	0	0	0	171	0.56
CSMC (Shanghai) Global Trading Co., Ltd. (Note 1)	0	0	0	0	0	(637)	1,673	NA
China Steel Machinery Vietnam Co., Ltd.	8,959	23,013	554	22,459	64,371	5,790	4,510	NA
C.S.Aluminium Corporation	8,402,512	27,286,678	19,018,409	8,268,269	20,131,753	(238,714)	(521,995)	(0.62)
ALU Investment Offshore Corporation	1,063,593	672,107	0	672,107	0	0	(198,170)	(198,170,000)
United Steel International Development Corporation	1,646,637	1,040,560	0	1,040,560	0	(137)	(306,813)	(6.26)
Ningbo Huayang Aluminium-Tech Co., Ltd.	1,646,637	2,200,420	1,169,656	1,030,764	1,740,657	(264,454)	(306,827)	NA
China Steel Express Corporation	4,225,453	19,332,782	7,876,946	11,455,836	16,448,840	1,747,232	1,797,301	4.25
Kaohsiung Port Cargo Handling Services Corporation	50,000	94,779	29,262	65,517	245,391	6,626	7,743	1.55
Transglory Investment Corporation	7,079,139	6,440,596	421,976	6,018,620	236,539	221,453	217,245	0.31
CSE Transport Corporation	316	5,564,819	2,728,445	2,836,374	1,875,465	214,194	129,610	12,961,000
CSEI Transport (Panama) Corporation	316	2,028,142	1,552,370	475,772	565,381	2,733	(47,377)	(4,737,700)
Transyang Shipping Pte Ltd	0	0	0	0	0.00	(749)	(728)	(7,280)
Gains Investment Corporation	5,593,820	8,320,789	1,693,461	6,627,328	439,176	382,389	372,128	0.67



Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Winning Investment Corporation	2,300,000	3,890,284	1,227,016	2,663,268	145,410	139,086	128,368	0.56
Betacera Inc.	427,803	2,157,403	646,499	1,510,904	522,680	175,881	332,020	7.76
Lefkara Ltd.	438,904	2,037,600	639,932	1,397,668	2,091,482	137,148	231,088	16.96
Betacera (Su Zhou) Co., Ltd.	141,759	826,053	429,223	396,830	1,404,275	81,652	60,132	NA
Suzhou Betacera Technology Co., Ltd.	483,268	605,173	46,732	558,441	576,660	22,852	21,327	NA
Shanghai Xike Ceramic Electronic Co., Ltd.	38,661	142,516	35,272	107,244	142,171	9,353	7,792	NA
Eminent Venture Capital Corporation	450,045	267,658	25,747	241,911	(6,505)	(12,107)	(13,836)	(0.31)
Mentor Consulting Corporation	10,000	63,330	37,262	26,068	81,678	9,550	7,202	7.20
Eminence Investment Corporation	1,500,000	1,688,269	11,417	1,676,852	101,072	85,627	74,258	0.50
Shin Mau Investment Corporation	29,900	56,792	0	56,792	3,427	3,379	3,379	1.13
Hung-Chuan Investment Corporation	20,000	39,484	0	39,484	1,413	1,392	1,392	0.70
Chi-Yi Investment Corporation	20,000	39,743	0	39,743	1,423	1,404	1,404	0.70
Gau Ruei Investment Corporation	29,900	63,720	419	63,301	8,995	6,665	6,062	2.03
Li-Ching-Long Investment Corporation	20,000	39,584	0	39,584	1,413	1,376	1,376	0.69
Sheng Lih Dar Investment Corporation	24,000	47,863	0	47,863	3,174	3,137	3,137	1.31
Ding Da Investment Corporation	29,900	54,533	0	54,533	4,684	4,558	4,558	1.52
Jiing-Cherng-Fa Investment Corporation	23,000	43,195	0	43,195	1,692	1,655	1,655	0.72
Chiun Yu Investment Corporation	29,900	60,209	1,226	58,983	6,306	4,409	3,812	1.27
Gainsplus Asset Management Inc.	3,522	55,193	0	55,193	147	(7,230)	(5,374)	(53.74)
Universal Exchange Inc.	165,449	205,352	21,878	183,474	109,305	11,676	12,391	0.75

