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2019 Annual Report

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CHINASTEEL 2019 Annual Report



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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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Overseas Securities Exchange

Luxembourg Stock Exchange

Disclosed information can be found at:

<https://citiadr.factsetdigitalsolutions.com/stocks/profile.idms?pageId=15&subpageID=151&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,

The steel industry was deeply troubled by trade disputes in 2019. The turbulent US-China trade war and the economic slowdown in many countries have left the market in a wait-and-see mode. Downstream steel consumers faced with heavy pressure on orders and were discouraged from building inventories. What's more, low-priced steel from Turkey and India further weighed on steel prices. In line with the international steel prices, the Company revised down prices of steel products quarter by quarter during the year. In contrast, the prices of raw materials, iron ore, soared to a new high in more than five years as a result of the global supply disruption caused by the Brumadinho dam disaster in Brazil and a cyclone hitting Western Australia at the beginning of the year. This led to a significant increase in the production cost of steel mills and further worsened the business sentiment.

Overall, under the dual pressure of sluggish steel demand and sharp cost increase in 2019, all the global steel mills faced severe recession that led to a decline in profitability and in many cases even to losses. Despite the worsening macro environment, the Company has kept pursuing the development of new products and expansion of sales, with high-grade products accounting for 48.58% of the total order volume in the year. The Company has taken measures, such as process improvement and intelligent system development, to derive several benefits including saving on manpower, reduction in cost, improvement in quality, increase in output, and enhancement of employee safety. These steps might invigorate the Company and provide it with the wherewithal to develop better competitiveness to seize opportunities as they arise once the economy recovers.

To implement corporate governance practices and improve the functions of the Board of Directors, the Company has formulated a scheme for performance evaluation of the Board of Directors and has set up a Corporate Governance and Sustainability Committee in 2019. This committee will promote the fulfillment of latest environmental, social and corporate governance related policies to strengthen our sustainable operation. Caring the environment, the Company has devoted great efforts to the renewal of equipments and environmental protection improvement projects in recent years.

As revenues from steel products account for nearly 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 2019

(I) Business and Profitability Analysis

Because of weak demand from downstream steel users, the Company lowered the prices of steel products quarter by quarter in 2019, and the sales volume also decreased compared with the previous year. Also, the cost of raw materials increased sharply, resulting in a substantial decline in gross margin. Despite partly offset by quick sale of the Prosperity Bay construction project, which brings increase in construction revenues in Q2 and Q3, the severely squeezed profitability in steel business was not reversed. To sum up, the Company's consolidated sales volume of steel products in 2019 was 14.62 million metric tons, a decrease of 7% from 2018, and the consolidated net profit after taxes was NT\$10.33 billion, a decrease of 63% from 2018. The Company's standalone sales volume of steel products was 10.29 million metric tons, a decrease of 8% from 2018, and the standalone net profit after taxes was NT\$8.81 billion, a decrease of 64% from 2018.

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

1. Consolidated Financial Statements

Unit: NT\$ million

Item \ Year	2019	2018	Change	
	Amount	Amount	Amount	%
Operating Revenues	366,241	400,665	(34,424)	(9)
Gross Profit	27,828	48,838	(21,010)	(43)
Profit from Operations	12,578	33,579	(21,001)	(63)
Non-operating Income and Expenses	223	(1,657)	1,880	113
Profit before Income Tax	12,802	31,922	(19,120)	(60)
Net Profit for the Year	10,330	27,887	(17,557)	(63)

2. Standalone Financial Statements

Unit: NT\$ million

Item \ Year	2019	2018	Change	
	Amount	Amount	Amount	%
Operating Revenues	207,298	235,403	(28,105)	(12)
Gross Profit	12,706	24,972	(12,266)	(49)
Profit from Operations	4,587	16,317	(11,730)	(72)
Non-operating Income and Expenses	5,448	10,081	(4,633)	(46)
Profit before Income Tax	10,035	26,397	(16,362)	(62)
Net Profit for the Year	8,810	24,454	(15,644)	(64)

(II) Research and Development (R&D)

The Company completed a total of 37 new product R&D projects in 2019, 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 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. Major R&D outcomes are listed as follows:

1. Core technology for the electric vehicle industry

By establishing key technologies, the Company has developed a variety of thin electrical sheets for drive motors in electric vehicles that meet the requirements for lower iron loss, higher magnetic flux and higher strength. It has succeeded leading the use of such products by major electric vehicle manufacturers and the formulation of industrial specifications, while making the Company the main supplier of these manufacturers in North America. Other major European, American and Japanese automobile manufacturers are also currently in discussions with the Company on the supply of electrical sheets.

2. Development of steel for national defense

In response to the government appeal in support of indigenous national defense policy, CSC has developed products such as plates for military ships and armored fighting vehicles. The newly developed plates for military ships have obtained certification and are mass-produced. Ultra-thin bullet-resistant plates for armored fighting vehicles have also passed testing, achieving domestic production of steel for armored fighting vehicle. In addition to the development of new products, the Company promotes industrial upgrading by collaborating with upstream and downstream sectors to jointly localize the production of materials for national defense.

3. Intelligent production technology

The Company's vision of intelligent production and sales is to build a comprehensive intelligent system and drive innovation in systems, processes, organizations, and operating models to improve operational efficiency by making full use of digital technologies, such as cloud, big data, and artificial intelligence (AI). In 2019, the Company has constructed a hybrid cloud intelligent platform, trained over 400 experts in the field and 40 AI seed talent, and undertook the design of 40 intelligent solutions. The major achievements are as follows:

- (1) Intelligent control system for hot-dip galvanized coating: Identified the correlation of complex equations from a data-driven approach, developed virtual sensors for the thickness of galvanized coating and active electromagnetic vibration suppression devices, and addressed the problem of over coating on vertical and horizontal galvanized coatings, achieving the goal of reducing over coating by 7%.
- (2) Optimization of boiler fuel scheduling at No. 2 Power Plant: Developed optimal scheduling guidance technology for multi-fuel and multi-unit equipment using process simulation technology and optimization algorithm, addressing the problems of incompatibility between manual scheduling and complex systems.

4. Development of important industrial materials

CSC Group continues to advance the development of various industrial materials and products, including fine carbon materials, lithium battery materials, fine

silver powder for optoelectronics industry, and automotive aluminum sheets. As for fine carbon materials, the Company has expanded the market in Japan, South Korea, and Thailand to reduce the dependence on the Chinese market. Strategic cooperation is established with artificial graphite factories to launch unique artificial mesophase anode products.

II. 2020 Business Plan and Business Development Strategies

Looking into 2020, the rapid spread of the COVID-19 pandemic has forced one country after another to announce lockdown of cities or even country. This not only pushes up the risk of disruption in supply chain for various industries but also severely weighs on final consumption. The International Monetary Fund (IMF) has also warned of a global economic recession in this year.

China, the U.S. and the European Union countries have launched stimulus policies, such as the expansion of infrastructure, in a bid to buffer the impact of the pandemic. Even so, the decline in production and sale of downstream steel-using industries, such as automobiles, home appliances and machinery, coupled with the pessimistic outlook in the market, is certain to affect the selling price and demand for steel products. However, once the pandemic is controlled, the previously suppressed steel demand might increase, and the 2020 sales volume of the Company's steel products is anticipated to maintain at 2019 levels.

CSC Group has mapped out its 2020–2024 operations and development strategies for the steel business as follows: (1) To implement succession planning, improve the administrative efficiency, create LOHAS environment, and promote the image of CSC Group. (2) To strengthen global logistics, forge strategic partnership, refine overseas distribution, and introduce smart commerce. (3) To integrate resources of CSC Group, continuously supervise subsidiaries and associates, and enhance synergy of CSC Group. (4) To research and develop highly competitive products, low-cost manufacturing processes and value-added application technologies, carry out intelligent manufacturing and marketing, and strengthen industrial services. (5) To toughen engineering capabilities of CSC Group and develop green energy and environmental engineering business. (6) To refine manufacturing process and reduce costs, coordinate resources to shorten delivery time, implement energy conservation, environmental protection and resources reuse, perform

occupational safety and health and zero disasters, and pursue new highs in the production and value of CSC Group.

In recent years, the steel market has faced several tests, such as economic cycles, trade barriers, and rising raw material costs. Faced with increasing business challenges, CSC has launched monthly and quarterly pricing system based on the characteristics of each downstream steel-using industry starting from the second quarter of 2020, to quickly grasp the changes in the international market and create the maximum benefit for both customers and the Company.

In 2021, CSC will usher in its fiftieth anniversary. With forward-looking vision and thinking, persistent determination and perseverance for reform, and pragmatic strategies and practices, CSC strives to promote industrial upgradation, break barriers, and establish a solid foundation, in order to create a new milestone. Therefore, on January 16, 2020, the Company announced to position itself as a steel mill that produces premium products with high value and devote itself to the development of the green energy industry as the operational and developmental cores in enhancing its competitiveness for the next 50 years.

Through intelligence approach and innovation, CSC hopes to create greater value for steel. It believes that becoming a steel mill with premium products is the only way to grow into an international first-class steel mill. In a critical era of energy transformation, the green industry will be the new engine for economic development. Hence, CSC will accelerate the development of underwater foundation, solar photovoltaic industries, and technologies related to steel-using and electric vehicle industrial chains, to achieve stabilizing profitability and diversifying operational risks for sustainable development. We commit to creating long-term value for the Company in return for shareholders' support over the years.

Chao-Tung Wong
Chairman



Shyi-Chin Wang
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, and hot-dip galvanized coils. The domestic market takes roughly 68% of CSC's production and the exports take the remaining 32%. CSC is the largest steel company in Taiwan with market share of more than 50% and export products mainly to Japan, Mainland China (including Hong Kong) 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 Institution in 2018 and 2019. 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 27 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.

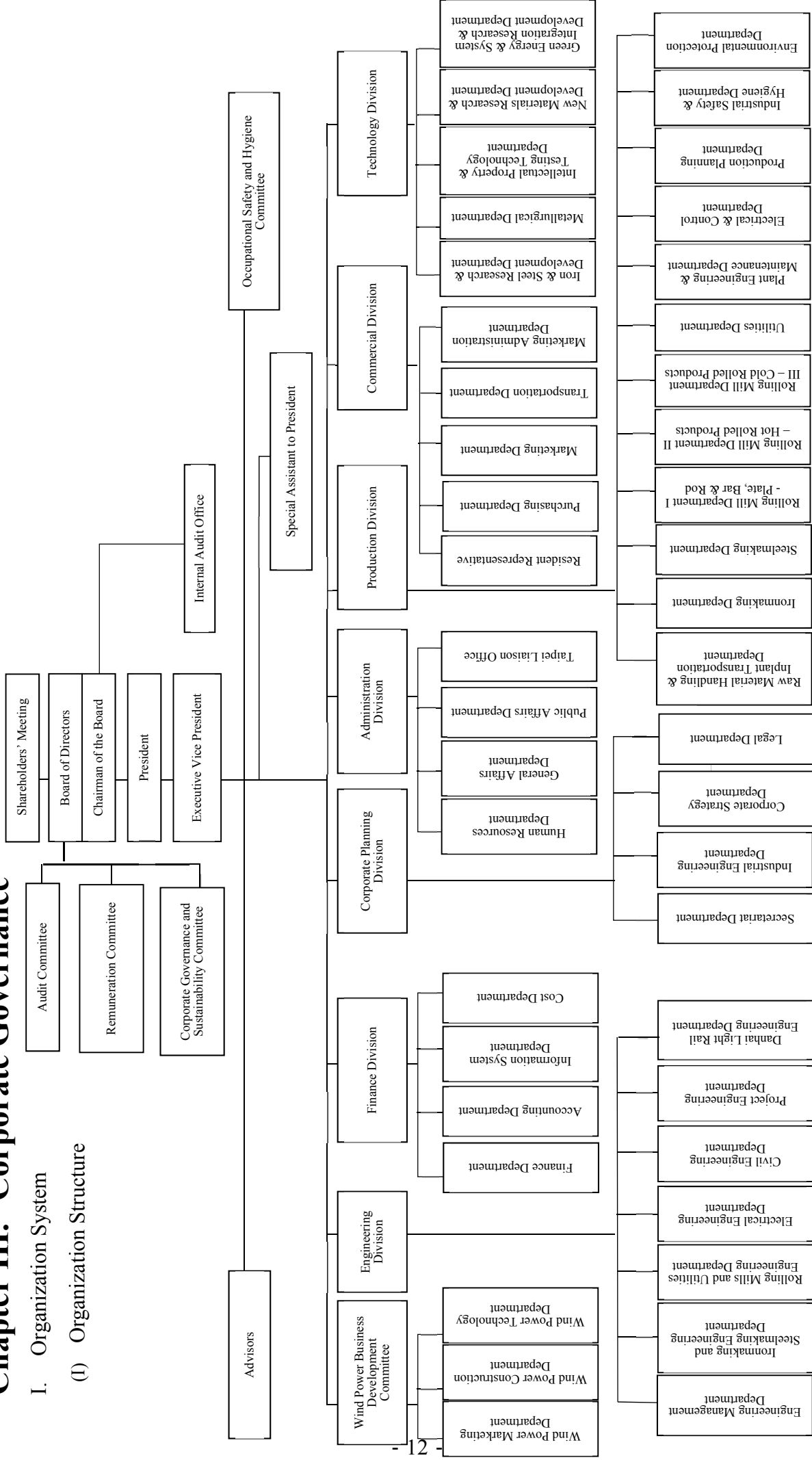
Company History

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.
January 16, 2020	CSC positions itself as a steel mill that produces premium products with high value and devotes itself to the development of the green energy industry as the operational and developmental cores in enhancing its competitiveness for the next 50 years.
February 21, 2020	CSC sets a new milestone in its pricing system by offering monthly and quarterly prices simultaneously for the first time.

Chapter III. Corporate Governance

I. Organization System

(1) 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

(1) Information on Directors

As of March 31, 2020

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 A Position as Manager, Director or Supervisor			Remarks (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	Taiwan, R.O.C.	Ministry of Economic Affairs	--	2019.06.19	3 years	1971.12.03	3,154,709	20	3,154,709	357	20	3,154,709	357	20	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Chao-Tung Wong (Note 1)	Male	2019.06.19	3 years	Assumed office on 2016.06.23	1,000,875	0.01	1,000,875	0.01	0	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, Chung Hung Steel Corporation; Director, China Steel Chemical Corporation; Director, China Ecotek Corporation; Director, Dragon Steel Corporation; Chairman, Ascetek Venture Capital Corporation	None	None	None	None
Director	Taiwan, R.O.C.	Ministry of Economic Affairs	--	2019.06.19	3 years	1971.12.03	3,154,709	20	3,154,709	357	20	3,154,709	357	20	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Wen-Sheng Tseng	Male	2019.06.19	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	None
Director	Taiwan, R.O.C.	Ministry of Economic Affairs	--	2019.06.19	3 years	1971.12.03	3,154,709	20	3,154,709	357	20	3,154,709	357	20	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Fong-Sheng Wu (Note 2)	Male	2019.06.19	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	None
Director	Taiwan, R.O.C.	Ever Wealthy International Corporation	--	2019.06.19	3 years	2004.06.17	4,226,265	0.03	4,226,265	0.03	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Taiwan, R.O.C.	Representative: Shyi-Chin Wang	Male	2019.06.19	3 years	Assumed office on 2015.10.01	256,010	0	274,807	0	0	0	0	0	PhD in Materials Science, National Sun Yat-sen University Executive Vice President, China Steel Corporation	President, China Steel Corporation; Chairman, Dragon Steel Corporation; Chairman, China Steel Power Holding Corporation; Director, China Steel Chemical Corporation; Director, China Ecotek Corporation; Director, China Steel Express Corporation; Taiwan High Speed Rail Corporation	None	None	None	None
Director	Taiwan, R.O.C.	Chun Yu Investment Corporation	--	2019.06.19	3 years	Elected on 1997.12.30 Assumed office on 1998.05.26	1,623,289	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	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			Remarks (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	Taiwan, R.O.C.	Representative: Chien-Chih Hwang (Note 3)	Male	Assumed office on 2019.09.30	3 years	Assumed office on 2019.09.30	33,233	0	33,233	0	0	0	0	0	Bachelor of Economics, Tunghai University Vice President of Commercial Division, China Steel Corporation	Executive Vice President, China Steel Corporation; Chairman, China Steel Global Trading Corporation; Director, China Steel Structure Co., Ltd; Director, Dragon Steel Corporation; Director, China Steel Express Corporation; Director, CSBC Corporation, Taiwan	None	None	None	
	Taiwan, R.O.C.	Hung Kao Investment Corporation	--	2019.06.19	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	Not applicable
Director	Taiwan, R.O.C.	Representative: Cheng-I Weng (Note 4)	Male	2019.06.19	3 years	2001.05.31	9,000	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	
	Taiwan, R.O.C.	Gau Ruei Investment Corporation	--	2019.06.19	3 years	Elected on 1997.12.30 Assumed office on 1998.05.26	1,493,318	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	Not applicable
Director	Taiwan, R.O.C.	Representative: Yueh-Kun Yang	Male	2019.06.19	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; Chairman, Kaohsiung Rapid Transit Corporation; Director, C.S.Aluminium Corporation; Director, Gains Investment Corporation	None	None	None	
	Taiwan, R.O.C.	Labor Union of China Steel Corporation, Kaohsiung City	--	2019.06.19	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	Not applicable
Director	Taiwan, R.O.C.	Representative: Chun-Sheng Chen	Male	2019.06.19	3 years	Assumed office on 2018.01.05	19,743	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	2019.06.19	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, Kao Yuan University; Director, Hua's Aero Industry Development Foundation; Independent Director and Member of Audit and Remuneration Committee, Hwm Mikro system Corp.	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			Remarks (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	Taiwan, R.O.C.	Min-Hsiung Hon	Male	2019.06.19	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	Not applicable
Independent Director	Taiwan, R.O.C.	Lan-Feng Kao	Female	2019.06.19	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	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.
- Note 2: Mr. Fong-Sheng Wu first became a Director of the Company on August 7, 2003 until his dismissal on September 22, 2006. He resumed as a Director of the Company on June 23, 2016 to date.
- Note 3: Chiun Yu Investment Corporation appointed Mr. Chien-Chih Hwang to replace Mr. Horng-Nan Lin as its representative on September 30, 2019.
- Note 4: 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 5: Where the Chairman, President or person holds an equivalent position (the highest level management) of the Company are the same person, spouses, or relatives within the first degree of relationship, an relevant explanation shall be given regarding the information on the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (including methods such as increasing the number of seats for Independent Directors and more than half of the Directors shall not hold a position as employees or managements).

Information on Directors

Name	Condition	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience												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		Independence Criteria (Note)						
		1	2	3	4	5	6	7	8	9	10	11	12	
Chairman Chao-Tung Wong	No													0
Director Wen-Sheng Tseng	No													0
Director Fong-Sheng Wu	No													0
Director Shyi-Chin Wang	No													0
Director Chien-Chih Hwang	No													0
Director Cheng-I Weng	Yes													0
Director Yueh-Kun Yang	No													0
Director Chun-Sheng Chen	No													0

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	1	2	3	4	5	6	7	8	9	10	11	12	
Independent Director Shyue-Bin Chang	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director Min-Hsiung Hon	Yes	No	No	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director Jan-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.

- (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 concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (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 1% 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 managerial officers listed in the criterion (1) or individuals listed in the criterion (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total shares issued by the Company, ranks as one of its top five shareholders or designates a representative as the director or supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (6) Not a director, supervisor, or employee of another company whose half of the seats of directors or shares with voting rights is controlled by the same person as the Company. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (7) Not a director (member of the governing board), supervisor (member of the supervisory board) or employee of another company or institution that the Chairman, President or person holds an equivalent position of it are the same person or the spouse of the person holding the aforementioned positions of the Company. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (8) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding 5% or more of shares of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the company or institution holds more than 20% but no more than 50% of the total shares issued by the Company and where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (9) Not a professional individual who, or an 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 audit services, or commercial, legal, financial, accounting or related services from which a cumulative amount of remuneration not exceeding NT\$500,000 has been obtained in the most recent two years, to the Company or to any of its affiliates, or a spouse thereof. Not applicable in cases where the person is a member of the remuneration committee, the public tender offer review committee or the special committee for merger/consolidation and acquisition who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of relationship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Table 1: Major shareholders of institutional shareholders

As of March 31, 2020

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

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

As of March 31, 2020

Institutional Shareholders	Major Shareholders of Institutional Shareholders
China Steel Chemical Corporation	China Steel Corporation 29.04%; Matthews Asia Dividend Fund under the custody of HSBC Bank (Taiwan) Limited 6.51%; International CSRC Investment Holdings Co., Ltd. 4.96%; Fubon Life Insurance Co., Ltd. 4.56%; Ever Wealthy International Corporation 2.01%; Cathay Life Insurance Co., Ltd. 1.77%; C.C.T. Investment Co., Ltd. 1.46%; Xin Yang Investment Co. Ltd. 1.22%; Nanshan Life Insurance Co., Ltd. 1.13%; Chin Hung Investment Co., Ltd. 1.06%
Eminence Investment Corporation	Gains Investment Corporation 100%
China Steel Structure Co., Ltd.	China Steel Corporation 33.24%; IHI Corporation 5.53%; Berlin Co., Ltd. 4.85%; United Steel Engineering & Construction Corporation 3.40%; Employee's Stock Ownership Trust of China Steel Structure Co., Ltd. under the custody of Mega International Commercial Bank Co., Ltd. 2.51%; Yung Chi Paint & Varnish MFG Co., Ltd. 2.50%; Great Grandeur Steel Co., Ltd. 1.78%; Dragon Steel Corporation 1.75%; C. Hao Corporation 0.97%; Zhen-Guei Yen 0.65%
China Ecotek Corporation	China Steel Corporation 44.76%; Hua Eng Wire & Cable Co., Ltd. 9.57%; Chun Yu Works & Co., Ltd. 3.50%; Great Grandeur 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. 1.77%; C. Hao Corporation 1.22%
Chung Hung Steel Corporation	China Steel Corporation 40.59%; Employee's Stock Trust of Chung Hung Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. 0.89%; Taiwan Life Insurance Co., Ltd. 0.84%; California State Teachers' Retirement System by State Street Bank under the custody of Deutsche Bank AG Taipei Branch 0.82%; Fubon Life Insurance Co., Ltd. 0.68%; TIAA-CREF Quant International Small-Cap Equity Fund under the custody of Deutsche Bank AG Taipei Branch 0.41%; Jin-Lai Huang 0.38%; Hong Bang Investment Co., Ltd. 0.35%; Hong-Lu Liao 0.34%; DFA Emerging Markets Core Equity Portfolio under the custody of Citibank (Taiwan) Limited 0.26%
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. 2.54%; Der Ching Investment Corporation 1.94%; Employee's Stock Trust of CHC Resources Corporation under the custody of Mega International Commercial Bank Co., Ltd. 1.92%

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

(II) Information on Management Team

As of March 31, 2020

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			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	Taiwan, R.O.C.	Shyi-Chin Wang	Male	2019.09.30	274,807	0	0	0	0	0	PhD in Materials Science, National Sun Yat-sen University Executive Vice President, China Steel Corporation	Chairman, Dragon Steel Corporation; Chairman, China Steel Power Holding Corporation; Director, China Steel Chemical Corporation; Director, China Ecotek Corporation; Director, China Steel Express Corporation; Director, Taiwan High Speed Rail Corporation	None	None	None	
Executive Vice President	Taiwan, R.O.C.	Chien-Chih Hwang	Male	2019.09.30	33,233	0	0	0	0	0	Bachelor of Economics, Tunghai University Vice President of Commercial Division, China Steel Corporation	Chairman, China Steel Global Trading Corporation; Director, China Steel Structure Co., Ltd; Director, Dragon Steel Corporation; Director, China Steel Express Corporation; Director, CSBC Corporation, Taiwan	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 Prosperity Development Corporation; Director, China Steel Security Corporation	None	None	None	Not applicable
Vice President, Commercial Division	Taiwan, R.O.C.	Min-Hsiung Liu	Male	2019.09.30	2,493	0	0	0	0	0	Bachelor of Business Administration, National Cheng Kung University Assistant Vice President of Commercial Division, China Steel Corporation	Chairman, Chung Hung Steel Corporation; Director, Dragon Steel Corporation; Director, China Steel Global Trading Corporation; Director, China Steel Express Corporation	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	Chairman, Kaohsiung Rapid Transit Corporation; Director, C.S.A.luminum Corporation; Director, Gains Investment 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			Remarks (Note 2)
					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 1)	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.	Yie-Shing Hwang	Male	2020.03.01	138,114	0	0	0	0	0	PhD in Materials Science and Engineering, Ohio State University, U.S.A. Assistant Vice President of Technology Division, China Steel Corporation	Director, Dyna Rechi Co., Ltd.; Director, Rechi Precision Co., Ltd.; Director, Fukuta Elec. & Mach. Co, Ltd.	None	None	None	
Vice President, Engineering Division	Taiwan, R.O.C.	Chung-Te Chen	Male	2020.01.31	4,648	0	1,204	0	0	0	Master of Business Management, National Sun Yat-sen University Chairman, China Ecotek Corporation	Chairman, China Ecotek Corporation	None	None	None	
Vice President, Production Division	Taiwan, R.O.C.	Wen-Ge Lo	Male	2020.03.31	285,579	0	10,000	0	0	0	Master of Metallurgical Engineering and Materials Science, Carnegie Mellon University, U.S.A. Chairman, China Steel Chemical Corporation	Chairman, China Steel Chemical Corporation; Director, Dragon Steel Corporation; Director, China Steel Express Corporation	None	None	None	
General Manager, Finance Department	Taiwan, R.O.C.	Shih-Hsin Chen	Male	2019.07.01	306	0	0	0	0	0	Master of Finance, National Chengchi University Assistant Vice President of Finance Division, Dragon Steel Corporation	Supervisor, Wuxi Tecco Electric & Machinery Co., Ltd.	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: 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 2: Where the Chairman, President or person holds an equivalent position (the highest level management) of the Company are the same person, spouses, or relatives within the first degree of relationship, an relevant explanation shall be given regarding the information on the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (including methods such as increasing the number of seats for Independent Directors and more than half of the Directors shall not hold a position as employees or managements).

III. Compensations of Directors, President and Vice Presidents

(I) Compensations Paid to Non-independent Directors and Independent Directors

Unit: NT\$ thousands, as of December 31, 2019

Title	Name	Compensation Paid to Directors				Compensation Received by a Director Who is Also an Employee				Sum of A, B, C, D, E, F and G as a Percentage of Net Income		Compensation Paid to Directors by Non-Consolidated Affiliates or Parent Company								
		Base Compensation (A)		Severance Pay and Pension(B)		Remuneration to Directors(C)		Allowances (D)		Sum of A, B, C, D, E, F and G as a Percentage of Net Income										
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities									
Chairman	Chao-Tung Wong (Representative of Ministry of Economic Affairs)																			
	Ministry of Economic Affairs																			
	Ever Wealthy International Corporation																			
	Chiun Yu Investment Corporation																			
	Hung Kao Investment Corporation																			
	Gau Ruel Investment Corporation																			
	Labor Union of China Steel Corporation, Kaohsiung City																			
	Wen-Sheng Tseng (Representative of Ministry of Economic Affairs)																			
	Fong-Sheng Wu (Representative of Ministry of Economic Affairs)																			
Non-independent Director	Shyi-Chin Wang (Representative of Ever Wealthy International Corporation)	0	3,867	0	0	11,681	5,840	1,048	1,761	0.144	0.130	20,926	673	2,879	0	2,879	0	0.422	0.408	48
	Hong-Nan Lin (Note 1) (Representative of Chiun Yu Investment Corporation)																			
	Chien-Chih Hwang (Note 1) (Representative of Chiun Yu Investment Corporation)																			
	Cheng-I Weng (Representative of Hung Kao Investment Corporation)																			
	Yueh-Kun Yang (Representative of Gau Ruel Investment Corporation)																			
	Chun-Sheng Chen (Representative of Labor Union of China Steel Corporation, Kaohsiung City)																			
Independent Director	Shyue-Bin Chang Min-Hsiung Hon Jan-Feng Kao	2,160	2,160	0	0	0	0	777	777	0.033	0.033	0	0	0	0	0	0	0.033	0.033	0

★ Policies, system, standards and structure of compensation paid to Independent Directors and the correlation of such compensation with their reponsability, risks and time devoted to business:

(1) The remuneration for Independent Directors is a fixed compensation. An Independent Director is entitled to a remuneration of NT\$60,000 per month and shall not receive the remuneration for Directors as set out in Article 6 of the Articles of Incorporation. The profit or loss of the Company does not affect the fixed compensation of Independent Directors.

(2) Independent Directors shall participate in Board meetings, and the travel expenses shall be borne by the Company.

(3) Where any Independent Director serves as a member of a functional committee, the Independent Director shall participate in the meeting of the functional committee under the Board of Directors, and the Company shall pay attendance fee according to the actual attendance.

★ In addition to the disclosure above, compensation paid to Directors for their services (e.g. providing consulting services as a non-employee) to all the consolidated entities in the 2019 financial statements: None.

Note:

1. Chiun Yu Investment Corporation appointed Mr. Chien-Chih Hwang to replace Mr. Horng-Nan Lin as its representative on September 30, 2019.
2. Compensations paid to Non-independent Directors and Independent Directors only include the compensations received by juristic persons and representatives during their tenure.
3. 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.
4. 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".
5. 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 2019 according to the law was NT\$673 thousand.

Range of Compensation

Range of compensation paid to Directors of the Company	Directors' Name					
	The Company	Sum of A+B+C+D	Consolidated Entities	The Company	Sum of A+B+C+D+E+F+G	Parent Company and Affiliates
Under NT\$1,000,000	Chao-Tung Wong, Wen-Sheng Tseng, Fong-Sheng Wu, Shyi-Chin Wang, Horng-Nan Lin, Chien-Chih Hwang, Cheng-I Weng, Yueh-Kun Yang, Chun-Sheng Chen, Shyue-Bin Chang, Min-Hsiung Hon, and Lan-Feng Kao	Chao-Tung Wong, Wen-Sheng Tseng, Fong-Sheng Wu, Shyi-Chin Wang, Chien-Chih Hwang, Yueh-Kun Yang, Chun-Sheng Chen, Shyue-Bin Chang, Min-Hsiung Hon, Lan-Feng Kao, Ever Wealthy International Corporation, Chiun Yu Investment Corporation, Hung Kao Investment Corporation, and Gau Ruei Investment Corporation	Chao-Tung Wong, Wen-Sheng Tseng, Fong-Sheng Wu, Shyi-Chin Wang, Chien-Chih Hwang, Yueh-Kun Yang, Chun-Sheng Chen, Shyue-Bin Chang, Min-Hsiung Hon, Lan-Feng Kao, Ever Wealthy International Corporation, Chiun Yu Investment Corporation, Hung Kao Investment Corporation, and Gau Ruei Investment Corporation	Wen-Sheng Tseng, Fong-Sheng Wu, Shyue-Bin Chang, Min-Hsiung Hon, Lan-Feng Kao, Ever Wealthy International Corporation, Chiun Yu Investment Corporation, Hung Kao Investment Corporation, and Gau Ruei Investment Corporation		
NT\$1,000,000 (inclusive) - NT\$2,000,000 (not inclusive)	Ever Wealthy International Corporation, Chiun Yu Investment Corporation, Hung Kao Investment Corporation, Gau Ruei Investment Corporation, and Labor Union of China Steel Corporation, Kaohsiung City	Cheng-I Weng, and Labor Union of China Steel Corporation, Kaohsiung City	Chien-Chih Hwang, Chun-Sheng Chen, Ever Wealthy International Corporation, Chiun Yu Investment Corporation, Hung Kao Investment Corporation, Gau Ruei Investment Corporation, and Labor Union of China Steel Corporation, Kaohsiung City	Chien-Chih Hwang, Cheng-I Weng, Chun-Sheng Chen, and Labor Union of China Steel Corporation, Kaohsiung City		
NT\$2,000,000 (inclusive) - NT\$3,500,000 (not inclusive)	None	Horng-Nan Lin	Horng-Nan Lin	None	Horng-Nan Lin	
NT\$3,500,000 (inclusive) - NT\$5,000,000 (not inclusive)	Ministry of Economic Affairs	Ministry of Economic Affairs	Ministry of Economic Affairs	Ministry of Economic Affairs	Ministry of Economic Affairs	
NT\$5,000,000 (inclusive) - NT\$10,000,000 (not inclusive)	None	None	None	Chao-Tung Wong, Shyi-Chin Wang, and Yueh-Kun Yang	Chao-Tung Wong, Shyi-Chin Wang, and Yueh-Kun Yang	
NT\$10,000,000 (inclusive) - NT\$15,000,000 (not inclusive)	None	None	None	None	None	
NT\$15,000,000 (inclusive) - NT\$30,000,000 (not inclusive)	None	None	None	None	None	
NT\$30,000,000 (inclusive) - NT\$50,000,000 (not inclusive)	None	None	None	None	None	
NT\$50,000,000 (inclusive) - NT\$100,000,000 (not inclusive)	None	None	None	None	None	
NT\$100,000,000 and above	None	None	None	None	None	
Total	18	18	18	18	18	18

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, 2019

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 or Parent Company
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	Cash	Stock	The Company	
Managerial Personnel	President	30,749	30,749	1,061	8,822	13,272	9,182	0	9,182	0	0.565	0.616	108
	Shyi-Chin Wang												
	Shyi-Chin Wang												
	Chien-Chih Hwang												
	Vice President	30,749	30,749	1,061	8,822	13,272	9,182	0	9,182	0	0.565	0.616	108
	Chiu-Po Chang												
	Chien-Chih Hwang												
	Min-Hsiung Liu												
	Yueh-Kun Yang												
	Pai-Chien Huang												
Vice President	30,749	30,749	1,061	8,822	13,272	9,182	0	9,182	0	0.565	0.616	108	
Song-Jau Tsai													
Ching-Chung Cheng													
Hsin-Chin Kuo													
Chih-Tai Chang	30,749	30,749	1,061	8,822	13,272	9,182	0	9,182	0	0.565	0.616	108	
Chih-Tai Chang													

Note:

- Consolidated entities include the Company.
- Compensations paid to President and Vice Presidents only include the compensations received by them during their tenure of this position.

Range of Compensation

Range of compensation paid to Presidents and Vice Presidents of the Company	Name of President and Vice President	
	The Company	Parent Company and Affiliates
Under NT\$1,000,000	Horng-Nan Lin	None
NT\$1,000,000 (inclusive) - NT\$2,000,000 (not inclusive)	Min-Hsiung Liu	Min-Hsiung Liu
NT\$2,000,000 (inclusive) - NT\$3,500,000 (not inclusive)	Ching-Chung Cheng	Horng-Nan Lin, and Ching-Chung Cheng
NT\$3,500,000 (inclusive) - NT\$5,000,000 (not inclusive)	None	None
NT\$5,000,000 (inclusive) - NT\$10,000,000 (not inclusive)	Shyi-Chin Wang, Chien-Chih Hwang, Chiu-Po Chang, Yueh-Kun Yang, Pai-Chien Huang, Song-Jau Tsai, Hsin-Chin Kuo, and Chih-Tai Chang	Shyi-Chin Wang, Chien-Chih Hwang, Chiu-Po Chang, Yueh-Kun Yang, Pai-Chien Huang, Song-Jau Tsai, Kuo, and Chih-Tai Chang
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	11	11

(III) Employee Remuneration Distributed to Managerial Personnel and Distribution Situation

As of December 31, 2019

Unit: NT\$ thousands

	Title	Name	Amount of Stock	Amount of Cash	Total	Total Amount as A Percentage of Net Income (%)
Managerial Personnel	President	Horng-Nan Lin	0	9,412	9,412	0.107
		Shyi-Chin Wang				
	Executive Vice President	Shyi-Chin Wang				
		Chien-Chih Hwang				
	Vice President	Chiu-Po Chang				
		Chien-Chih Hwang				
		Min-Hsiung Liu				
		Yueh-Kun Yang				
		Pai-Chien Huang				
		Song-Jau Tsai				
		Ching-Chung Cheng				
		Hsin-Chin Kuo				
	General Manager, Finance Department	Hung-Tai Chou				
		Shih-Hsin Chen				
General Manager, Accounting Department	Kai-Ching Huang					
Directors	President of Labor Union	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:

1. In 2019, total compensation paid to Directors, President and Vice Presidents of the Company accounted for 0.82% of the Company's net income. In 2018, total compensation paid to Directors, President and Vice Presidents of the Company constituted 0.47% of the Company's net income. Independent Directors of the Company only receive fixed compensation and are not entitled to the distribution of remuneration for Directors. 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.
2. The Company has formulated Rules Governing the Performance Evaluation of the Board of Directors and Performance Appraisal Rules which is applicable to managements and employees. The evaluation criterias used to measure the Board's performance includes level of participation in business operation. As for managements' performance, the appraisal items include financial indicators (e.g. sales volume of steel products, order of steel products, amount of cost saving, etc.) and non-financial indicators (e.g. number of major occupational accidents, process improvements, and project completion, etc.). Compensation paid to Directors and the remuneration for employees and incentive bonus paid to managements are determined according to outcomes of performance evaluation.
3. 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

- The Company conducted the re-election of Directors on June 19, 2019, and elected the 17th Board of Directors. In 2019, the Board of Directors convened 7 meetings (the 16th Board of Directors convened 2 meetings and the 17th Board of Directors convened 5 meetings). Attendance of Directors is listed as follows:

(January 1, 2019 to December 31, 2019)

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%	Re-elected on June 19, 2019	
Director	Representative of Ministry of Economic Affairs Wen-Sheng Tseng	6	1	7	85.7%	Re-elected on June 19, 2019	
Director	Representative of Ministry of Economic Affairs Fong-Sheng Wu	6	1	7	85.7%	Re-elected on June 19, 2019	
Director	Representative of Ever Wealthy International Corporation Shyi-Chin Wang	7	0	7	100.0%	Re-elected on June 19, 2019	
Director	Representative of Chiun Yu Investment Corporation	Horng-Nan Lin	5	0	5	100.0%	Re-elected on June 19, 2019
		Chien-Chih Hwang	2	0	2	100.0%	Chien-Chih Hwang was appointed to replace Horng-Nan Lin as the representative on September 30, 2019
Director	Representative of Hung Kao Investment Corporation Cheng-I Weng	6	1	7	85.7%	Re-elected on June 19, 2019	
Director	Representative of Gau Ruei Investment Corporation Yueh-Kun Yang	7	0	7	100.0%	Re-elected on June 19, 2019	
Director	Representative of Labor Union of China Steel Corporation, Kaohsiung City Chun-Sheng Chen	6	1	7	85.7%	Re-elected on June 19, 2019	
Independent Director	Shyue-Bin Chang	7	0	7	100.0%	Re-elected on June 19, 2019	
Independent Director	Min-Hsiung Hon	7	0	7	100.0%	Re-elected on June 19, 2019	
Independent Director	Lan-Feng Kao	6	1	7	85.7%	Re-elected on June 19, 2019	

Other matters to be noted:

- 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:
 - 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 28-31 of this annual report.
 - 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):

All Directors of the Company follow the regulation 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 proposals, 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 proposals. 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 23rd meeting of the 16th Board of Directors on March 25, 2019: Directors Shyi-Chin Wang and Yueh-Kun Yang recused themselves according to applicable laws during the proposal regarding the 2018 Year-End Performance Evaluation of Executive Vice President, and Vice Presidents (From January to December).
- (2) The 24th meeting of the 16th Board of Directors on May 6, 2019: Directors Shyi-Chin Wang and Yueh-Kun Yang recused themselves according to applicable laws during the proposal regarding the salary and benefit adjustment for appointed managements.
- (3) The 2nd meeting of the 17th Board of Directors on August 12, 2019: Director Wen-Sheng Tseng recused himself according to applicable laws during the proposal regarding jointly establishing and directly/indirectly holding shares of China Steel Power Corporation with China Steel Power Holding Corporation.
- (4) The 2nd meeting of the 17th Board of Directors on August 12, 2019: Director Wen-Sheng Tseng recused himself according to applicable laws during the proposal regarding joint capital contribution to China Steel Power Holding Corporation with CI III Zhong Neng K/S.
- (5) The 2nd meeting of the 17th Board of Directors on August 12, 2019: Directors Shyi-Chin Wang and Yueh-Kun Yang recused themselves according to applicable laws during the proposal regarding the 2019 Mid-Year Performance Evaluation of Executive Vice President and Vice Presidents (From January to June).
- (6) The 3rd meeting of the 17th Board of Directors on September 23, 2019: Directors Shyi-Chin Wang and Yueh-Kun Yang recused themselves according to applicable laws during the proposal regarding the appointment of the President.
- (7) The 3rd meeting of the 17th Board of Directors on September 23, 2019: Director Yueh-Kun Yang recused himself according to applicable laws during the proposal regarding the appointment of the Executive Vice President.

3. TWSE/TPEX listed companies shall disclose the information of self-evaluation (or peer evaluation) of the Board of Directors, such as evaluation cycle, period, scope, method and contents:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
The Company conducts an internal evaluation on a yearly basis and conducts an external evaluation at least every three years.	2019.01.01 ~ 2019.11.11	Board of Directors, Board Members, and Functional Committees of the Board of Directors	Internal Self-Evaluation	(1) The measurement items for the performance evaluation of the Board of Directors include the following five aspects: A. Involvement in the Company's operations B. Improvement in the quality of decision-making of the Board of Directors C. Composition and structure of the Board of Directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
				<p>D. Election and continuing education of Directors</p> <p>E. Internal Control</p> <p>(2) The measurement items for the performance evaluation of the Board Members include the following six aspects:</p> <p>A. Alignment of the Company's goals and tasks</p> <p>B. Recognition of the duties of the Director</p> <p>C. Involvement in the Company's operations</p> <p>D. Management of internal relations and communication</p> <p>E. Professionalism and continuing education of Directors</p> <p>F. Internal Control</p> <p>(3) The measurement items for the performance evaluation of the Functional Committees include the following five aspects:</p> <p>A. Involvement in the Company's operations</p> <p>B. Recognition of the duties of the functional committees</p> <p>C. Improvement in the quality of decision-making of the functional committees</p> <p>D. Composition of the functional committees, and election of committee members</p> <p>E. Internal Control</p>

4. Measures for strengthening the functions of Board of Directors in the current year and the most recent year, and relevant implementation assessment

- (1) To improve our corporate governance system, focus on promoting corporate social responsibility and implement the concept of sustainable business operation, the Board of Directors approved to establish the "Corporate Governance and Sustainability Committee" on November 11, 2019; the Committee will regularly report its implementation to the Board of Directors. The composition, duties, and operations of the Committee are disclosed in our annual report and on the corporate website.
- (2) To strengthen the functions of the Board of Directors and establish the performance target to improve the operational efficiency of its Board of Directors, the "Regulations Governing Performance Evaluation of Board of Directors" was approved on November 11, 2019. The Rules stipulate that the Company shall conduct an internal evaluation on a yearly basis and conduct an external evaluation at least every three years; the results thereof shall be reported to the Board of Directors by the end of the first quarter in the following year. The results of the performance evaluation shall be taken as the reference for review and improvement and in compensation and renomination of individual directors.
- (3) 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 2019, the Audit Committee of the Board of Directors convened 5 meetings (the Audit Committee of the 16th Board of Directors convened 2 meetings and the Audit Committee of the 17th Board of Directors convened 3 meetings), while the attendance of Independent Directors is listed as follows:

(2019.01.01~2019.12.31)

Title	Name	Attendance in Person	Attendance by Proxy	Percentage of Attendance in Person (%)	Remarks
Independent Director	Shyue-Bin Chang	5	0	100%	None
Independent Director	Min-Hsiung Hon	5	0	100%	None
Independent Director	Lan-Feng Kao	5	0	100%	None

Annual focus of the Audit Committee:

1. Considering the long construction period of replacement of phase I and II coke ovens, request the environmental protection, safety and health issue to be taken into account and to propose the improved design appropriately upon obtaining further construction information during the construction period.
2. Reviewing the investment plan in equipment replacement, emphasize that the engineering effect shall be digitized and shall establish cross-departmental digitized targets.
3. Suggest avoiding risks resulting from bad debts from accounts receivables and high inventory level.

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
2019.03.25 The 23rd meeting of the 16th Board of Directors	Discussion Item 1: The Company's 2018 Business Report and Financial Statements	Unanimously approved by all the Directors present.	The 17th meeting of the Audit Committee of the 16th Board of Directors on March 22, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 2: Proposal for Distribution of 2018 Profits	Unanimously approved by all the Directors present.	The 17th meeting of the Audit Committee of the 16th Board of Directors on March 22, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 6: Amendments to the Company's Procedures for Acquisition or Disposal of Assets	Unanimously approved by all the Directors present.	The 17th meeting of the Audit Committee of the 16th Board of Directors on March 22, 2019: 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
	Discussion Item 12: Appointment of CPA, Jui-Hsuan Hsu and CPA, Cheng-Hung Kuo of Deloitte Taiwan as the CPAs for the Company's Financial Statements, with effect from the Financial Statement for the 1st quarter of 2019	Unanimously approved by all the Directors present.	The 17th meeting of the Audit Committee of the 16th Board of Directors on March 22, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 14: Proposal to invest NT\$2,592,832 thousand in the replacement of turbine blowers for No.1 Power House	Unanimously approved by all the Directors present.	The 17th meeting of the Audit Committee of the 16th Board of Directors on March 22, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 16: Proposal to provide loans totaled NT\$3.02 billion to 4 subsidiaries, including C.S.Aluminium Corporation, etc.	Unanimously approved by all the Directors present.	The 17th meeting of the Audit Committee of the 16th Board of Directors on March 22, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 17: The Company's "2018 Statement on Internal Control System"	Unanimously approved by all the Directors present.	The 17th meeting of the Audit Committee of the 16th Board of Directors on March 22, 2019: Passed and unanimously approved by all the committee members present.
2019.05.06 The 24th meeting of the 16th Board of Directors	Discussion Item 1: Proposal to invest NT\$7,017.8 million in the stage 2 construction of phase I and II coke ovens replacement- "phase I construction of enclosed building in coking coal storage yard" for Raw Material Handling & Inplant Transportation Department	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 2: Amendments to the Company's Procedures for Endorsements and Guarantees	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 3: Amendments to the Company's Procedures for Loaning of Funds	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 4: Proposal to provide loans totaled NT\$5.86 billion to 12 subsidiaries, including C.S.Aluminium Corporation, etc.	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 5: Proposal to apply for issuance of a bank guarantee to the final issuing bank for the final issuing bank to issue a bank guarantee to Syarikat SESCO Berhad as a payment guarantee for electricity bill of Sakura Ferroalloys Sdn. Bhd. based on our 19% shareholding. The guarantee, with a maximum of MYR\$13.5 million, would last for 3 year.	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: 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
	Discussion Item 10: Proposal to release the prohibition on Director, Mr. Chao-Tung Wong, from holding the position of China Ecotek Corporation and Chung Hung Steel Corporation to protect the investment rights of the Company, provided Mr. Chao-Tung Wong is elected as a member of the 17th Board of Directors at the Shareholders' meeting	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 11: Proposal to release the prohibition on Director, Mr. Fong-Sheng Wu, from holding the position of Tang Eng Iron Works Co., Ltd. to protect the investment rights of the Company, provided Mr. Fong-Sheng Wu is elected as a member of the 17th Board of Directors at the Shareholders' meeting	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 12: Proposal to release the prohibition on Director, Mr. Horng-Nan Lin, from holding the position of China Ecotek Corporation, Formosa Ha Tinh (Cayman) Limited, and Formosa Ha Tinh Steel Corporation to protect the investment rights of the Company, provided Mr. Horng-Nan Lin is elected as a member of the 17th Board of Directors at the Shareholders' meeting	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 13: Proposal to release the prohibition on Director, Mr. Shyi-Chin Wang, from holding the position of Changzhou China Steel Precision Materials Co., Ltd., Formosa Ha Tinh (Cayman) Limited, Formosa Ha Tinh Steel Corporation, and Taiwan High Speed Rail Corporation to protect the investment rights of the Company, provided Mr. Shyi-Chin Wang is elected as a member of the 17th Board of Directors at the Shareholders' meeting	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 14: Proposal to release the prohibition on Director, Mr. Yueh-Kun Yang, from holding the position of C.S.Aluminium Corporation to protect the investment rights of the Company, provided Mr. Yueh-Kun Yang is elected as a member of the 17th Board of Directors at the Shareholders' meeting	Unanimously approved by all the Directors present.	The 18th meeting of the Audit Committee of the 16th Board of Directors on May 6, 2019: Passed and unanimously approved by all the committee members present.
2019.08.12 The 2nd meeting of the 17th Board of Directors	Report Item 1: The Company's 2019 2nd quarter Financial Statements	Acknowledged by all the Directors present.	The 1st meeting of the Audit Committee of the 17th Board of Directors on August 9, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 2: Proposal to jointly invest NT\$4.8 million with China Steel Power Holding Corporation to establish and directly/indirectly hold shares of China Steel Power Corporation	Unanimously approved by all the Directors present.	The 1st meeting of the Audit Committee of the 17th Board of Directors on August 9, 2019: 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
	Discussion Item 3: Joint capital contribution in the amount of NT\$668 million with CI III Zhong Neng K/S to China Steel Power Holding Corporation for the development of No. 29 Offshore Wind Farm	Unanimously approved by all the Directors present.	The 1st meeting of the Audit Committee of the 17th Board of Directors on August 9, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 4: Proposal to provide endorsement/guarantee, with a maximum of US\$22.8 million, to Sakura Ferroalloys Sdn. Bhd., based on 19% shareholding. The guarantee would last for three years from the effective date of the respective letter of guarantee.	Unanimously approved by all the Directors present.	The 1st meeting of the Audit Committee of the 17th Board of Directors on August 9, 2019: Passed and unanimously approved by all the committee members present.
2019.11.11 The 4th meeting of the 17th Board of Directors	Discussion Item 1: Proposal to invest NT\$583.1 million in the replacement of No. 21 Hot Stove of No. 2 Blast Furnace	Unanimously approved by all the Directors present.	The 2nd meeting of the Audit Committee of the 17th Board of Directors on November 7, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 4: Proposal to sell 3,334 shares of class A preference stock of East Asia United Steel Corporation (EAUS) to Nippon Steel Corporation at JPY 3,334 million	Unanimously approved by all the Directors present.	The 2nd meeting of the Audit Committee of the 17th Board of Directors on November 7, 2019: Passed and unanimously approved by all the committee members present.
	Discussion Item 5: Proposal to provide loans totaled NT\$5.59 billion to 12 subsidiaries, including C.S.Aluminium Corporation, etc.	Unanimously approved by all the Directors present.	The 2nd meeting of the Audit Committee of the 17th Board of Directors on November 7, 2019: Passed and unanimously approved by all the committee members present.
2019.12.30 The 5th meeting of the 17th Board of Directors	Discussion Item 3: Proposal to provide endorsement/guarantee, with a maximum of NT\$2.58 billion and a guarantee period until June 2022, to China Steel Power Corporation, based on shareholding	Unanimously approved by all the Directors present.	The 3rd meeting of the Audit Committee of the 17th Board of Directors on December 5, 2019: All the committee members present unanimously approved the proposal.
	Discussion Item 4: Proposal to cancel the endorsement/guarantee credit of NT\$3 billion provided to China Steel Power Holding Corporation based on the shareholding	Unanimously approved by all the Directors present.	The 3rd meeting of the Audit Committee of the 17th Board of Directors on December 5, 2019: All the committee members present unanimously approved the proposal.
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 4 Audit Committee meetings and 6 Board Meetings each year to report the implementation of internal audit work. In addition, the Chief Auditor reports the overall audit implementation for the previous year to the Independent Directors at the 1st Audit Committee meeting each year, and fully communicates with Independent Directors in respect of the audit content, internal control deficiencies found, and the improvement and follow-up on anomalies. The Internal Audit Office submits audit reports and follow-up reports to Independent Directors on a monthly and quarterly basis, and it also directly communicates with Independent Directors via e-mails, phone calls, or meetings in person as needed.

Communication between Chief Auditor and Independent Directors in 2019 is listed as follows:

Date and Session of Board Meeting	Proposal	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2019.03.25 The 23rd meeting of the 16th Board of Directors	The 1st Internal Audit Report in 2019	No opinion.	Not applicable
	The 2018 Statement on Internal Control System	Unanimously approved.	Not applicable
2019.05.06 The 24th meeting of the 16th Board of Directors	The 2nd Internal Audit Report in 2019	No opinion.	Not applicable
2019.06.19 The 1st meeting of the 17th Board of Directors	The 3rd Internal Audit Report in 2019	No opinion.	Not applicable
2019.08.12 The 2nd meeting of the 17th Board of Directors	The 4th Internal Audit Report in 2019	No opinion.	Not applicable
2019.11.11 The 4th meeting of the 17th Board of Directors	The 5th Internal Audit Report in 2019	No opinion.	Not applicable
2019.12.30 The 5th meeting of the 17th Board of Directors	The 6th Internal Audit Report in 2019	No opinion.	Not applicable
	Review and approval of the 2020 Audit Plan	Unanimously approved.	Not applicable

Date and Session of Audit Committee Meeting	Proposal	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2019.03.22 The 17th meeting of the Audit Committee of the 16th Board of Directors	2018 Internal Audit Implementation Report	<ol style="list-style-type: none"> 1. Which department is responsible for the information security of the Company? 2. Are audit results linked to performance appraisal? 3. It is recommended that the Company shall continue to pay attention to whether the risk of manipulating income resulting from the inflated revenue or profits of any individual business unit may occur? 	<ol style="list-style-type: none"> 1. Information System Department and Electrical & Control Department are the primarily responsible departments. 2. If any deficiency is found in the audited department, the department shall include the deficiency as a reference for the performance appraisal; for example, severe punishment and collective punishments will be imposed for those who have integrity flaws. 3. The audit items for the year (2019) will focus on subsidiaries of CSC Group engaging in the engineering business.
	The "2018 Statement on Internal Control System" of the company	Whether the Statement on Internal Control System shall be reported to the FSC?	The Statement will be reported to the FSC after approved by the Board of Directors, signed and sealed by the Chairman, and the President.

(2) Communication between Independent Directors and CPAs:

The CPAs of the Company sit in on regular Audit Committee meetings and Board Meetings each quarter to communicate and discuss matters related to financial statements. Based on their professional judgement, the CPAs of the Company may request to communicate through Audit Committee meetings or one-on-one meetings with independent directors.

Communication between CPAs and Independent Directors in 2019 is listed as follows:

Date and Session of Board Meeting	Proposal	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2019.03.25 The 23rd meeting of the 16th Board of Directors	Discussion and communication on the 2018 Consolidated Financial Statements and Standalone Financial Statements	Unanimously approved the financial statements.	Not applicable
2019.05.06 The 24th meeting of the 16th Board of Directors	Reporting and communication on the 2019 1st quarter Consolidated Financial Statements and Standalone Financial Statements	No opinion.	Not applicable
2019.08.12 The 2nd meeting of the 17th Board of Directors	Reporting and communication on the 2019 2nd quarter Consolidated Financial Statements and Standalone Financial Statements	No opinion.	Not applicable
2019.11.11 The 4th meeting of the 17th Board of Directors	Reporting and communication on the 2019 3rd quarter Consolidated Financial Statements and Standalone Financial Statements	No opinion.	Not applicable
Date and Session of Audit Committee Meeting	Key Points	Independent Directors' Opinions	Actions in Response to Independent Directors' Opinions
2019.03.22 The 17th meeting of the Audit Committee of the 16th Board of Directors	1.Report on communication between the CPAs and those charged with governance 2.Discussion and communication on the 2018 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.
2019.05.06 The 18th meeting of the Audit Committee of the 16th Board of Directors	Reporting and communication on the 2019 1st quarter Consolidated Financial Statements and Standalone Financial Statements	Raised questions and discussed	The questions raised by Independent Directors were answered.
2019.08.09 The 1st meeting of the Audit Committee of the 17th Board of Directors	Discussion and communication on the 2019 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.
2019.11.07 The 2nd meeting of the Audit Committee of the 17th Board of Directors	Reporting and communication on the 2019 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
2019.11.07 Communication between CPAs and those charged with governance	Communication of key audit matters in the 2019 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.
2019.11.11 Communication between CPAs and the managements	Communication of key audit matters in the 2019 CPAs' audit report.	Raised questions and discussed	The questions raised by Independent Directors were answered.

(III) Implementation of corporate governance, its deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviations
 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	
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		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?	(I) 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) Does the Company possess the list of its major shareholders and the beneficial owners of these major shareholders?	(II) Yes		(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) Has the Company established and executed risk management and firewall system between the Company and its affiliated companies?	(III) Yes		(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 responsible for coordinating operations between the Company and affiliates.
(IV) Has the Company formulated internal regulations to prohibit insider trading?	(IV) Yes		

Assessment Item	Status of Implementation		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
<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 implement 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 rules and methods for evaluating the performance of the Board of Directors, implemented such evaluations every year and reported the results of performance evaluation to the Board of Directors; moreover, taken it as reference in compensation and renomination of individual directors?</p> <p>(IV) Does the Company regularly evaluate the independence of CPAs?</p>	(IV) Yes	(IV) Yes	<p>The Company has formulated the "Procedures for Handling Material Internal Information and Guidelines for Establishment of Spokesperson as well as Deputy Spokespersons" to prohibit any personnel from trading securities through utilizing information not disclosed to the market. Furthermore, 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) and the "Guidelines for Recusal Due to Conflict of Interests" (refer to Page 153 in this annual report for more details).</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 specific aim of appointing Directors from different genders, ages, professional knowledge, and background. Furthermore, the Corporate Governance Best-Practice Principles of the Company also stated that the number of Directors who concurrently holds a management position of the Company shall not exceed one-third of the total number of Directors. The Board of Directors is composed of 11 Directors with 3 Independent Directors, including 1 female Director, 1 Director recommended by the labor union of the Company as the representative of labor, and 3 Directors holding a management position, 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 the circular economy in the future.</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	
			<p>(II) In addition to establishing the Audit Committee and the Remuneration Committee (which are composed by 3 Independent Directors each), the Board of Directors approved to establish the "Corporate Governance and Sustainability Committee," which is comprised of 5 Directors with 3 Independent Directors, on November 11, 2019 to promote corporate governance and achieve the sustainable development.</p> <p>(III) On November 11, 2019, the Board of Directors approved the formulation of the "Rules Governing the Performance Evaluation of the Board of Directors." Pursuant to the Rules, the Company implements the internal performance evaluation of the Board of Directors, Directors, and functional committees under the Board of Directors and conducts an external performance evaluation at least every three years.</p> <p>For the evaluation, the questionnaire method is adopted for self-evaluation. In 2019, the evaluation results were compiled by the Secretariat Department of the Company and submitted to the Board Meeting on December 30, 2019, as the basis for review and improvement.</p> <p>The self-evaluation of the Board of Directors includes five aspects: (1) involvement in the Company's operations; (2) improvement in the quality of decision-making of the Board of Directors; (3) composition and structure of the Board of Directors; (4) election and continuing education of Directors; and (5) internal control. The self-evaluation of the Directors includes six aspects: (1) alignment of the Company's goals and tasks; (2) recognition of the duties of the Director; (3) involvement in the Company's operations; (4) management of internal relations and communication; (5) professionalism and continuing education of Directors; and (6) internal control. The self-evaluation of the functional committees includes the following five aspects: (1) involvement in the Company's operations; (2) recognition of the duties of the Functional Committees; (3) improvement in the quality of decision-making of the functional committees; (4) composition of the functional committees and election of committee members; and (5) internal control.</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
IV. Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a company secretary in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters related to Board Meetings and Shareholders' Meetings, and producing minutes of Board Meetings and Shareholders' meetings)?	Yes		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	
			<p>refer to Page 47-48.</p> <p>The Company Secretary is responsible for supervising the corporate governance-related matters of the Company, and the execution of relevant operations is handled by the Legal Department, the Secretariat Department, and the Finance Department according to their duties and responsibilities. The execution in 2019 is summarized as follows:</p> <ol style="list-style-type: none"> 1. Notify Directors regarding the agenda of the Board Meeting 7 days prior to the meeting, convene the meeting, and provide meeting materials. Where the items on the agenda required recusals of Directors due to conflict of interests, remind the Directors in advance. Complete the meeting minutes of the Board Meeting within 20 days from the meeting. 2. Arrange communication meetings between Independent Directors and Chief Auditor, CPA, or other internal departments to facilitate the execution of duties for Independent Directors. 3. Provide data such as "Guide Handbook" for newly elected Directors to assist Directors in on-boarding and legal compliance; furthermore, organize training programs for at least 6 hours each year to assist Directors in completing their annual training programs. 4. Amended the Company's internal regulations related to corporate governance according to the amendments to laws and regulations of corporate governance and submitted to the Board Meeting for approval. 5. Register the date of Shareholders' Meetings in advance according to the law, prepare meeting notices, meeting handbooks, and meeting minutes within the time frame required by the law, and handle changes in registration for amendments to Articles of Incorporation or re-election of Directors. 6. Conduct the performance evaluation of the Board of Directors

Assessment Item	Status of Implementation		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
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 respond to stakeholders' inquiries on material corporate social responsibility (CSR) issues?	Yes		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	
			<p>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 (aperiodically).</p> <p>(III) Local Communities Visit and negotiate with local communities, legislators, councilors, and opinion leaders 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 1. Production-sales meeting (every quarter) and customer satisfaction survey (every year). 2. Obtain feedback from customers through customer briefings, R&D alliances, professional training, market surveys, visits and customer interviews. 3. Provide total solution for customers' businesses through electronic supply chain and e-Sales system. 4. Expand customer services through integration of the marketing resources of CSC Group. 5. Enhance technical services, actively engage in technical marketing, respond real-time to customer needs, and provide customized specifications. 6. Understand customers' needs and assist customers with process improvement and materials use, and keep improving the quality of products and services. 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. 8. Hold business management workshop for the new generation of steel industry, which help the successor of downstream steel businesses to better understand the management of steel mill. 9. Conduct surveys on demands for development of new products, and improvement of quality, and trends of materials use of different steel-using industries.</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
VI. Does the Company commission a professional stock transfer agent to handle shareholders' meetings related affairs?	Yes		No significant difference
VII. Information Disclosure (I) Has the Company established a website to disclose information on financials, business and corporate 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)? (III) Does the Company announce and file its annual financial report within two months after the end of the fiscal year, and announce and file its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	(I) Yes (II) Yes (III) No		The Company's implementation is primarily consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, but the announcing and filing deadline for the financial reports is in compliance with relevant laws and regulations.

Assessment Item	Status of Implementation		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
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		No significant difference

(I) Continuing education for Directors of the 17th Board of Directors

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
Director	Chao-Tung Wong	2019/06/19	2019/12/30	2019/12/30	Taiwan Corporate Governance Association	Information disclosure and insider trading from the perspective of merger and acquisition activities	3.0
Director	Wen-Sheng Tseng	2019/06/19	2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0
			2019/05/20	2019/05/20	Taiwan Corporate Governance Association	Industry 4.0 and how companies lead innovation transformation	3.0
			2019/12/30	2019/12/30	Taiwan Corporate Governance Association	Information disclosure and insider trading from the perspective of merger and acquisition activities	3.0
			2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0

As of March 31, 2020

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
Director	Fong-Sheng Wu	2019/06/19	2019/12/30	2019/12/30	Taiwan Corporate Governance Association	Information disclosure and insider trading from the perspective of merger and acquisition activities	3.0
Director	Shyi-Chin Wang	2019/06/19	2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0
Director	Chien-Chih Hwang	2019/09/30	2019/05/20	2019/05/20	Taiwan Corporate Governance Association	Industry 4.0 and how companies lead innovation transformation	3.0
Director	Cheng-I Weng	2019/06/19	2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0
Director	Yueh-Kun Yang	2019/06/19	2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Information disclosure and insider trading from the perspective of merger and acquisition activities	3.0
			2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0
			2019/08/09	2019/08/09	Taiwan Corporate Governance Association	Functions and effectiveness evaluation of board of directors	3.0
			2019/05/20	2019/05/20	Taiwan Corporate Governance Association	Industry 4.0 and how companies lead innovation transformation	3.0
			2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0
			2019/06/21	2019/06/21	Taiwan Corporate Governance Association	Corporate governance and practical operations of board of directors and functional committees	3.0
			2019/06/21	2019/06/21	Taiwan Corporate Governance Association	How directors exercise duty of care and loyalty	3.0
			2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0

Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Title	Training Hours
			From	to			
			2019/05/20	2019/05/20	Taiwan Corporate Governance Association	Industry 4.0 and how companies lead innovation transformation	3.0
			2019/09/02	2019/09/03	Ministry of Labor	2019 Professional skills training activities for labor directors	9.0
Director	Chun-Sheng Chen	2019/06/19	2019/08/12	2019/08/12	Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	3.0
			2019/05/20	2019/05/20	Taiwan Corporate Governance Association	Industry 4.0 and how companies lead innovation transformation	3.0
Independent Director	Shyue-Bin Chang	2019/06/19	2019/04/26	2019/04/26	Taiwan Corporate Governance Association	Impact on corporate governance, internal control, and directors' and supervisors' responsibilities from the latest amendments to the Company Act	3.0
			2019/03/26	2019/03/26	Accounting Research and Development Foundation	Professional workshop on corporate governance and securities regulations	3.0
			2019/07/19	2019/07/19	Securities and Futures Institute	2019 Insider share transaction compliance seminar	3.0
Independent Director	Min-Hsiung Hon	2019/06/19	2019/06/21	2019/06/21	Taiwan Corporate Governance Association	Corporate governance and practical operations of board of directors and functional committees	3.0
			2020/02/21	2020/02/21	Taiwan Corporate Governance Association	Trend and risk management of digital technology and artificial intelligence	3.0
Independent Director	Lan-Feng Kao	2019/06/19	2019/06/21	2019/06/21	Taiwan Institute of Directors	2019 Annual meeting of Taiwan Institute of Directors - A+ companies x shareholder value	4.0
			2019/05/20	2019/05/20	Taiwan Corporate Governance Association	Industry 4.0 and how companies lead innovation transformation	3.0

The above mentioned only discloses the courses attended by members of the 17th Board of Directors from 2019 to March 31, 2020.

(II) The 16th and 17th Board of Directors convened two and five meetings respectively in 2019. Refer to Page 25 of this annual report for details on the attendance of directors.

(III) The Company has 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 and 31 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 managements:

1. Course title: Industry 4.0 and how companies lead innovation transformation

(1) Date: May 20, 2019

(2) Training hours: 3 hours

- (3) Participants: 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
Hong-Nan Lin	President (discharged on September 30, 2019)
Shyi-Chin Wang	Executive Vice President (promoted to President on September 30, 2019)
Chiu-Po Chang	Vice President, Administration Division
Ya-Tang Liang	Assistant Vice President, Administration Division (assigned to a subsidiary on September 1, 2019)
Chien-Chih Hwang	Vice President, Commercial Division (promoted to Executive Vice President on September 30, 2019)
Min-Hsiung Liu	Assistant Vice President, Commercial Division (promoted to Vice President, Commercial Division on September 30, 2019)
Ming-Yuan Chen	Assistant Vice President, Commercial Division
Yueh-Kun Yang	Vice President, Finance Division
Hung-Tai Chou	Assistant Vice President, Finance Division (discharged from the concurrent post of General Manager, Finance Department on July 1, 2019)
Ming-Cheng Cheng	Vice Chairman, Wind Power Business Development Committee (retired on December 1, 2019)
Pai-Chien Huang	Vice President, Corporate Planning Division and Company Secretary
Song-Jau Tsai	Vice President, Technology Division (retired on March 1, 2020)
Yie-Shing Hwang	Assistant Vice President, Technology Division (promoted to Vice President, Technology Division on March 1, 2020)
Huo-Kun Chen	Assistant Vice President, Engineering Division
Jung-Fa Li	Assistant Vice President, Engineering Division
Chih-Tai Chang	Vice President, Production Division (retired on March 31, 2020)
Li-Chih Pan	Assistant Vice President, Production Division (retired on December 1, 2019)
Huan-Wen Wang	Assistant Vice President, Production Division
Kung-Ching Wu	Assistant Vice President, Production Division (assigned to a subsidiary on December 31, 2019)
Kai-Chin Huang	General Manager, Accounting Department

2. Course title: Fulfillment of board functions and evaluation of board effectiveness

(1) Date: August 12, 2019

(2) Training hours: 3 hours

(3) Participants: 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
Hong-Nan Lin	President (discharged on September 30, 2019)
Shyi-Chin Wang	Executive Vice President (promoted to President on September 30, 2019)
Chiu-Po Chang	Vice President, Administration Division
Ya-Tang Liang	Assistant Vice President, Administration Division (assigned to a subsidiary on September 1, 2019)
Chien-Chih Hwang	Vice President, Commercial Division (promoted to Executive Vice President on September 30, 2019)
Min-Hsiung Liu	Assistant Vice President, Commercial Division (promoted to Vice President, Commercial Division on September 30, 2019)
Ming-Yuan Chen	Assistant Vice President, Commercial Division
Yueh-Kun Yang	Vice President, Finance Division
Hung-Tai Chou	Assistant Vice President, Finance Division
Ming-Cheng Cheng	Vice Chairman, Wind Power Business Development Committee (retired on December 1, 2019)
Pai-Chien Huang	Vice President, Corporate Planning Division
Song-Jau Tsai	Vice President, Technology Division (retired on March 1, 2020)
Yie-Shing Hwang	Assistant Vice President, Technology Division (promoted to Vice President, Technology Division on March 1, 2020)
Hsin-Chin Kuo	Vice President, Engineering Division (retired on January 31, 2020)
Huo-Kun Chen	Assistant Vice President, Engineering Division
Jung-Fa Li	Assistant Vice President, Engineering Division
Chih-Tai Charng	Vice President, Production Division (retired on March 31, 2020)
Li-Chih Pan	Assistant Vice President, Production Division (retired on December 1, 2019)
Huan-Wen Wang	Assistant Vice President, Production Division
Kung-Ching Wu	Assistant Vice President, Production Division (assigned to a subsidiary on December 31, 2019)
Kai-Chin Huang	General Manager, Accounting Department

(VII) Continuing education and training of Company Secretary:

Organizer	Course Title	Date of Training	Training Hours
Institute of Internal Auditors-Chinese Taiwan	Business activities with unethical behavior risk and related case study	2020/03/04	6.0
Taiwan Corporate Governance Association	Information disclosure and insider trading from the perspective of merger and acquisition activities	2019/12/30	3.0
Taiwan Corporate Governance Association	Fulfillment of board functions and evaluation of board effectiveness	2019/08/12	3.0

Taiwan Corporate Governance Association	How directors exercise duty of care and loyalty	2019/06/21	3.0
Taiwan Corporate Governance Association	Corporate governance and practical operations of board of directors and functional committees	2019/06/21	3.0
Taiwan Corporate Governance Association	Industry 4.0 and how companies lead innovation transformation	2019/05/20	3.0

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

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

(IX) Succession plan of Directors and significant managements and its execution:

1. Succession plan of Directors

The Company adopts the candidate nomination system for Directors; the term of each session shall be three years. Unless otherwise required by laws and regulations or the Articles of Incorporation, the election of Directors shall be in compliance with the Company's Rules Governing the Election of Directors.

The election of the Directors shall take diversity into consideration, such as basic requirements and values (including gender, age, nationality, culture, etc.), professional knowledge and skills (including professional background, professional skills, and industry experiences). Furthermore, to achieve the ideal target for corporate governance, the Directors shall generally be equipped with the knowledge, skills, general capacity and disposition required for performing its duties. The Board of Directors shall encompass the following abilities: I. Judgment of business operations; II. Accounting and financial analysis; III. Operational management; IV. Crisis management; V. Industrial knowledge; VI. International market outlook; VII. Leadership skills; and VIII. Decision making.

The Company conducts the succession plan of its Directors according to the following approaches: I. Adequate candidates recommended by the current Directors.

II. Director candidates recommended by shareholders. III. Refer to the results of performance evaluation of the Board of Directors for the nomination of the Directors' re-appointment.

To reinforce the efficacy for Directors to exercise their powers and functions, the Company will keep up with the trend and arrange annual training programs with reference to the changes in internal and external environmental conditions and the development demand, so as to improve the professional know-how for our Directors.

2. Succession plan of significant managements:

In response to the need for the Group's business operations and human resources development, the Company has the Human Resources Development Committee in place, which regularly convenes meetings to review the plans for successors and their cultivation.

When planning for the successors, the Company considers whether the successors are well equipped with professional and management skills, and whether the successors share the same value as the Company and have a sense of honesty, down-to-earthness, creativity, and entrepreneurship. In order to develop decision-making ability as a senior management, the training for management successors includes not only internal training of management skills but also job rotation and assignment to subsidiaries. For external training programs, the Company cooperates with top-tier universities in Taiwan to run the operational management seminars. There were 40 participants in the 2019 program. To date, the participation rate for senior management successors has amounted to 80%.

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 5th (2018) Corporate Governance Evaluation announced in April 2019 are as follows:

1. #2.14 Has the Company established any functional committee other than the ones required by the law?

The Company established the "Corporate Governance and Sustainability Committee" under the Board of Directors in 2019.

2. #2.22 Has the Company's Rules Governing the Performance Evaluation of the Board of Directors been approved by the Board of Directors? Has the Company conducted self-evaluation at least once a year and disclosed the evaluation results on the Company's website or in the annual report?

On November 11, 2019, the Board of Directors approved the formulation of the "Rules Governing the Performance Evaluation of the Board of Directors." The results of the 2019 performance evaluation are disclosed on the website.

3. #2.23 Has the Company's Rules Governing the Performance Evaluation of the Board of Directors been approved by the Board of Directors? Has the Company stated that an external evaluation shall be conducted at least every three years and executed the evaluation accordingly within the prescribed period? Has the Company disclosed the execution process and evaluation results on the Company's website or in the annual report?

The Company's Rules Governing the Performance Evaluation of the Board of Directors stated that evaluation shall be conducted by an external professional independent institution or an external professional scholar team every three years.

4. #3.14 Directors and supervisors shall meet the requirements for training hours:

All Directors of the Company have completed at least 6 hours of training courses in 2019.

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?	(I) Yes		(I) Listed subsidiaries have established a spokesperson system, and have appointed dedicated personnel and a stock transfer agent to handle stock-related affairs.	No significant difference
(II) Does the Company possess the list of its major shareholders and the beneficial owners of these major shareholders?	(II) Yes		(II) Listed subsidiaries have the list of major shareholders, while the appointed stock transfer agents help to manage such matters.	
(III) Has the Company established and executed risk management and firewall system between the Company and its affiliated companies?	(III) Yes		(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) Has the Company formulated internal regulations to prohibit insider trading?	(IV) Yes		(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.	
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 implement it accordingly?	(I) Yes		(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.	No significant difference
(II) Other than the remuneration committee and audit committee required by the law, has the Company voluntarily established other functional committees?	(II) Yes		(II) Chung Hung Steel, CHC Resources, China Steel Structure, and China Steel Chemical have set up the Audit Committee. China Ecotek will set up the Audit Committee in compliance with the regulations in June 2020. Meanwhile, CHC Resources, China Steel Structure, China Steel Chemical and China Ecotek have voluntarily set up the Corporate Social Responsibility Committee.	
(III) Has the Company formulated rules and methods for evaluating the performance of the Board of Directors, implemented such evaluations every year and reported the results of performance evaluation to the Board of Directors; moreover, taken it as reference in compensation and renomination of	(III) Yes		(III) As of the publication date of this annual report, all the listed subsidiaries have formulated the Rules Governing the	

Assessment Item	Status of Implementation		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
<p>individual directors?</p> <p>(IV) Does the Company regularly evaluate the independence of CPAs?</p>	(IV) Yes		<p>Performance Evaluation of the Board of Directors. Except for China Ecotek, other listed subsidiaries have conducted the performance evaluation and reported the results to the Board of Directors. The results of the performance evaluation will serve as the reference for the remuneration and nomination of re-appointment for individual directors. China Ecotek is expected to conduct the performance evaluation for the Board of Directors from 2020.</p> <p>(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.</p>
<p>IV. Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a company secretary in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters related to Board Meetings and Shareholders' Meetings, and producing minutes of Board Meetings and Shareholders' meetings)?</p> <p>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 respond to stakeholders' inquiries on material corporate social responsibility (CSR) issues?</p>	Yes		<p>Chung Hung Steel and CHC Resources have set up their Company Secretary, and the position is concurrently held by the Vice President of Administration Division and the General Manager of Management Division. Other listed subsidiaries are responsible for handling matters related to the shareholders' meeting, board meetings, directors (supervisors) based on the scope of authority and responsibility of their internal units. Furthermore, one of the corporate governance personnel in Chung Hung Steel has passed the Proficiency Exams for Corporate Governance held by the Securities & Futures Institute.</p> <p>No significant difference</p>
	Yes		<p>Refer to Page 40-42 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. Among the listed subsidiaries, China Ecotek and China Steel Chemical have reported their results of communication with stakeholders to the Board of Directors.</p> <p>No significant difference</p>

Assessment Item	Status of Implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
VI. Does the Company commission a professional stock transfer agent to handle shareholders' meetings related affairs?	Yes		Listed subsidiaries entrust the stock registrar to assist in 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 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)? (III) Does the Company announce and file its annual financial report within two months after the end of the fiscal year, and announce and file its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	(I) Yes (II) Yes	(III) No	(I) Listed subsidiaries have established sections such as shareholder service, corporate governance and customer service on their corporate websites, thereby fully disclosing information on 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. (III) Chung Hung Steel has announced and filed its annual financial report within two months after the end of the fiscal year; the remaining listed subsidiaries have announced and filed their annual financial report within the prescribed period according to the requirements of the Securities and Exchange Act. In addition, the financial reports for the 1st, 2nd, and 3rd quarters, as well as the operating status for each month of the listed subsidiaries, are announced before the specified deadline.	The implementation is primarily consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Except for Chung Hung Steel announcing its annual financial report early, the remaining companies announced and filed their annual financial report within the prescribed period.
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) 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.
- (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.
- (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.
- (IV) Continuing education for directors, supervisors and managements: please refer to the annual reports of the respective subsidiaries.
- (V) Listed subsidiaries maintain D&O insurance for directors and supervisors.
- (VI) Relevant certifications obtained by finance, accounting, and internal audit personnel at major subsidiaries: Refer to Page 88 of this annual report.
- (VII) Implementation of diversity policy for members of the board of directors for listed subsidiaries: Please refer to the annual reports of the respective subsidiaries.
- 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:
- Improvements made for evaluation indicators: 1. As of the publication date of this annual report, the listed subsidiaries have all formulated the Rules Governing the Performance Evaluation of the Board of Directors; 2. Each of Chung Hung Steel and China Steel Chemical has one female Independent Director; and 3. Chung Hung Steel convenes investor conferences at least twice a year.
- In addition, the following improvement for evaluation indicators will be continuously promoted: 1. Meeting the required training hours for directors and supervisors; 2. Uploading the English version of meeting notice, meeting handbook, annual report, and financial report before the shareholders' meeting; 3. Disclosing the performance evaluation for directors and the correlation of evaluation results with the remuneration in the annual report; and 4. Publishing financial report within two months from the end of the fiscal year.