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Thintech Materials Technology Co., Ltd.	734,980	1,427,425	324,453	1,102,972	2,232,432	56,426	43,481	0.59
Thintech Global Limited	205,435	30,655	0	30,655	0	0	(10,243)	(1.51)
Taicang Thintech Materials Co., Ltd.	205,435	293,427	262,772	30,655	195,428	(3,738)	(10,243)	NA
Thintech United Limited	277,173	4,792	0	4,792	0	(2)	(14,971)	(1.61)
Thintech United Metal Resources (Taicang) Co., Ltd.	311,739	108,863	104,071	4,792	80,261	(15,893)	(16,666)	NA
China Steel Global Trading Corporation	788,298	3,457,836	1,220,387	2,237,449	11,393,558	458,694	545,096	6.91
Wabo Global Trading Corporation	119,000	202,111	18,269	183,842	65,601	48,933	43,520	3.66
CSGT Japan Co., Ltd.	10,160	23,224	3,257	19,967	46,349	(21)	931	1,163.75
Chung Mao Trading (BVI) Corporation	62,980	90,798	313	90,485	0	(5,903)	7,312	3.65
CSGT Hong Kong Limited	4,040	28,528	3,167	25,361	42,700	14,066	11,717	11.72
CSGT (Singapore) Pte. Ltd.	136,396	403,105	14,607	388,498	145,804	54,033	122,643	20.11
Chung Mao Trading (Samoa) Corporation	376,066	659,134	176	658,958	0	(7,516)	21,844	1.85
CSGT (Shanghai) Co., Ltd.	19,122	63,053	30,259	32,794	335,065	4,432	3,991	NA
CSGT International Corporation	631,983	941,076	140	940,936	5,797	(2,147)	63,784	3.08
CSGT Metals Vietnam Joint Stock Company	420,473	1,358,893	833,277	525,616	1,922,300	76,558	79,059	3.57
CSGT Trading India Private Limited	23,695	19,006	1,757	17,249	14,854	2,301	2,531	0.53
China Steel Sumikin Vietnam Joint Stock Company	17,387,235	23,469,029	10,906,753	12,562,276	21,061,362	84,259	(144,447)	(0.16)
CSC Steel Australia Holdings Pty Ltd	17,359,623	16,117,443	107,256	16,010,187	0	(8,449)	280,704	472.06
CSC Sonoma Pty Ltd	479,943	192,264	60,784	131,480	81,091	(34,556)	(28,476)	(1.73)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
China Steel Corporation India Pvt. Ltd.	3,795,159	6,968,237	5,279,475	1,688,762	4,264,933	103,422	(415,444)	(0.57)
China Steel Asia Pacific Holdings Pte Ltd	6,961,432	4,254,222	530	4,253,692	0	(1,206)	152,311	0.78
CSC Steel Holdings Berhad	4,998,988	5,712,482	5,101	5,707,381	42,742	(2,289)	154,535	0.41
Group Steel Corporation (M) Sdn. Bhd.	13,155	1,036,165	990,143	46,022	0	(304)	35,930	0.26
CSC Steel Sdn. Bhd.	2,894,151	5,633,465	1,074,121	4,559,344	9,964,516	11,188	124,245	0.56
Constant Mode Sdn. Bhd.	9,866	6,682	192	6,490	475	224	195	0.26
Changzhou China Steel Precision Materials Co., Ltd.	2,168,048	2,939,724	1,766,420	1,173,304	2,376,078	129,887	94,686	NA
China Steel Precision Metals Qingdao Co., Ltd.	999,637	855,472	232,526	622,946	1,205,706	46,315	33,891	NA
United Steel International Co., Ltd.	450,000	332,976	0	332,976	0	0	(6,476)	(0.43)
China Steel Precision Metals Kunshan Co., Ltd.	450,000	836,216	503,264	332,952	720,935	(13,711)	(6,476)	NA

Note 1: Hung Li Steel Corporation merged with Chung Hung Steel Corporation in June 2018 and ceased to exist after the merger. CSMC (Shanghai) Global Trading Co., Ltd. completed liquidation process in October, 2018. Therefore, the aforementioned two companies recorded no balance sheet items, whereas statements of comprehensive income is presented for fiscal year ended December 31, 2018.

Note 2: If an affiliated company is a foreign company, the relevant figures shall be expressed in New Taiwan dollar after conversion based on the following exchange rates.

Exchange rates on balance sheet:	USD	( 30.7150)	JPY	( 0.278200)	SGD	( 22.4800)	HKD	( 3.9210)	MYR	( 7.1120)
	RMB	( 4.4720)	VND	( 0.001200)	THB	( 0.9532)	AUD	( 21.6650)	INR	( 0.4384)
Exchange rates on income statement:	USD	( 30.1449)	JPY	( 0.273000)	SGD	( 22.3495)	HKD	( 3.8456)	MYR	( 7.1974)
	RMB	( 4.5593)	VND	( 0.001185)	THB	( 0.9375)	AUD	( 22.5271)	INR	( 0.4414)

(III) Affiliation report: None.