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 Directors 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	9	10				
Independent Director	Shyue-Bin Chang	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	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 concurrently serves as the independent director, which is appointed to hold the position concurrently in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (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 1% 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 managerial officers listed in the criterion (1) or individuals listed in the criterion (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total shares issued by the Company, ranks as one of its top five shareholders or designates a representative as the director or supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.

- (6) Not a director, supervisor, or employee of another company whose half of the seats of directors or shares with voting rights is controlled by the same person as the Company. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (7) Not a director (member of the governing board), supervisor (member of the supervisory board) or employee of another company or institution that the Chairman, President or person holds an equivalent position of it are the same person or the spouse of the person holding the aforementioned positions of the Company. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (8) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding 5% or more of shares of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the company or institution holds more than 20% but no more than 50% of the total shares issued by the Company and where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.
- (9) Not a professional individual who, or an 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 audit services, or commercial, legal, financial, accounting or related services from which a cumulative amount of remuneration not exceeding NT\$500,000 has been obtained in the most recent two years, to the Company or to any of its affiliates, or a spouse thereof. Not applicable in cases where the person is a member of the remuneration committee, the public tender offer review committee or the special committee for merger/consolidation and acquisition who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) 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) Members of the Remuneration Committee of the 16th Board of Directors assumed office from June 23, 2016 to June 18, 2019; current members of the Remuneration Committee of the 17th Board of Directors assumed office from June 19, 2019 to June 18, 2022. In the most recent year, the Remuneration Committee of the 16th and 17th Board of Directors convened a total of five 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	5	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	5	0	100%	
	Lan-Feng Kao	5	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
2019.03.22 The 9th meeting of the Remuneration Committee of the 16th Board of Directors	Proposal for the Company's 2018 remuneration distribution of Directors.	Unanimously approved by all the committee members present.	Not applicable
	Proposal for the 2018 year-end performance evaluation of Executive Vice President and Vice Presidents of all divisions (from January to December)	Unanimously approved by all the committee members present.	Not applicable
2019.05.06 The 10th 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
2019.08.09 The 1st meeting of the Remuneration Committee of the 17th Board of Directors	Review on the policies, systems, standards, and structures of the Directors' remuneration recommendation.	Unanimously approved by all the committee members present.	Not applicable
	Proposal for the 2019 mid-year performance evaluation of the Executive Vice President and Vice Presidents at all divisions (from January to June).	Unanimously approved by all the committee members present.	Not applicable
2019.11.07 The 2nd meeting of the Remuneration Committee of the 17th Board of Directors	Report on the draft of the Company's Regulations Governing Performance Evaluation of Board of Directors.	Unanimously approved by all the committee members present.	Not applicable
2019.12.05 The 3rd meeting of the Remuneration Committee of the 17th Board of Directors	Report on results of performance evaluation of Board members (excluding Independent Directors) for 2019.	Unanimously approved by all the committee members present.	Not applicable

(V) Implementation of Corporate Social Responsibility, its deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such deviations - 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	
I. Has the Company conducted risk assessment on environmental, social and corporate governance issues related to corporate operations and formulated relevant risk management policies or strategies based on materiality principle?	Yes	No	<p>The Company, listed subsidiaries of CSC Group, and other main subsidiaries have established a materiality analysis process, and identify material topics in CSR through the procedure of collection and review, prioritization and identification, and verification.</p> <p>The Company's CSR reports are prepared by the Sustainable Environment Development Team under the Corporate Governance and Sustainability Committee. These reports disclose the analysis of risk assessment for material topics and related risk management policies or strategies. The key points are summarized as follows:</p> <ol style="list-style-type: none"> 1. Material environmental issues: The Company has identified the risks of climate change, such as the risks of water shortage in the dry season and power rationing in summer caused by climate change, and assessed the relevant response measures for climate change. The Company has also formulated risk management procedures for water and electricity consumption, including rules for water rationing and water supply interruption management, and the operating standards for emergency priority of power supply. 2. Material social issues: The Company has listed "improving occupational safety and health management" as a key item in the social issues. The Company successfully obtained the OHSAS 18001 certification in 2002 and the TOSHMS certification in 2009. The relevant management policies include improving employees' attitude, awareness, and skills related to safety and health through training and promotion; and routine inspection on the conduct and working environment of employees and personnel of subcontractors by on-site supervisors at all levels. In 2019, supervisors conducted safety observation and inspection (including patrols) for a total of 79,947 times. 3. Material corporate governance issues: In order to prevent risks arising from the internal operating procedures not responding to external regulation updates immediately, the Company has established a regulation identification system that can keep abreast of developments in domestic regulations and compliance with local regulations in overseas production sites, in order to effectively implement, integrate, and respond to regulatory changes.

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
<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>	Yes	No	No significant difference
	<p>On November 11, 2019, the Company's Board of Directors approved the establishment of "Corporate Governance and Sustainability Committee," which is responsible for promoting and developing CSR policies and matters related to sustainable management. This committee shall convene at least two meetings a year. The powers of this committee are listed as follows:</p> <ol style="list-style-type: none"> 1. Promote and strengthen corporate governance organization and system. 2. Promote and implement ethical corporate management-related work. 3. Promote and develop CSR policies and matters related to sustainable management. 4. Implement other matters adopted by resolution of the Board of Directors. <p>In order to ensure the implementation of sustainable management policies, this committee has established four execution teams, including "Corporate Governance and Ethical Corporate Management," "Sustainable Environment Development," "Employee Care and Social Engagement," and "Corporate Social Responsibility Information Disclosure," which are responsible for the operation and promotion of relevant matters, and implementing matters adopted by resolution of this committee. In 2019, achievements of execution teams are as follows: completing corporate governance-related regulations and establishing the Company Secretary, incorporating the use of recycled water and water conservation, arranging psychological consultation services every week, and regularly inspecting and updating corporate governance disclosures, while this committee reported the implementation status of these execution teams and the plan for the following year to the Board of Directors.</p> <p>For the detailed operation of this committee, please visit the "Corporate Governance and Sustainability Committee" subsection under the "Committees of the Board" section on the corporate website.</p> <p>Listed subsidiaries and other main subsidiaries of CSC Group have also established exclusively or concurrently dedicated units in charge of CSR promotion. At CHS, the Administration Division concurrently promotes CSR while the Vice President of the Administration Division reports the implementation of CSR to the Board of Directors. Meanwhile, CHC Resources, CSSC, CSEC, and CEC have established the CSR Management Committee, which regularly convenes meetings and reports the implementation of CSR to the Board of Directors.</p>		

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
<p>III. Environmental Issues</p> <p>(I) Has the Company established an appropriate environmental management system based on the characteristics of its industry?</p> <p>(II) Is the Company committed to improving resource utilization efficiency and to the use of renewable materials with low environmental impact?</p> <p>(III) Has the Company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures related to climate issues?</p> <p>(IV) Has the Company collected statistics of emissions of greenhouse gas(GHG), the usage of water, and the total weight of waste in the past two years; and formulated energy saving and carbon reduction, GHG reduction, water saving, and other waste management policies?</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p> <p>(IV) Yes</p>	<p>No</p>	<p>No significant difference</p> <p>(I) The Company has set up a dedicated environmental protection unit in accordance with the "Employment Management Regulations of Environmental Dedicated Units or Personnel" upon approval by the Environmental Protection Bureau to carry out works to maintain the environment. 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 2019, the Company's ISO-14001:2015 environmental management system was externally audited for edition conversion by the British Standards Institution (BSI) Taiwan Branch, and successfully passed the follow-up verification. In addition, 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 cycle for 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 subsidiaries 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, CHS has established the Environmental and Energy Management Committee, which regularly reports environmental and energy management performance to the President.</p> <p>(II) To reduce the load on the environment caused by our operations, the Company is committed to the development of various resourceization technologies for waste generated in manufacturing processes based on the life cycle of steel, and simultaneously integrates the links between internal and external resourceization in Linhai Industrial Park to implement proper resourceization of industrial waste. After years of hard work and close cooperation with academia, the Company has achieved significant results in various areas, such as reduction of process residues, on-site recycling, and off-site resourceization. Besides, in line with the government's circular economy policy, the Company has promoted the use of basic oxygen</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>furnace slag powder as raw materials for cement, with approximately 31,000 tons recycled, which can replace limestone and iron slag, thereby reducing the environmental load caused by nature ore mining in the cement industry.</p> <p>Listed subsidiaries and other main subsidiaries of CSC Group are also committed to reducing load on the environment 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>(III) The Company and subsidiaries of CSC Group have included climate change as one of the impact factors of operations, and identified the legal, physical, and reputation risks and corresponding opportunities resulted from climate change. The risks identified were increased severity of extreme weather, stricter laws and regulations, increased costs of carbon emission, etc., while the opportunities identified were low-carbon products and services, consumer recognition of low-carbon products, reduction in cost and energy consumption from the development of low-carbon processes, etc. The specific response strategies are developed respectively in three aspects: management and development of water resources, disaster response and adjustment, and strengthening cooperation with cities and value chains.</p> <p>(IV) 1. Statistics on greenhouse gas (GHG) emissions and related management policies: (1) The Company carries out GHG inventory audit every year, commissions a third-party verification agency accredited by the Environmental Protection Administration (EPA) to carry out verification and obtains a verification statement. The relevant information is also reported to EPA's National Greenhouse Gas Registry Platform in compliance with current regulations. (2) The Company's greenhouse gas emissions in 2018 and 2019 were 22,100 and 21,589 thousand metric tons of CO₂e, with an emission intensity of 2.343 and 2.274 tons of CO₂e per metric ton of crude steel. (3) At present, the Company is planning our own GHG reduction targets referring to Taiwan's Greenhouse Gas Reduction and Management</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>Act and Intended Nationally Determined Contributions (INDC), and will continue to implement these targets till 2030. At the same time, the Company is also proposing the corresponding reduction plan, in hopes of achieving the reduction targets.</p> <p>2.Statistics on water consumption and related management policies: The Company determined water consumption strategies for multiple water sources in 2012 and has actively cooperated with the government in developing the urban polluted water recycling policies. With the Construction and Planning Agency under the Ministry of the Interior, as well as the Water Resources Agency and the Industrial Development Bureau under the Ministry of Economic Affairs actively pulling the strings, Taiwan's first public sewage treatment plant for recycling the wastewater, i.e. the Fengshan Creek Reclaimed Water Plant, was born, where CSC and C.S.Aluminium Corporation in Linhai Industrial Park have incorporated the use of reclaimed water as industrial water in manufacturing processes.</p> <p>Fengshan Creek Urban Polluted Water Recycling Demonstration Plan: Since August 2018, 23,000 tons of reclaimed water has been supplied per day, with CSC importing around 22,000 tons of reclaimed water per day. Since September 2019, CSC has imported 41,000 tons of reclaimed water per day, accounting for 33% of CSC's daily consumption of water. The Company's tap water consumption in 2018 and 2019 were 40.24 and 36.21 million tons respectively, while the reclaimed water consumption in 2018 and 2019 were 3.46 and 9.075 million tons respectively. The import of reclaimed water from Fengshan Creek in 2019, together with the recovery of water used in manufacturing processes, have significantly reduced raw water consumption by approximately 10% compared to last year. In 2019, CSC's daily raw water usage has declined to approximately 99,000 tons.</p> <p>3.Statistics on waste and related management policies: With respect to waste management targets, the Company aims to achieve a resourceization rate of more than 90% and zero solidification landfill. The amount of waste disposal in 2018 and 2019 were 672,899 and 664,106 tons respectively, while the amount of waste recycled in 2018 and 2019 were 641,473 and 634,982 tons respectively, with a</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			resourceization rate of 95.3% in both years. 4.Companies of CSC Group, such as CHS, CHC Resources, C SSC, CSSC, DSC, CSAC, CSE, and CSMC, have completed the GHG inventory audit and recorded the statistics on water usage and the total weight of waste. These companies have also formulated various management solutions to effectively improve energy performance and achieved resource recycling and waste reduction.
<p>IV. Social Issues</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 formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?</p> <p>(III) Does the Company provide a safe and healthy work environment and regularly offer safety and health training to its employees?</p> <p>(IV) Has the Company established effective career development training programs for its employees?</p> <p>(V) Does the Company comply with relevant laws and international standards in health, safety, and privacy of consumers as well as marketing and labeling of its products and services, and establish consumer protection policies and appeals procedures?</p> <p>(VI) Has the Company established supplier management policies, requesting suppliers</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p> <p>(IV) Yes</p> <p>(V) Yes</p> <p>(VI) No</p>	<p>(I) No</p> <p>(VI) No</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 Listed Companies.</p> <p>1. Formulate labor conditions in accordance with labor-related government regulations. 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 2019. 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 2019. 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." 5. Formulate the "Workplace Sexual Harassment Prevention, Grievance, and Disciplinary Action Regulations" in accordance with Article 13 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	
to comply with relevant regulations on issues regarding environmental protection, occupational safety and hygiene, or labor rights, and disclosed the implementation?			<p>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.</p> <p>6. All new employees receive courses on human rights during induction training. Our senior employees have all received the same training as well. In 2019, the Company provided 2,754 hours of training on human rights, while a total of 1,055 employees received the training.</p> <p>(II) 1. The Company has established the "Salary Management" section in the "Personnel Management System," which specifies that employee salary standards is formulated based on duties and responsibilities with reference to the salary market conditions, the Company's financial status and organizational structure.</p> <p>The main items for employee remuneration are basic salary (including three items, such as base pay, food allowance, and special environment allowance/special maintenance allowance/special allowance for operating bridge crane at basic oxygen furnace), year-end bonus, and surplus bonus for production and sales.</p> <p>2. Furthermore, the Company has established regulations governing employee remuneration, incentives, and bonuses to reflect the Company's operating performance and results in the current year on the salary and compensation of employee, which also links to the performance appraisal for individual employees.</p> <p>3. The Company has established a working environment with great benefits to enhance the well-being of employees, and has set up welfare facilities such as the cooperative store, restaurant, the CSC Group Hall, and single employee dormitories to meet employees' welfare needs. Besides, the Company organizes activities every year, such as self-improvement activities and factory celebrations, to maintain relationships between employees and their families and enhance employees' sense of belonging to the Company. In addition, the Company has set up many requirements for leave application that are better than those stipulated in the Labor Standards Act and the Act of Gender Equality in Employment, such as marriage leave and pregnancy</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>checkup leave, so as to emphasize work-life balance. For more details, please refer to VI. Labor Relations under Chapter V. Operational Highlights in this annual report.</p> <p>4. Listed subsidiaries of CSC Group have established their own regulations for employee compensation, and indicated in their articles of incorporation the percentage of contribution to employee remuneration if there is a profit, so as to appropriately reflect their operating performance or achievements on employee compensation. The Company and subsidiaries of CSC Group have established a joint employee welfare committee to deal with various employee welfare measures.</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 V. Protection Measures for Working Environment and Employees' Personal Safety under Chapter V. Operational Highlights in this annual report.</p> <p>Listed subsidiaries 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) 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 subsidiaries 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>(V) 1. The Company has established a complete pricing system. After setting</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>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, the 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 satisfaction survey every year to keep improving the quality of customer service.</p> <p>3.To protect customers' privacy, the Company has established the following control measures:</p> <p>(1) All computers in the Company are equipped with antivirus software to prevent the spread of computer viruses in e-commerce system.</p> <p>(2) Information search and operations in e-commerce must be carried out after logging in to the account with a password. The person who is not a customer or fails to identify verification is not allowed to make a search. At the same time, SSL encryption is employed to ensure the security of information transformation.</p> <p>(3) The Company has established rules for managing digital certificates in e-commerce systems, where expired certificates have to be renewed or extended for further use.</p> <p>4.Five major products sold by the Company, including plates, bars and wire rods, hot-rolled products, cold-rolled products, and coated products, 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.</p> <p>5.Listed subsidiaries of CSC Group have established procedures to protect consumer rights and customer privacy, such as setting up a specific</p>

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			complaint channel, conducting customer satisfaction surveys regularly, or setting up an e-commerce system. In addition, the products of subsidiaries in the steel industry under CSC Group also comply with relevant international product specifications and are labeled in accordance with the relevant regulations. (VI)1. 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. The Company does not formulate its own management policy because supplier who affects the environment and society will be punished or forced to suspend operations according to current government regulations. However, in order to implement the Environmental, Health and Safety (EHS) policies established by the Company, the Company has formulated the "Rules for Safety and Hygiene and Pollution Prevention Management for Procurement, Contracting and Outsourcing" to manage the procurement, contracting and outsourcing of raw materials and equipment that may lead to issues related to safety and hygiene, environmental pollution, energy saving, and carbon reduction. Moreover, in-plant subcontractors are regularly audited. If any violation of workplace safety, environmental or human rights regulation is found, disciplinary actions, such as fines or termination of contract, will be taken against those involved depending on the circumstance. 2. Listed subsidiaries of CSC Group also follow the abovementioned practices. In addition, CHC Resources, CHS, and CEC have termination clauses in procurement contracts or requests for quotation that allow them to terminate or rescind the contract at any time if suppliers or contractors violate corporate social responsibility policies and cause significant environmental and social impact.
V. Has the Company adopted internationally recognized standards or guidelines to prepare non-financial reports such as corporate social responsibility reports? Has the Company obtained a third-party assurance or verification for such reports?	Yes		The 2019 CSR report of the Company has been prepared in accordance with the Global Reporting Initiative (GRI) Standards published by the Global Sustainability Standards Board (GSSB) and is verified by the third-party, British Standards Institution (BSI), in accordance with Type 1 of AA 1000 AS (2008). The CSR reports of listed subsidiaries and other main subsidiaries have been

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
			prepared in accordance with the GRI Standards. The CSR reports of CEC, CHS, CHC Resources, DSC, CSAC, and CSMC have passed the verification conducted by BSI, while the CSR reports of CSE and CSCC have passed the verifications conducted by Lloyd's Register Quality Assurance (LRQA) and SGS Taiwan Ltd., respectively.
<p>VI. 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>			
<p>VII. Other important information to facilitate a better understanding of the Company's CSR practices:</p> <p>(I) Environmental protection and energy saving:</p> <p>The Company is committed to not only the reduction of traditional pollutants, but also reducing the temperature of the Earth and energy saving & carbon reduction. In 1997, the Company obtained ISO 14001 - Environmental Management System (EMS) certification and received registration approval which required renewal every three years. In 2019, the Company was externally audited by the British Standards Institution (BSI) Taiwan Branch, where two deficiencies were found. The Company has made up the deficiencies and successfully passed the 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. 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. In response to the new edition of the ISO 50001:2018 standards, the Company underwent an external audit in June 2019 and successfully passed the verification for edition conversion. 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." The Company has established cross-departmental "Energy Conservation Committee" and the "Environmental, Health and Safety (EHS) Management Committee" to enhance communication and coordination, thereby improving the overall effectiveness of environmental protection and energy saving.</p> <p>Community involvement:</p> <ol style="list-style-type: none"> 1. Sponsors schools in Hsiao Kang District for teaching equipment renewal and assists with greening, plantation, and landscaping. 2. Offers scholarships for academic achievements and education assistance to underprivileged schoolchildren in Hsiao Kang District. 3. Assists in school anniversaries, art activities, and related educational activities. 4. Sponsors local communities and organize charity events. <p>(III) Social contribution:</p> <p>The Company has long been committed to promoting the development of circular economy. For example, the Company assisted in organizing the 2019 Asia Pacific Circular Economy Roundtable, and shared the achievements of regional energy integration in Linhai Industrial Park during the roundtable, thus making contributions to energy saving and carbon reduction.</p>			

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
(IV) Social welfare:			
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.			
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.			
3. Assists local agencies in Hsiao Kang District in organizing charity meetups and outdoor activities.			
4. Organizes the "Steel Journey" field trip, 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.			
5. Organizes summer camps for elementary school students in Hsiao Kang District, with the purpose of promoting the balanced development of body and mind.			
6. Organizes the awarding ceremony for filial model recognition and presented scholarships to the outstanding students in Hsiao Kang District to promote filial piety.			
7. Donates used notebook computers to schoolchildren in rural areas and from low-income families or disadvantaged groups.			
8. Assists secondary schools and elementary schools in Hsiao Kang District in installing air conditioners and air purifiers, in order to improve students' learning efficiency.			
(V) Giving back to the local community: With the belief of "Giving back to 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.			
(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, six of which are 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 2019, the Company donated a total of NT\$7.63 million to the CSC Group Education Foundation for its operations. The services launched by the CSC Group Education Foundation in 2019 are as follows:			
1. Organized the Steel Talent Scholarship and conducted special courses on steel manufacturing process at well-known universities; organized workshops for teachers; organized technical seminars on steel and environmental protection; held popular science education activities such as the CSC Camp and EWeek to promote steel education and talent cultivation.			
2. Environmental Education Bus: Made a total of 60 bus trips to rural elementary schools in Tainan, Kaohsiung, and Pingtung. Set up environmental classrooms to assist schools in developing featured lesson plans. Organized ecological camps for elementary school students to experience nature and acquire related knowledge.			
3. Adopted green lands to provide local residents with recreational spaces, and promoted environmental greening.			
4. Organized charity concerts such as Wheelchairs Concert and Concert in Prison with music-related organizations; held our own concerts, invited local residents to attend, and offered tickets to employees of CSC Group and their families to enjoy high quality concerts, so as to improve artistic literacy.			
5. Humanities lecture series: Organized 7 CSC citizen lectures and 6 campus lectures.			
6. Conducted microfilm workshops in rural areas to assist students in developing a second skill and getting to know their hometowns from students' perspective.			
7. Invited students from rural areas to participate in industry safety experience courses and learn about potential risks in the workplace.			

Assessment Item	Status of Implementation		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
<p>(VII) Consumer rights:</p> <p>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&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 providing 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.</p> <p>(1) To strengthen and realize customer service: The Technical Service Section-Metallurgy has set clear targets and reviews performances every month. (2) CSC's customer service achievements in 2019 are as follows:</p> <ul style="list-style-type: none"> • Conducted 30 cases of market quality feedback, and 117 cases of technical exchange for key customers; • Completed 9 cases of industrial material usage trend surveys, and 11 new product demand surveys and quality function deployments; • Expanded the market for automotive steel, completed 8 automotive steel verifications, with accumulated 250 verifications acquired from 27 automobile manufacturers, and obtained the necessary threshold conditions for incorporating the use of such steel products in automobile factories; • Organized 11 sessions of domestic and international technical seminars and workshops; • Sent people from technical teams, with a total of 248 man days, to Thailand, Indonesia, Japan, South Korea, Europe, the US and China to conduct interviews with customers and introduce our products to them; • Actively assisted in market expansion for new products that failed to reach the target volume in the past four years, where a total of 37 products have successfully met the target, with 1.09 million tons of orders clinched. <p>2. Customer satisfaction 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&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 2019, the preliminary satisfaction score is 84.18 for domestic customers and 85.48 for foreign customers. The top 3 high satisfaction items for domestic customers are salesperson's service attitude, interaction with customers, and professional knowledge. The top 3 high satisfaction items for foreign customers are salesperson's service attitude, deputy status in absence, 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. In addition, the Company has set up a customer service mailbox for customers to submit their problems immediately. After receiving a customer's problem, dedicated personnel will be assigned to respond to and handle the problem as soon as possible. In 2019, a total of 36 cases received via the customer service mailbox were processed, with each case completely resolved within five days on average. 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 subsidiaries of CSC Group as well as DSC, CSE, CSAC, CSMC, ICSC, 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>			

(VI) Implementation of Ethical Corporate Management, deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such deviations- 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	
<p>I. Formulation of Ethical Corporate Management Policies and Programs</p> <p>(I) Has the Company formulated ethical corporate management policies approved by the Board of Directors and specified its ethical corporate management policies, measures, and the commitment of Board of Directors and the senior management on active implementation of such policies in its regulations and external documents?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical behavior, periodically analyzed and assessed operating activities with higher risk of unethical behavior within its business scope, and established prevention programs accordingly which at least include precautions against behaviors stipulated in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Has the Company specified operating procedures, guidelines for conduct, disciplinary and appeal system in its programs to prevent unethical behavior, implemented them accordingly and regularly reviewed those programs?</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p>	No	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	
			<p>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.</p> <p>3. 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.</p> <p>4. Listed subsidiaries of CSC Group have formulated the following regulations: the Employee Code of Ethics, the Codes of Ethics for Directors (Supervisors) or Senior 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, etc.</p> <p>5. 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 3,493 people involving a total of 22,494 man-hours.</p> <p>(III)</p> <p>1. 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 some sections of the human resource management system (refer to Page 152-155 for more information), meanwhile reviews and amends related provisions at appropriate times in line with amendments to the law. In addition, the Company has also clearly specified provisions related to eradicating bribery or kickbacks in various engineering, procurement and subcontractor contracts. Furthermore, the Company has set up the</p>

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>Complaint Committee and the Rewards and Punishments Review Committee to implement the appeal system and punishment for violations.</p> <p>2. 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.</p> <p>3. Listed subsidiariness of CSC Group have formulated appropriate management regulations governing operating activities with higher risk of being involved in an unethical conduct within its business scope, as well as regulations governing appeal or punishment for violations in order to prevent unethical conduct. The Internal Audit Office regularly audits the implementation of ethical corporate management and reports to the Board of Directors.</p>
<p>II. Implementation of Ethical Corporate Management</p> <p>(I) Does the Company evaluate the ethical records of counterparties and specify ethical conduct clauses in business contracts?</p> <p>(II) Does the Company establish an exclusively dedicated unit under the Board of Directors to be in charge of ethical corporate management and report its ethical corporate management policies, programs to prevent unethical behavior, and the supervision of implementation of those policies to the Board of Directors regularly (at least once a year)?</p> <p>(III) Does the Company formulate policies to prevent conflict of interests, provide appropriate reporting channels, and implement it accordingly?</p>	(I) Yes (II) Yes (III) Yes		<p>(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, or even considering temporarily suspension of material supply under severe circumstances. 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</p>

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
<p>(IV) Has the Company established effective accounting and internal control systems for ethical corporate management, developed relevant audit plans based on the results of risk assessment of unethical behavior, and audited the status of compliance with the programs to prevent unethical behavior by the internal audit unit or a CPA?</p> <p>(V) Does the Company regularly hold internal and external trainings on ethical corporate management?</p>	<p>(IV) Yes</p> <p>(V) Yes</p>	No	<p>violate is subject to punishment for withdrawal of certification.</p> <p>In 2019, no penalty imposed on transportation business partners due to violation of ethic clauses was recorded by the Company, and neither were engineering business partners found to have records of dishonored bills. In the first, second, third and fourth quarters of 2019, the Company has halted business dealings with two, zero, one, and zero companies in violation of ethical principles, respectively.</p> <p>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:</p> <ol style="list-style-type: none"> 1. The business partner commits breach of contract, causing significant detriment to the rights and interests of the Company. 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. 3. The business partner is found engaging in illegal conducts such as manipulation and collusion upon investigation. 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; or, 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>Listed subsidiaries 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"> 1. Specify ethical conduct clauses in contracts. 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. 3. Formulate regulations such as the "Regulations Governing Evaluation of Contractors and Suppliers", and the "Regulations Governing Customer Credit Management."

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>(II) To ensure sound ethical corporate management, the Company has established the "Corporate Governance and Sustainability Committee," under the Board of Directors, and reports the implementation of ethical corporate management every year to the Board of Directors. The committee has established the "Corporate Governance and Ethical Corporate Management Team," in which the Legal Department and the Human Resources Department are responsible for formulating ethical corporate management policies and prevention plans, as well as promoting and implementing ethical corporate management. In addition, the Internal Audit Office reviews and assesses whether the prevention measures on ethical corporate management are effectively implemented, and regularly assesses relevant processes compliance with the standards and reports the review results to the Board of Directors.</p> <p>For listed subsidiaries of CSC Group, Administrative Department of Chung Hung Steel Corporation is responsible for formulating provisions related to ethical corporate management to ensure compliance by all units, and reports the operation of ethical corporate management and its status of implementation to the Board of Directors once a year. Management Division of China Ecotek Corporation is responsible for formulating the relevant provisions. Internal units at the remaining listed subsidiaries 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> <p>1. The Company has formulated the following regulations: (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."</p>

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
			<p>(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.</p> <p>Article 4 of the Codes of Ethics for First Echelon Supervisors and Executives specifies provisions related to the prevention of conflict of interests.</p> <p>(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 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 higher 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 subsidiaries 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</p>

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>Code of Ethics, the Codes of Ethics for Directors (Supervisors) or Senior Executives, etc, verified effectiveness of internal control implementation annually, and had the audit unit responsible for accepting and handling appeals.</p> <p>(IV) Accounting system:</p> <ol style="list-style-type: none"> 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 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. 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. 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

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>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 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> <ol style="list-style-type: none"> 1. Establish an effective internal control system: <ol style="list-style-type: none"> (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. (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. 2. Fully implement internal audit: <ol style="list-style-type: none"> (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. (2) The Internal Audit Office formulated the "2019 Audit Plan," and the plan was approved by the Board of Directors. In 2019, the Internal

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>Audit Office implemented internal audit and completed a total of 46 audit reports, including 24 internal operation items at the Company, and 22 field surveys at subsidiaries under CSC Group. In the aforementioned reports, a total of 508 suggestions for improvement were made with regard to deficiencies and abnormal items.</p> <p>(3) After the suggestions for improvement listed in the audit report were approved, the suggestions were keyed into the Company's "Audit Management System," and was controlled and management electronically to continuously track the progress of related improvements till they are completed. The tracking report was prepared and then submitted to each Independence Director for reference at least every quarter in accordance with the regulations. In addition, listed subsidiaries of CSC Group have established appropriate accounting systems in accordance with regulations such as Business Entity Reports by Securities Issuers. 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, according to which the internal audit formulates audit plan and reports the internal control audit result to the Board of Directors.</p> <p>(V)</p> <p>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, and promote the importance of the integrity based on relevant content such as "holding concurrent positions" and "accepting improper benefits." Furthermore, the Company regularly holds at least two sessions of 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>

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
<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?</p> <p>(II) Does the Company establish standard operating procedures for investigating cases reported, follow-up measures to be adopted after investigation, and related confidentiality mechanisms?</p> <p>(III) Does the Company adopt measures to protect whistleblowers?</p>	<p>(I) Yes</p> <p>(II) Yes</p> <p>(III) Yes</p>	<p>No</p>	<p>No Significant Difference</p>
			<p>(I) 1. The "Employee Work Rules" and the "Integrity and Ethics Directions for Employees of CSC Group" specify the following matters: (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. (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. 2. The Internal Audit Office is in charge of accepting appeals regarding improper conduct such as seeking private gains, fraud, impairing the interests of the Company, and 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; Email: IA00@mail.csc.com.tw. 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. 4. The Internal Audit Office designates personnel to accept whistleblowing complaints. After accepting a complaint, a case shall be filed and the "Record of Appeal" shall be filled. 5. In 2019, the Company handled a total of 23 appeals, which were handled properly by the relevant units upon duly investigation. 6. Listed subsidiaries of CSC Group have established the whistleblowing system and set up accessible 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) 1. An appeal will be passed on to relevant unit for further handling after accepted and duly investigated by the Internal Audit Office. The unit</p>

Assessment Item	Status of Implementation		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
			<p>will compile relevant information and submit the result to the vice president for review.</p> <ol style="list-style-type: none"> 2. The Internal Audit Office regularly reports the number of appeals to the Board of Directors. 3. The identity of the whistleblower is kept absolutely confidential. 4. Listed subsidiaries of CSC Group fully maintain confidentiality while handling appeals. <p>(III)</p> <p>CSC and listed subsidiaries of CSC Group fully maintain the absolute confidentiality of whistleblowers, protecting them from retaliatory action for filing an appeal.</p>
<p>IV. (I) Strengthening Information Disclosure</p> <p>Does the Company disclose its ethical corporate management policies and the results of its implementation on corporate website and MOPS?</p>	(I) Yes		<p>No Significant Difference</p> <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." The Company's "Corporate Governance and Sustainability Committee" regularly reports the results of implementation of ethical corporate management to the Board of Directors, and the relevant operation status will be disclosed in the "Ethical Corporate Management" subsection under the "Corporate Governance" section on the Company's website. Besides, 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. The implementation of ethical corporate management for listed subsidiaries of CSC Group and for subsidiaries such as DSC, CSAC and CSE is disclosed on their corporate websites, MOPS, annual reports or CSR reports respectively.</p>
V. If the Company has formulated its own Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and its discrepancies with the Principles:			<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	
<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, ⑪ Rules Governing the Performance Evaluation of the Board of Directors, ⑫ Procedures for Handling Material Internal Information and Guidelines for Establishment of Spokesperson as well as Deputy Spokespersons.

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) - 26 persons; Taiwan Certified Internal Auditor (TWCIA) - 2 persons; Certified Internal Auditor - 1 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 Management Accountant - 1 person; Financial Risk Manager (FRM) – 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 - 3 persons; Certified 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 23, 2020

According to the results of our self-evaluation, the Company shall make the following statements on our internal control system in 2019:

- 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, 2019, 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 23, 2020, 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 Wang* 

President *Shyi-Chin Wang* 

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

- (X) Specify the Content, Major Deficiencies and Status of Improvements Made on Penalties Imposed on the Company and Its Internal Staff or Penalties Imposed on Its Internal Staff by the Company for Violation of Internal Control Regulations, where Such Penalties May Have Significant Impact on Shareholders' Rights or Securities Price, in the Most Recent Year up to the Publication Date of this Annual Report: 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 6th meeting of the 17th Board of Directors (March 23, 2020):
The 6th meeting of the 17th Board of Directors of the Company was held in the morning of March 23, 2020. Major resolutions were:
 1. Proposal for Distribution of 2019 Profits
The meeting proposed to appropriate NT\$1.4 and NT\$0.5 per share for dividends of preferred stocks and common stocks respectively. The above proposal will be submitted to the 2020 Annual General Meeting of Shareholders for adoption.
 2. CSC will invest NT\$9.429 billion in the “Stage 1 Construction Project of Coke Oven Plant and Coke Dry Quenching Facility”. The purpose of this project is to reduce emission of CO₂ and PMs by upgrading equipment and improving environmental protection. Besides, in order to expand and encourage domestic investment and procurement, this project is moved up to April 1, 2020 and will last for 4 years and 11 months to February 28, 2025.
With the completion of each construction stage in the future, the project could reduce VOCs emission (percentage) by 73 metric tons (around 63%), PMs by 41 metric tons (around 56%), and energy consumption by 214 million cal/metric ton coke (around 10%) per year. In addition, it could increase power generation of 273 million kWh and reduce CO₂ emission by 146 thousand metric tons per year.
 3. Date and venue for 2020 Annual General Meeting of Shareholders
 - (1) The Company's 2020 Annual General Meeting of Shareholders:
Date: 9.00 am, June 19, 2020 (Friday)
Venue: Chung Cheng Hall (Auditorium) (No. 1, Chung-Kang Rd., Hsiao Kang Dist., Kaohsiung City, Taiwan)
 - (2) Time and place for accepting shareholders' proposals:
Date: April 13, 2020 to April 22, 2020
Place: China Steel Building (No. 88, Cheng Gong 2nd Rd., Qian Zhen Dist., Kaohsiung City, Taiwan)
 4. Appointment of Vice President of Production Division
The Vice President of Production Division, Mr. Chih-Tai Charng, would retire on March 31, 2020. The former Assistant Vice President of Production Division (the incumbent Chairman of China Steel Chemical Corporation), Mr. Wen-Gee Lo, would return to succeed Mr. Charng as the Vice President of Production Division with effect from March 31, 2020.
 - Material resolutions in the 5th meeting of the 17th Board of Directors (December 30, 2019):
The 5th meeting of the 17th Board of Directors of the Company was held in the morning of December 30, 2019. Major resolutions were:

1. Appointment of Vice President of Engineering Division

The Vice President of Engineering Division, Mr. Hsin-Chin Kuo, would retire on January 31, 2020. The former Vice President of Engineering Division (the incumbent Chairman of China Ecotek Corporation), Mr. Chung-Te Chen, would return to succeed Mr. Kuo as the Vice President of Engineering Division.

2. Appointment of Vice President of Technology Division

The Vice President of Technology Division, Mr. Song-Jau Tsai, would retire on March 1, 2020. The Assistant Vice President of Technology Division, Mr. Yie-Shing Hwang, would be promoted to succeed Mr. Tsai as the Vice President of Technology Division.

- Material resolutions in the 4th meeting of the 17th Board of Directors (November 11, 2019):

The 4th meeting of the 17th Board of Directors of the Company was held in the morning of November 11, 2019. Major resolutions were:

1. Revamping of hot stove #21 of No. 2 blast furnace

The project, with a total investment amount of NT\$508.31 million, is scheduled to last for 35 months from December 1, 2019 to October 31, 2022. This project will be able to stabilize production by adopting lap parallel operation with four hot stoves after completion.

2. Donation to the CSC Group Education Foundation for its 2019 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 2019, the Company donated a total of NT\$7.628 million to the foundation.

- Material resolutions in the 3rd meeting of the 17th Board of Directors (September 23, 2019):

The 3rd meeting of the 17th Board of Directors of the Company was held in the morning of September 23, 2019. Major resolutions were:

1. Appointment of President

The President, Mr. Horng-Nan Lin, would be discharged from the position. The Executive Vice President, Mr. Shyi-Chin Wang, would be promoted to succeed Mr. Lin as the President with effect from September 30, 2019.

2. Appointment of Executive Vice President

The Vice President of Commercial Division, Mr. Chien-Chih Hwang, would be promoted as the Executive Vice President with effect from September 30, 2019.

3. Appointment of Vice President of Commercial Division

The Assistant Vice President of Commercial Division, Mr. Min-Hsiung Liu, would be promoted as the Vice President of Commercial Division with effect from September 30, 2019.

- Material resolutions in the 2nd meeting of the 17th Board of Directors (August 12, 2019):

The 2nd meeting of the 17th Board of Directors of the Company was held in the morning of August 12, 2019, in which the 5th Collective Agreement draft with the CSC Labor Union was approved.

The Company and the CSC Labor Union commenced the negotiation for the 5th Collective Agreement on October 20, 2017, and the harmonious labor relation was fully exerted during the course of negotiation. Through an aggregate of 21 negotiation meetings in 21 months, a

consensus was reached, and the Collective Agreement with 79 provisions was finalized, which was passed at the 4th extraordinary representative meeting of the 13th CSC Labor Union on August 1, 2019, and at the 2nd meeting of the 17th Board of Directors of the Company on August 12, 2019, respectively.

The renewal of the Collective Agreement, which is to protect the interests of employees and the sustainable development of the Company in response to the changes in background and relevant labor laws and regulations, is the result of both labor and management negotiating in good faith since the previous Collective Agreement signed nearly five years ago. It not only reveals that the Company has a stable and harmonious labor-management relations with the CSC Labor Union but both parties jointly take proactive steps to realize the protection for the interest of our employees with good interaction and communication.

- Material resolutions in the 1st meeting of the 17th Board of Directors (June 19, 2019):

The 1st meeting of the 17th Board of Directors of the Company was held in the afternoon of June 19, 2019. Chao-Tung Wong, the Representative of the Ministry of Economic Affairs, was re-elected as the Chairman.

Chairman Wong joined the Company's Administration Division in February 1980 and had held significant positions such as General Manager of Public Affairs Department, General Manager of Human Resources Department, Vice President of Administration Division, Chairman of CHC Resources Corporation, Chairman of China Steel Sumikin Vietnam Joint Stock Company, Chairman of China Ecotek Corporation, and President of the Company. From October 26, 2016, he was appointed by the Ministry of Economic Affairs as the Director of the Company representing the government and was elected as the Chairman of the 16th Board of Directors.