II. Private Placement of Securities in the Most Recent Year up to the Publication Date of this Annual Report (March 31, 2019): None.

III. Shares of the Company Held or Disposed of by Subsidiaries

From January 1, 2018 to March 31, 2019

Unit: NT\$ thousands; shares; %

Name of Subsidiary (Note 1)	Paid-In Capital	Source of Funds	Shareholding Ratio Held by the Company	Date of Acquisition or Disposal	Shares and Amount Acquired (Note 2)	Shares and Amount Disposed of (Note 2)	Investment Gain or Loss	Number of shares and Amount Held up to the Publication Date of this Annual Report (Note 3) (Note 4)	Status of Shares Pledged	Amount of Endorsements/ Guarantees Made for Subsidiaries by the Company	Amount Loaned to Subsidiaries by the Company
Chung Hung Steel Corporation	14,355,444	Own funds	40.60% (Note5)	2018	0	0	0	NA	None	0	3,950,000
				Current year up to the publication date of this annual report	0	0	0	33,109,239 shares 837,664 thousand	None	0	3,450,000
Hung Kao Investment Corporation	26,000	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,003,980 shares 25,401 thousand	None	0	None
China Steel Chemical Corporation	2,369,044	Own funds	29.44% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	2,556,915 ordinary shares 64,690 thousand 229,000 preferred shares 10,729 thousand	None	0	None
Ever Wealthy International Corporation	1,045,749	Own funds	100% (Note5)	2018	2,000,000 shares 46,815 thousand	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	4,226,265 shares 106,925 thousand	None	0	None
China Steel Structure Co., Ltd.	2,000,000	Own funds	35.63% (Note5)	2018	0	0	0	NA	None	0	700,000
				Current year up to the publication date of this annual report	0	0	0	6,936,878 shares 175,503 thousand	None	0	700,000
United Steel Engineering & Construction Corporation	740,000	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	3,745,446 shares 94,760 thousand	None	0	None
CHC Resources Corporation	2,485,404	Own funds	35.61% (Note5)	2018	0	0	0	NA	None	0	400,000
				Current year up to the publication date of this annual report	0	0	0	9,201,806 shares 232,806 thousand	None	0	400,000
Union Steel Development Corporation	50,000	Own funds	93.37% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	423,849 shares 10,723 thousand	None	0	None
China Steel Security Corporation	250,470	Own funds	99.96%	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	2,349,975 shares 59,454 thousand	None	0	None

Name of Subsidiary (Note 1)	Paid-In Capital	Source of Funds	Shareholding Ratio Held by the Company	Date of Acquisition or Disposal	Shares and Amount Acquired (Note 2)	Shares and Amount Disposed of (Note 2)	Investment Gain or Loss	Number of shares and Amount Held up to the Publication Date of this Annual Report (Note 3) (Note 4)	Status of Shares Pledged	Amount of Endorsements/ Guarantees Made for Subsidiaries by the Company	Amount Loaned to Subsidiaries by the Company
China Prosperity Development Corporation	5,098,095	Own funds	100%	2018	0	0	0	NA	None	0	900,000
				Current year up to the publication date of this annual report	0	0	0	952,979 shares 24,110 thousand	None	0	450,000
HIMAG Magnetic Corporation	276,055	Own funds	87.64% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	325,505 shares 8,235 thousand	None	0	None
InfoChamp Systems Corporation	414,706	Own funds	99.99%	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	3,834,338 shares 97,009 thousand	None	0	None
C.S.Aluminium Corporation	8,402,512	Own funds	99.98%	2018	0	0	0	NA	None	0	5,200,000
				Current year up to the publication date of this annual report	0	0	0	4,431,944 shares 112,128 thousand	None	0	5,200,000
China Steel Express Corporation	4,225,453	Own funds	100%	2018	0	0	0	NA	None	0	600,000
				Current year up to the publication date of this annual report	0	0	0	8,801,555 shares 222,679 thousand	None	0	600,000
Transglory Investment Corporation	7,079,139	Own funds	100% (Note5)	2018	5,800,000 shares 136,483 thousand	0	0	NA	120,100,000 shares as the mortgage of commercial paper issued (Note6)	0	None
				Current year up to the publication date of this annual report	0	0	0	255,665,331 shares 6,468,333 thousand		0	None
Winning Investment Corporation	2,300,000	Own funds	58.00% (Note5)	2018	489,000 shares 12,137 thousand	0	0	NA	115,800,000 shares as the mortgage of commercial paper issued (Note6)	0	None
				Current year up to the publication date of this annual report	0	0	0	160,406,339 shares 4,058,280 thousand		0	None
Shin Mau Investment Corporation	29,900	Own funds	100% (Note5)	2018	0	30,000 shares 728 thousand	300 thousand	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,433,749 shares 36,274 thousand	None	0	None
Hung-Chuan Investment Corporation	20,000	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,605,875 shares 40,629 thousand	None	0	None
Chi-Yi Investment Corporation	20,000	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,616,723 shares 40,903 thousand	None	0	None
Gau Ruei Investment Corporation	29,900	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,493,318 shares 37,781 thousand	None	0	None