Chairman Wong was discharged in advance from the 16th Board of Directors after the election of all Directors at the Shareholders' Meeting on June 19, 2019, and the Ministry of Economic Affairs continued to appoint him to be the representative of the government according to the Directions for Government's Equity in Enterprises Subordinate to the Ministry of Economic Affairs After Privatization. According to the requirements in the Personnel Management System of the Company, employees at the age of 65 shall proceed with the retirement settlement for their years of services. As Chairman Wong would become 65 years old by the end of June 2019, Chairman Wong took the initiative to settle the years of services as an employee of the Company according to the requirements before June 18. Since then, Chairman Wong was no longer an employee of the Company and only continued to serve as the Chairman with his identity as the Representative of the Ministry of Economic Affairs.

- Material resolutions in the 24th meeting of the 16th Board of Directors (May 6, 2019):

The 24th meeting of the 16th Board of Directors of the Company was held in the morning of May 6, 2019, in which the investment of NT\$7,017.8 million in the "Phase 1 construction of the new enclosed building in coking coal storage yard" was approved. The project, aiming at improving environmental protection, is scheduled to last for 30 months, from July 1, 2019 to December 31, 2021.

- 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 in the morning of 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 to April 24, 2019

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. 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.

◎ Significant resolutions in the Annual General Meeting of Shareholders

● Material resolutions in the 2019 Annual General Meeting of Shareholders (June 19, 2019):

1. Vote to adopt 2018 Business Report and Financial Statements

2. Vote to adopt distribution of 2018 profits:

(1) The Company's earnings distribution in 2018 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 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 the Procedures for Acquisition or Disposal of Assets.

4. Vote to approve amendments to the Procedures for Loaning of Funds.

5. Vote to approve amendments to the Procedures for Endorsements and Guarantees.

6. Vote to approve amendments to the Rules Governing Procedures for Shareholders' Meeting.

7. Vote to approve amendments to the Rules Governing the Election of Directors.
8. Vote to elect 11 Directors (including 3 Independent Directors) of the 17th Board of Directors. The list of elected directors is as follows:

Representative of Ministry of Economic Affairs	Chao-Tung Wong
Representative of Ministry of Economic Affairs	Wen-Sheng Tseng
Representative of Ministry of Economic Affairs	Fong-Sheng Wu
Representative of Chiun Yu Investment Corporation	Hornng-Nan Lin
Representative of Ever Wealthy International Corporation	Shyi-Chin Wang
Representative of Hung Kao Investment Corporation	Cheng-I Weng
Representative of Gau Ruei Investment Corporation	Yueh-Kun Yang
Representative of Labor Union of China Steel Corporation, Kaohsiung City	Chun-Sheng Chen
Independent Director	Shyue-Bin Chang
Independent Director	Min-Hsiung Hon
Independent Director	Lan-Feng Kao

9. Vote to approve releasing the prohibition on Director, Mr. Chao-Tung Wong, from holding the position of Director of China Ecotek Corporation and Chung-Hung Steel Corporation.
10. Vote to approve releasing the prohibition on Director, Mr. Fong-Sheng Wu, from holding the position of Chairman of Tang Eng Iron Works Co., Ltd.
11. Vote to approve releasing the prohibition on Director, Mr. Hornng-Nan Lin, from holding the position of Director of China Ecotek Corporation, Formosa Ha Tinh (Cayman) Limited and Formosa Ha Tinh Steel Corporation.
12. 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., Formosa Ha Tinh (Cayman) Limited, Formosa Ha Tinh Steel Corporation and Taiwan High Speed Rail Corporation.
13. Vote to approve releasing the prohibition on Director, Mr. Yueh-Kun Yang, from holding the position of Director of C.S.Aluminium Corporation.

(XII) Implementation of Resolutions in the 2019 Annual General Meeting of Shareholders

1. 2018 Business Report and Financial Statements was adopted.
2. Distribution of 2018 profit was adopted, the ex-dividend date was set to be on August 1, 2019, while the payment date was set to be on August 27, 2019 (where a dividend of NT\$1.4 per preferred stock and a dividend of NT\$1.0 per ordinary stock were distributed).
3. Amendments to the Procedures for Acquisition or Disposal of Assets approved was exercised and published on the corporate website.
4. Amendments to the Procedures for Loaning of Funds approved was exercised and published on the corporate website.
5. Amendments to the Procedures for Endorsements and Guarantees approved was exercised and published on the corporate website.
6. Amendments to the Rules Governing Procedures for Shareholders' Meeting approved was exercised and published on the corporate website.

7. Amendments to the Rules Governing the Election of Directors approved was exercised and published on the corporate website.
8. Vote to elect 11 Directors (including 3 Independent Directors) of the 17th Board of Directors. The list of elected Directors was approved to register by the Ministry of Economic Affairs on August 5, 2019 and announced on the corporate website.

The list of elected directors is as follows:

Representative of Ministry of Economic Affairs	Chao-Tung Wong
Representative of Ministry of Economic Affairs	Wen-Sheng Tseng
Representative of Ministry of Economic Affairs	Fong-Sheng Wu
Representative of Chiun Yu Investment Corporation	Hornng-Nan Lin
Representative of Ever Wealthy International Corporation	Shyi-Chin Wang
Representative of Hung Kao Investment Corporation	Cheng-I Weng
Representative of Gau Ruei Investment Corporation	Yueh-Kun Yang
Representative of Labor Union of China Steel Corporation, Kaohsiung City	Chun-Sheng Chen
Independent Director	Shyue-Bin Chang
Independent Director	Min-Hsiung Hon
Independent Director	Lan-Feng Kao

9. Approval of releasing the prohibition on Director, Mr. Chao-Tung Wong, from holding the position of Director of China Ecotek Corporation and Chung-Hung Steel Corporation has been fully implemented.
 10. Approval of releasing the prohibition on Director, Mr. Fong-Sheng Wu, from holding the position of Chairman of Tang Eng Iron Works Co., Ltd. has been fully implemented.
 11. Approval of releasing the prohibition on Director, Mr. Hornng-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.
 12. 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., Formosa Ha Tinh (Cayman) Limited, Formosa Ha Tinh Steel Corporation and Taiwan High Speed Rail Corporation has been fully implemented.
 13. Approval of releasing the prohibition on Director, Mr. Yueh-Kun Yang, from holding the position of Director of C.S.Aluminium Corporation 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, 2019 to March 31, 2020

Title	Name	Date of Assumption of Duty	Date of Dismissal	Reasons for Resignation or Discharge
President	Horng-Nan Lin	2018.10.09	2019.09.30	Discharged
Executive Vice President	Shyi-Chin Wang	2015.10.01	2019.09.30	Promotion to President
Vice President, Commercial Division	Chien-Chih Hwang	2018.07.01	2019.09.30	Promotion to Executive Vice President
Vice President, Technology Division	Song-Jau Tsai	2018.01.01	2019.03.01	Mandatory Retirement Age
Chairman, Wind Power Business Development Committee	Ching-Chung Cheng	2017.06.01	2019.05.31	Mandatory Retirement Age
Vice President, Engineering Division	Hsin-Chin Kuo	2018.03.31	2020.01.31	Mandatory Retirement Age
Vice President, Production Division	Chih-Tai Charng	2018.03.31	2020.03.31	Mandatory Retirement Age
Assistant Vice President, Finance Division / General Manager, Finance Department	Hung-Tai Chou	2016.10.01	2019.07.01	Discharged from the concurrent post as General Manager, Finance Department and holds a full-time position of Assistant Vice President, Finance 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	Jui-Hsuan Hsu	Cheng-Hung Kuo	2019.01~ 2019.12	Internal transfer at Deloitte Taiwan

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	Jui-Hsuan Hsu Cheng-Hung Kuo	22,432	—	—	—	3,642	3,642	2019.01~ 2019.12
Remark	Non-Audit Service Items:							
	1. Transfer pricing documentation report					3,025		
	2. Consultation					469		
	3. Others					<u>148</u>		
	Total					<u>3,642</u>		

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:

(I) Regarding the Former CPA

Replacement Date	Approved by the Board of Directors on March 25, 2019		
Replacement Reasons and Explanations	The original CPAs of the Company were Lee-Yuan Kuo and Cheng-Hung Kuo from Deloitte Taiwan. Due to internal transfer at Deloitte Taiwan, the CPAs of the Company were changed to Jui-Hsuan Hsu and Cheng-Hung Kuo, beginning the first quarter of 2019.		
Describe whether the Company Terminated or the CPA Did Not Accept the Appointment	Parties		The Company
	Status	CPA	
	Termination of appointment	Not applicable	
	No longer accepted (continued) appointment		
Other Issues (Except for Unqualified Issues) in the Audit Reports within the Last Two Years	Not applicable		
Differences with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None		
	Remarks	Not applicable	
Other Disclosed Matters	None		

(II) Regarding the Successor CPA

Name of Accounting Firm	Deloitte Taiwan
Name of CPA	Jui-Hsuan Hsu
Date of Appointment	Approved by the Board of Directors on March 25, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not applicable
Successor CPA's written opinion of disagreement toward the former CPA	Not applicable

(III) The reply letter from the former CPA regarding matters specified in Item 1 and Item 2-3, Subparagraph 6, Article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies: None.

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 2019		As of March 31, 2020		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	
Juristic-person Director	Ministry of Economic Affairs	0	0	0	0	None
Juristic-person Director	Ever Wealthy International Corporation	0	0	0	0	None
Juristic-person Director	Chiun Yu Investment Corporation	0	0	0	0	None
Juristic-person Director	Hung Kao Investment Corporation	0	0	0	0	None
Juristic-person Director	Gau Ruei Investment Corporation	0	0	0	0	None
Juristic-person Director	Labor Union of China Steel Corporation, Kaohsiung City	0	0	0	0	None
Director	Chao-Tung Wong	0	0	0	0	None
Director	Wen-Sheng Tseng	0	0	0	0	None
Director	Fong-Sheng Wu	0	0	0	0	None
Director	Horng-Nan Lin	58,997	0	Not applicable	Not applicable	Dismissed on September 30, 2019
Director	Shyi-Chin Wang	18,797	0	0	0	None
Director	Chien-Chih Hwang	0	0	0	0	Newly appointed on September 30, 2019
Director	Cheng-I Weng	0	0	0	0	None
Director	Yueh-Kun Yang	0	0	0	0	None
Director	Chun-Sheng Chen	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	58,997	0	Not applicable	Not applicable	Dismissed on September 30, 2019
Manager	Shyi-Chin Wang	18,797	0	0	0	None
Manager	Chien-Chih Hwang	0	0	0	0	None
Manager	Chiu-Po Chang	0	0	0	0	None
Manager	Min-Hsiung Liu	0	0	0	0	Newly appointed on September 30, 2019
Manager	Yueh-Kun Yang	0	0	0	0	None
Manager	Pai-Chien Huang	0	0	0	0	None
Manager	Song-Jau Tsai	0	0	0	0	Dismissed on March 01, 2020
Manager	Yie-Shing Hwang	Not applicable	Not applicable	0	0	Newly appointed on March 01, 2020
Manager	Hsin-Chin Kuo	0	0	0	0	Dismissed on January 31, 2020
Manager	Chung-Te Chen	Not applicable	Not applicable	0	0	Newly appointed on January 31, 2020
Manager	Ching-Chung Cheng	0	0	Not applicable	Not applicable	Dismissed on May 31, 2019
Manager	Chih-Tai Charng	0	0	0	0	Dismissed on March 31, 2020
Manager	Wen-Ge Lo	Not applicable	Not applicable	0	0	Newly appointed on March 31, 2020
Manager	Hung-Tai Chou	0	0	Not applicable	Not applicable	Dismissed on July 01, 2019
Manager	Shih-Hsin Chen	0	0	0	0	Newly appointed on July 01, 2019
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, 2019

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.	660,578,857	4.19%	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: Chien-Chih Hwang	33,233	0.00%	0	0%	0	0%	None	None	None
Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	196,764,577	1.25%	Not applicable	Not applicable	0	0%	None	None	None
Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	191,044,868	1.21%	Not applicable	Not applicable	0	0%	None	None	None
Norges Bank Investment Management under the custody of Citibank (Taiwan) Limited	179,219,484	1.14%	Not applicable	Not applicable	0	0%	None	None	None
Winning Investment Corporation	160,406,339	1.02%	Not applicable	Not applicable	0	0%	Transglory Investment Corporation	Sister Company	None
Representative of Winning Investment Corporation: Chun-Hui Wu	95	0.00%	0	0%	0	0%	None	None	None
Public Service Pension Fund Management Board	141,385,257	0.90%	Not applicable	Not applicable	0	0%	None	None	None
DFA Emerging Markets Value Portfolio under the custody of Citibank (Taiwan) Limited	140,960,320	0.89%	Not applicable	Not applicable	0	0%	None	None	None
Labor Insurance Fund	136,749,939	0.87%	Not applicable	Not applicable	0	0%	None	None	None

X. Ownership of Shares in Affiliated Companies

As of December 31, 2019

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%	4,717,861	2.36%	71,205,705	35.60%
China Ecotek Corporation	55,393,138	44.76%	586,521	0.47%	55,979,659	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%
CSC Steel Australia Holdings Pty Ltd	594,638	100.00%	0	0.00%	594,638	100.00%
China Steel Express Corporation	422,545,250	100.00%	0	0.00%	422,545,250	100.00%
C.S.Aluminium Corporation	840,122,049	99.98%	0	0.00%	840,122,049	99.98%
Gains Investment Corporation	559,375,112	100.00%	0	0.00%	559,375,112	100.00%
China Prosperity Development Corporation	509,802,912	100.00%	0	0.00%	509,802,912	100.00%
China Steel and Nippon Steel Vietnam Joint Stock Company	514,304,000	56.00%	0	0.00%	514,304,000	56.00%
China Steel Asia Pacific Holdings Pte Ltd	191,065,407	100.00%	0	0.00%	191,065,407	100.00%
Sing Da Marine Structure Corporation	342,100,000	100.00%	0	0.00%	342,100,000	100.00%
China Steel Global Trading Corporation	78,827,362	100.00%	0	0.00%	78,827,362	100.00%
Kaohsiung Rapid Transit Corporation	120,799,811	43.36%	21,443,595	7.70%	142,243,406	51.06%
China Steel Machinery Corporation	100,066,400	73.97%	35,204,170	26.02%	135,270,570	99.99%
China Steel Corporation India Pvt. Ltd.	728,690,560	100.00%	0	0.00%	728,690,560	100.00%
CSC Solar Corporation	95,920,000	55.00%	78,480,000	45.00%	174,400,000	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%
China Steel Security Corporation	25,036,986	99.96%	0	0.00%	25,036,986	99.96%
HIMAG Magnetic Corporation	19,183,286	69.49%	5,010,203	18.15%	24,193,489	87.64%
CSC Precision Metal Industrial Corporation	32,250,000	100.00%	0	0.00%	32,250,000	100.00%
United Steel International Co., Ltd.	12,000,000	80.00%	3,000,000	20.00%	15,000,000	100.00%
ChinaSteel Management Consulting Corporaion	999,993	100.00%	0	0.00%	999,993	100.00%
China Steel Power Holding Corporation	500,000	100.00%	0	0.00%	500,000	100.00%
China Steel Power Corporation	10	0.00%	479,990	100.00%	480,000	100.00%
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%
Honley Auto. Parts Co., Ltd.	59,087,570	35.14%	9,050,822	5.38%	68,138,392	40.52%
Eminent II Venture Capital Corporation	50,000,000	46.25%	0	0.00%	50,000,000	46.25%
Hsin Hsin Cement Enterprise Corporation	28,658,729	30.80%	9,298,583	10.00%	37,957,312	40.80%
Dyna Rechi Co.,Ltd	40,000,000	23.45%	0	0.00%	40,000,000	23.45%
Overseas Investment & Development Corporation	5,000,000	5.56%	14,000,000	15.56%	19,000,000	21.12%
TaiAn Technologies Corporation	833,350	16.67%	249,999	5.00%	1,083,349	21.67%

Chapter IV. Capital Overview

I. Capital and Shares

(I) Sources of Share Capital

As of March 31, 2020

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 on TWSE.

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 431,028,007	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
						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 retained earnings	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
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, 2019

Shareholder Structure / Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	14	45	1,678	1,045,371	1,564	1,048,672
Number of Shares Held	3,170,929,616	576,456,773	2,581,524,389	6,218,277,509	3,225,940,709	15,773,128,996
Shareholding Percentage	20.10%	3.66%	16.37%	39.42%	20.45%	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, 2019

Range of Shares Held	Number of Shareholders	Percentage (%)	Number of Shares Held	Shareholding Percentage (%)
1 to 999	344,830	32.90%	59,182,040	0.38%
1,000 to 5,000	452,926	43.21%	931,415,044	5.92%
5,001 to 10,000	114,255	10.90%	798,137,136	5.07%
10,001 to 15,000	52,449	5.00%	622,609,748	3.96%
15,001 to 20,000	24,829	2.37%	434,261,726	2.76%
20,001 to 30,000	24,071	2.30%	576,541,277	3.66%
30,001 to 50,000	16,525	1.58%	625,089,335	3.97%
50,001 to 100,000	10,466	1.00%	710,061,626	4.51%
100,001 to 200,000	4,523	0.43%	609,654,010	3.88%
200,001 to 400,000	2,049	0.20%	554,624,060	3.53%
400,001 to 600,000	487	0.05%	234,366,006	1.49%
600,001 to 800,000	143	0.01%	98,076,393	0.62%
800,001 to 1,000,000	82	0.01%	72,410,100	0.46%
1,000,001 and above	459	0.04%	9,408,432,496	59.79%
Total	1,048,094	100.00%	15,734,860,997	100.00%

2. Preferred Shares

As of December 31, 2019

Range of Shares Held	Number of Shareholders	Percentage (%)	Number of Shares Held	Shareholding Percentage (%)
1 to 999	90	2.31%	14,596	0.04%
1,000 to 5,000	3,105	79.57%	5,718,356	14.94%
5,001 to 10,000	313	8.02%	2,560,080	6.69%
10,001 to 15,000	117	3.00%	1,507,167	3.94%
15,001 to 20,000	63	1.61%	1,179,800	3.08%
20,001 to 30,000	50	1.28%	1,294,000	3.38%
30,001 to 50,000	51	1.31%	2,095,000	5.47%
50,001 to 100,000	56	1.43%	4,155,775	10.86%
100,001 to 200,000	35	0.90%	4,835,225	12.64%
200,001 to 400,000	10	0.26%	2,580,000	6.74%
400,001 to 600,000	3	0.08%	1,650,000	4.31%
600,001 to 800,000	3	0.08%	2,031,000	5.31%
800,001 to 1,000,000	2	0.05%	1,862,000	4.87%
1,000,001 and above	4	0.10%	6,785,000	17.73%
Total	3,902	100.00%	38,267,999	100.00%

(IV) List of Major Shareholders

As of December 31, 2019

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 Ownership Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd.	660,578,857	4.19%
3	Transglory Investment Corporation	255,665,331	1.62%
4	Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	196,764,577	1.25%
5	Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	191,044,868	1.21%
6	Norges Bank Investment Management under the custody of Citibank (Taiwan) Limited	179,219,484	1.14%
7	Winning Investment Corporation	160,406,339	1.02%
8	Public Service Pension Fund Management Board	141,385,257	0.90%
9	DFA Emerging Markets Value Portfolio under the custody of Citibank (Taiwan) Limited	140,960,320	0.89%
10	Labor Insurance Fund	136,749,939	0.87%

Major Shareholders of Corporate Shareholders

As of December 31, 2019

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder
Transglory Investment Corporation	China Steel Express Corporation 49.89%; Chung Hung Steel Corporation 40.91%; China Steel Chemical Corporation 9.20%
Winning Investment Corporation	Gains Investment Corporation 49.00%; Maruichi Steel Tube Ltd. 42.00%; Transglory Investment Corporation 9.00%

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	2018	2019	Current Year up to March 31, 2020 (Note 8)
		Market Price Per Share (Note 1)	Highest		25.55
Lowest			23.20	22.80	18.60
Average (trading value/trading volume)			24.27	24.20	21.43
Average Closing Price (A)			24.20	24.21	22.40
Net Worth per Share (Note 2)	Before Distribution		19.86	19.20	18.70
	After Distribution		18.86	N/A	N/A
Earnings Per Share	Weighted Average Shares (thousand shares)		15,416,806	15,414,667	15,414,096
	Earnings Per Share (Note 3) (B)		1.58	0.57	(0.15)
Dividends per Share	Cash Dividends (C)		1.40 (Preferred shares) 1.00(Common shares)	1.40 (Preferred shares) 0.50(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 (A/B) (Note 5)		15.32	42.47	N/A
	Price/Dividend Ratio (A/C) (Note 6)		24.20	48.42	N/A
	Cash Dividend Yield (C/A) (Note 7)		0.0413	0.0207	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 2019 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\$0.5 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
2019
Earnings Distribution Table Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	13,415,802,251.64
After-tax earnings of 2019	8,809,554,649.59
Disposal of investments in equity instruments at fair value through other comprehensive income	7,848,858.00
Reverse of special reserve: disposal of fixed assets	61,556.00
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)	(137,813,237.00)
Effects resulting from changes in long-term equity investment	(97,418,405.00)
Amount to be included in undistributed earnings by adding up after-tax earnings of 2019 and other items (A)	8,582,233,421.59
Deduct : Legal reserve=(A)* 10%	(858,223,342.00)
Deduct: Provision of special reserve (Note 1)	(110,524,184.00)
Subtotal of distributable earnings	21,029,288,147.23
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\$0.5 per share (NT\$0.5 in cash)	7,867,430,499.00
Subtotal of distributable items	(7,921,005,698.00)
Undistributed earnings at the end of the period	13,108,282,449.23
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 2019 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 23, 2020):

- (1) Amount of employees' remunerations: NT\$622,978,554.
- (2) Amount of directors' remunerations: NT\$11,680,848.
- (3) All the amounts above shall be paid in cash. The base for the calculation of legal reserve changed because of the application to Letter No. Economics-Commerce-10802432410 dated January 9, 2020 issued by the Ministry of Economic Affairs. As a result, the abovementioned amount of employees' and directors' remunerations is NT\$1,852,669 higher than the estimated amount.

4. Actual Distribution of 2018 Earnings in 2019

Unit: NT\$

	Actual Distribution in 2019	Amount Recognized in 2018	Difference
Remuneration for Employees	1,744,054,472	1,744,054,472	0
Remuneration for Directors	32,701,021	32,701,021	0

(IX) Buyback of the Treasury Shares

1. Buyback of the Treasury Shares (Executed)

As of March 31, 2020

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
Percentage of Actual to Planned Number of Shares Bought Back (%)	100	0.8	36
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

2. Buyback of the Treasury Shares (Executing): None.

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, 2020

Type of Corporate Bonds	1 st Unsecured Corporate Bond A in 2012	1 st Unsecured Corporate Bond B in 2012	1 st Unsecured Corporate Bond A in 2013	1 st Unsecured Corporate Bond B in 2013
Issue Date	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
Issue Price	At par value	At par value	At par value	At par value
Total Amount	NT\$5.0 billion	NT\$15.0 billion	NT\$6.3 billion	NT\$9.7 billion
Coupon Rate	1.37% per annum	1.50% per annum	1.44% per annum	1.60% per annum
Maturity	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, Mega International Commercial Bank Co., Ltd.	Trust Department, Mega International 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 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\$15 billion	NT\$3.15 billion	NT\$9.7 billion
Terms of Redemption or Early Repayment	None	None	None	None
Restrictive Terms	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 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
	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 latest issuer rating obtained when the Company issued the 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 st Unsecured Corporate Bond C in 2013	1 st Unsecured Corporate Bond A in 2014	1 st Unsecured Corporate Bond B in 2014	1 st 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\$3.45 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 August 27, 2013 (Note 2)	twAA- given by Taiwan Ratings Corporation on August 27, 2013 (Note 2)	twAA- given by Taiwan Ratings Corporation on August 27, 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 latest issuer rating obtained when the Company issued the 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 st Unsecured Corporate Bond in 2018	2 nd Unsecured Corporate Bond in 2018	3 rd Unsecured Corporate Bond A in 2018	3 rd 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\$6.0billion	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 26, 2018 AA-(tw) given by Fitch Ratings Inc. on December 18, 2017 (Note2)	twAA- given by Taiwan Ratings Corporation on April 26, 2018 AA-(tw) given by Fitch Ratings Inc. on December 18, 2017 (Note2)	twAA- given by Taiwan Ratings Corporation on April 26, 2018 AA-(tw) given by Fitch Ratings Inc. on December 18, 2017 (Note2)	twAA- given by Taiwan Ratings Corporation on April 26, 2018 AA-(tw) given by Fitch Ratings Inc. on December 18, 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 latest issuer rating obtained when the Company issued the 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	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. 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.			
	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 (2019 and up to March 31, 2020)			
	Number of Shares not Recovered or Converted	38,267,999 shares (as of March 31, 2020)			
	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	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		

	2019	Highest	55.40
		Lowest	43.15
		Average	48.27
	As of March 31, 2020	Highest	55.30
		Lowest	47.40
		Average	53.82
Other Rights Attached	Amount of Shares Converted or Subscribed as of March 31, 2020	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

Item		Issue Date			
		May 28, 1992	February 2, 1997	October 22, 2003	August 1, 2011
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		13,847,850 shares (as of March 31, 2020)			
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	2019	Highest	US\$ 16.57		
		Lowest	US\$ 14.56		
		Average	US\$ 15.69		
	Current year up to March 31, 2020	Highest	US\$ 16.08		
		Lowest	US\$ 12.22		
		Average	US\$ 14.97		

(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 127-128 for more details on the Company's current products. Please refer to Page 194-197 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. 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; dry bulk shipping; 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; green power generation; offshore wind power substructure.

(II) Revenue Breakdown

Standalone

Unit: NT\$ thousands

Item	2019		2018	
	Amount	%	Amount	%
Revenue from sales of goods	201,535,449	97.22	229,993,271	97.70
Revenue from construction contracts	2,090,380	1.01	1,170,010	0.50
Revenue from rendering of services	1,310,380	0.63	1,895,404	0.80
Other revenues	2,361,324	1.14	2,344,466	1.00
Operating revenues	207,297,533	100.00	235,403,151	100.00

Consolidated

Unit: NT\$ thousands

Item	2019		2018	
	Amount	%	Amount	%
Revenue from sales of goods	332,497,927	90.79	371,074,344	92.61
Revenue from construction contracts	24,243,739	6.62	19,944,606	4.98
Freight and service revenues	6,773,430	1.85	7,138,111	1.78
Other revenues	2,725,639	0.74	2,507,996	0.63
Operating revenues	366,240,735	100.00	400,665,057	100.00

(III) Industry Overview

In 2019, revenues from steel products account for nearly 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 2019, the global economy witnessed dramatic changes. As a result of the US-China trade disputes, Brexit, and geopolitical influence, the momentum of the global economy was suppressed, affecting the growth rate of international trade and investment confidence. The European economy bore the brunt and the industrial manufacturing index led by automobiles fell, especially in industrial manufacturing powers like Britain and Germany. The annual trade volume of Japan and South Korea saw a decline, and what's more, Japan was caught in spending shrink due to consumption tax reform. Emerging countries in Southeast Asia delivered a relatively stable performance, maintaining an expanding momentum in imports and exports but remaining flat in consumption and investment. Taiwan's economic performance had been relatively stable in the face of changes in the international environment. According to the Directorate General of Budget, Accounting and Statistics, the estimated GDP growth rate of Taiwan in 2019 reached 2.71%, ranking top among the developed countries in Asia. Overall, the U.S. remains the focus of the global economy, and its high-end market demand and consumption power continue to increase, driving employment and domestic-oriented industries. In response to a

cascade of international turmoil, countries worldwide have successively proposed tax and fee reduction measures and related plans to stimulate domestic demand.

Since the globe was clouded by uncertainties in 2019, the international steel market was significantly under pressure in the second half of the year. All major steel mills in the world were beset by heavy cost pressure, while steel prices also fluctuated with the business cycle and hit a new low in the past four years. Therefore, the operation of steel mills was significantly affected. Nonetheless, as the bearish message faded away, the market saw a reverse trend in the fourth quarter.

Taiwan's domestic steel demand declined in 2019, and the overall sales volume decreased. However, encouraged by the government's policy of expanding domestic demand and incentives for the return of overseas Taiwanese businesses, the industries including public construction, wind power, rail construction, factory buildings, and housing delivered an optimistic and stable demand, and the industries like motor vehicles and home appliances also benefited from the related tax reduction or subsidy policies and performed satisfactorily as well. In contrast, the industries such as machinery, metal processing, hand tools, and fasteners suffered from an obvious decline in order due to the impact of the US-China trade war.

In the tide of global supply chain restructuring and regional economic integration, the steel downstream industries in Taiwan continue to actively expand overseas markets, scatter the proportion of customers around the world, and increase investment to reduce production risks.

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 (e.g., coking coal, iron ore, and scrap) mainly rely on imports. The midstream steel rolling industry is mainly composed of re-rollers, so semi-finished products such as billets and slabs rely on imports. The downstream is finely divided and comprised of numerous metal processing industries that are distributed throughout the country.

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, hardware and furniture), industrial machinery and equipment, 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 most types of steel products due to the limited absorption of the Taiwan market. 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.

Although Taiwan holds a superior geographical location of the center of East Asia that is in favor of export, it is susceptible to the export competition pressure from major steel-producing countries such as Mainland China, Russia, Japan, South Korea, Vietnam, and India. In recent two years, Mainland China and Russia have reduced their steel export volume as the result of the prevailing international trade protectionism, but Japan, South Korea, Vietnam, and India are taking active actions to promote export, 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 2019 is listed as follows:

Unit: NT\$ thousands	Standalone	Consolidated
2019	1,901,002	2,165,619
First Quarter of 2020	465,979	470,634

R&D status in 2019:

The Company completed a total of 37 new product R&D projects in 2019, 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 8th with 195 patent applications and 7th with 183 patent certificates according to the 2019 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.

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 2019, 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 for the electric vehicle industry

With the global wave of energy saving and carbon reduction, the development of electric vehicles has become a noticeable trend. There is also a growing demand for electrical sheets for drive motors with lower iron loss, higher magnetic flux, and

higher strength. By establishing key technologies, the Company has developed a variety of thin electrical sheets for drive motors in electric vehicles, successfully leading the use of such products by major electric vehicle manufacturers and the formulation of industrial specifications, while making the Company the main supplier of these manufacturers in North America. Apart from promoting the application of these products among well-known electric vehicle manufacturers, other major European, American, and Japanese automobile manufacturers are also currently in discussions with the Company on the supply of electrical sheets for electric vehicles, and are expected to introduce the Company's high-efficiency electrical sheets.

2. Development of steel for national defense

In line with the steel demand resulting from the government's indigenous national defense policy, the Company has developed products such as plates for military ships and armored fighting vehicles. The newly developed plates for military ships, including products such as air-cooled and water-cooled thin and thick plates, have obtained certification and are mass-produced. As regards plate for armored fighting vehicles, ultra-thin bullet-resistant plates have been developed and passed testing, thereby achieving domestic production of steel for armored fighting vehicle. In addition to the development of new products, the Company promotes industrial upgrading by collaborating with upstream and downstream sectors to jointly localize the production of materials for national defense.

3. Intelligent production technology

The Company's vision of intelligent production and sales is to use new digital technologies such as cloud, big data, and artificial intelligence (AI) to build intelligent systems in comprehensive business areas, and to drive innovation in systems, processes, organizations, and operating models, with a view to improving the operational efficiency. 2019 was defined as the "Inaugural Year of China Steel's AI", whose main goal is to "expand employee participation and build a foundation for the proliferation of intelligent manufacturing," and has been launched and promoted based on 3T, i.e. technology, talent, and team. The Company continues to build a hybrid cloud intelligent platform, train over 400 experts in the field and 40 AI seed talents, and undertake the design of 40 intelligent solutions, in order to develop the best practices for specialization and plan implementation in the AI team. The major achievements are as follows:

- (1) Intelligent control system for hot-dip galvanized coating: The Company incorporates AI to identify correlations of complex equations from a data-driven approach, and uses cyber-physical technology to develop virtual sensors for the thickness of galvanized coating and active electromagnetic vibration suppression devices, thereby addressing the problem of over coating on vertical and horizontal galvanized coatings and achieving the goal of reducing over coating by 7%.
- (2) Optimization of boiler fuel scheduling at No. 2 Power Plant: The Company applies process simulation technology and optimization algorithm to develop optimal scheduling guidance technology for multi-fuel and multi-unit equipment, and provides optimal operational recommendations for the combined operation of each unit equipment under load changing conditions, in order to address the problem of incompatibility between manual scheduling and complex systems.

4. Development of important industrial materials

CSC Group continues to advance the development of various industrial materials and products, including fine carbon materials, lithium battery materials, fine silver powder for optoelectronics industry, and automotive aluminum sheets. As for fine carbon materials, the Company has expanded the market in Japan, South Korea, and Thailand to reduce the dependence on the Chinese market. Strategic cooperation is established with artificial graphite factories to launch unique artificial mesophase anode products, in the hope of improving the existing product disadvantages.

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) Strengthen the marketing capabilities of overseas production bases, coil centers, and sales bases, and master the changes in sales channels and the international market.
- (3) Actively participate in important meetings of international organizations and grasp the dynamic and strategic thinking of major global steel mills.
- (4) Integrate the Group's and invested resources, such as hot-rolled products and slabs from the Company, Chung Hung Steel Corporation, Dragon Steel Corporation, Formosa Ha Tinh Steel Corporation, etc., and provides mutual support to expand the regional sales foundation in Southeast Asia, Europe, America, and Japan.
- (5) Promote environmental protection and energy-saving, uplift production efficiency, and accelerate the implementation of equipment replacement.

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 construction and expand domestic demand market.
- (4) Develop target products with high added value and high competitiveness to enhance the competitiveness of the steel-using industry.
- (5) Strengthen environmental protection and social services.
- (6) Improve talent cultivation, technology and experience inheritance, and achieve the long-term goal of sustainable development.
- (7) Promote intelligent production and sales and smart manufacturing through artificial AI innovation, with the goal of developing into a high-value steel mill with premium products.

II. Market, Production and Sales Overview

(I) Domestic and Export Sales Breakdown for Steel Products

2019 Export Sales Breakdown by Region - Standalone

Sales Target	Amount (metric ton)	Percentage (%)
Japan	588,018	18.00%
Mainland China (including Hong Kong)	562,317	17.21%
Vietnam	458,491	14.03%
Thailand	283,770	8.69%
Malaysia	149,155	4.57%
Mexico	148,725	4.55%
Indonesia	140,478	4.30%
India	139,611	4.27%
Others	796,544	24.38%
Total	3,267,109	100.00%

2019 Domestic Sales Breakdown by Industry - Standalone

Sales Target	Amount (metric ton)	Percentage (%)
Direct users	1,363,475	19.41%
Bolts and Nuts	942,293	13.41%
Re-rolling	931,065	13.26%
Coil center	925,607	13.18%
Steel structures	359,484	5.12%
Piping	355,286	5.06%
Trader	297,084	4.23%
Vehicles	258,655	3.68%
Shipbuilding	100,233	1.43%
Hand tools	68,762	0.98%
Wire-rope	38,154	0.54%
Others	1,383,734	19.70%
Total	7,023,832	100.00%

2019 Export Sales Breakdown by Region- Consolidated

Sales Target	Amount (metric ton)	Percentage (%)
Japan	906,453	14.00%
Vietnam	903,318	13.96%
Mainland China (including Hong Kong)	748,586	11.57%
Malaysia	645,033	9.97%
Thailand	401,627	6.20%
Mexico	197,838	3.06%
Indonesia	188,620	2.91%
India	127,101	1.96%
Others	2,354,376	36.37%
Total	6,472,952	100.00%

2019 Domestic Sales Breakdown by Industry - Consolidated

Sales Target	Amount (metric ton)	Percentage (%)
Re-rolling	2,217,935	27.21%
Direct users	1,325,278	16.26%
Coil center	1,142,509	14.02%
Bolts and Nuts	942,293	11.56%
Trader	716,595	8.79%
Piping	481,152	5.90%
Steel structures	315,862	3.88%
Vehicles	258,671	3.17%
Shipbuilding	100,233	1.23%
Hand tools	70,470	0.87%
Wire-rope	38,154	0.47%
Others	541,206	6.64%
Total	8,150,358	100.00%

(II) Market Supply and Demand Outlook

Looking forward to 2020, the price of steel raw material is expected to remain stable, so steel mills will have effective control over costs. In addition, major international steel mills have plans for revamping of blast furnaces and equipment maintenance, which will lead to a slightly tight supply and support steel prices. Demand for steel depends on whether the difference between domestic and foreign steel prices has an excessively large comparative interest under trade protectionism and whether steel price can be kept at a reasonable and stable level under the consideration of tariffs, so as to ensure a balanced market supply and demand. With Mainland China's active promotion of infrastructure to stimulate the economy, worldsteel has revised up the projected volume of global steel demand in 2020, expecting a gradually increase in international steel demand.

The performance of Taiwan's domestic-oriented steel products in 2020 was originally expected to be decent, which continued last year's domestic investment growth momentum. Industries related more to domestic demand, such as steel structures,

automobiles and motorcycles, wind power, infrastructure, network servers, motors, and home appliances, were anticipated to have an increased demand, while the export-oriented industries including automobiles and motorcycles, hand tools, fasteners, mechanical equipment, etc., would register relatively slow growth. However, the outbreak of COVID-19 worldwide in the first quarter of 2020 has led to various anti-epidemic measures including quarantine and shutdown that are certain to impact the economic activities of various countries and consequentially affect the demand for steel products. Excluding the server industry that benefits from the order-transfer effect, the other industries in Taiwan, such as machine tools, automotive parts, metal processing, and hardware products, are expected to suffer from delayed delivery of orders or decreased demand due to supply chain factors. In view of this, apart from vigorously promoting domestic demand stimulus policies, the government also launches programs such as interest rate cuts, tax cuts, delayed taxation, and reduction of financing thresholds in a bid to alleviate the operating pressure of the downstream industries. Fortunately, the epidemic situation in Taiwan is relatively well controlled. Upon the completion of the outbreak, the restocking and deferred demand is to be released intensively. It is generally believed that in the second half of 2020, Taiwan's steel industry should be able to turn positive.

In 2019, the domestic market share of the Company's main steel products were 68% for plates, 55% for wire rods, 33% for hot-rolled coils, 61% for cold-rolled coils, 86% for electrical sheets, 27% for hot-dip galvanized steels, and 65% 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 82%, while the joint market share of cold-rolled coils produced by the Company and Chung Hung Steel Corporation was 77%).

(III) Business Objectives

In 2020, the Company plans to sell a total of 9.32 million tons of steel products, including domestic sales of 6.33 million tons and export sales of 2.99 million tons. The Steel Division of CSC Group is targeting sales of 12.97 million tons, including domestic sales of 8.47 million tons and export sales of 4.50 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 first quarter of 2020 saw the outbreak of COVID-19. According to the International Monetary Fund (IMF), the outbreak will affect global economic growth, possibly leading to the downward revision of the originally expected global economic growth rate of 3.3% in 2020. Nevertheless, if the epidemic is controlled later on, coupled with the incentive of the truce in the US-China trade war, the global economic situation is expected to be back on track.

Regarding the international steel market, worldsteel predicted in October 2019 that the global steel demand in 2020 would increase by 1.7% to 1,806 million tons, and

the international steel demand would still maintain an expanding momentum. Under the above internal and external challenges, CSC continuously aims at growing into a steel mill with premium products and develops high technical content and high value-added steel products. Conforming to the trend of Industry 4.0, we uplift the production efficiency to reduce costs and shorten delivery lead time with the help of various techniques including smart factory, smart manufacturing, cloud computing, and big data. In addition, CSC strives to optimize transportation scheduling to reduce logistics costs using AI technology and improve overall customer services to create a niche. With the goal of improving customer services experience, CSC will try its best to meet customers' potential needs and pay more attention to the overall long-term development of the steel industry.

2. Favorable and unfavorable factors

Favorable factors:

- (1) Governments in Europe, America, and Southeast Asia continue to promote infrastructure projects to stimulate domestic demand and cut interest rates to lower capital costs and drive demand.
- (2) Mainland China implements production restriction and capacity reduction measures to stabilize steel production capacity, expands infrastructure construction, and reduces steel export volume, which are conducive to the stability of the steel market.
- (3) Taiwanese government strengthens public construction investment and formulates policies to stimulate domestic demand. The return of overseas Taiwanese businesses and order-transfer effect are to drive the steel industry to gradually rise.
- (4) The downstream industries have strong international competitiveness and high industry intensity that are beneficial to expanding overseas markets.

Unfavorable factors:

- (1) The rise of protectionism in global trade restricts the export market expansion. Taiwan has not joined the relevant regional economic cooperation organizations, thereby facing higher tariff barriers than competing countries.
- (2) A 25% tariff imposed by the U.S. on imported steel since 2018 may push out products previously sold to the U.S. by downstream manufacturers in Taiwan, such as coated products, steel pipes, and cold-rolled products. Thus, such products have to be sold to relatively low-priced regions, such as the European Union and Southeast Asia. The US-China trade dispute continues to have impact on the operation of Taiwanese steel manufacturers in 2020.
- (3) Due to geopolitical changes, a few steel mills undersell steel, causing short-term regional steel market fluctuations and operational risks.

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 various countries, push for tariff exemption or quota with help from the government or develop cooperation with downstream enterprises in response; (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 improve product quality, shorten delivery time, and reduce costs; (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 supply chain services: Provide customers and suppliers with a more effective trading method and enhance flexibility and adaptability; (6) Develop reasonable and effective incentive measures to meet the market demand, quickly obtain orders and maintain operational momentum.

(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 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, 2019 to December 31, 2019)

China Steel Corporation			Dragon Steel Corporation		
Country	Amount (ten thousand tons)	Percentage (%)	Country	Amount (ten thousand tons)	Percentage (%)
Australia	649	77.72%	Australia	327	86.05%
Canada	133	15.93%	Canada	40	10.53%
Others	53	6.35%	Others	13	3.42%
Total	835	100.00%	Total	380	100.00%

B. Sources of Iron Ore (January 1, 2019 to December 31, 2019)

China Steel Corporation			Dragon Steel Corporation		
Country	Amount (ten thousand tons)	Percentage (%)	Country	Amount (ten thousand tons)	Percentage (%)
Australia	1,182	75.87%	Australia	556	65.88%
Brazil	192	12.32%	Brazil	232	27.49%
Canada	167	10.72%	Canada	34	4.03%
Others	17	1.09%	Others	22	2.60%
Total	1,558	100.00%	Total	844	100.00%

C. Sources of Limestone (January 1, 2019 to December 31, 2019)

China Steel Corporation			Dragon Steel Corporation		
Country	Amount (ten thousand tons)	Percentage (%)	Country	Amount (ten thousand tons)	Percentage (%)
Japan	123	41.41%	Japan	63	43.15%
Taiwan	81	27.27%	Vietnam	31	21.23%
Vietnam	39	13.13%	Philippines	24	16.44%
Philippines	28	9.43%	Taiwan	21	14.38%
Others	26	8.76%	Others	7	4.80%
Total	297	100.00%	Total	146	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
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
2019	Chung Hung Steel Corporation	20,637,270	10.24	Subsidiary
	Others	180,898,179	89.76	N/A
	Net sales	201,535,449	100.00	N/A
As of the previous quarter in 2020	Information for the previous quarter prior to the publication date of this annual report is the information for 2019. 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
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
2019	Dragon Steel Corporation	17,209,793	12.55	Wholly-owned subsidiary
	Company A	18,873,284	13.76	Supplier
	Company B	14,765,907	10.77	Supplier
	Others	86,282,143	62.92	N/A
	Net purchases	137,131,127	100.00	N/A
As of the previous quarter in 2020	Information for the previous quarter prior to the publication date of this annual report is the information for 2019. Hence, the information is as above.			

Note on increase or decrease:

- (1) Company A's rise in purchase ranking was mainly due to the increase in the overall purchase amount that resulted from the rise of iron ore prices and the increase in purchase quantity.
 - (2) Starting from 2019, the trading counterparty of the Company's purchase from the group, which Company B belongs to, has been all shifted to Company B.
3. The Company and our subsidiaries do not have any customers accounting for more than 10 percent of the total consolidated sales of goods.

4. Information on suppliers accounting for more than 10 percent of the total purchases of goods at the Company and our subsidiaries:

Year	Name	Amount (NT\$ thousands)	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer
2019	Company A	25,105,135	10.91	Supplier
	Others	204,957,133	89.09	N/A
	Net purchases	230,062,268	100.00	N/A
As of the previous quarter in 2020	Information for the previous quarter prior to the publication date of this annual report is the information for 2019. Hence, the information is as above.			

Note on increase or decrease: Company A's rise in purchase ranking was mainly due to the increase in the overall purchase amount that resulted from the rise of iron ore prices and the increase in purchase quantity.

(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

Year Major Product	2019			2018		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Plates	1,000,000	840,934	15,747,144	1,000,000	959,739	16,816,982
Bars and wire rods	1,626,000	1,666,159	33,313,153	1,626,000	1,971,852	37,198,320
Hot-rolled products	3,725,000	2,814,129	44,454,938	3,725,000	2,689,845	41,121,824
Cold-rolled products	2,409,000	2,991,574	62,863,850	2,409,000	3,317,014	67,139,677
Other steel products	-	426,872	5,979,061	-	301,885	4,554,463
Total (Steel products)	8,760,000	8,739,668	162,358,146	8,760,000	9,240,335	166,831,266
Others (Non-steel products and by-products)	NA	NA	3,386,836	NA	NA	3,079,399
Total	NA	NA	165,744,982	NA	NA	169,910,665

Note: Other steel products refer to commercial slabs, pig iron, 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		2019				2018			
	Sales Volume and Value	Domestic Sales		Export Sales		Domestic Sales		Export Sales		
		Volume	Value	Volume	Value	Volume	Value	Volume	Value	
Plates	785,110	16,864,130	58,167	1,173,403	887,431	18,612,649	80,600	1,551,382		
Bars and wire rods	1,716,307	40,444,184	163,221	3,617,989	2,100,378	50,303,895	205,907	4,577,797		
Hot-rolled products	1,671,353	28,143,241	1,484,654	24,390,882	1,898,367	33,501,848	1,201,221	21,385,682		
Cold-rolled products	1,466,048	31,132,502	1,561,041	32,712,257	1,559,097	34,677,411	1,847,658	39,355,490		
Other steel products	1,385,014	18,467,258	26	8,417	1,455,672	20,688,712	5,797	78,504		
Others (Non-steel products and by-products)	NA	4,581,186	NA	-	NA	5,259,901	NA	-		
Total	7,023,832	139,632,501	3,267,109	61,902,948	7,900,945	163,044,416	3,341,183	66,948,855		

Consolidated – Breakdown of production volume and value

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

Major Product	Year		2019			2018		
	Production Volume and Value	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value	
Plates		1,000,000	840,934	15,747,144	1,000,000	959,739	16,816,982	
Bars and wire rods		1,626,000	1,666,159	33,313,153	1,626,000	1,971,852	37,198,320	
Hot-rolled products		9,925,000	8,241,940	130,914,007	9,925,000	8,432,231	129,227,944	
Cold-rolled products		4,839,000	4,615,946	97,090,844	4,839,000	5,200,676	107,929,565	
Steel pipes		248,000	136,757	3,016,435	248,000	174,007	3,783,018	
H-beams		600,000	442,385	8,681,345	600,000	433,728	8,546,098	
Narrow plates			43,658	895,406		64,833	1,214,350	
Steel frames		240,000	131,796	6,871,406	240,000	211,233	9,028,248	
Other steel products		NA	1,827,948	27,148,702	NA	2,031,872	29,139,235	
Total (Steel products)		18,478,000	17,947,523	323,678,442	18,478,000	19,480,171	342,883,760	
Others (Non-steel products and by-products)		NA	NA	21,210,979	NA	NA	22,310,798	
Total		NA	NA	344,889,421	NA	NA	365,194,558	

Note: Other steel products refer to commercial slabs, billet, pig iron, 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	Sales Volume and Value	2019				2018			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Plates	718,406	15,346,695	58,099	1,171,345	776,971	16,080,095	79,402	1,515,582	
Bars and wire rods	1,710,463	40,394,247	163,218	3,622,542	2,093,687	50,234,369	206,946	4,608,511	
Hot-rolled products	3,458,395	58,381,080	3,124,737	50,457,313	4,033,673	71,976,639	2,674,283	47,588,143	
Cold-rolled products	1,733,562	36,141,593	2,907,703	60,747,194	1,873,949	41,326,017	3,284,615	71,282,752	
Steel pipes	9,410	253,628	128,859	3,464,883	9,937	243,204	157,525	4,229,366	
H-beams	360,609	7,633,923	53,534	1,077,928	334,689	6,957,472	40,002	803,775	
Narrow plates	35,400	776,653	-	-	53,973	1,149,017	-	-	
Other steel products	124,113	1,510,845	36,802	384,826	132,189	1,866,719	34,220	351,821	
Steel trading and others (Non-steel products and by-products)	NA	924,910	NA	76,257	NA	781,174	NA	95,878	
Total	8,150,358	161,363,574	6,472,952	121,002,288	9,309,068	190,614,706	6,476,993	130,475,828	

Note: The sales revenue of China Steel Global Trading Corporation and its subsidiaries has been reclassified from “Steel products revenue” to “Trading and logistics revenue” since 2019, and will no longer be included in the breakdown of steel product sales volume and value. The data for 2018 was adjusted accordingly, so the sales value shown in this table is different from the number disclosed in 2018 annual report. But, the sales data from trading of steel products of China Steel Global Trading Corporation and its subsidiaries was classified as “Steel trading and others (Non-steel products and by-products)” without disclosing sales volume. The adjustment to 2018 data has no impact on the sales volume disclosed.

(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.

The Company's "cost reduction activities" have managed to achieve a cost saving implementation rate of 117% in 2019. 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. Optimizing production scheduling.

The key improvement items of Dragon Steel Corporation's cost reduction efforts include:

1. Reducing raw material costs;
2. Nationalization of equipment and reducing the cost of repair and maintenance;
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, 2020)

Year	End of 2018	End of 2019	2020.03.31	
Number of Employees	10,431	10,238	10,128	
Average Age	45.78	45.14	44.86	
Average Years of Service	13.80	13.77	13.62	
Distribution of Academic Qualifications (%)	PhD	1.80	1.86	1.88
	Master's degree	18.62	19.14	19.44
	Bachelor's degree	47.01	48.40	48.84
	High school	31.11	29.57	28.86
	Below high school	1.46	1.03	0.98

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, 2020)

Year	End of 2018	End of 2019	2020.03.31	
Number of Employees	28,648	28,634	28,623	
Average Age	41.12	40.72	39.76	
Average Years of Service	10.73	10.93	10.60	
Distribution of Academic Qualifications (%)	PhD	0.84	0.83	0.84
	Master's degree	15.02	14.85	14.95
	Bachelor's degree	51.02	53.55	53.62
	High school	27.86	26.66	26.43
	Below high school	5.26	4.11	4.16

2019	CSC	CSC and DSC
Crude steel production (metric ton)	9,887,879	15,230,217
Revenues (NT\$ thousands)	207,297,533	292,115,907
Average number of workers (persons)	10,205	13,429
Average annual crude steel production per capita (metric ton)	969	1,134
Average annual revenues per capita (NT\$ thousands)	20,315	21,748
Working hours per ton of crude steel (hour/ton)	2.11	1.85

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 obtained ISO 14001 - Environmental Management System (EMS) certification and received registration approval which required renewal every three years. In 2019, the Company was externally audited by the British Standards Institution (BSI) Taiwan Branch, where two deficiencies were found. The Company has made up the deficiencies and successfully passed the 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 Environmental, Health and Safety (EHS) Management 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.

As regards toxic chemical substance control, the Company reports the monthly handling quantity and annual release quantity in accordance with the law. Besides, in order to prevent and respond to the toxic chemical disaster, the Company has formulated the "Toxic Chemical Substance Emergency Response, Detection and Alarm Equipment Plan" and the "Toxic Chemical Substance Hazard Prevention and Emergency Response Plan," and regularly conducts toxic chemical disaster drills.

According to the ISO environmental management system, the Company promotes air pollutant reduction goals, incorporates the world's advanced and best available control technologies and conducts rolling review year by year, as well as promote reduction plans to reduce air pollution emissions and air pollution fees, aiming to realize low-pollution, green, and sustainable steel mills.

In terms of air pollution management, the Company's management policies are listed as follows: 1. Strengthen the management of air pollution-related laws and regulations to comply with the requirements of various laws and regulations and reduce abnormal situations related to air pollution. 2. Plan response measures for poor air quality in autumn and winter, as well as medium- and long-term air pollution improvement plans in line with the government's air quality improvement policy.

To ensure the normal operation of various environmental monitoring equipment (Continuous Emission Monitoring System (CEMS), environmental condition monitoring system (CCTV), Ambient Air Quality Monitoring System (AAQMS), and Fourier-Transform Infrared Spectroscopy (FTIR)), the Company has completed the inspection and declaration of particles, sulfur oxides (SO_x), nitrogen oxides (NO_x), volatile organic compounds (VOCs), and dioxins (DXNs), etc. in all chimneys, and applied for the stationary pollution source installation, modification, operating,

alteration and extension permits in accordance with the law. The Company continuously strengthens in-plant inspections, reviews the implementation of pollution prevention, and plans reduction and improvement measures in line with the "Air Pollution Prevention and Control Plan" formulated by the Executive Yuan and the Air Pollution Control Act set forth by the Environmental Protection Administration (EPA).

With regard to greenhouse gas management, in order to properly manage and reduce greenhouse gas emissions, the Company completed the 2018 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 2019 organizational-level greenhouse gas inventory internal audit. In addition, the Company continues to manage the amount of greenhouse gas reduction, where a balance of 4,586,203 tons of CO₂e was recorded at the end of 2019. 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.

The Company recycles, processes, and reuses rainwater to reduce the contaminant level of discharge and decreases the load to adjacent water bodies through interception stations and runoff wastewater treatment facilities set up in material yards and rainwater drainage systems. In 2019, the amount of wastewater discharged at the Company averaged approximately 41,600 tons/day, while the contaminant concentration discharged fully complied with standards for discharged water.

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 has 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 applications of cement raw materials. On the other hand, desulfurization slag is used in the cement raw materials with the aim of continuously increasing its usage among cement mills.

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.

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 in cooperation with the Environmental Protection Administration and the Industrial Development Bureau, so that waste between industries can be effectively reused. In 2019, the industrial ecology network centered on CSC comprised 23 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 mixture, coal tar, waste pickling liquor and spent refractory.

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. Furthermore, the Company also investigates soil and groundwater pollution before leasing or purchasing lands to clarify pollution liabilities and protect the Company's interests.

(I) Losses caused by pollution in the most recent year up to the publication date of this annual report
(March 31, 2020)

		2019		January to March 2020
CSC	Status of Pollution (Type and Level)	Air pollution	Air pollution	None
	Compensation Claimed by/Penalty Incurred by	Environmental Protection Bureau, Kaohsiung City Government	Environmental Protection Bureau, Kaohsiung City Government	None
	Amount of Compensation or Penalty	A fine of NT\$200,000	A fine of NT\$200,000	None
	Other Losses	None	None	None
	Date of Punishment	2019.10.06	2019.12.06	None
	Punishment Letter No.	No. 20-108-100027 and 20-108-110011 from Environmental Protection Bureau, Kaohsiung City Government	No. 20-109-020001 from Environmental Protection Bureau, Kaohsiung City Government	None
	Regulations Violated	Subparagraph 1, Paragraph 1, Article 32 and Paragraph 1, Article 33 of the Air Pollution Control Act	Subparagraph 1, Paragraph 1, Article 32 of the Air Pollution Control Act	None
	Content of Regulations Violated	Effusion of particulate pollutants	Effusion of particulate pollutants	None
	Content of Punishment	Production of significant particulate pollutants dispersed in the air outside the plant	Effusion of significant particulate pollutants in the air above the plant	None

		2019	January to March 2020
CHS	Status of Pollution (Type and Level)	Incorrect reporting of waste	None
	Compensation Claimed by/Penalty Incurred by	Environmental Protection Bureau, Kaohsiung City Government	None
	Amount of Compensation or Penalty	A fine of NT\$6,000	None
	Other Losses	None	None
	Date of Punishment	2019.12.12	None
	Punishment Letter No.	No. 10807163600 from Environmental Protection Bureau, Kaohsiung City Government	None
	Regulations Violated	Subparagraph 2, Paragraph 1, Article 31 of the Waste Disposal Act	None
	Content of Regulations Violated	Report to the special municipality, county or city competent authority via the Internet the circumstances regarding the production, storage, clearance, disposal, reuse, export, import, transit and transshipment of the waste at issue in accordance with the format, items, content, and frequency stipulated by the central competent authority.	None
	Content of Punishment	Incorrect figures reported with regard to the production and storage amount of "wastewater or sewage whose pH value lies between 6.0 and 9.0 (D-1506)"	None
CSCC	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\$300,000	None
	Other Losses	None	None
	Date of Punishment	2019.02.20	None
	Punishment Letter No.	No. 20-108-030030 and No. 20-108-030031 from Environmental Protection Bureau, Kaohsiung City Government	None
	Regulations Violated	Paragraph 1, Article 20 of the Air Pollution Control Act	None
	Content of Regulations Violated	Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	None
	Content of Punishment	The net inspection value for the random sampling of VOCs in equipment components exceeded 2,000 ppm as stipulated in the Kaohsiung City Volatile Organic Compound Control and Emission Standards for equipment components.	None

		2019		January to March 2020
CEC	Status of Pollution (Type and Level)	Waste		None
	Compensation Claimed by/Penalty Incurred by	Kaohsiung District Prosecutors Office		None
	Amount of Compensation or Penalty	A fine of NT\$70,000		None
	Other Losses	None		None
	Date of Punishment	2019.01.03		None
	Punishment Letter No.	2018 No. Detect-9190		None
	Regulations Violated	Subparagraph 4, Paragraph 1, Article 46 of the Waste Disposal Act		None
	Content of Regulations Violated	Conducting waste storage, clearance, disposal without obtaining the waste clearance and disposal permission pursuant to Paragraph 1, Article 41 of the Waste Disposal Act, or storing, clearing and disposing of waste not in accordance with the content designated in the waste clearance and disposal permission.		None
	Content of Punishment	A fine paid into the public treasury		None
CHC Resources	Status of Pollution (Type and Level)	Failing to timely report the changes of dedicated personnel for waste	Waste	None
	Compensation Claimed by/Penalty Incurred by	Environmental Protection Bureau, Kaohsiung City Government	Environmental Protection Bureau, Kaohsiung City Government	None
	Amount of Compensation or Penalty	A fine of NT\$6,000	A fine of NT\$6,000	None
	Other Losses	None	None	None
	Date of Punishment	2019.01.16	2019.02.01	None
	Punishment Letter No.	No. 44-108-020013 from Environmental Protection Bureau, Kaohsiung City Government	No. 40-108-110042 from Environmental Protection Bureau, Kaohsiung City Government	None
	Regulations Violated	Paragraph 2, Article 28 of the Waste Disposal Act, and Item 4 in the announcement for "Enterprises Designated and Officially Announced That Shall Employ Dedicated Personnel for Waste Disposal"	Subparagraph 1, Paragraph 1, Article 31 of the Waste Disposal Act	None

		2019		January to March 2020
CHC Resources	Content of Regulations Violated	When the professional technical personnel hired by the enterprise fails to perform his/her duties or resigns, the enterprise shall designate an agent within 15 days and report to the competent authority for future reference, and shall employ another qualified personnel to take over his/her position within 90 days.	Operations may begin only after the review and approval of an industrial waste disposal plan submitted to the special municipality, county or city competent authority or the organization commissioned by the central competent authority; this regulation shall also apply to the modification of matters related to the production and disposal of industrial waste.	None
	Content of Punishment	Fail to employ qualified personnel to take over the previous one within 90 days.	The amount of mixtures of waste fiber, cotton, or cloths (D-0899) produced from May to August 2019 and non-hazardous furnace dust or its mixtures (D-1099) produced from January to August 2019 at Yungchun Plant was 10% over the maximum monthly output approved in the Waste Disposal Plan.	None
	Status of Pollution (Type and Level)	Violation of waste clearance and disposal regulations	Overdue reporting of air pollution	None
	Compensation Claimed by/Penalty Incurred by	Environmental Protection Bureau, Kaohsiung City Government	Environmental Protection Bureau, Taichung City Government	None
	Amount of Compensation or Penalty	A fine of NT\$6,000	A fine of NT\$200,000	None
	Other Losses	None	None	None
	Date of Punishment	2019.04.03	2019.08.22	None
	Punishment Letter No.	No. 40-108-050008 from Environmental Protection Bureau, Kaohsiung City Government	Fine Notification No. 20-108-110027, and Fine Notification No. 20-108-110028	None
Regulations Violated	Subparagraph 2, Paragraph 1, Article 31 of the Waste Disposal Act	Paragraph 2 and Paragraph 4, Article 24 of the Air Pollution Control Act and Article 20 of the Regulations Governing Stationary Pollution Source Installation and Operating Permit Management	None	

		2019		January to March 2020
CHC Resources	Content of Regulations Violated	Report to the special municipality, county or city competent authority via the Internet the circumstances regarding the production, storage, clearance, disposal, reuse, export, import, transit and transshipment of the waste at issue in accordance with the format, items, content, and frequency stipulated by the central competent authority.	Submit verification documents that demonstrate compliance with the regulations of the Act to the special municipality, county or city competent authority or other government agency commissioned by the central competent authority in order to apply for the issuance of operating permits, and perform operations pursuant to the permit contents.	None
	Content of Punishment	Fail to deliver waste filter bags (D-0899) of Yungchun Plant to qualified waste clearance enterprises for clearance and transportation.	Overdue reporting of regular inspection of process flues P101 and P301 at Taichung Plant in 2019.	None
DSC	Status of Pollution (Type and Level)	Waste	Air pollution	None
	Compensation Claimed by/Penalty Incurred by	Environmental Protection Bureau, Taichung City Government	Environmental Protection Bureau, Taichung City Government	None
	Amount of Compensation or Penalty	A fine of NT\$6,000	A fine of NT\$100,000	None
	Other Losses	None	None	None
	Date of Punishment	2019.04.11	2019.04.11	None
	Punishment Letter No.	Fine Notification No. 40-108-050001	Fine Notification No. 20-108-060031	None
	Regulations Violated	Paragraph 1, Article 36 of the Waste Disposal Act and Article 10 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste	Paragraph 4, Article 24 of the Air Pollution Control Act and Article 20 of the Regulations Governing Stationary Pollution Source Installation and Operating Permit Management	None
	Content of Regulations Violated	No equipment or measures to prevent the inflow or infiltration of surface water or rainwater, and no water collection facilities, equipment or measures set up in the open storage location	Fail to report within 30 days after completing the inspection.	None

		2019		January to March 2020
DSC	Content of Punishment	The oxidizing slag storage area was an open storage area. However, no equipment or measures to prevent the inflow or infiltration of surface water or rainwater, and no water collection facilities, equipment or measures are set up in this storage location.	Inspection of CO in emission pipe PM01 was conducted on April 27, 2017. However, the results were yet to be reported as of the time of audit.	None
	Status of Pollution (Type and Level)	Air pollution	Air pollution	None
	Compensation Claimed by/Penalty Incurred by	Environmental Protection Bureau, Taichung City Government	Environmental Protection Bureau, Taichung City Government	None
	Amount of Compensation or Penalty	A fine of NT\$100,000	A fine of NT\$100,000	None
	Other Losses	None	None	None
	Date of Punishment	2019.04.18	2019.10.07	None
	Punishment Letter No.	Fine Notification No. 10-108-060029	Fine Notification No. 20-108-120040	None
	Regulations Violated	Paragraph 1, Article 23 of the Air Pollution Control Act	Paragraph 2 and Paragraph 4, Article 24 of the Air Pollution Control Act and Article 23 of the Regulations Governing Stationary Pollution Source Installation and Operating Permit Management	None
	Content of Regulations Violated	Fail to collect pollution sources effectively.	Fail to operate in accordance with the permit.	None
Content of Punishment	Damage was found on the dust collection pipeline, causing air pollutants to be discharged into the atmosphere without being treated by the electrostatic precipitator, an air pollution control device. This showed that air pollutants were not collected effectively.	The north and south sides of the coal bin were not completely closed, which was not consistent with the approved permit (subject to enclosed buildings).	None	

In 2019 and up to the publication date of this annual report, China Steel Structure Co., Ltd. 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."

Besides, Chung Hung Steel Corporation, China Steel Chemical Corporation, China Ecotek Corporation, CHC Resources Corporation, and Dragon Steel Corporation have immediately made improvements to deficiency items and have taken improvement measures such as conducting training on environmental protection regulations, revising operating procedures, and strengthening the verification as well as reminder mechanism for reporting.

(2) Expected environmental investments in the next two years

To reduce air pollution emissions, the expected investment amount in the next two years is as follows:

A. In 2020, there will be 79 environmental protection investment projects in total, including "Phase 1 Coke Oven Plant and Dry Quenching Facility Construction Project," "Replacement of the No. 2 Reheating Furnace at No.1 Hot Strip Mill," and "Replacement of No. 2 Dust Collector at No.1 Basic Oxygen Furnace," with a total investment amount of NT\$6,174,073 thousand.

B. In 2021, there will be 43 environmental protection investment projects in total, including "Phase 1 Coke Oven Plant and Dry Quenching Facility Construction Project," "Installation of New Desulfurization Equipment at No. 1 Sinter Plant," and "Phase 1 Construction project of new enclosed building in coking coal storage yard," with a total investment amount of NT\$10,637,914 thousand.

(3) Effects after improvement

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

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

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) management cycle to continuously improve and implement comprehensive safety and health management, so as to create a healthy work environment. To realize effective discussion and solution to practical issues, the Company has set up the Occupational Safety & Hygiene Committee, 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 occupational safety and hygiene management system is operated based on risk management. The Company successfully obtained the OHSAS 18001 certification in 2002, and the TOSHMS certification in 2009 with follow up verifications every year (including 2019). 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 is expected to finish the conversion certification in 2020. 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 reinforce the corresponding abilities for emergencies, and prevent personal injuries, property losses, and environmental impacts resulting from accidents.

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 2019, the Company conducted 14 types of courses related to on-the-job licensing training regarding safety and hygiene regulations for 67 batches of personnel, with up to 2,461 employees trained in total; 4 types of courses related to physical safety training for 76 batches of personnel, with up to 661 employees trained in total; and the traffic safety training for 8 batches of personnel to improve the concept of defensive driving, with up to 775 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, briefing on new dangerous machinery and equipment, basic training for the practical explosion-proof and electrical safety management, AED operation training, and on-the-job training for personnel in radiation operations.

3. Health care

(1) 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 3,285 counts of participation. A total of 3 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.

- (2) 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, gynecological ultrasound examination, etc.) with a total of 6,267 counts of attendance, aiming at provoking employees to pay attention to their own health and implement healthy habits.
- (3) This year, the Company's maternity protection program comprised a total of 15 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) To strengthen the in-plant traffic safety, the Company implemented a mid-to-long-term plan for the road safety inspection in the plant and engaged external traffic scholars and expert, Dr. Ming-Tsung Lee of the National Kaohsiung University of Science and Technology, to inspect and formulate the "Inspection Table for Road Safety" suitable for the Company, according to which the Company carry out inspection and work out corresponding traffic improvement plans. In 2019, the Company completed the road safety inspection and improvement plan report for the demonstration zone and the North-East Zone-2. The Company will continue to implement actions for traffic safety in 2020 and complete the road safety inspection for the entire plant.
- (2) Promote massive traffic enforcement
For drivers to comply with rules, the Company increases the frequency and intensity of violation enforcement. The crackdown actions include promoting stop-watch upon turning vehicles, speed limitation for driving, and sobriety test at the gate. The Company also increases the inspection methods for traffic violations, such as fixed-spot/dynamic/CCTV inspection.

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) The Company launched multiple projects, including checking for the power use safety at workplaces of contractors, examining whether there is any risk of leaking pipe/tank/yard of flammables that may lead to fire or explosion, checking over the insulating cover of cables and the environment where it is built that allows the Company to replace degraded cables to prevent electric shock or short circuit,

and carrying out a comprehensive re-check regarding the completeness of protection measures for work environments with the risk of falling.

- (3) To reinforce the industrial safety awareness of the safety and hygiene supervisory personnel from contractors, the Company opened a program for supervisory and managing personnel of high-risk operation (including two days of physical safety training courses) to improve their supervisory capability of the on-site industrial safety.
- (4) Group industrial safety communication: The Company invited industrial safety officers of Dragon Steel, C.S.Aluminium, and Chung Hung Steel to participate in the monthly meeting of the Company's Industrial Safety & Hygiene Department, so as to communicate and discuss information regarding industrial safety management.

(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 regularly receive on-the-job training. In 2019, the Company carried out and completed a total of 1,052 regular inspections of dangerous machinery and equipment, as well as a total of 10 modifications and final inspections on dangerous machinery and equipment. Meanwhile, the Company conducted workplace hazard risk assessment on 5 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. Safety and hygiene audit

Establishing an effective project for improving patrols and inspections, the Industrial Safety & Hygiene Department formed an audit team with industrial safety auditing personnel from other departments. The team, split into several groups, conducts daily inspection at key venues in the factories (departments), and the supervisor of the Industrial Safety & Hygiene Department reviews the inspection results, thereby facilitating the maintenance of operation safety in the factory.

3. 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 5 observation activities were carried out in 2019, while 10 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 members' 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.
- (4) Provides movies watching for the neighborhood, rental subsidies for transport bus, as well as book and newspaper borrowing and reading in the reading room.
- (5) Offers comprehensive group insurance under the employee welfare committee.
- (6) Sets up single employee dormitories, gymnasium, the CSC Group Hall and kindergarten.
- (7) Accepts applications for consumer loans, 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 2019, a total of 6,475 employees applies to the new labor pension system, while a total of 3,709 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. 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 handling of labor disputes, and supplementary provisions. The current collective agreement is the fifth edition, which signed on August 15, 2019 and took effect on the next day. The agreement totaled 79 articles.

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 communication

As the Company attaches great importance to labor relations, a labor-management meeting is held every month (a total of 12 meetings convened in 2019), with the purpose of promoting labor-management cooperation and improving work efficiency. Besides, according to the implementation directions for communication forums for plants (and departments), each plant (or department) shall conduct a forum every two to three months to communicate with employees, as well as strengthen exchange of opinions internally, so as to enhance employees' sense of belonging. In addition to labor-management meetings and communication forums

held in plants and departments, employees can express their opinions through the following channels:

- (1) Labor Union of China Steel Corporation: Employees who are members of the labor union can submit their appeals to the labor union through proper channels.
 - (2) Employee Welfare Committee: This committee handles employees' welfare-related matters.
 - (3) Occupational Safety & Hygiene Committee: This committee handles matters related to safety, hygiene, and environmental protection.
 - (4) Labor Retirement Reserve Fund Supervisory Committee: This committee handles matters related to depositing, using, and managing the retirement reserve fund.
 - (5) Appeals system/appeals hotline: Employees, who suffer 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.
 - (6) Sexual Harassment Complaint Committee: This committee is responsible for handling appeals related to sexual harassment at the workplace, in order to provide employees, dispatched workers, interns, and job seekers with a work environment free of sexual harassment.
5. 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 154-155 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 152-153 of this annual report for more details) specify employee code of conduct and ethics.

6. 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 2019 is as follows:

Company Name	Education and Training Expenditure in 2019 (NT\$ thousands)	Average Training Hours	Content of Training Course
China Steel Corporation	93,800	35	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	9,462	25	
Chung Hung Steel Corporation	3,143	23	
China Ecotek Corporation	2,755	12	
China Steel Chemical Corporation	4,795	40	
CHC Resources Corporation	1,529	19	
China Steel Structure Co., Ltd.	1,272	13	

(II) Losses caused by labor disputes in the most recent year up to the publication date of this annual report:

Name of Company	Punishment Information	2019	January to March 2020
China Ecotek Corporation	Date of Punishment	2019.01.02	None
	Punishment Letter No.	Kao Shih Lao Tiao Tzu No. 10740118100	None
	Regulations Violated	Article 24 and Paragraph 2, Article 32 of the Labor Standards Act	None
	Content of Regulations	Failure to pay overtime wages	None

Name of Company	Punishment Information	2019	January to March 2020
	Violated	for extended working hours in accordance with the regulations; extended working hours exceeding legal requirements	
	Content of Punishment	A fine of NT\$70,000	None
CHC Resources Corporation	Date of Punishment	2019.07.30	None
	Punishment Letter No.	2019 Lao Tsai Tzu No. 07	None
	Regulations Violated	Paragraph 1, Article 6 of the Collective Agreement Act	None
	Content of Regulations Violated	Improper labor conduct that violates the obligation to carry out ethical bargaining	None
	Content of Punishment	A fine of NT\$100,000	None

China Steel Corporation, Dragon Steel Corporation, Chung Hung Steel Corporation, China Steel Chemical Corporation, and China Steel Structure Co., Ltd. did not record any loss caused by labor disputes in 2019 up to the publication date of this annual report.