Name of Subsidiary (Note 1)	Paid-In Capital	Source of Funds	Shareholding Ratio Held by the Company	Date of Acquisition or Disposal	Shares and Amount Acquired (Note 2)	Shares and Amount Disposed of (Note 2)	Investment Gain or Loss	Number of shares and Amount Held up to the Publication Date of this Annual Report (Note 3) (Note 4)	Status of Shares Pledged	Amount of Endorsements/ Guarantees Made for Subsidiaries by the Company	Amount Loaned to Subsidiaries by the Company
Li-Ching-Long Investment Corporation	20,000	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,605,441 shares 40,618 thousand	None	0	None
Sheng Lih Dar Investment Corporation	24,000	Own funds	100% (Note5)	2018	0	25,000 shares 606 thousand	246 thousand	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,542,138 shares 39,016 thousand	None	0	None
Ding Da Investment Corporation	29,900	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,525,494 shares 38,595 thousand	None	0	None
Jiing-Chemg-Fa Investment Corporation	23,000	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,461,875 shares 36,985 thousand	None	0	None
Chiun Yu Investment Corporation	29,900	Own funds	100% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	1,623,289 shares 41,069 thousand	None	0	None
China Steel Global Trading Corporation	788,298	Own funds	100%	2018	0	0	0	NA	None	0	150,000
				Current year up to the publication date of this annual report	0	0	0	4,349,507 shares 110,043 thousand	None	0	150,000
Wabo Global Trading Corporation	119,000	Own funds	50% (Note5)	2018	0	0	0	NA	None	0	None
				Current year up to the publication date of this annual report	0	0	0	487,367 shares 12,330 thousand	None	0	None

Note 1: Each subsidiary is listed separately.

Note 2: The aforementioned amount refers to the actual amount acquired or disposed of.

Note 3: The status of holding and disposal are listed separately.

Note 4: Shareholding amount is calculated based on the closing price on the publication date of this annual report.

Note 5: Shareholding ratio refers to the total shares held by China Steel and its subsidiaries.

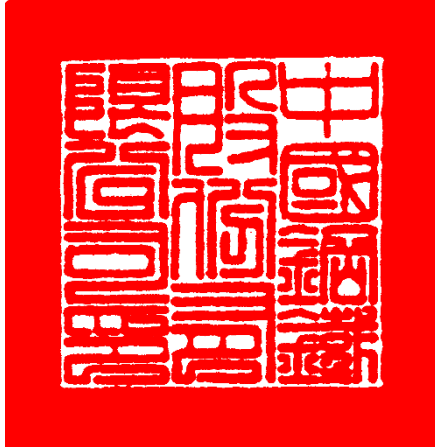
Note 6: Pledging of shares have no significant impact on the financial performance and condition of the Company.

#### IV. Other Supplementary Matters: None

**Chapter IX. During 2018 and up to the publication date of this annual report, any event which significantly affects shareholders' equity or share price pursuant to Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:**

- I. President of the Company, Mr. Horng-Nan Lin, was mandatory retired at age 65 on September 30, 2018. However, considering the fact that the Company is currently undergoing peak retirement period, the Board of Directors approved the appointment of Mr. Horng-Nan Lin to hold a concurrent post as President of the Company while serving as one of the Directors for succession need on October 9, 2018. When performing his duties as President, Mr. Horng-Nan Lin will only receive Director's remuneration from the juristic institution he represented, and will not receive salary, bonus, and employee remuneration from the Company.

# China Steel Corporation



Chao-Tung Wong  
Chairman

A handwritten signature in black ink that reads "Chao-Tung Wong". The signature is written in a cursive, flowing style.