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~ 2020.03.31	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	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 Corporation	2015.07.01~ 2020.06.30	Supply of slabs	None
Procurement contract	Baltimore Aircoil Company (U.S.)	2018.11.12~ 2019.04.30	Replacement of the cooling coil module for No. 3 Blast Furnace	None
Procurement contract	ROSEN Germany GmbH (Germany)	2018.12.12~ 2020.03.31	Installation of ultrasonic testing system for plate mill	None
Procurement contract	Primetals Technologies Austria GmbH (Austria)	2019.05.23~ 2021.01.15	No. 3 Slab caster oscillation, mold width adjustment, and breakout prediction system revamping project for the Continuous Casters in the No. 1 Basic Oxygen Furnace at the Steelmaking Department	None
Procurement contract	SMS group S.p.A. (Italy)	2019.09.12~ 2023.08.31	Auxiliary equipment at finishing rolling area of No. 1 Hot Strip Mill	None
Procurement contract	Toshiba Mitsubishi-Electric Industrial Systems Corporation (Japan)	2019.09.18~ 2021.06.15	Replacement of the main integrated motor drive at Rolling Mill Department II	None
Procurement contract	Paul Wurth IHI Co., Ltd. (Japan)	2019.09.25~ 2021.12.31	Reformation of dense-phase conveyor system for pulverized coal injection (PCI) and addition of oxy-coal injection system for No. 2 Blast Furnaces	None
Procurement contract	Toshiba Mitsubishi-Electric Industrial Systems Corporation (Japan) and Primetals Technologies Japan, Ltd. (Japan)	2019.10.23~ 2021.12.31	Ultra-high pressure water jet system for rust removal in Hot Strip Mill	None
Procurement contract	MAN Energy Solutions SE (Germany)	2019.12.05~ 2022.12.31	Replacement of turbine blowers for No.1 Power House	None
Long-term borrowing	Export-Import Bank of the Republic of China	2018.04~2021.04	US dollar loan, floating rate, principal repayment at maturity	None
Long-term borrowing	Bank of Taiwan	2018.04~2021.04	US dollar loan, floating rate, principal repayment at maturity	TAIFX provisions
Long-term	Bank of Taiwan	2016.11~2019.11	Japanese yen loan,	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
borrowing		2019.11~2022.11	floating rate, principal repayment at maturity	
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	Bank of Taiwan	2019.08~2022.08	New Taiwan dollar loan with a revolving credit line	Credit utilization rate
Long-term borrowing	Chang Hwa Bank	2019.08~2022.07	New Taiwan dollar loan with a revolving credit line	None
Long-term borrowing	MUFG Bank, Ltd.	2019.11~2022.08	New Taiwan dollar loan with a revolving credit line	None
Long-term borrowing	Cathay United Bank	2019.12~2023.12	New Taiwan dollar, non-guaranteed commercial paper	Credit utilization rate
Long-term borrowing	Taishin International Bank	2020.01~2024.01	New Taiwan dollar, non-guaranteed commercial paper	Credit utilization rate
Engineering contract	Kaohsiung Rapid Transit Corporation	2018.01~2020.06	Operations and technical services for the ahead-of-schedule inauguration of Green Mountain Line of Danhai LRT	None
Engineering contract	China Steel Structure Co., Ltd.	2018.09~2020.01	Manufacturing and installation of the automatic enclosed building structure in sinter plants	None
Engineering contract	Taiwan High Speed Rail Corporation	2018.09~2024.03	Manufacturing and supply of catenary maintenance vehicles	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 engineering and renovation of automatic enclosed building structure in sinter plants	None
Engineering contract	Kaohsiung Rapid Transit Corporation	2018.12~2022.01	Operations and maintenance services for the Danhai LRT during the operating period	None
Engineering contract	China Steel Machinery Corporation	2018.12~2022.12	Procurement of main maintenance equipment for the Ankeng LRT Depot	None
Engineering contract	China Ecotek Corporation	2019.03~2022.12	Equipment supply for the demolition of Phase 1 and 2 of coking coal and iron ore transportation equipment	None
Engineering contract	China Ecotek Corporation	2019.04~2022.12	Installation works for the demolition of Phase 1 and 2	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
			of coking coal and iron ore transportation equipment	
Engineering contract	China Ecotek Corporation	2019.05~2020.02	Construction for the replacement of No. 31 Hot Stove	None
Engineering contract	United Steel Engineering & Construction Corporation	2019.05~2020.07	Civil engineering of conveyor line and renovation of electric room on Raw Material 1 st East Rd.	None
Engineering contract	China Steel Machinery Corporation	2019.07~2022.12	Procurement of auxiliary and miscellaneous equipments for the maintenance of Ankeng LRT Depot	None
Engineering contract	Tsen Lung Cement Products Co., Ltd.	2019.08~2019.10	Phase 1 PC piles procurement for the construction of new enclosed building in coking coal storage yard	None
Engineering contract	China Ecotek Corporation	2019.09~2021.03	Manufacturing and installation works for raw coking coal conveying and pulverizing system in Area 9200 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2019.10~2021.01	Equipment supply of scraper reclaimers for the construction of new enclosed building in coking coal storage yard	None
Engineering contract	China Steel Machinery Corporation	2019.10~2021.05	Manufacturing and installation works in Area 1000 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2019.10~2021.12	Installation of scraper reclaimers for the construction of new enclosed building in coking coal storage yard	None
Engineering contract	China Ecotek Corporation	2019.11~2021.05	Manufacturing and installation works in Area 9400/9700 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2019.11~2021.06	Manufacturing and installation works in Area 4000 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Ecotek Corporation	2019.11~2022.06	Manufacturing and installation works in Area 3400 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Structure Co., Ltd.	2019.12~2021.01	Manufacturing and installation of T-BAR and	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
			sky bridge steel structure for the construction of new enclosed building in coking coal storage yard	
Engineering contract	United Steel Engineering & Construction Corporation	2019.12~2021.10	Procurement of rebars and formwork materials for the civil engineering of the north section of the construction of new enclosed building in coking coal storage yard	None
Engineering contract	United Steel Engineering & Construction Corporation	2019.12~2021.10	Civil foundation engineering of the north section of the construction of new enclosed building in coking coal storage yard	None
Engineering contract	China Ecotek Corporation	2019.12~2021.12	Installation construction of Phase 1 conveying process of the new enclosed building in coking coal storage yard	None
Engineering contract	China Ecotek Corporation	2019.12~2021.12	Equipment supply of Phase 1 conveying process of the new enclosed building in coking coal storage yard	None
Engineering contract	China Ecotek Corporation	2020.01~2020.12	Equipment supply for the replacement of No. 1 and No. 2 Sinter Plants (Area C)	None
Engineering contract	China Ecotek Corporation	2020.01~2021.06	Manufacturing and installation works in Area 3600 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2020.01~2021.06	Manufacturing and installation works in Area 2000 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Machinery Corporation	2020.02~2021.12	Manufacturing and installation works in Area 3000 for the revamping of the 3rd campaign of No. 2 Blast Furnace	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
Contracting agreement	Procurement Office, New Taipei City Government	2014.11~2019.11	Phase 1 turnkey project for the Danhai LRT Transportation System Project	None
Contracting agreement	Kaohsiung City Government	2016.08~2021.04	Turnkey project for the (Phase 2) construction of Kaohsiung Circular Light Rail	None
Contracting agreement	Department of Rapid Transit Systems, New Taipei City	2016.09~2022.12	Turnkey project for the electromechanical system of Ankeng LRT Transportation System Project	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.
Procurement contract	ShinChang Natural Gas Co., Ltd.	2019.11~2022.10	Natural gas procurement contract	None
Engineering contract	China Steel Machinery Corporation	2019.04~2020.12	Addition of No.3/4 scraper reclaimers	None
Engineering contract	China Steel Machinery Corporation	2019.05~2021.02	Equipment splitting for the ladle furnace of basic oxygen furnaces shop	None

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	Dragon Steel Corporation	2016.03~2019.08	Installation and modification of the 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	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 coking 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	Dragon Steel Corporation	2018.05~2020.05	Time and material contract for construction of R02 electric arc furnace for Dragon Steel Corporation	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Engineering contract	Formosa Ha Tinh Steel Corporation	2018.09~2020.03	The 3rd turnkey project 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	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
Engineering contract	China Steel Corporation	2019.03~2022.12	Equipment supply for the demolition of Phase 1 and 2 of coking coal and iron ore transportation equipment for China Steel Corporation	None
Engineering contract	Formosa Laboratories, Inc.	2019.04~2019.12	Electromechanical engineering for Formosa Laboratories	None
Engineering contract	Taiwan Power Company	2019.04~2019.12	Sales of belt spare parts for the air floating conveyors of the Linkou Power Plant	None
Engineering contract	Dragon Steel Corporation	2019.04~2021.04	Operation management of the water treatment plant	None
Engineering contract	China Steel Corporation	2019.04~2022.12	Installation works for the demolition of coking coal and iron ore transportation equipment	None
Engineering contract	China Steel Corporation	2019.05~2020.02	Revamping of No. 31 Hot Stove	None
Engineering contract	Dragon Steel Corporation	2019.05~2020.05	R01 refractory lining repair contract - time and material contract for basic oxygen furnaces	None
Engineering contract	China Steel Corporation	2019.09~2021.03	Manufacturing and installation works for raw coking coal conveying and pulverizing system in Area 9200 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Engineering contract	China Steel Corporation	2019.09~2021.10	Waste gas desulfurization work for No.1 Sinter Plants	None
Engineering contract	SBC Virbac Biotech Co., Ltd.	2019.10~2021.01	Construction of Process R&D laboratory for Virbac Biotech	None
Engineering contract	China Steel Corporation	2019.10~2021.06	Replacement of equipments at No. 1 and No. 2 Sinter Plants (Area A and E)	None
Engineering contract	Dragon Steel Corporation	2019.11~2020.03	Emergency repair of the flue and SCR catalyst of denitration tower for No. 2 Sinter Plant	None
Engineering contract	China Steel Corporation	2019.11~2021.05	Manufacturing and installation works in Area 9400/9700 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Corporation	2019.11~2022.06	Manufacturing and installation works in Area 3400 for the revamping of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Corporation	2019.12~2021.12	Phase 1 conveying process construction of the new enclosed building in coking coal storage yard	None
Engineering contract	Taiwan Power Company	2020.01~2020.12	Material procurement for the maintenance of air floating conveyors in 2020	None
Engineering contract	China Steel Corporation	2020.01~2020.12	Equipment replacement of No. 1 and No. 2 Sinter Plants -Area C	None
Engineering contract	China Steel Corporation	2020.01~2020.12	Replacement of conveyors M27, C10, and S6.	None
Engineering contract	China Steel Corporation	2020.01~2021.01	Refractory replacement of the 3rd campaign of No. 2 Blast Furnace	None
Engineering contract	China Steel Corporation	2020.01~2021.04	Doubling the mixing lines of Phase1 and 2	None
Engineering contract	China Steel Corporation	2020.01~2021.06	Equipment replacement of No. 1 and No. 2 Sinter Plants -Area C (construction tender)	None
Engineering contract	China Steel Corporation	2020.01~2021.06	Manufacturing and installation works in Area 3600 for the revamping of the 3rd campaign of No. 2 Blast Furnace	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	2019.01.01~2019.12.31	Benzene sales contract	None
		2020.01.01~2020.12.31		

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Sales contract	Formosan Union Chemical Corp.	2019.01.01~ 2019.12.31	Benzene sales contract	None
		2020.01.01~ 2020.12.31		
Sales contract	Taiwan Styrene Monomer Corporation	2019.01.01~ 2019.12.31	Benzene sales contract	None
		2020.01.01~ 2020.12.31		
Sales contract	Grand Pacific Petrochemical Corporation	2019.01.01~ 2019.12.31	Benzene sales contract	None
		2020.01.01~ 2020.12.31		
Sales contract	Linyuan Advanced Materials Technology Co., Ltd.	2017.01.01~ 2019.12.31	Creosote oil sales contract	None
		2020.01.01~ 2020.12.31		
Sales contract	Tokai Carbon Co., Ltd.	2019.01.01~ 2019.12.31	Creosote oil sales contract	None
		2020.01.01~ 2020.12.31		
Sales contract	Dalian Shengyuan Chemical Co., Ltd.	2019.01.01~ 2019.12.31	Creosote oil sales contract	None
		2020.01.01~ 2020.12.31		
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
		2019.04.01~ 2024.03.31		
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	2019.01.01~ 2019.12.31	Hydrogen procurement contract	None
		2020.01.01~ 2020.12.31		
Procurement contract	CPC Corporation, Taiwan	2019.05.31~ 2022.05.30	Natural gas 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

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
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	Processing factory for blast furnace and basic oxygen furnace slag	None
Sales contract	China Steel Corporation	2018.07.01~2019.06.30	Sales of recycled metals	None
		2019.07.01~2021.06.30		
Sales contract	China Steel Corporation	2017.07.01~2019.06.30	Sales of zinc oxide powder	None
		2019.07.01~2021.06.30		
Sales contract	Universal Cement Corporation	2019.01.01~2019.12.31	Sales of blast furnace slag powder	None
		2020.01.01~2020.12.31		
Sales contract	Taiwan Cement Corporation	2019.05.01~2020.03.31	Sales of blast furnace slag powder	None
Distributor contract	Kuang Hui Building Materials Co., Ltd.	2019.01.01~2019.12.31	Sales of soil improvement agents	None
		2020.01.01~2020.12.31		
Contracting agreement	China Steel Resources Corporation	2018.04.26~2019.04.20	O&M of Yanhai Plant at China Steel Resources Corporation	None
		2019.04.21~2020.04.20		
Contracting agreement	China Steel Resources Corporation	2018.04.26~2019.04.20	O&M of Dafa Plant at China Steel Resources Corporation	None
		2019.04.21~2020.04.20		
Contracting agreement	Dragon Steel Corporation	2018.05.21~2020.05.20	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
		2019.05.21~2020.05.20		
Contracting agreement	China Steel Corporation	2018.05.26~2019.04.20	Processing and promoting application of blast furnace slag and basic oxygen furnace slag	None
		2019.04.21~2020.04.20		
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
Contracting agreement	Dragon Steel Corporation	2019.03.21~2021.03.20	Shipment of sludge; processing and	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
			transportation of iron slag (coal ash-sludge blended material)	
Engineering contract	United Steel Engineering & Construction Corporation	2019.03.22~ 2019.12.31	Civil construction of Jian-Yeh-2 storage yard	None
Engineering contract	United Steel Engineering & Construction Corporation	2019.06.20~ 2020.02.29	Civil construction of the storage yard of Yongguang plant	None
Engineering contract	United Steel Engineering & Construction Corporation	2019.08.12~ 2020.03.31	Construction of the new underground storage pit and spare parts warehouse at Chunglin Yard	None
Subcontracting agreement	Nan-Hwa Cement Corporation	2017.01.01~ 2019.12.31	Grinding subcontracting agreement for water-quenched blast furnace slag	None
		2020.01.01~ 2022.12.31		
Procurement contract	Taiwan Cement Corporation	2015.01.01~ 2019.12.31	Portland cement ordering contract	None
		2020.01.01~ 2024.12.31		
Procurement contract	Asia Cement Corporation	2015.01.01~ 2019.12.31	Portland cement ordering contract	None
		2020.01.01~ 2024.12.31		
Procurement contract	Southeast Cement Corporation	2015.01.01~ 2019.12.31	Portland cement ordering contract	None
		2020.01.01~ 2024.12.31		
Procurement contract	Universal Cement Corporation	2015.01.01~ 2019.12.31	Portland cement ordering contract	None
		2020.01.01~ 2024.12.31		
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	2018.04.01~ 2019.03.31	Scrap purchase and sales contract	None
		2019.04.01~ 2020.03.31		
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	2018.06.12~ 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 credit line	None
Long-term borrowing	DBS Bank Limited	2018.07.16~ 2021.07.16	Three-year working capital credit line	None
Long-term borrowing	Export-Import Bank of the Republic of China	5 years from the first drawdown date	Five-year line of credit for overseas investment loans	None
Long-term borrowing	Bank of Taiwan	2020.01.08~ 2023.01.08	Three-year working capital credit line	None

6. Chung Hung Steel Corporation

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Material supply contract	Nippon Steel Corporation	2015.07.01~ 2020.06.30	Supply of slabs	None
Long-term natural gas supply contract	Shinhsiung Natural Gas Inc.	2015.01.01~ 2024.12.31	Supply of fuel for the production of heating stoves at hot rolling mills	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.	2011.08.24~ 2031.08.23	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 cannot be extended due to losses arising from operations on the site/construction for two consecutive years and above (supporting documents from CPAs shall be provided).</p>

7. China Steel Structure Co., Ltd.

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
Engineering contract	Dragon Steel Corporation	2016.03~2023.12	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	United Steel Engineering & Construction Corporation	2016.10~2019.08	Phase 1 steel structure construction of the Danhai LRT Transportation System 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 Creative Center	None
Engineering contract	Kun Fu Construction Co., Ltd.	2018.01~2019.03	Construction of Hongwell Parking Garage No. 2 in Xinzhuang	None
Engineering contract	Jia Liu Yuan Construction Corp.	2018.02~2019.12	(Hygge Project) Construction for B6F to 28F of new building	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	Sing Da Marine Structure Corporation	2018.05~2019.06	Plant manufacturing and installation	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	China Steel Machinery Corporation	2018.06~2019.04	Mockup of wind power tower	None
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	Li Jin Engineering Co., Ltd.	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	2018.12~2019.06	F18P3 construction project for Taiwan Semiconductor	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
	Limited		Manufacturing Company Limited at Southern Taiwan Science Park	
Engineering contract	United Steel Engineering & Construction Corporation	2018.12~2019.07	CHC Resources Corporation (Taichung Port No. 4 Storage Yard)	None
Engineering contract	Privatized 2009 RSEA Engineering Corporation	2019.01~2020.12	Taiwan Life Insurance C3 top-down steel construction	None
Engineering contract	Raito Engineering Corp.	2019.01~2020.12	Fuguo Bridge Project	None
Engineering contract	Reiju Construction Co., Ltd.	2019.01~2021.12	Taichung Green Museumbrary Project	None
Engineering contract	Privatized 2009 RSEA Engineering Corporation	2019.01~2021.12	Parcel No. 15 project at Nangang Business Park for Taiwan Life Insurance	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	Dah Chung Bills Finance Corp.	2018.03~2021.03	One-year and above revolving line of credit with fixed interest rate	None
Long-term borrowing	KGI Bank	2019.09~2022.09	One-year and above revolving line of credit with fixed interest rate	None
Long-term borrowing	KGI Bank	2019.09~2022.09	One-year and above revolving line of credit with fixed interest rate	None
Long-term borrowing	KGI Bank	2019.10~2022.09	One-year and above 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	2019.01.09~2019.12.31	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.
Precious metal and foreign exchange trading	Bank of Nova Scotia	2006.08.16~ (The contract was amended on January 2, 2019)	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 and amended on March 18, 2014, 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 the lease expiration.
R&D services	China Steel Corporation	2019.01.01~2019.12.31	1.R&D project for the development of Cu Ga-KF target	None

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Content	Restrictive Covenants
			2.R&D project for the improvement of high purity aluminum target manufacturing process	
Financing agreement	First Commercial Bank	2018.12.29~ 2020.02.11	Comprehensive credit line	Applying for renewal
Financing agreement	Taipei Fubon Bank	2018.02.05~ 2019.01.10 2019.01.10~ 2020.07.10	Comprehensive credit line	None
Financing agreement	Shanghai Commercial & Savings Bank	2018.02.22~ 2019.02.22 2019.02.22~ 2020.02.22	Comprehensive credit line	Applying for renewal
Financing agreement	Bank of Taiwan	2018.03.22~ 2019.03.22 2019.05.03~ 2020.05.03	Comprehensive credit line	None
Financing agreement	Bank SinoPac	2018.06.30~ 2019.06.30 2019.06.30~ 2020.06.30	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 2019.07.28~ 2020.07.27	Comprehensive credit line	None
Financing agreement	Mega Bills Finance Co., Ltd.	2019.02.19~ 2020.02.18	Guarantee for the issue of commercial paper	Applying for renewal
Financing agreement	China Bills Finance Corporation	2018.08.18~ 2019.08.17 2019.11.26~ 2020.11.25	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 2019 (Note 2)	End of 2018	End of 2017	End of 2016	End of 2015
Current assets		164,629,375	174,307,744	150,980,415	140,055,190	135,142,176
Property, plant and equipment		390,063,303	398,733,684	413,821,236	430,849,587	448,688,581
Intangible assets		1,677,536	1,850,508	1,938,180	2,488,714	2,404,617
Other assets		110,261,767	99,634,660	100,976,048	102,728,302	91,903,642
Total assets		666,631,981	674,526,596	667,715,879	676,121,793	678,139,016
Current liabilities	Before distribution	152,276,308	155,338,705	144,320,040	123,150,208	134,366,854
	After distribution	undistributed	171,127,141	158,220,292	136,578,415	142,287,859
Noncurrent liabilities		182,141,163	176,390,173	191,443,852	223,391,892	223,047,329
Total liabilities	Before distribution	334,417,471	331,728,878	335,763,892	346,542,100	357,414,183
	After distribution	undistributed	347,517,314	349,664,144	359,970,307	365,335,188
Equity attributable to owners of the Company		302,558,533	312,908,037	304,010,063	302,559,886	294,320,819
Share capital		157,731,290	157,731,290	157,731,290	157,731,290	157,731,290
Capital surplus		38,877,269	38,545,884	38,211,082	37,807,466	37,612,027
Retained earnings	Before distribution	115,476,131	122,682,396	109,227,145	106,917,266	99,630,738
	After distribution	undistributed	106,893,960	95,326,893	93,489,059	91,709,733
Other equity		(861,959)	2,595,167	7,372,935	8,680,706	7,924,408
Treasury shares		(8,664,198)	(8,646,700)	(8,532,389)	(8,576,842)	(8,577,644)
Non-controlling interests		29,655,977	29,889,681	27,941,924	27,019,807	26,404,014
Total equity	Before distribution	332,214,510	342,797,718	331,951,987	329,579,693	320,724,833
	After distribution	undistributed	327,009,282	318,051,735	316,151,486	312,803,828

Note 1: Financial information from 2015 to 2019 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2020, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2019.

2. Condensed Balance Sheet - Standalone

Unit: NT\$ thousands

Year		Five-Year Financial Information (Note 1)				
		End of 2019 (Note 2)	End of 2018	End of 2017	End of 2016	End of 2015
Current assets		82,799,286	85,311,954	73,703,417	65,458,991	63,791,939
Property, plant and equipment		146,141,153	155,897,997	162,042,223	167,632,162	175,420,761
Intangible assets		24,890	34,847	44,810	54,785	65,736
Other assets		237,113,859	239,837,379	236,637,062	237,129,431	225,121,962
Total assets		466,079,188	481,082,177	472,427,512	470,275,369	464,400,398
Current liabilities	Before distribution	68,415,109	68,011,905	65,066,190	45,556,399	57,914,294
	After distribution	undistributed	83,800,341	78,966,442	58,984,606	65,835,299
Noncurrent liabilities		95,105,546	100,162,235	103,351,259	122,159,084	112,165,285
Total liabilities	Before distribution	163,520,655	168,174,140	168,417,449	167,715,483	170,079,579
	After distribution	undistributed	183,962,576	182,317,701	181,143,690	178,000,584
Share capital		157,731,290	157,731,290	157,731,290	157,731,290	157,731,290
Capital surplus		38,877,269	38,545,884	38,211,082	37,807,466	37,612,027
Retained earnings	Before distribution	115,476,131	122,682,396	109,227,145	106,917,266	99,630,738
	After distribution	undistributed	106,893,960	95,326,893	93,489,059	91,709,733
Other equity		(861,959)	2,595,167	7,372,935	8,680,706	7,924,408
Treasury shares		(8,664,198)	(8,646,700)	(8,532,389)	(8,576,842)	(8,577,644)
Total equity	Before distribution	302,558,533	312,908,037	304,010,063	302,559,886	294,320,819
	After distribution	undistributed	297,119,601	290,109,811	289,131,679	286,399,814

Note 1: Financial information from 2015 to 2019 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2020, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2019.

3. Condensed Statement of Comprehensive Income - Consolidated

Unit: NT\$ thousands

Item \ Year	Five-Year Financial Information (Note 1)				
	2019 (Note 2)	2018	2017	2016	2015
Operating revenues	366,240,735	400,665,057	347,012,002	293,055,804	285,053,876
Gross profit	27,827,888	48,838,402	39,339,149	39,723,308	21,401,420
Profit (loss) from operations	12,578,230	33,579,011	24,921,629	25,431,621	8,115,531
Non-operating income and expenses	223,325	(1,657,266)	(1,518,332)	(3,532,454)	1,390,079
Profit before income tax	12,801,555	31,921,745	23,403,297	21,899,167	9,505,610
Net profit from continuing operations	10,330,458	27,886,609	20,431,190	19,187,324	7,619,419
Loss from discontinued operations	-	-	-	-	-
Net profit	10,330,458	27,886,609	20,431,190	19,187,324	7,619,419
Other comprehensive income (net of income tax)	(3,589,807)	(1,218,335)	(3,298,276)	(1,176,053)	(3,075,005)
Total comprehensive income for the period	6,740,651	26,668,274	17,132,914	18,011,271	4,544,414
Net profit attributable to owners of the Company	8,809,555	24,454,152	16,905,588	16,038,369	7,604,721
Net profit attributable to non-controlling interests	1,520,903	3,432,457	3,525,602	3,148,955	14,698
Total comprehensive income attributable to owners of the Company	5,125,045	23,004,013	14,430,315	15,950,850	5,073,036
Total comprehensive income attributable to non-controlling interests	1,615,606	3,664,261	2,702,599	2,060,421	(528,622)
Basic earnings per share (NT\$) (Note 3)	0.57	1.58	1.09	1.04	0.49
Retrospective basic earnings per share (NT\$) (Note 4)	-	1.58	1.09	1.04	0.49

Note 1: Financial information from 2015 to 2019 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2020, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2019.

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)				
		2019 (Note2)	2018	2017	2016	2015
Operating revenues		207,297,533	235,403,151	207,098,630	168,927,075	160,909,464
Gross profit		12,706,144	24,972,208	19,529,825	21,752,291	12,398,173
Profit (loss) from operations		4,586,901	16,316,631	11,575,044	13,081,144	5,154,337
Non-operating income and expenses		5,448,207	10,080,759	6,945,620	4,952,067	3,161,977
Profit before income tax		10,035,108	26,397,390	18,520,664	18,033,211	8,316,314
Net profit from continuing operations		8,809,555	24,454,152	16,905,588	16,038,369	7,604,721
Loss from discontinued operations		-	-	-	-	-
Net profit		8,809,555	24,454,152	16,905,588	16,038,369	7,604,721
Other comprehensive income (net of income tax)		(3,684,510)	(1,450,139)	(2,475,273)	(87,519)	(2,531,685)
Total comprehensive income for the period		5,125,045	23,004,013	14,430,315	15,950,850	5,073,036
Basic earnings per share (NT\$) (Note 3)		0.57	1.58	1.09	1.04	0.49
Retrospective basic earnings per share (NT\$) (Note 4)		-	1.58	1.09	1.04	0.49

Note 1: Financial information from 2015 to 2019 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2020, the most recent financial information audited or reviewed by CPA is the financial information at the end of 2019.

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	2019	2018	2017	2016	2015
Item					
Name of CPAs	Jui-Hsuan Hsu Cheng-Hung Kuo	Lee-Yuan Kuo Cheng-Hung Kuo	Lee-Yuan Kuo Cheng-Hung Kuo	Lee-Yuan Kuo Cheng-Hung Kuo	Lee-Yuan Kuo Cheng-Hung Kuo
Audit Opinion	Unqualified opinion	Unmodified opinion with emphasis of matter and other matter paragraphs (Note 1)	Unqualified opinion	Unqualified opinion	Modified unqualified opinion (Note2)
<p>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.</p> <p>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.</p>					

II. Five-Year Financial Analysis

(I) Financial Analysis - Consolidated

Item		Year	Five-Year Financial Analysis (Note 1)					Difference Comparison between 2019 and 2018	Difference Analysis > 20%
		2019 (Note 2)	2018	2017	2016	2015			
Capital Structure	Debt-to-asset ratio (%)	50	49	50	51	53	2		
	Long-term fund to property, plant and equipment ratio (%)	132	130	126	128	121	2		
Solvency	Current ratio (%)	108	112	105	114	101	(4)		
	Quick ratio (%)	29	32	30	34	35	(9)		
	Interest coverage ratio	5	11	7	7	4	(55)	1	
Operating Ability	Accounts receivable turnover (times)	21	21	21	20	20	-		
	Average collection days	17	17	17	18	18	-		
	Inventory turnover (times)	3	3	3	3	3	-		
	Accounts payable turnover (times)	15	17	19	18	22	(12)		
	Average inventory turnover days	128	115	116	130	125	11		
	Property, plant and equipment turnover (times)	1	1	1	1	1	-		
	Total asset turnover (times)	0.49	0.55	0.48	0.39	0.38	(11)		
Profitability	Return on assets (%)	2	5	4	3	2	(60)	2	
	Return on equity (%)	3	8	6	6	2	(63)	3	
	Pre-tax income to paid-in capital ratio (%)	8	20	15	14	6	(60)	4	
	Net margin (%)	3	8	6	7	3	(63)	5	
	Basic earnings per share (NT\$) (Note 3)	0.57	1.58	1.09	1.04	0.49	(64)	6	
	Retrospective basic earnings per share (NT\$) (Note 4)	-	1.58	1.09	1.04	0.49	-		
Cash Flow	Cash flow ratio (%)	26	42	34	45	37	(38)	7	
	Cash flow adequacy ratio (%)	124	138	118	109	72	(10)		
	Cash flow reinvestment ratio (%)	2	5	4	5	3	(60)	8	
Leverage	Operating leverage	7	3	4	4	9	133	9	
	Financial leverage	1	1	1	1	2	-		

Reasons for differences in financial ratios in the most recent two years (comparison between 2019 and 2018):

- Interest coverage ratio decreased by 55% from the previous year, mainly due to the decrease in profit before income tax.
- Return on assets decreased by 60% from the previous year, mainly due to the decrease in net profit.
- Return on equity decreased by 63% from the previous year, mainly due to the decrease in net profit.
- Pre-tax income to paid-in capital ratio decreased by 60% from the previous year, mainly due to the decrease in profit before income tax.
- Net margin decreased by 63% from the previous year, mainly due to the decrease in net profit.
- Basic earnings per share decreased by 64% from the previous year, mainly due to the decrease in net profit.
- Cash flow ratio decreased by 38% from the previous year, mainly due to the decrease in net cash generated from operating activities.
- Cash flow reinvestment ratio decreased by 60% from the previous year, mainly due to the decrease in net cash generated from operating activities.
- Operating leverage increased by 133% from the previous year, mainly due to the decrease in profit from operations.

- Note 1: Financial information from 2015 to 2019 was audited by CPA.
- Note 2: As the Company's annual report was published on March 31, 2020, the most recent financial information audited or reviewed by CPAs is the financial information at the end of 2019.
- 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 2019 and 2018	Differences Analysis > 20%
			2019 (Note 2)	2018	2017	2016	2015		
Capital Structure	Debt-to-asset ratio (%)	35	35	36	36	37	-		
	Long-term fund to property, plant and equipment ratio (%)	272	265	251	253	232	3		
Solvency	Current ratio (%)	121	125	113	144	110	(3)		
	Quick ratio (%)	30	39	28	36	34	(23)	1	
	Interest coverage ratio	9	17	11	10	5	(47)	2	
Operating Ability	Accounts receivable turnover (times)	42	40	42	54	54	5		
	Average collection days	9	9	9	7	7	-		
	Inventory turnover (times)	3	4	4	3	3	(25)	3	
	Accounts payable turnover (times)	24	26	33	38	43	(8)		
	Average inventory turnover days	112	95	99	117	114	18		
	Property, plant and equipment turnover (times)	1	1	1	1	1	-		
	Total asset turnover (times)	0.43	0.48	0.43	0.35	0.34	(10)		
Profitability	Return on assets (%)	2	5	4	4	2	(60)	4	
	Return on equity (%)	3	8	6	5	3	(63)	5	
	Pre-tax income to paid-in capital ratio (%)	6	17	12	11	5	(65)	6	
	Net margin (%)	4	11	8	10	5	(64)	7	
	Basic earnings per share (NT\$) (Note 3)	0.57	1.58	1.09	1.04	0.49	(64)	8	
	Retrospective basic earnings per share (NT\$) (Note 4)	-	1.58	1.09	1.04	0.49	-		
Cash Flow	Cash flow ratio (%)	10	57	36	69	44	(82)	9	
	Cash flow adequacy ratio (%)	93	122	117	122	78	(24)	10	
	Cash flow reinvestment ratio (%)	(1)	3	1	3	1	(133)	11	
Leverage	Operating leverage	9	3	4	4	8	200	12	
	Financial leverage	1	1	1	1	2	-		

Reasons for differences in financial ratios in the most recent two years (comparison between 2019 and 2018):

1. Quick ratio decreased by 23% from the previous year, mainly due to the decrease in cash and cash equivalents.
2. Interest coverage ratio decreased by 47% from the previous year, mainly due to the decrease in earnings before interest and taxes.
3. Inventory turnover decreased by 25% from the previous year, mainly due to the decrease in cost of goods sold and increase in average inventory.
4. Return on assets decreased by 60% from the previous year, mainly due to the decrease in net profit.
5. Return on equity decreased by 63% from the previous year, mainly due to the decrease in net profit.
6. Pre-tax income to paid-in capital ratio decreased by 65% from the previous year, mainly due to the decrease in profit before income tax.
7. Net margin decreased by 64% from the previous year, mainly due to the decrease in net profit.
8. Basic earnings per share decreased by 64% from the previous year, mainly due to the decrease in net profit.
9. Cash flow ratio decreased by 82% from the previous year, mainly due to the decrease in net cash generated from operating activities.
10. Cash flow adequacy ratio decreased by 24% from the previous year, mainly due to the combined influence from the decrease in net cash generated from operating activities, etc.
11. Cash flow reinvestment ratio decreased by 133% from the previous year, mainly due to the combined influence from the decrease in net cash generated from operating activities, etc.
12. Operating leverage increased by 200% from the previous year, mainly due to the decrease in profit from operations.

Note 1: Financial information from 2015 to 2019 was audited by CPA.

Note 2: As the Company's annual report was published on March 31, 2020, the most recent financial information audited or reviewed by CPAs is the financial information at the end of 2019.

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 176 for the formulas used in financial analysis.

III. 2019 Audit Committee's Audit Report

China Steel Corporation

Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2019 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:

2020 Annual General Shareholders' Meeting

China Steel Corporation

Convener of the Audit Committee:



Shyue-Bin Chang

March 23, 2020

IV. 2019 Consolidated Financial Statements

Please refer to the Appendix on Page 267-416.

V. 2019 Standalone Financial Statements

Please refer to the Appendix on Page 417-494.

VI. Impact on the Financial Status of the Company Due to Financial Difficulties Experienced by the Company and Its Affiliated Companies: None

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 2019	End of 2018	Difference	
				Amount	%
Current assets		164,629,375	174,307,744	(9,678,369)	(6)
Property, plant and equipment		390,063,303	398,733,684	(8,670,381)	(2)
Other noncurrent assets		111,939,303	101,485,168	10,454,135	10
Total assets		666,631,981	674,526,596	(7,894,615)	(1)
Current liabilities		152,276,308	155,338,705	(3,062,397)	(2)
Noncurrent liabilities		182,141,163	176,390,173	5,750,990	3
Total liabilities		334,417,471	331,728,878	2,688,593	1
Share capital		157,731,290	157,731,290	-	-
Capital surplus		38,877,269	38,545,884	331,385	1
Retained earnings		115,476,131	122,682,396	(7,206,265)	(6)
Other equity		(861,959)	2,595,167	(3,457,126)	(133)
Treasury shares		(8,664,198)	(8,646,700)	(17,498)	-
Non-controlling interests		29,655,977	29,889,681	(233,704)	(1)
Total equity		332,214,510	342,797,718	(10,583,208)	(3)

Note

Note: Other equity decreased by NT\$3,457,126 thousand, mainly due to the increase in unrealized losses on financial assets at fair value through other comprehensive income (FVOCI).

(II) Comparative Analysis of Financial Status – Standalone

Unit: NT\$ thousands

Item	Year	End of 2019	End of 2018	Difference	
				Amount	%
Current assets		82,799,286	85,311,954	(2,512,668)	(3)
Property, plant and equipment		146,141,153	155,897,997	(9,756,844)	(6)
Other noncurrent assets		237,138,749	239,872,226	(2,733,477)	(1)
Total assets		466,079,188	481,082,177	(15,002,989)	(3)
Current liabilities		68,415,109	68,011,905	403,204	1
Noncurrent liabilities		95,105,546	100,162,235	(5,056,689)	(5)
Total liabilities		163,520,655	168,174,140	(4,653,485)	(3)
Share capital		157,731,290	157,731,290	-	-
Capital surplus		38,877,269	38,545,884	331,385	1
Retained earnings		115,476,131	122,682,396	(7,206,265)	(6)
Other equity		(861,959)	2,595,167	(3,457,126)	(133)
Treasury shares		(8,664,198)	(8,646,700)	(17,498)	-
Total equity		302,558,533	312,908,037	(10,349,504)	(3)

Note

Note: Other equity decreased by NT\$3,457,126 thousand, mainly due to the increase in unrealized losses on financial assets at fair value through other comprehensive income (FVOCI).

II. Financial Performance

(I) Comparative Analysis of Financial Performance - Consolidated

Unit: NT\$ thousands

Item \ Year	2019	2018	Increase (Decrease)	Percentage Change (%)	
Operating revenues	366,240,735	400,665,057	(34,424,322)	(9)	
Operating costs	338,412,847	351,826,655	(13,413,808)	(4)	
Gross profit	27,827,888	48,838,402	(21,010,514)	(43)	Note 1
Realized (unrealized) gain on sales	-	-	-	-	
Operating expenses	15,249,658	15,259,391	(9,733)	-	
Profit from operations	12,578,230	33,579,011	(21,000,781)	(63)	Note 2
Non-operating income and expenses	223,325	(1,657,266)	1,880,591	113	Note 3
Profit before income tax	12,801,555	31,921,745	(19,120,190)	(60)	Note 4
Income tax	2,471,097	4,035,136	(1,564,039)	(39)	Note 5
Net profit	10,330,458	27,886,609	(17,556,151)	(63)	Note 6
Other comprehensive income (net of income tax)	(3,589,807)	(1,218,335)	(2,371,472)	(195)	Note 7
Total comprehensive income	6,740,651	26,668,274	(19,927,623)	(75)	Note 8

Note:

- Gross profit decreased by NT\$21,010,514 thousand from the previous year, mainly due to the decrease in selling volume and price of steel products and the increase in the unit cost of goods sold.
- Profit from operations decreased by NT\$21,000,781 thousand from the previous year due to reasons stated in Note 1.
- Non-operating income and expenses increased by NT\$1,880,591 thousand from the previous year, mainly due to the increase in profits from disposal of land during the year.
- Profit before income tax decreased by NT\$19,120,190 thousand from the previous year due to reasons stated in Note 1.
- Income tax expense decreased by NT\$1,564,039 thousand from the previous year, mainly due to the decrease in profit before income tax.
- Net profit decreased by NT\$17,556,151 thousand from the previous year due to reasons stated in Notes 1 to 4.
- Other comprehensive income (net of income tax) for the period decreased by NT\$2,371,472 thousand from the previous year, mainly due to the decrease in income tax expenses relating to items that will not be reclassified subsequently to profit or loss.
- Total comprehensive income decreased by NT\$19,927,623 thousand from the previous year due to reasons stated in Notes 1 to 7.

(II) Comparative Analysis of Financial Performance – Standalone

Unit: NT\$ thousands

Item \ Year	2019	2018	Increase (Decrease)	Percentage Change (%)	
Operating revenues	207,297,533	235,403,151	(28,105,618)	(12)	
Operating costs	194,591,389	210,430,943	(15,839,554)	(8)	
Gross profit	12,706,144	24,972,208	(12,266,064)	(49)	Note 1
Realized (unrealized) gain on sales	138,254	(63,751)	202,005	317	Note 2
Operating expenses	8,257,497	8,591,826	(334,329)	(4)	
Profit from operations	4,586,901	16,316,631	(11,729,730)	(72)	Note 3
Non-operating income and expenses	5,448,207	10,080,759	(4,632,552)	(46)	Note 4
Profit before income tax	10,035,108	26,397,390	(16,362,282)	(62)	Note 5
Income tax	1,225,553	1,943,238	(717,685)	(37)	Note 6
Net profit	8,809,555	24,454,152	(15,644,597)	(64)	Note 7
Other comprehensive income (net of income tax)	(3,684,510)	(1,450,139)	(2,234,371)	(154)	Note 8
Total comprehensive income	5,125,045	23,004,013	(17,878,968)	(78)	Note 9

Note:

- Gross profit decreased by NT\$12,266,064 thousand from the previous year, mainly due to the decrease in unit selling price of steel products and the increase in unit cost of goods sold.
- Realized (unrealized) gain on sales increased by NT\$202,005 thousand from the previous year, mainly due to the increase in realized gross profit from steel products sold to subsidiaries this year compared to that of last year.
- Profit from operations decreased by NT\$11,729,730 thousand from the previous year due to reasons stated in Notes 1 and 2.
- Non-operating income and expenses decreased by NT\$4,632,552 thousand from the previous year, mainly due to the decrease in the share of the profit (loss) of subsidiaries and associates.
- Profit before income tax decreased by NT\$16,362,282 thousand from the previous year due to reasons stated in Notes 1 to 4.
- Income tax expense decreased by NT\$717,685 thousand from the previous year, mainly due to the decrease in profit before income tax.
- Net profit decreased by NT\$15,644,597 thousand from the previous year due to reasons stated in Notes 1 to 6.
- Other comprehensive income (net of income tax) for the period decreased by NT\$2,234,371 thousand from the previous year, mainly due to the decrease in unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income (FVOCI).
- Total comprehensive income decreased by NT\$17,878,968 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 125).

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 2019 decreased by NT\$491,793 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\$39,953,298 thousand, mainly due to the profit before income tax of NT\$12,801,555 thousand, add-back of depreciation of NT\$35,146,724 thousand, and payment of income tax of NT\$6,968,632 thousand in the current year.
- (2) Investing activities: Net cash used in investing activities totaled NT\$29,570,273 thousand, mainly due to the acquisition of property, plant and equipment of NT\$27,054,867 thousand.
- (3) Financing activities: Net cash used in financing activities totaled NT\$12,006,400 thousand, mainly due to dividends paid to the owners of the Company of NT\$15,779,153 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 net cash used in investing activities for the year ③	Estimated net cash used in financing activities for the year ④	Estimated cash surplus (deficit) ①+②-③-④	Remedial measures for cash deficit
						Financing plan
2020	12,031	35,331	29,918	4,359	13,085	-

Analysis of changes in cash flows in 2020:

1. Net cash generated from operating activities is mainly affected by net profit, depreciation and amortization.
2. Net cash used in investing activities is mainly affected by the acquisition of property, plant and equipment.
3. Net 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 2019 decreased by NT\$2,593,872 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\$6,646,136 thousand, mainly due to the profit before income tax of NT\$10,035,108 thousand, add-back of depreciation of NT\$17,429,485 thousand and deduction of increase in inventory of NT\$6,646,390 thousand, share of the profit of subsidiaries and associates of NT\$4,815,572 thousand, decrease in other payables of NT\$3,831,023 thousand, payment of income tax of NT\$3,604,422 thousand, and decrease in accounts payable (including related parties) of NT\$3,069,941 thousand.
- (2) Investing activities: Net cash used in investing activities totaled NT\$426,491 thousand, mainly due to dividends received from subsidiaries and affiliates of NT\$8,947,369 thousand, the decrease in other receivables – loans to related parties of NT\$1,524,160 thousand, acquisition of property, plant and equipment of NT\$8,531,907 thousand, and derecognition of financial liabilities for hedging of NT\$4,239,103 thousand.
- (3) Financing activities: Net cash used in financing activities totaled NT\$8,813,517 thousand, mainly due to dividends paid of NT\$15,779,153 thousand, repayment of corporate bonds of NT\$5,650,000 thousand, and a net increase of NT\$13,990,638 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 net cash used in investing activities for the year ③	Estimated net cash generated from financing activities for the year ④	Estimated cash surplus (deficit) ①+②-③+④	Remedial measures for cash deficit
						Financing plan
2020	-176	9,479	10,937	2,695	1,061	-

Analysis of changes in cash flows in 2020:

1. Net cash generated from operating activities is mainly affected by the estimated cash generated from operation.
2. Net cash used in investing activities is mainly affected by the estimated acquisition of property, plant and equipment.
3. Net cash generated from financing activities is mainly affected by the estimated proceeds from long-term borrowings.

IV. Impact of Major Capital Expenditure on the Company's Finance and Business in 2019

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\$8.5 billion has been paid for the acquisition of property, plant and equipment in 2019. 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				
				2016	2017	2018	2019	2020
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	2,293	345	328	730	439	128
Replacement of No. 3 and No. 4 Ship-unloaders	Equity 77.28% Long-term borrowings 22.72%	April 2021	2,077	-	-	-	700	1,156
Revamping of the 3rd Campaign of No. 2 Blast Furnace	Equity 77.28% Long-term borrowings 22.72%	June 2021	6,369	-	-	296	2,163	3,014
Phase 1 Construction of the New Enclosed Building in Coking Coal Storage Yard	Equity 70.48% Long-term borrowings 29.52%	December 2021	6,585	-	-	-	1,749	2,367
Stage 1 Construction of Replacement of Phase I and II Coke Ovens	Equity 70.48% Long-term borrowings 29.52%	December 2022	2,777	-	-	543	507	828
Replacement of Turbine Blowers for No.1 Power House	Equity 77.28% Long-term borrowings 22.72%	December 2022	2,593	-	-	-	389	1,015

(II) Expected Benefits

1. 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 equipment, and increase the process capability of production lines in developing a new type of steel.

2. 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 the smooth unloading of raw materials and stabilize blast furnace production.

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

The 3rd Campaign of No. 2 Blast Furnace has been in operation for years since January 2006. Upon assessment, the 3rd Campaign will finished its mission of production and the furnace shall be shut down for revamping to improve and stabilize the production and to enhance the Company's competitiveness.

4. Phase 1 Construction of the New Enclosed Building in Coking Coal Storage Yard

The purpose of this project is to improve environmental protection.

5. Stage 1 Construction of Replacement of Phase I and II Coke Ovens

This project is the first stage of replacement of Phase I and II coke ovens, with an aim to upgrade equipment and improve environmental protection.

6. Replacement of Turbine Blowers for No.1 Power House

The purpose of the replacement project is to ensure the stable supply of cold blast air needed by blast furnaces, increase energy efficiency, and comply with strict regulations and requirements in the future.

(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 and expanding export markets. 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 2019 standalone financial statements was NT\$4.816 billion, a decrease of NT\$5.391 billion from 2018. The share of profit decreased mainly due to recession in the steel market. Our subsidiaries, Dragon Steel Corporation and Chung Hung Steel Corporation experienced an business decline, resulting in the decrease of share of profit from these two companies compared to that of 2018.

The share of the profit of associates indicated in the consolidated financial statements in 2019 by equity method was NT\$609 million, an increase of NT\$423 million from the share of profit of NT\$186 million recognized by the equity method in 2018. This was mainly resulted from an increase in share of profit from 9404-5515 Quēbec Inc. (formerly known as 7623704 Canada Inc.) by NT\$322 million and a decrease in 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. On the other hand, facing the crucial era for energy transformation, the Company will also assess and participate in the promotion of the green industry chain, including offshore wind power. 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 operational 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 management review (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 the 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 minimize 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	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	Division, monthly and morning management meetings, and Internal Audit Office	
(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	
(9) Concentration of purchases and sales	Purchasing Department, Marketing Department, and Marketing Administration Department	Production Division, Vice President of Commercial Division, Vice President of Engineering Division; Production-sales meeting, and Internal Audit Office	

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)
(10) Information on investments in Mainland China	Corporate Strategy Department and Finance Department	Vice President of Corporate Planning Division, Vice President of Finance Division, Vice President of Administration Division, monthly and morning management meetings, Legal Department, and Internal Audit Office	
(11) Transfers or changes in shareholdings of directors, supervisors and major shareholders	Finance Department		
(12) Changes in management rights	Finance Department		
(13) Litigious or non-litigious matters	Legal Department, Public Affairs Department, and business units involved in such cases		
(14) Other operational matters			
(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	Vice President of Engineering Division, 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	2019
Net interest expense	1,142,819
Net foreign exchange gain	335,857
Ratio of net interest expense to net revenue	0.55%
Ratio of net interest expense to profit before income tax	11.39%
Ratio of net foreign exchange gain to net revenue	0.16%
Ratio of net foreign exchange gain to profit before income tax	3.35%

(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 2019 will decrease or increase by NT\$308 million assuming all other variables remain unchanged. Looking into 2020, the outbreak of COVID-19 has led to an increase in the risk of the global economic downturn. The FED had cut the interest rate by 1.5% to nearly 0% interest rate, while Central Bank of Taiwan has also announced the decrease of interest rate by 0.25%. The trend of interest rate is indeed favorable to the Company. 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

Since the prices of coking coal and iron ore remain at a high level and export prices decreased due to the downward trend in international steel market, there is a slightly negative balance of foreign currencies held by the Company after offsetting income and expenditure every month. The company will adequately purchase foreign currencies according to the market condition. All in all, 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\$153 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 to reduce interest expenses such as making early repayments by using other financing instruments with lower interest rates 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 2019, the balance of unexpired forward foreign exchange contracts purchased by the Company for imported equipment were US\$39,992 thousand, JPY\$806,400 thousand and EUR\$4,192 thousand, whereas the total unrealized loss based on fair value assessment was approximately NT\$34,596 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 2019, 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	2019
Net interest expense	2,725,443
Net foreign exchange gain	460,969
Ratio of net interest expense to net revenue	0.74%
Ratio of net interest expense to profit before income tax	21.29%
Ratio of net foreign exchange gain to net revenue	0.13%
Ratio of net foreign exchange gain to profit before income tax	3.60%

(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 2019 will decrease or increase by NT\$1.04 billion assuming all other variables remain unchanged. Looking into 2020, the outbreak of COVID-19 has led to an increase in the risk of the global economic downturn. The FED had cut the interest rate by 1.5% to nearly 0% interest rate, while Central Bank of Taiwan has also announced the decrease of interest rate by 0.25%. The trend of interest rate is indeed favorable to the Company. 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. Since the prices of coking coal and iron ore remain at a high level and export prices decreased due to the downward trend in international steel market, there is a slightly negative balance of foreign currencies after offsetting income and expenditure every month. Companies of CSC Group will adequately purchase foreign currencies according to the market condition. All in all, 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, purchasing or borrowing 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	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of high magnetic flux electrical sheet for electric vehicle motors	<ol style="list-style-type: none"> 1. A high magnetic flux electrical sheet for the drive motor required by EV manufacturers has been successfully developed. 2. Currently, the optimization design of hot-rolled annealing process is in progress in order to advance the magnetic flux of the product. To meet the higher efficiency design requirement for future EV motors, the study focus on solving the problem of the electrical sheet where lower iron loss and high magnetic flux are hard to co-exist. 	1,000	2020.12	<ol style="list-style-type: none"> 1. Establish a more suitable curve for the process of hot-rolled annealing to allow micro-elements to exert their effects and optimize the texture and magnetic flux. 2. Through optimizing alloy and cross-process, control the size of particles and the texture evolution, advancing the magnetism and mechanical properties of the product.
Development of high-reaming-ratio hot-rolled steel with 60 kg strength	<ol style="list-style-type: none"> 1. Establish optimized alloy design and hot rolling process conditions to suppress microstructure unfavorable to reaming performance and improve the overall strength and reaming ratio of the steel. 2. By adjusting the finishing temperature and laminar cooling mode to increase the ferrite percentage and optimize the elongation ratio and reaming ratio of steel. 	400	2020.12	<ol style="list-style-type: none"> 1. Cooperate with academic and research units to analyze the texture changes in hot-rolling with the direction at 0°, 45°, and 90° to optimize the strength consistency of the material in different rolling directions. 2. Analyze the correlation between reaming ratio, processing hardening rate, and strain rate in different directions to facilitate the estimation of reaming ratio by using mechanical properties.
Development of low-carbon green process steelmaking technology	<ol style="list-style-type: none"> 1. Develop basic oxygen furnace blowing technology with high scrap ratio according to the route plan for the development of low-carbon steelmaking process and develop a mass-energy calculation analysis system as the basis for the development of high-performance intelligent steelmaking technology. 2. Electric arc furnace steelmaking may reduce the CO2 emissions effectively during the production. Develop technologies of highly efficient EAF steelmaking process in response to the steelmaking process with low carbon iron sources. 	1,000	2020.12	<ol style="list-style-type: none"> 1. Improve existing technologies for basic oxygen furnaces and electric arc furnace. 2. Take part in the industry-academia collaboration with universities to perform computer simulation. 3. Conduct basic oxygen furnace experiments to obtain key process technologies. 4. Maintain strengths and offset weakness by establishing collaboration with international manufacturers.
Develop continuous monitoring technology for the permeability and	<ol style="list-style-type: none"> 1. Monitoring technologies for the permeability of sintering bed and the uniformity indicator for the permeability of sintering bed's cross-section have been established. 	1,000	2020.12	The project had combined systems of transverse charge level permeability indicators, tail cross-section temperature, longitudinal wind box waste gas temperature launched, and shuttle

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
burn-through point of sintering bed	2. Controlling technology for the opening of the charging valve that is based on the burden level and the permeability indicators have been established.			car burden distribution type to be established subsequently, to conduct data analysis and confirm the control rules, so as to estimate and control the permeability of burden and the uniformity of the burn-through point during the course of sintering for increasing the production quantity and reducing costs.
Development of intelligent monitoring technology for biochemical wastewater plant	<ol style="list-style-type: none"> 1. Completed the development and application of biological activity monitoring technology. 2. Completed development of online monitoring technology for total cyanide, total phenolics, and thiocyanogen in coking wastewater. 3. Completed the evaluation for the applicable commercial bacteriostatic agent when the wastewater treatment plant is overloading. 	1,500	2021.04	<ol style="list-style-type: none"> 1. Develop and establish sufficient monitoring equipment to improve the data collection amount for relevant parameters, accuracy, and stability for the establishment of the most suitable operating model. 2. Select commercial bacteriostatic agent and self-developed bacteriostatic agent to improve the corresponding measures when the system is overloading.
Development of silicon-carbon composite powder for energy storage	Completed the development for silicon anode powder with capacity reaching 550mAh/g. The half-cells made with anode powder possess a capacity keeping ratio exceeding 80% after 100 times of charging and discharging. The capacity has achieved the target, but the cycle life shall be improved.	2,800	2021.11	<ol style="list-style-type: none"> 1. Optimize the technology of silicon powder coating on carbon. 2. Optimize the mixing technology for silicon carbon and graphite powder. 3. Develop solid electrolyte surface covering technology.
Development of dephosphorization technology for BOF slag with a high phosphorus content	<ol style="list-style-type: none"> 1. Complete the metallurgical path research for the hot BOF slag dephosphorization to reduce the temperature requirement for dephosphorization and save the energy demand for dephosphorization. 2. Established the optimized condition for dephosphorization with a dephosphorization rate > 60%. 	800	2021.12	<ol style="list-style-type: none"> 1. Established the engineering feasible BOF slag dephosphorization technology. 2. Reduced the costs required for BOF slag dephosphorization. 3. Increase the processing quantity in the plant.
Develop technologies for the manufacturing and application of fine spherical iron powder	<ol style="list-style-type: none"> 1. Completed the establishment of technologies for the manufacturing of fine spherical iron powder. 2. Produced pure iron powder with particle diameter <5um and tap density >4g/cm³. 3. Completed the sample delivery and testing of fine spherical iron powder for the injection molding industry. 4. The trial production line and its concatenation technology are being established. 	1,500	2021.12	<ol style="list-style-type: none"> 1. Establish a trial production line for the fine spherical iron powder. 2. Develop magnetic inductance applications. 3. Marketing and promotion of the technology.

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Develop high quality aluminum plate	<ol style="list-style-type: none"> 1. Improve the uniformity for the particle size of the aluminum plate under 20mm to RUSAL level. 2. Improve the hardness of aluminum plate to over HRB 52, and improve the anode stripe, black-line stripe, and reflective finesse up to Alcoa's Type 200 level. 	2,800	2021.11	<ol style="list-style-type: none"> 1. Hardware reformation and development for high-temperature solid-solution equipment. 2. Newly purchased leveler installing test and development. 3. Cooperate with domestic and foreign semiconductor equipment manufacturers regarding the materials.
Establishment of applied technology for self-adhesive coil processing	<ol style="list-style-type: none"> 1. Completed the domestic prototype for the annular mold of the self-adhesive core, and conducted technical exchange with down-stream stamping factories. 2. Established the conditions for baking and solidifying process for the effective adhesion of the self-adhesive core. Currently, the Company is massively building the process database for various cores. 3. Managed to explore the mold technologies differences on large-size self-adhesive cores with downstream customers. 	900	2020.10	<ol style="list-style-type: none"> 1. To establish a database with a large number of processes at low costs using precise limited analysis and simulation method through cooperation with the academic sector. 2. Carry out interdisciplinary cooperation with leading domestic mold manufacturers to establish our own mold technology. 3. Establish and maintain close communication with domestic and overseas stamping and motor manufacturers to identify actual application needs and cost targets.
Establishment of solar photovoltaic efficiency improvement technology	<ol style="list-style-type: none"> 1. To ensure the long-term power generation performance of green energy, the Company developed the integrated PV project field operating and maintenance technologies that focus on cleaning and module anomaly diagnosis and established various technologies, including spectral analysis, infrared temperature testing, and serial voltage/current measuring. The accumulated measuring information is gradually integrated into the project field health curve database that is planned to develop subsequently. 2. The final acceptance and subsequent performance tracking for the PV project field of the group is undergoing. 	1,800	2021.03	<ol style="list-style-type: none"> 1. Smart diagnosis technology that focused on Big Data identification technology. 2. Established the operating and maintenance technologies for the supporting structure of the PV system to ensure the system may be used for up to its designed tenure of use of 20-25 years.

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of new formulation of AO coating materials for hot stamping	The lubricating new formulation of coating material had been put into trial production on the production line, and the assessment for application characteristics is to be conducted subsequently. A continuous stamping test will be conducted on the hot stamping production line.	600	2020.10	<ol style="list-style-type: none"> 1. Establish mass production technology for new formulation. 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	<ol style="list-style-type: none"> 1. Developed the blow hole inspection system for ladle slag line, which could filter the effects of high-temperature slag splash through video processing technology and accurately restore the thermal image outside of the ladle wall. 2. Developed the empty ladle inspection system to automatically detect the temperature of the empty ladle and record the image of the internal state before catching molten steel, improving the ability of the system. 3. Completed the development of the automated inspection system for the bottom and wall of ladle, which could detect the heating area for the bottom and wall of the ladle, so as to repair the ladle in advance upon any anomaly and prevent breaching. 	1,500	2021.12	<ol style="list-style-type: none"> 1. Establish a database for the history of ladle use, and optimize online and offline schedule planning for ladles using online production parameters. 2. Cooperate with the academic sector to introduce AI technology. 3. Cooperate with the production units to integrate the technology development and expert knowledge for achieving the mutual target of actual benefit.

2. China Steel Chemical Corporation

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of ultra-small particle size and high magnification anode materials	Low-impedance, high-magnification materials with ultra-small particle size of $<5 \mu\text{m}$ have been developed, and are currently undergoing small quantity trial production and testing with customers.	1,000	2020.Q4	Demand for batteries with high-magnification charge and discharge power, such as xEV.
Development of materials with high-capacity and low-impedance	Established the polygonization technology and surface treatment technology, and the trial production equipment is under construction.	3,000	2021.Q2	Power battery used by electric vehicles and energy storage systems.

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of high-capacity silicon-carbon anode materials	Completed the establishment of trial production equipment for the silicon-carbon composite materials, and the process optimization and product characteristics are advancing on a continuing basis.	2,000	2021.Q2	Anode materials for next-generation high-capacity lithium battery.
Development of advanced carbon materials with high voltage and low thermal expansion	The optimized design for the production process and the best conditions between the carbon materials with other materials are currently being studied.	5,000	2020.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	2021.Q2	Advanced 3C product molds, electrical discharge machining electrodes, and continuous casting graphite molds.

3. CHC Resources Corporation

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
R&D and promotion of high-quality wet grouting materials	This material has been widely used in the southern region from 2014 to 2019. According to statistics, as of December 2019, it has been used in a total of 101 construction projects, with a cumulative sales volume of 458 thousand bags.	50	2020.12	<ol style="list-style-type: none"> 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 Kaohsiung Light Rail Project	Since May 2018, air-cooled blast furnace slag has been used in Phase 2 of the Kaohsiung Light Rail Project. According to the statistics, as of December 2019, the air-cooled blast furnace slag used totaled 12,802 tonnes.	30	2020.12	<ol style="list-style-type: none"> 1. Control quality stability. 2. Engage external parties for testing regularly.
Trial paving and promotion of asphalt concrete graded aggregates applications on public constructions	Basic oxygen furnace slag was included in the construction specifications of Kaohsiung City and Taichung City in 2015 and 2017, respectively. As of January 2020, 290 roads using BOF slag asphalt concrete have been paved. Except for completing the manual for using of this material, the construction regulations of the Kaohsiung City Government was amended in February 2019 to increase the substitution rate of using BOF slag in asphalt concrete. In addition, the Public Construction Commission of	1,150	2020.12	<ol style="list-style-type: none"> 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. 2. Complete the evaluation of the life cycle effectiveness of BOF slag asphalt concrete.

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
	Executive Yuan had amended the original Chapter 02742 and separated BOF slag as an individual chapter and officially promulgated the Chapter 02701 "BOF Slag Asphalt Concrete for Paving" under the Outline Specifications for Public Construction, for construction authorities to refer to and comply with.			
Upgrade of steel slag resourceization technology	Continue to refer to the application on a variety of areas domestically and abroad for R&D as follows: 1. AC aggregate (including recycled asphalt pavement) 2. Paving brick 3. Artificial building materials 4. Soil improvement agents 5. Foundation stones in maritime and hydraulic engineering 6. Reclamation materials 7. Hydration solidification	1,080	2020.12	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. 2. Set up performance verification for the application of basic oxygen furnace slag in marine engineering.
Recycling and resourceization 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.	40	2020.12	The strength of granulated finished products and changes in moisture conditions affect the willingness of steel factories to apply them to scrap returns.
Application of basic oxygen furnace slags in cement raw materials	In January 2019, the project for the application and promotion of using BOF slag in cement raw materials was launched. The manual for using BOF slag in cement raw materials was completed in July 2019, passed the third-party audit by the Industrial Development Bureau in January 2020, and officially published in January 2020. Furthermore, research in process optimization in response to the expansion of production capacity is in progress to continue improving the quality.	254	2020.12	1. Quality results. 2. Provide product technical services to customers.
Resourceization of used refractories	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. The volume expansion and stability technology for used refractories has been developing to reduce offsite resourceization risk.	300	2020.12	Control the quality of raw materials, particle size, variation of free magnesium oxide content, degree of volume stability, and quantity used of offsite resourceization.

4. Chung Hung Steel Corporation

Project in the Most Recent Year	Project Category	Further R&D Expenditure (NT\$ ten thousands)		
Hot rolling - Establishment of high-end composite CVC roll grinding technology	R&D and Improvement Plan in 2020	4,706		
Hot rolling - Design and application of high-end composite CVC roll forming				
Hot rolling - Development of product EN 10149-2 S355MC				
Hot rolling - Development of product EN 10025-2 S355JR				
Hot rolling - Acquisition of spare parts for universal connector used on roll end in roughing mill				
Hot rolling - Replacement of width gauge on entrance/exit of roughing mill				
Hot rolling - Replacement of information collection system and equipment				
Hot rolling - Replacement of rolling process information system				
Hot rolling - Addition of D/C zone pinch roll grinding equipment				
Hot rolling - Replacement of F3 main motor				
Cold rolling - Establishment of an intelligent monitoring system for the production of reciprocating cold-rolling mill				
Cold rolling - Replacement of power factor system equipment				
Pickling and galvanizing - Replacement of cooling water pump				
Pickling and galvanizing - Digitization of finished product storage area				
Pickling and galvanizing - Replacement of protective relay for power system				
Steel pipes and tubes - Development of API 5CT K55 5"			Unfinished projects in 2019 will be continued in 2020	27,923
Steel pipes and tubes - Development of API 5CT J55U2 7-5/8"				
Steel pipes and tubes - Development of CSA Z245.1 Grade 359 Cat. II M45C				
Hot rolling - Development of low-temperature rolling and fine blanking materials S55C				
Hot rolling - Revamping of Grinder No. 2				
Hot rolling - Revamping of Grinder No. 3				
Hot rolling - Replacement of 400hp public spiral air compressors				
Hot rolling - Addition of automated surface inspection system (ASIS) to skin pass mills				
Hot rolling - Upgrade of D/C width gauges				
Hot rolling - Optimization of PDA inspection system for reheating furnaces				
Hot rolling - Improvement of F3 thickness automatic control server system				
Cold rolling - Establishment of the optimized technology for cold-rolling CQC annealing process and medium carbon & high carbon steel pre-annealing process				
Cold rolling - Development of high-grade fine blanking materials for gears				
Cold rolling - Replacement of electric welding machine for finishing lines				
Pickling and galvanizing - Upgrading of electrical control equipment at pickling lines				
Pickling and galvanizing - Addition of automated surface inspection system (ASIS) to pickling lines				
Pickling and galvanizing - Reconstruction of KATHABAR and establishment of K7 and K8 coil storage areas				
Steel pipes and tubes - Development of API 5L X70M PSL2 steel pipe with diameter 16" or above				
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				

5. China Steel Structure Co., Ltd.

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of single-sided welding, double-sided forming backing weld technology	Mock-up and assembly have been set up.	20	2020.06	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	2020.10	1. Research and development of process technology 2. Establishment of welding procedure manual 3. Equipment procurement 4. Training for on-site welding personnel
Development of welding procedures and welding materials for offshore construction	WPS welding is under testing.	200	2020.12	1. Selection of welding materials 2. Testing for suitable welding parameters

6. China Ecotek Corporation

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Development of fluorine-containing wastewater treatment technology	Completed the mold field test using the resin method, but the pretreatment process is found to be too complicated. Sludge decrease and optimization will be conducted using physicochemical method.	180	2020.12	Whether sludge is reduced effectively.
Establishment of flue gas desulfurization technology for the coking plants	The procedure development and research is undergoing; it is expected to complete the material and energy balances in June 2020.	200	2021.12	Content of flue gas.
Development and engineering application of medium-temperature catalyst for the coking plants	The procedure development and research is undergoing; it is expected to complete the function test for water resistance and sulfur resistance of the commercial catalyst in June 2020.	200	2021.12	Formulation of catalyst.
Establishment of high-temperature dust collecting technology to achieve the effect of heat recycling, energy-saving, and carbon reduction	Collected specification data and actual utilization performance related to high-temperature ceramic fiber filter tubes.	200	2021.12	The airbrushing recovery rate for high temperature ceramic fiber filter tubes.

Project in the Most Recent Year	Current Progress	Further R&D Expenditure (NT\$ ten thousands)	Completion Time	Key Success Factors for R&D Project
Integrated research on building information modeling (BIM)	Adopted the PDMS (Plant Design Management System), a 3D layout design management system for plants, to build a full scale 3D mock-up for the waste gas desulfurization project of No. 1 Sinter Plant of CSC; the progress is 30% at present.	220	2020.11	Software compatibility.

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. Taiwan Stock Exchange Corporation (TWSE) announced its amendments to the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers on January 2, 2020, stating that starting from 2020, listed companies shall conduct self-evaluation or peer review among the Board of Directors and individual Directors on a yearly basis, and report the results of the performance evaluation by the end of the 1st quarter of next year. The Company has formulated the Rules Governing the Performance Evaluation of the Board of Directors in 2019 and submitted the 2019 evaluation results to the Board of Directors on December 30, 2019 for review and improvement, so as to strengthen the Board of Director's function and protect shareholders' interests.
2. The Ministry of Economic Affairs issued the Letter No. Economics-Commerce-10802432410 on January 9, 2020, an explanatory decree regarding the basis for setting aside the legal reserve. The basis for setting aside the legal reserve was amended from "after-tax earnings for the period" to "after-tax earnings plus other items for the period." The Company adopted the explanatory decree in the abovementioned Letter starting from the distribution of 2019 earnings. Such adoption has no significant effect on the amount of earnings distribution for the year.
3. IFRS 16 "Leases" became effective on January 1, 2019 in Taiwan, which replaced IAS 17 "Leases" and relevant interpretations such as IFRIC 4 "Determining whether an Arrangement Contains a Lease." The adoption of the abovementioned standard has no significant effect on the Consolidated Financial Statements of the Company and its subsidiaries.

(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 the need for flexible and massive capital management, the Company must improve the visibility of cash 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 collectivized 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, and 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.

In addition, in response to the ever-changing hacking techniques, the Company not only reinforces routine information security operation and procures new software and

hardware information security equipment, but cooperates with internal departments and subsidiaries in the group to form a joint defense network to strengthen the detection, monitoring, and report system for information security incident. The Company also introduced external professional information security advisor to help with the plan for the short, medium and long term establishment of information security. To improve the information security awareness of our employees, CSC carries out regular information security and anti-virus report on a monthly basis, conducts information security awareness promotion, information security joint defense meeting, and phishing simulation drills on a quarterly basis, and performs information security educational training on a half-yearly basis.

(VIII) Impact on the Company's corporate crisis management due to changes in corporate image and response measures thereof

In 2019, the Company won various awards given by domestic and foreign institutions, such as: 1. Winning the Copper Class award in RobecoSAM's Sustainability Yearbook in 2019, 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. Being selected as a constituent of the 2019 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. Receiving eight awards, including "Top 50 Corporate Sustainability Award," "Corporate Sustainability Report Award - Platinum Award in Traditional Manufacturing Sector," and specific category awards such as the "Sustainable Water Management Award," the "Climate Leadership Award," the "Circular Economy Leadership Award," the "Supply Chain Management Award," the "Growth through Innovation Award," and the "Talent Development Award" by TCSA. 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. Winning 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. 5. Being selected as the Top 25 (18th) among Top 100 Large Enterprises in the 2019 Excellence in Corporate Social Responsibility Award by CommonWealth Magazine, and the performance on the aspect of environmental sustainability was rated the best among the past years, signaling the recognition of CSC's fulfillment of its social responsibilities from domestic society. 6. The Company's Water Treatment Plant under the Utilities Department received the Excellence Award under the Industrial Group for "2019 Water Conservation Outstanding Performance Award," showing that the results of the Company's water management and water recycling is well recognized.

CSC not only strives for energy-saving and resource-saving but also positions itself as a steel mill with premium products through intelligence innovation and development of green industry. CSC Group highly emphasizes on the use and reuse of resources, not only for fulfilling its corporate social responsibility but also for facilitating a better future for Taiwan. Looking forward, the Company promises to keep learning and advancing its corporate sustainable operations and management and pushing for sustainable growth in all aspects. The Company will also cooperate with all business partners in the value chain to step forward toward our company prospect of "being a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving and value-innovation" in consideration of the interests of all stakeholders.

(IX) Expected benefits and potential risks related to mergers and acquisitions

CHC Resources Corporation has held the 3rd meeting of the 11th Board of Directors on November 7, 2019, in which the Board of Directors approved the merger with its wholly-owned subsidiary, Hsieh Sheng Development Corporation. After the merger, CHC Resources Corporation would be the surviving company, while Hsieh Sheng Development Corporation would be the dissolved company. The merger, with the reference date on December 18, 2019, is expected to facilitate business integration and improve the operating efficiency.

(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

In order to avoid over concentrated sources of procurement, 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. However, the steel production equipment is a highly specialized industry, and the number of manufacturers in this industry is quite limited. In recent years, equipment suppliers in various countries has 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 the quoted price, 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 from Canada. The Company takes the following response measures:

- 1) Develop new material sources in other regions.
- 2) 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 in 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 13 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 economy.

(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 targets 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 China Steel Precision Metals Kunshan Co., Ltd. in Kunshan, China 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 targets customers from sectors such as automobiles, 3C, home appliances and electric machines to expand sales and keep abreast of market developments.

In June 2016, February 2017, September 2018, December 2018 and June 2019, 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\$ 4 million to establish Chongqing HC&C Auto Parts Co., Ltd., holding 10% of its shares. Chongqing HC&C Auto Parts Co., Ltd. has built a production line in Chongqing, 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 enhances sales of our automobile sheets and improve synergy between the development and supply of the Company's high-strength automobile steels and coated steels. This company commenced in December 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 2019 up to the publication date of this annual report (March 31, 2020).

(XIV) Impact and risks of changes in management rights on the Company

No such circumstance was found from 2019 up to the publication date of this annual report (March 31, 2020).

(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 LUO09. 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-Shang-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 the 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 the 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 the amount of money at issue and filed a lawsuit to the court of the second instance. Taiwan High Court Kaohsiung Branch Court, the court for the second instance, opened the first sessions on December 30, 2016. Preliminary proceeding has gone through 10 court sessions. Currently, as the appellant expressed its willingness to pay the fee for the supplementary appraisal report on the reasonable expenses required for the construction, the Court issued a letter to Taiwan Construction Research Institute (the "TCRI"), and TCRI agreed to conduct a supplementary appraisal regarding the reasonable expenses required for the construction. The proceeding will resume upon completion of supplementary appraisal by TCRI. As of March 31, 2020, the publication date of the annual report, the TCRI has not completed the appraisal report; therefore, 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.
Dragon Steel Corporation	Plaintiff: Tao-Yuan Ruan; Mu-Lan Lu; Ding-Yong Jiang Defendant: Environmental Protection	1. As citizens in an environmental protection group, including Tao-Yuan Ruan, were not satisfied with the resolution made at the 47th meeting of the Environment Impact	None	July 26, 2018	1. The sentence made by Taichung High Administrative Court on March 25, 2020 is as follows: "1. The Appeal Decision Fu-shou-fa-su-tzu No. 1070140424 made by Taichung City Government and the original administrative disposition were discharged. 2. Reject the appeals made by plaintiffs Tao-Yuan Ruan and Mu-Lan Lu. 3. 50% of the litigation expenses shall be borne by

	Bureau of Taichung City Government Intervener: Dragon Steel Corporation	Assessment Audit Committee on July 24, 2017, in the Letter of Chung-shi-huan-zhong No. 1060083497 issued by Environmental Protection Bureau of Taichung City Government on July 31, 2017, the citizens filed an appeal according to the law to rescind the administrative disposition. Taichung City Government determined to reject the appeal. The plaintiffs were unsatisfied with the result of the appeal and filed the administrative litigation according to the law. 2. As the results of the judgment for the litigation may compromise Dragon Steel's rights or legal interests, Dragon Steel attended the proceeding as an independent intervener on November 16, 2018.			Tao-Yuan Ruan and Mu-Lan Lu, and the remaining shall be born by the defendant. 2. Dragon Steel intends to file an appeal within the period prescribed by the law (April 21, 2020).
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. CHC Resources Corporation filed administrative litigation to Kaohsiung High Administrative Court in January 2019, and the Court determined to reject the appeal of CHC Resources Corporation in July 2019.	None	January 31, 2019	CHC Resources Corporation filed an appeal to the Supreme Administrative Court on August 22, 2019.

(XVI) Other significant risks: None.

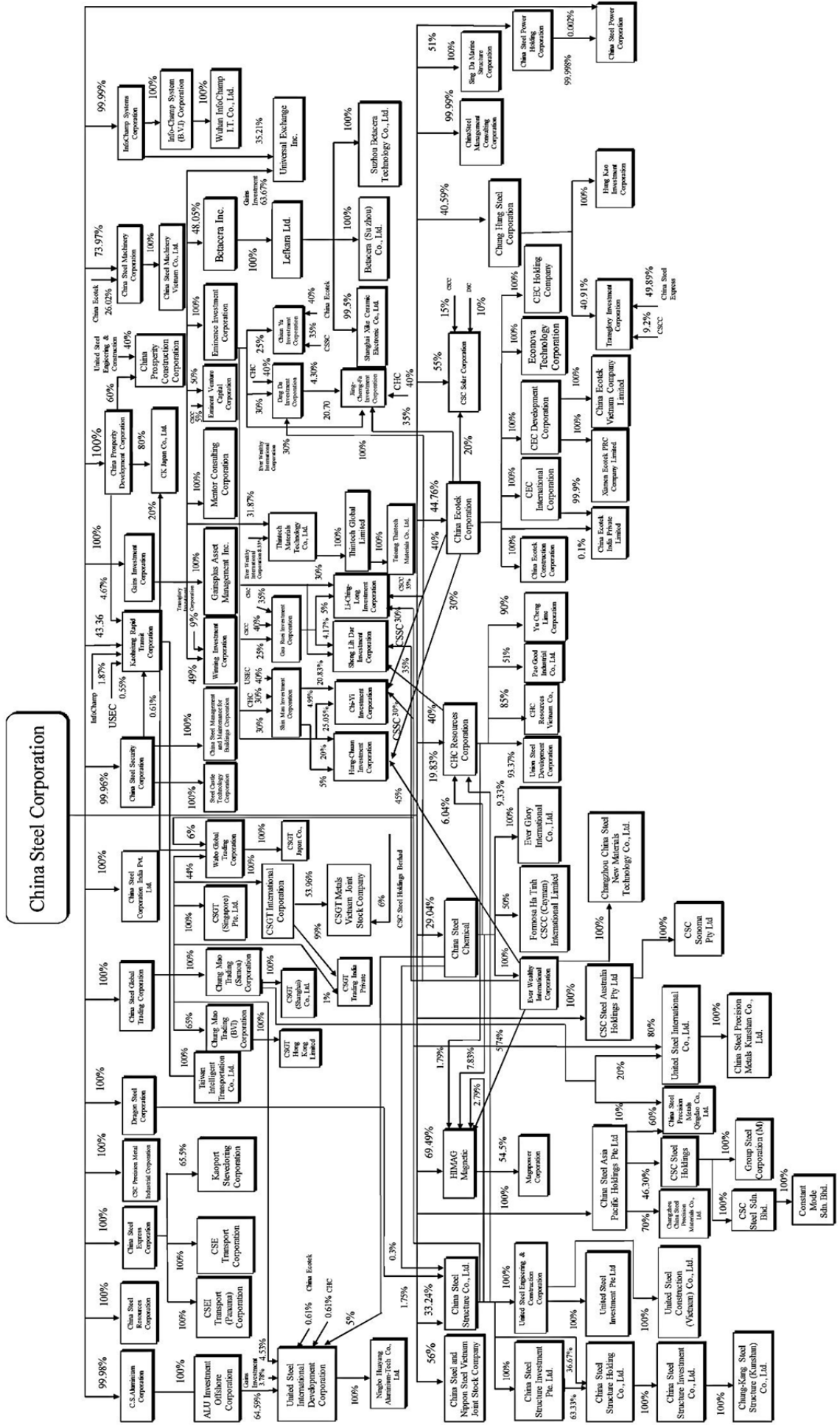
VII. Other Significant Matters: None.

Chapter VIII. Special Disclosures

I. Information on Affiliated Companies

(I) 2019 Consolidated Financial Statements of Affiliated Companies: None.

(II) 2019 Consolidated Business Report of Affiliated Companies
 1. Organization Chart of Affiliated Companies (2020.03.31)



2. Basic Information on Affiliated Companies

(As of March 31, 2020)

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
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\$	1,045,750	General 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
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
China Ecotek Corporation	1993.03.15	8F, No. 8, Minquan 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, Minquan 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, Minquan 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	Holding and investment
China Ecotek India Private Limited	2012.08.17	B-33, 2F, Janki Residency, Undera-Koyalali Rd., Undera, Vadodara, Gujarat, India	INR\$	50,000	Engineering design-build services
CEC Holding Company Limited	2012.08.24	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$	11,196	Holding and investment
CEC Development Corporation	2017.05.16	Level 2, Lotemau Centre Building, Vaea Street, Apia, Samoa	US\$	16,450	Holding and investment
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

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
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 8F-4, No. 88, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City, Taiwan	NT\$	740,000	Contracting and management of civil engineering construction, etc
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
China Steel Structure Holding Co., Ltd.	2003.11.03	Portcullis Chambers, P.O. Box 1225, Apia, Samoa	US\$	12,000	Holding and investment
China Steel Structure Investment Co., Ltd.	2003.11.03	Portcullis Chambers, P.O. Box 1225, Apia, Samoa	US\$	12,000	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 Steel Structure Investment Pte. Ltd.	1997.01.13	160 Robinson Rd., #15-06 SBF Centre, Singapore	US\$	4,100	Holding and investment
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
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\$	25,000	Sale of water-quenched slag
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

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
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
ChinaSteel Management Consulting Corporation	1998.11.30	No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	10,000	Corporate business management consulting
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
China Prosperity Construction Corporation (Original name: United Steel Development Corporation Limited)	2008.10.28	24F-6, No.31, Hai Bian Rd., Ling Yea Dist., Kaohsiung City, Taiwan	NT\$	133,875	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
HIMAG Magnetic Corporation	1991.01.10	No. 24-1, Chienkuo Rd., Fengtien Vill., Neipu Township, Pingtung County, 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 County, Taiwan	NT\$	400,000	Powder metallurgy
Eminent Venture Capital Corporation	2005.03.25	28F, No. 7, Sec.5, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan	NT\$	270,027	General investment
Sing Da Marine Structure Corporation	2018.04.19	14F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	3,421,000	Offshore wind power substructure
China Steel Power Holding Corporation	2018.06.28	15F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	673,000	General investment
China Steel Power Corporation	2019.12.11	10F-1, No. 369, Zhonghua W. Rd., Changhua City, Changhua County, Taiwan	NT\$	4,800	Offshore wind power generation
CSC Solar Corporation	2016.10.11	9F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	1,744,000	Solar power generation
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
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
InfoChamp Systems Corporation	2000.03.27	19F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	414,706	ERP system integration services

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
Info-Champ System (B.V.I) Corporation	2000.04.28	Portullis Chambers, 4F, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, B.V.I	US\$	201	Holding and 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
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., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	26,000	Technical services
China Steel Machinery Corporation	2001.09.20	No. 3, Taichi Rd., Xiaogang Dist., Kaohsiung City, Taiwan	NT\$	1,352,824	Manufacture and sale of mechanical equipments, including steel making equipment, rolling stock, transportation equipment, power plant equipment, etc.
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
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
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	Porteullis 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	Holding and 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 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
Kaoport Stevedoring Corporation	1997.11.08	33F-1, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	50,000	Ship stevedoring
Transglory Investment Corporation	2005.05.13	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	7,274,659	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

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main 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
Gains Investment Corporation	1996.04.01	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	5,593,820	General investment
Thintech Materials Technology Co., Ltd.	2000.03.29	8F-4, No. 140, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City, Taiwan	NT\$	734,980	Manufacture and sale of sputtering targets
Thintech Global Limited	2011.02.23	Portuallis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$	6,800	Holding and investment
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
Winning Investment Corporation	1997.04.25	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	2,300,000	General investment
Betacera Inc.	1987.11.06	No. 105, Yongchang St., Yingge Dist., New Taipei City, Taiwan	NT\$	427,803	Manufacture and trading of electronic ceramics
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
Betacera (Su Zhou) Co., Ltd.	2000.08.18	No. 1219, Yunli Rd., Economic Develop Zone, Wujiang City, Jiangsu 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, Jiangsu 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, Xiaomujiao Rd., Xuhui Dist., Shanghai, China	US\$	1,200	Manufacture and trading of electronic ceramics
Universal Exchange Inc.	2000.01.21	6F, No. 20, Nanhai Rd., Zhongzheng Dist., Taipei City, Taiwan	NT\$	165,450	Wholesale, service of IT software and electronic information services supply
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
Shin Mau Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	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

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main Business
Ding Da Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	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
Gau Ruei Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	General 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
Chiun Yu Investment Corporation	1997.05.21	26F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	NT\$	29,900	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
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
CSGT Japan Co., Ltd.	1998.03.17	2F, Osaka U2 Building, 4-7 Uchihonmachi 2-Chome, Chuoku, Osaka 540-0026, Japan	JP\$	40,000	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	Holding and investment
CSGT (Shanghai) Co., Ltd.	2002.09.23	Rm. 1907, No. 501, Daming Rd., Hongkou Dist., Shanghai, China	US\$	600	Sales agent and trading of steel products
Chung Mao Trading (BVI) Corporation	1997.08.15	P.O. Box 3321, Road Town, Tortola B.V.I	US\$	502	Holding and investment
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 International Corporation	2007.08.07	Porteallis TrustNet Chambers P.O. Box. 1225, Apia, Samoa	US\$	20,740	Holding and investment
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

Name of Subsidiary	Date of Incorporation	Address	Currency	Paid-in Capital	Main 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
China Steel and Nippon Steel 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
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 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
China Steel Asia Pacific Holdings Pte Ltd	2000.11.01	160 Robinson Rd., SBF Center #15-06, Singapore	SG\$	191,065	Holding and investment
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
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
United Steel International Co., Ltd.	2003.11.19	Porteullis Chambers, P.O. Box 1225, Apia, Samoa	US\$	15,000	Holding and 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

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, 2020)

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
Steel industry	Chung Hung Steel Corporation	Purchasing slabs from China Steel Corporation
	Dragon Steel Corporation	Supplying hot-rolled coils and slabs to China Steel Corporation and Chung Hung Steel Corporation
	China Steel and Nippon Steel Vietnam Joint Stock Company	Purchasing hot-rolled coils from China Steel Corporation and Dragon Steel Corporation
	China Steel Corporation India Pvt. Ltd.	Purchasing cold-rolled coils from China Steel Corporation
	CSC Steel Sdn. Bhd.	Purchasing hot-rolled coils from China Steel Corporation and Chung Hung Steel Corporation
Steel cutting and processing	CSGT Metals Vietnam Joint Stock Company	Purchasing hot-rolled and cold-rolled coils from China Steel Corporation and China Steel and Nippon Steel Vietnam Joint Stock Company
	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	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
	CHC Resources Corporation	Purchasing water-quenched slag from China Steel Corporation and processing BOFS and air-cooled BFS from China Steel Corporation
	Yu Cheng Lime Corporation	Providing storages for BFS material and finished products from CHC Resources 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
	HIMAG Magnetic Corporation	Purchasing iron oxides from China Steel Corporation and providing specialty chemicals to CSC Group
	MagnPower Corporation	A subsidiary of HIMAG Magnetic Corporation
	CSC Precision Metal Industrial Corporation	Providing special alloy products machining and finishing business for China Steel Corporation
	China Steel Resources Corporation	Processing of desulfurized slag from 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.

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
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.
	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.
	Shanghai Xike Ceramic Electronic Co., Ltd.	Purchasing materials of electronic ceramics from Betacera Inc.
	Changzhou China Steel Precision Materials Co., Ltd.	Selling titanium and nickel alloy plates to China Steel Corporation
Ocean freight forwarding and stevedoring	China Steel Express Corporation	Providing shipping services for CSC Group
	Kaoport Stevedoring Corporation	Providing shipping cargo stevedoring services for CSC Group
	CSE Transport Corporation	Providing shipping services for CSC Group
	CSEI Transport (Panama) Corporation	Providing shipping services for CSC Group
International trade	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
	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 Japan Co., Ltd.	Sales agent for CSC Group steel and aluminum products
	CSGT (Shanghai) Co., Ltd.	Sales agent for CSC Group steel and aluminum products
	CSGT Hong Kong Limited	Sales agent for CSC Group steel and aluminum products
	CSGT Trading India Private Limited	Sales agent for CSC Group steel and aluminum products
CSGT (Singapore) Pte. Ltd.	Sales agent for CSC Group steel and aluminum products	
Investment holding companies	Hung Kao Investment Corporation	A subsidiary of Chung Hung Steel Corporation
	Ever Wealthy International Corporation	A subsidiary of China Steel Chemical Corporation
	CEC International Corporation	A subsidiary of China Ecotek Corporation
	CEC Holding Company Limited	A subsidiary of China Ecotek Corporation
	CEC Development Corporation	A subsidiary of China Ecotek Corporation
	United Steel Investment Pte Ltd	A subsidiary of United Steel Engineering & Construction Corporation
	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.
	China Steel Structure Investment Pte. Ltd.	A subsidiary of China Steel Structure Co., Ltd.

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
Investment holding companies	Eminent Venture Capital Corporation	A subsidiary of Gains Investment Corporation and China Steel Chemical Corporation
	China Steel Power Holding Corporation	A subsidiary of China Steel Corporation
	Info-Champ System (B.V.I) Corporation	A subsidiary of InfoChamp Systems Corporation
	ALU Investment Offshore Corporation	A subsidiary of C.S.Aluminium Corporation
	United Steel International Development Corporation	A subsidiary of ALU Investment Offshore Corporation
	Transglory Investment Corporation	A joint-company invested by China Steel Express Corporation, Chung Hung Steel Corporation and China Steel Chemical Corporation
	Gains Investment Corporation	A subsidiary of China Steel Corporation
	Thintech Global Limited	A subsidiary of Thintech Materials Technology Co., Ltd.
	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
	Hung-Chuan Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and Ever Wealthy International Corporation
	Chi-Yi Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and China Steel Structure Co., Ltd.
	Ding Da Investment Corporation	A joint-company invested by Eminence Investment Corporation, CHC Resources Corporation and Ever Wealthy International Corporation
	Jiing-Cherng-Fa Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and CHC Resources Corporation
	Gau Ruei Investment Corporation	A joint-company invested by Eminence Investment Corporation, CHC Resources Corporation and China Steel Chemical Corporation
	Li-Ching-Long Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Steel Chemical 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
	Chiun Yu Investment Corporation	A joint-company invested by Eminence Investment Corporation, China Ecotek Corporation and China Steel Structure Co., Ltd.
	Gainsplus Asset Management Inc.	A subsidiary of Gains Investment Corporation

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
Investment holding companies	Chung Mao Trading (Samoa) Corporation	A subsidiary of China Steel Global Trading Corporation
	Chung Mao Trading (BVI) Corporation	A subsidiary of China Steel Global Trading Corporation
	CSGT International Corporation	A subsidiary of China Steel Global Trading Corporation
	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 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
	Group Steel Corporation (M) Sdn. Bhd.	A subsidiary of CSC Steel Holdings Berhad
	United Steel International Co., Ltd.	A joint-company invested by China Steel Corporation and Chung Mao Trading (Samoa) Corporation
Management consulting companies	ChinaSteel Management Consulting Corporation	Providing business management and consulting services management for CSC Group
	Mentor Consulting Corporation	A subsidiary of Gains Investment Corporation
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 plate from China Steel Corporation
	China Steel Machinery Vietnam Co., Ltd.	Providing repair & maintenance and manufacturing service of mechanical equipment for China Steel and Nippon Steel Vietnam Joint Stock Company
Real estate development	China Prosperity Development Corporation	Providing real estate development services for CSC Group
	China Prosperity Construction Corporation (Original name: United Steel Development Corporation Limited)	A subsidiary of China Prosperity Development Corporation
	CK Japan Co., Ltd.	Providing real estate leasing services for CSC Group
	Constant Mode Sdn. Bhd.	A subsidiary of CSC Steel Sdn. Bhd.
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
	United Steel Construction (Vietnam) Co., Ltd.	A subsidiary of United Steel Engineering & Construction Corporation

Industry	Name of Affiliated Company	Business Relationship with Other Affiliated Companies
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	A subsidiary of China Steel Structure Investment Co., Ltd.
Engineering services	China Ecotek Corporation	Providing environmental engineering and plant construction services for CSC Group
	Econova Technology Corporation	A subsidiary of China Ecotek Corporation
	China Ecotek Construction Corporation	A subsidiary of China Ecotek Corporation
	China Ecotek India Private Limited	Providing plant construction services for CSC Group
	China Ecotek Vietnam Company Limited	Providing plant construction services for CSC Group
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	Sing Da Marine Structure Corporation	Purchasing plate from China Steel Corporation
	China Steel Power Corporation	A subsidiary of China Steel Power Holding Corporation
	CSC Solar Corporation	Renting the roof of the factory buildings of CSC Group to implement the solar photovoltaic business
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

5. Directors, Supervisors and Presidents of Affiliated Companies

(As of March 31, 2020)

Unit: shares, %

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Chung Hung Steel Corporation	Chairman	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%
	Director	China Steel Corporation (Representative: Kai-Ming Hwang)	582,673,153	40.59%
	Independent Director	Lin-Lin Lee	0	0.00%
	Independent Director	Juh-Shan Chiou	0	0.00%
	Independent Director	Hsien-Tang Tsai	0	0.00%
Hung Kao Investment Corporation	Director and President	China Steel Corporation (Representative: Kung-Ching Wu)	582,673,153	40.59%
	Chairman	Chung Hung Steel Corporation (Representative: Chia-Wen Luo)	2,600,000	100.00%
	President	Pei-Yu Lee	0	0.00%
China Steel Chemical Corporation	Chairman	China Steel Corporation (Representative: Wen-Ge Lo)	68,787,183	29.04%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	68,787,183	29.04%
	Director	China Steel Corporation (Representative: Shyi-Chin Wang)	68,787,183	29.04%
	Director	International CSRC Investment Holdings Co., Ltd. (Representative: Gong-Yi Gu)	11,759,096	4.96%
China Steel Chemical Corporation	Director	International CSRC Investment Holdings Co., Ltd. (Representative: Tien-Fu Chao)	11,759,096	4.96%
	Independent Director	Hsin-Shu Hsieh	0	0.00%
	Independent Director	Chris Wang	0	0.00%
	Independent Director	Tsun-Tzu Hsu	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Ever Wealthy International Corporation	Director and President	China Steel Corporation (Representative: Ming-Da Fang)	68,787,183	29.04%
	Chairman	China Steel Chemical Corporation (Representative: Ming-Da Fang)	104,574,982	100.00%
	President	Chu-Kai Huang	0	0.00%
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: Wen-Ge Lo)	CNY\$ 39,950,000	100.00%
	Supervisor	Ever Wealthy International Corporation (Representative: Chu-Kai Huang)	CNY\$ 39,950,000	100.00%
	Director and President	Ever Wealthy International Corporation (Representative: Chien-Ping Chao)	CNY\$ 39,950,000	100.00%
Ever Glory International Co., Ltd.	Chairman	China Steel Chemical Corporation (Representative: Ming-Da Fang)	1,300,000	100.00%
Formosa Ha Tinh CSMC (Cayman) International Limited	Chairman	Formosa Ha Tinh (Cayman) Limited (Representative: Fu-Ning Jang)	10,000,000	50.00%
	Director	China Steel Chemical Corporation (Representative: Wen-Ge Lo)	10,000,000	50.00%
	Director	China Steel Chemical Corporation (Representative: Ming-Da Fang)	10,000,000	50.00%
	Director	China Steel Chemical Corporation (Representative: Chu-Kai Huang)	10,000,000	50.00%
	Director	Formosa Ha Tinh (Cayman) Limited (Representative: Yao-Kang Lin)	10,000,000	50.00%
	Director	Formosa Ha Tinh (Cayman) Limited (Representative: Hung-Ming Lu)	10,000,000	50.00%
	President	Hsin-Yao Chang	0	0.00%
	Chairman	China Steel Corporation (Representative: Chung-Te Chen)	55,393,138	44.76%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	China Steel Corporation (Representative: Chao-Tung Wong)	55,393,138	44.76%
	Director	China Steel Corporation (Representative: Shyi-Chin Wang)	55,393,138	44.76%
	Director	China Steel Corporation (Representative: Huo-Kun Chen)	55,393,138	44.76%
	Director	Hua Eng Wire And Cable Co., Ltd. (Representative: Ming-Hsiang Lin)	11,843,730	9.57%
	Director	Great Grandeur Steel Co., Ltd. (Representative: Yu-Lun Kuo)	3,764,000	3.04%
	Director	Chun Yuan Steel Industry Co., Ltd. (Representative: Hsi-Chi Tsai)	2,990,772	2.42%
	Independent Director	Chia-Jung Chen	0	0.00%
	Independent Director	Po-Han Wang	0	0.00%
	Supervisor	Chun Yu Works & Co., Ltd. (Representative: Hui-Zheng Lin)	4,333,266	3.50%
	Supervisor	Chin Ho Fa Steel & Iron Co., Ltd. (Representative: Wei-Yan Hong)	3,610,475	2.92%
Econova Technology Corporation	Supervisor	Bai Chien Investment (Representative: Po-Nien Lin)	3,005,000	2.43%
	Director and President	China Steel Corporation (Representative: Tzu-An Wu)	55,393,138	44.76%
	Liquidator	China Ecotek Corporation (Representative: Li-Ming Hu)	2,500,000	100.00%
	Chairman and President	China Ecotek Corporation (Representative: Ching-Sung Tu)	2,500,000	100.00%
	Director	China Ecotek Corporation (Representative: Juinn-Sheng Lee)	10,000,000	100.00%
	Director	CEC International Corporation (Representative: Juinn-Sheng Lee)	4,995,000	99.90%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CEC Holding Company Limited	Director	China Ecotek Corporation (Representative: Li-Ming Hu)	14,860,000	100.00%
	Director	China Ecotek Corporation (Representative: Tzu-An Wu)	17,000,000	100.00%
	Director	CEC Development Corporation (Representative: Tzu-An Wu)	USD\$10,000,000	100.00%
China Ecotek Vietnam Company Limited	President	Juinn-Sheng Lee	USD\$0	0.00%
	Director and President	CEC Development Corporation (Representative: Juinn-Sheng Lee)	USD\$6,000,000	100.00%
Xiamen Ecotek PRC Company Limited	Chairman	China Steel Corporation (Representative: Tien-Ming Chen)	66,487,844	33.24%
	Director	China Steel Corporation (Representative: Chien-Chih Hwang)	66,487,844	33.24%
	Director	IHI Corporation (Representative: Tao-Peng Lin)	11,061,690	5.53%
China Steel Structure Co., Ltd.	Director	Great Grandeur Steel Co., Ltd (Representative: Chih-Hao Kuo)	3,899,000	1.95%
	Director	Dragon Steel Corporation (Representative: Chao-Shyang Lee)	3,500,000	1.75%
	Director	China Steel Chemical Corporation (Representative: Yi-Hung Chen)	600,069	0.30%
	Director	Grace Investment Co., Ltd. (Representative: Che-Sheng Chen)	496,000	0.25%
	Independent Director	Hsiu-Ling Lee	0	0.00%
	Independent Director	Hwa-Teng Lee	0	0.00%
United Steel Engineering & Construction Corporation	Independent Director	Wei Lo	0	0.00%
	Director and President	China Steel Corporation (Representative: Jui-Teng Chen)	66,487,844	33.24%
	Chairman	China Steel Structure Co., Ltd. (Representative: Jui-Teng Chen)	74,000,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	China Steel Structure Co., Ltd. (Representative: Tien-Ming 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 and President	China Steel Structure Co., Ltd. (Representative: Wei-Chang Lu)	74,000,000	100.00%
United Steel Construction (Vietnam) Co., Ltd.	Chairman	United Steel Engineering & Construction Corporation (Representative: Jui-Teng Chen)	USD\$ 1,000,000	100.00%
United Steel Investment Pte Ltd	Director	United Steel Engineering & Construction Corporation (Representative: Jui-Teng Chen)	4,180,000	100.00%
	Director	Choon-Chiaw Loo	0	0.00%
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	China Steel Structure Holding Co., Ltd. (Representative: Tien-Ming Chen)	12,000,000	100.00%
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 Steel Structure Investment Pte. Ltd.	Director	China Steel Structure Co., Ltd. (Representative: Jui-Teng Chen)	4,100,000	100.00%
	Director	Choon-Chiaw Loo	0	0.00%
CHC Resources Corporation	Chairman	China Steel Corporation (Representative: Hung-Chang Chang)	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)	%
Yu Cheng Lime Corporation	Director	China Steel Corporation (Representative: Hung-Kuang Yeh)	49,289,597	19.83%
	Director	Taiwan Cement Corporation (Representative: Wei-Chueh Hong)	30,196,163	12.15%
	Director	Taiwan Cement Corporation (Representative: Yun-De Wu)	30,196,163	12.15%
	Director	China Steel Structure Co., Ltd. (Representative: Tien-Ming Chen)	23,182,738	9.33%
	Director	Asia Cement Corporation (Representative: Ying-Fong Chang)	22,801,185	9.17%
	Director	Asia Cement Corporation (Representative: Chen-Ho Chung)	22,801,185	9.17%
	Director	Universal Cement Corporation (Representative: Chih-Yuan Hou)	17,020,254	6.85%
	Director	China Steel Chemical Corporation (Representative: Chu-Kai Huang)	15,019,341	6.04%
	Director	Southeast Cement Corporation (Representative: Chang-Chih Wu)	13,083,801	5.26%
	Independent Director	Jung-Shien Wang	0	0.00%
	Independent Director	Chung-Chia Yang	0	0.00%
	Independent Director	Fu-Tien Cheng	0	0.00%
	Director and President	CHC Resources Corporation (Representative: Shih-Ho Shang Kuan)	49,289,597	19.83%
	Chairman and President	CHC Resources Corporation (Representative: Hung-Shu Chung)	108,000	90.00%
Supervisor	Chih-Lin Yang	0	0.00%	
Union Steel Development Corporation	Chairman	CHC Resources Corporation (Representative: Shih-Ho Shang Kuan)	4,668,333	93.37%
	Supervisor	Kuo-Yuan Chen	0	0.00%
	President	Yuan-Chih Shu	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Pao Good Industrial Co., Ltd.	Chairman	CHC Resources Corporation (Representative: Ming-Chang Chiu)	5,408,550	51.00%
	Director	CHC Resources Corporation (Representative: Shih-Ho Shang Kuan)	5,408,550	51.00%
	Director	CHC Resources Corporation (Representative: Hung-Shu Chung)	5,408,550	51.00%
	Director	Nan Hwa Cement Corporation (Representative: Chen-Ho Chung)	3,287,550	31.00%
	Director	Nan Hwa Cement Corporation (Representative: Wen-Hua Yeh)	3,287,550	31.00%
	Supervisor	Yuen Shwei Enterprise Co., Ltd. (Representative: Hsin-Lu Liu)	1,060,500	10.00%
	President	I-Chun Chen	0	0.00%
	Chairman	CHC Resources Corporation (Representative: Hung-Shu Chung)	USD\$21,250,000	85.00%
	Director	CHC Resources Corporation (Representative: Hung-Chang Chang)	USD\$21,250,000	85.00%
	Director	CHC Resources Corporation (Representative: Shih-Ho Shang Kuan)	USD\$21,250,000	85.00%
CHC Resources Vietnam Co., Ltd	Director	Formosa Ha Tinh Steel Corporation (Representative: Yuan-Cheng Chen)	USD\$ 3,750,000	15.00%
	Director	Formosa Ha Tinh Steel Corporation (Representative: Tsung-Ming Ling)	USD\$ 3,750,000	15.00%
	President	Chao-Kuei Huang	USD\$ 0	0.00%
	Chairman	China Steel Corporation (Representative: Ya-Tang Liang)	25,036,986	99.96%
	Director	China Steel Corporation (Representative: Shyi-Chin Wang)	25,036,986	99.96%
	Director	China Steel Corporation (Representative: Chiu-Po Chang)	25,036,986	99.96%
China Steel Security Corporation	Supervisor	Iuan-Yuan Lu	0	0.00%
	President	Chang-Chin Yu	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Steel Castle Technology Corporation	Chairman	China Steel Security Corporation (Representative: Chang-Chin Yu)	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	Yu-Jung Chang	0	0.00%
China Steel Management And Maintenance For Buildings Corporation	Chairman and President	China Steel Security Corporation (Representative: Chang-Chin Yu)	1,000,000	100.00%
	Chairman	China Steel Corporation (Representative: Hsi-Chou Chung)	999,993	100.00%
ChinaSteel Management Consulting Corporation	Supervisor	Jheng-Hong Chen	0	0.00%
	President	Hsi-Ju Tseng	0	0.00%
	Chairman	China Steel Corporation (Representative: Chao-Tung Wong)	509,802,912	100.00%
China Prosperity Development Corporation	Director	China Steel Corporation (Representative: Chiu-Po Chang)	509,802,912	100.00%
	Director	China Steel Corporation (Representative: Hung-Tai Chou)	509,802,912	100.00%
	Supervisor	Jheng-Hong Chen	0	0.00%
	President	Yi-Chih Hsu	0	0.00%
	Chairman and President	China Prosperity Development Corporation (Representative: Yi-Chih Hsu)	8,032,500	60.00%
	Director	China Prosperity Development Corporation (Representative: Chung-Dah Tsai)	8,032,500	60.00%
China Prosperity Construction Corporation (Original name: United Steel Development Corporation Limited)	Director	United Steel Engineering & Construction Corporation (Representative: Jui-Teng Chen)	5,355,000	40.00%
	Supervisor	Wei-Chang Lu	0	0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CK Japan Co., Ltd.	Chairman	Wabo Global Trading Corporation (Representative: Wei-Ting Chen)	960	20.00%
	Director	China Prosperity Development Corporation (Representative: Fu-Chang Huang)	3,840	80.00%
	Director	China Prosperity Development Corporation (Representative: Chung-Dah Tsai)	3,840	80.00%
	Supervisor	China Prosperity Development Corporation (Representative: Hui-Ju Chang)	3,840	80.00%
HIMAG Magnetic Corporation	Chairman	China Steel Corporation (Representative: Ching-Fang Tu)	19,183,286	69.49%
	Director	China Steel Corporation (Representative: Ting-Han Lai)	19,183,286	69.49%
	Director	China Steel Corporation (Representative: Kai-Ching Huang)	19,183,286	69.49%
	Supervisor	Ever Wealthy International Corporation (Representative: Wen-Liang Tseng)	1,584,731	5.74%
MagnPower Corporation	President	Fong-Fu Lin	0	0.00%
	Chairman	HIMAG Magnetic Corporation (Representative: Fong-Fu Lin)	21,800,000	54.50%
	Director	HIMAG Magnetic Corporation (Representative: Chen-Feng Chan)	21,800,000	54.50%
	Director	Super Electronics Co., Ltd. (Representative: Chi-Ping Lee)	15,200,000	38.00%
Eminent Venture Capital Corporation	Supervisor	Rechi Investments Holdings Co., Ltd. (Representative: Yung-Fu Hsu)	3,000,000	7.50%
	President	Chi-Lih Chen	0	0.00%
	Chairman	Gains Investment Corporation (Representative: Pai-Chien Huang)	13,500,000	50.00%
	Director	Gains Investment Corporation (Representative: Chun-Hui Wu)	13,500,000	50.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Sing Da Marine Structure Corporation	Director	Mega International Commercial Bank Co., Ltd. (Representative: Hui-Tzu Shih)	6,750,000	25.00%
	Director	Mega International Commercial Bank Co., Ltd. (Representative: Kuei-Yen Wu)	6,750,000	25.00%
	Director	Oriental Union Chemical Corporation (Representative: Hsi-Chin Tsai)	2,700,000	10.00%
	Director	Taiwan Fertilizer Co., Ltd.	2,700,000	10.00%
	Director	TaiAn Technologies Corporation (Representative: Yueh-Kun Yang)	2,700	0.01%
	Supervisor	China Steel Chemical Corporation (Representative: Ming-Da Fang)	1,350,000	5.00%
	Supervisor	Tu-Mu Kuo	0	0.00%
	President	Shih-Chia Lin	0	0.00%
	Chairman	China Steel Corporation (Representative: Ya-Chou Wang)	342,100,000	100.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	342,100,000	100.00%
Director	China Steel Corporation (Representative: Hung-Tai Chou)	342,100,000	100.00%	
President	Wu-Hsiung Lu	0	0.00%	
China Steel Power Holding Corporation	Chairman	China Steel Corporation (Representative: Shyi-Chin Wang)	34,323,000	51.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	34,323,000	51.00%
	Director	China Steel Corporation (Representative: Bor-Chih Hwang)	34,323,000	51.00%
China Steel Power Holding Corporation	Director	CI III Zhong Neng K/S (Representative: Mads Skovgaard-Andersen)	32,997,000	49.00%
	Director	CI III Zhong Neng K/S (Representative: John Michael Hannibal)	32,997,000	49.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
China Steel Power Corporation	Director	CI III Zhong Neng K/S (Representative: Thomas Wibe Poulsen)	32,997,000	49.00%
	Supervisor	Hung-Tai Chou	0	0.00%
	Chairman	China Steel Power Holding Corporation (Representative: Shyi-Chin Wang)	479,990	100.00%
	Director	China Steel Power Holding Corporation (Representative: Kuan-Fu Chen)	479,990	100.00%
	Director	China Steel Power Holding Corporation (Representative: Bor-Chih Hwang)	479,990	100.00%
	Director	China Steel Power Holding Corporation (Representative: Mads Skovgaard-Andersen)	479,990	100.00%
	Director	China Steel Power Holding Corporation (Representative: John Michael Hannibal)	479,990	100.00%
	Director	China Steel Power Holding Corporation (Representative: Thomas Wibe Poulsen)	479,990	100.00%
	Supervisor	Hung-Tai Chou	0	0.00%
	CSC Solar Corporation	Chairman	China Ecotek Corporation (Representative: Tzu-An Wu)	34,880,000
Director		China Steel Corporation (Representative: Kuan-Fu Chen)	95,920,000	55.00%
Supervisor		Dragon Steel Corporation (Representative: Chien-Chou Chen)	17,440,000	10.00%
Director and President		China Steel Corporation (Representative: Der-Shuh Ting)	95,920,000	55.00%
CSC Precision Metal Industrial Corporation	Chairman	China Steel Corporation (Representative: Bao-Tuan Hung)	32,250,000	100.00%
China Steel Resources Corporation	Chairman	China Steel Corporation (Representative: Huan-Wen Wang)	98,112,000	100.00%
InfoChamp Systems Corporation	Chairman	China Steel Corporation (Representative: Jih-Jau Jeng)	41,465,634	99.99%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Info-Champ System (B.V.I) Corporation	Director	China Steel Corporation (Representative: Chao-Tung Wong)	41,465,634	99.99%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	41,465,634	99.99%
	Director	China Steel Corporation (Representative: Hung-Tai Chou)	41,465,634	99.99%
	Director	China Steel Corporation (Representative: Huang-Pin Chen)	41,465,634	99.99%
Info-Champ System (B.V.I) Corporation	Supervisor	Tsyr-Ling Su	0	0.00%
	President	Jiang-Kuen Kuo	0	0.00%
Wuhan InfoChamp I.T. Co., Ltd.	Director	InfoChamp Systems Corporation (Representative: Jih-Jau Jeng)	201,000	100.00%
	Executive Director	Info-Champ System (B.V.I) Corporation (Representative: Cheng-Hsien Ma)	USD\$ 200,000	100.00%
Kaohsiung Rapid Transit Corporation	Supervisor	Info-Champ System (B.V.I) Corporation (Representative: Teng-Chuan Huang)	USD\$ 200,000	100.00%
	Chairman	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	China Steel Corporation (Representative: Huo-Kun Chen)	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%
	Director	China Prosperity Development Corporation (Representative: Yi-Chih Hsu)	13,000,000	4.67%
Director	Bank of Kaohsiung Co., Ltd. (Representative: Milton May)	643,031	0.23%	

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	Bank of Kaohsiung Co., Ltd. (Representative: Tien-Yin Yeh)	643,031	0.23%
	Supervisor	Far Eastern Department Store, Ltd. (Representative: Wei-Kun Chou)	6,286,063	2.26%
	Supervisor	Chao-Li Hsia	0	0.00%
Taiwan Intelligent Transportation Co., Ltd.	Director and President	China Steel Corporation (Representative: Hsiu-Chi Chang)	120,799,811	43.36%
	Chairman	Kaohsiung Rapid Transit Corporation (Representative: Hsiu-Chi Chang)	2,600,000	100.00%
	Director	Kaohsiung Rapid Transit Corporation (Representative: Chih-Ming Lin)	2,600,000	100.00%
	Director	Kaohsiung Rapid Transit Corporation (Representative: Jui-Pin Hung)	2,600,000	100.00%
	Supervisor	Kaohsiung Rapid Transit Corporation (Representative: Wen-Ho Chiu)	2,600,000	100.00%
	Chairman	China Steel Corporation (Representative: Der-Shern Chen)	100,066,400	73.97%
	Director	China Steel Corporation (Representative: Pai-Chien Huang)	100,066,400	73.97%
China Steel Machinery Corporation	Director	China Steel Corporation (Representative: Huo-Kun Chen)	100,066,400	73.97%
	Supervisor	China Ecotek Corporation (Representative: Tzu-An Wu)	35,204,170	26.02%
China Steel Machinery Vietnam Co., Ltd	President	Chia-Chi Chang	0	0.00%
	Chairman	China Steel Machinery Corporation (Representative: Chia-Chi Chang)	USD\$ 300,000	100.00%
	President	Hsin-Fa Li	USD\$ 0	0.00%
Dragon Steel Corporation	Chairman	China Steel Corporation (Representative: Shyi-Chin Wang)	8,612,586,123	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
C.S.Aluminium Corporation	Director	China Steel Corporation (Representative: Chao-Tung Wong)	8,612,586,123	100.00%
	Director	China Steel Corporation (Representative: Chien-Chih Hwang)	8,612,586,123	100.00%
	Director	China Steel Corporation (Representative: Wen-Ge Lo)	8,612,586,123	100.00%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	8,612,586,123	100.00%
	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%
	President	Chao-Shyang Lee	0	00.00%
	Chairman	China Steel Corporation (Representative: Chung-Shin Chen)	840,122,049	99.98%
	Director	China Steel Corporation (Representative: Yueh-Kun Yang)	840,122,049	99.98%
	Director	China Steel Corporation (Representative: Chun-Jen Su)	840,122,049	99.98%
C.S.Aluminium Corporation	Director	China Steel Corporation (Representative: Fu-Chang Huang)	840,122,049	99.98%
	Supervisor	Pei-How Huang	0	0.00%
ALU Investment Offshore Corporation	Director and President	China Steel Corporation (Representative: Jye-Long Lee)	840,122,049	99.98%
	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%
	Director	ALU Investment Offshore Corporation (Representative: Chung-Shin Chen)	31,650,000	64.59%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Ningbo Huayang Aluminium-Tech Co., Ltd.	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	ALU Investment Offshore Corporation (Representative: Chun-Jen Su)	31,650,000	64.59%
	Director	ALU Investment Offshore Corporation (Representative: Shih-Yung Lin)	31,650,000	64.59%
	Director	Fu Tai Universal Incorporated (Representative: Jan-San Chen)	3,430,000	7.00%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	2,220,000	4.53%
	Director	Mayer Steel Pipe Corporation (Representative: Lung-Chi Wu)	1,250,000	2.55%
	Director	Ye-Ming Cheng	1,250,000	2.55%
	Director	Chin Ho Fa Steel & Iron Co., Ltd. (Representative: Hung-Chih Chen)	400,000	0.82%
	Supervisor	ALU Investment Offshore Corporation (Representative: Yueh-Kun Yang)	31,650,000	64.59%
	Supervisor	ALU Investment Offshore Corporation (Representative: Fu-Chang Huang)	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%
	Chairman	United Steel International Development Corporation (Representative: Jye-Long Lee)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Chung-Shin Chen)	USD\$ 49,000,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	United Steel International Development Corporation (Representative: Ye-Ming Cheng)	USD\$ 49,000,000	100.00%
	Director	United Steel International Development Corporation (Representative: Chun-Jen Su)	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%
	Director	United Steel International Development Corporation (Representative: Jan-San Cheng)	USD\$ 49,000,000	100.00%
	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%
	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 Chiang)	USD\$ 49,000,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Supervisor	United Steel International Development Corporation (Representative: Hsi-Chi Tsai)	USD\$ 49,000,000	100.00%
	Supervisor	United Steel International Development Corporation (Representative: Fu-Chang Huang)	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 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: Wen-Ge Lo)	422,545,250	100.00%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	422,545,250	100.00%
	President	Hong-Joe Chen	0	0.00%
	Chairman	China Steel Express Corporation (Representative: Hong-Joe Chen)	3,275,000	65.50%
Kaoport Stevedoring Corporation	Director	China Steel Express Corporation (Representative: Yi Chen)	3,275,000	65.50%
	Director	Eastern Media International Corporation (Representative: Chin-Chi Chen)	750,000	15.00%
	Supervisor	Chia-Hua Chen	500,000	10.00%
	President	Yu-Jeng Hsiao	0	0.00%

Company Name	Title	Name or Representative	Shareholding		
			Shares (Investment Amount)	%	
Transglory Investment Corporation	Director	China Steel Express Corporation (Representative: Chien-Chih Hwang)	362,914,927	49.89%	
	Supervisor	China Steel Chemical Corporation (Representative: Chu-Kai Huang)	66,931,030	9.20%	
	President	Pai-Chien Huang	0	0.00%	
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%	
	Director	China Steel Express Corporation (Representative: Yi Chen)	10	100.00%	
	Director	China Steel Express Corporation (Representative: Chin-Chun Lin)	10	100.00%	
CSEI Transport (Panama) Corporation	Director and President	China Steel Express Corporation (Representative: Hong-Joe Chen)	10	100.00%	
	Chairman	China Steel Corporation (Representative: Pai-Chien Huang)	559,375,112	100.00%	
Gains Investment Corporation	Director	China Steel Corporation (Representative: Chao-Tung Wong)	559,375,112	100.00%	
	Director	China Steel Corporation (Representative: Shyi-Chin Wang)	559,375,112	100.00%	
	Director	China Steel Corporation (Representative: Yueh-Kun Yang)	559,375,112	100.00%	
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	559,375,112	100.00%	
	Supervisor	Chiu-Chen Hung	0	0.00%	
	President	Chun-Hui Wu	0	0.00%	

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Thintech Materials Technology Co., Ltd.	Chairman	Gains Investment Corporation (Representative: Chung-Chia Huang)	23,423,016	31.87%
	Director	Gains Investment Corporation (Representative: Pai-Chien Huang)	23,423,016	31.87%
	Director	Ever Wealthy International Corporation (Representative: Ming-Da Fang)	6,119,748	8.33%
	Director	United Renewable Energy Co., Ltd. (Representative: Hui-Ping Li)	4,000,000	5.44%
Thintech Global Limited	Independent Director	Chang-Yung Liu	0	0.00%
	Independent Director	Yu-Sen Yang	0	0.00%
	Independent Director	Sheng-Jung Chiang	0	0.00%
	President	Huan-Chien Tung	0	0.00%
Thintech Global Limited	Chairman	Thintech Materials Technology Co., Ltd. (Representative: Huan-Chien Tung)	6,800,000	100.00%
Taicang Thintech Materials Co., Ltd.	Chairman	Thintech Global Limited (Representative: Huan-Chien Tung)	USD\$ 6,800,000	100.00%
	Director	Thintech Global Limited (Representative: Liang-Wen Pan)	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: Jung-Chang Huang)	USD\$ 6,800,000	100.00%
Winning Investment Corporation	Chairman and President	Gains Investment Corporation (Representative: Chun-Hui Wu)	112,700,000	49.00%
	Director	Gains Investment Corporation (Representative: Min-Hsiung Liu)	112,700,000	49.00%
	Director	Gains Investment Corporation (Representative: Kuan-Fu Chen)	112,700,000	49.00%
	Director	Maruichi Steel Tube Ltd. (Representative: Takeshi Takeuchi)	96,600,000	42.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Betacera Inc.	Director	Maruichi Steel Tube Ltd. (Representative: Hiroyuki Suzuki)	96,600,000	42.00%
	Supervisor	Transglory Investment Corporation (Representative: Hung-Tai Chou)	20,700,000	9.00%
	Chairman	Gains Investment Corporation (Representative: Liang-Ching Chen)	20,555,253	48.05%
	Director	Gains Investment Corporation (Representative: Pai-Chien Huang)	20,555,253	48.05%
	Director	Gains Investment Corporation (Representative: Rong-Yuan Hsieh)	20,555,253	48.05%
	Director	Gains Investment Corporation (Representative: Huan-Wen Wang)	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%
Lefkara Ltd.	Director and President	Ping-Yang Chien	430,000	1.01%
	Chairman	Betacera Inc. (Representative: Liang-Ching Chen)	13,623,000	100.00%
	Director	Betacera Inc. (Representative: Chen-Yu Yu)	13,623,000	100.00%
Betacera (Su Zhou) Co., Ltd.	Director	Betacera Inc. (Representative: Ping-Yang Chien)	13,623,000	100.00%
	Chairman and President	Lefkara Ltd. (Representative: Ping-Yang Chien)	USD\$ 4,400,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Suzhou Betaera Technology Co., Ltd.	Director	Lefkara Ltd. (Representative: Chen-Yu Yu)	USD\$ 4,400,000	100.00%
	Director	Lefkara Ltd. (Representative: Liang-Ching Chen)	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\$ 15,000,000	100.00%
	Director	Lefkara Ltd. (Representative: Chen-Yu Yu)	USD\$ 15,000,000	100.00%
	Director	Lefkara Ltd. (Representative: Liang-Ching Chen)	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\$ 1,194,000	99.50%
	Director	Lefkara Ltd. (Representative: Chen-Yu Yu)	USD\$ 1,194,000	99.50%
Shanghai Xike Ceramic Electronic Co., Ltd.	Director	Lefkara Ltd. (Representative: Liang-Ching Chen)	USD\$ 1,194,000	99.50%
	Director	Shanghai Xike Special Ceramics Electric Factory (Representative: Yun Zhang)	USD\$ 6,000	0.50%
	Supervisor	Lefkara Ltd. (Representative: Kai-Ching Huang)	USD\$ 1,194,000	99.50%
Universal Exchange Inc.	Chairman	Gains Investment Corporation (Representative: I-Shih Su)	10,533,713	63.67%
	Director	Gains Investment Corporation (Representative: Chun-Hui Wu)	10,533,713	63.67%
	Director	InfoChamp Systems Corporation (Representative: Jiang-Kuen Kuo)	5,825,030	35.21%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Mentor Consulting Corporation	Supervisor	Ding Da Investment Corporation (Representative: Chia-Jui Hsu)	1,600	0.01%
	President	Tai-Chen Chen	184,571	1.12%
Eminence Investment Corporation	Chairman	Gains Investment Corporation (Representative: Pai-Chien Huang)	1,000,000	100.00%
	President	Chun-Hui Wu	0	0.00%
Shin Mau Investment Corporation	Chairman	Gains Investment Corporation (Representative: Pai-Chien Huang)	150,000,000	100.00%
	President	Chun-Hui Wu	0	0.00%
Hung-Chuan Investment Corporation	Chairman and President	Eminence Investment Corporation (Representative: Chiung-Wen Hsu)	896,999	30.00%
	Supervisor	CHC Resources Corporation (Representative: Ching-An Lin)	897,000	30.00%
Chi-Yi Investment Corporation	Chairman and President	Shin Mau Investment Corporation (Representative: Wan-Fei Wu)	100,000	5.00%
	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	600,000	30.00%
Ding Da Investment Corporation	Chairman and President	Shin Mau Investment Corporation (Representative: Chin-Chun Lin)	99,000	4.95%
	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	800,000	40.00%
Jiing-Cherng-Fa Investment Corporation	Chairman and President	Eminence Investment Corporation (Representative: Hung-Tsung Hsiao)	897,000	30.00%
	Supervisor	Ever Wealthy International Corporation (Representative: Li-Li Kuo)	897,000	30.00%
Jiing-Cherng-Fa Investment Corporation	Chairman and President	Ding Da Investment Corporation (Representative: Fu-Ching Yang)	99,000	4.30%
	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	805,000	35.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
Gau Ruei Investment Corporation	Chairman and President	Eminence Investment Corporation (Representative: Yung-Chung Lin)	747,499	25.00%
	Supervisor	CHC Resources Corporation (Representative: Ching-An Lin)	1,046,500	35.00%
Li-Ching-Long Investment Corporation	Chairman and President	Gau Ruei Investment Corporation (Representative: Fu-Chang Huang)	100,000	5.00%
	Supervisor	China Steel Chemical Corporation (Representative: Li-Li Kuo)	700,000	35.00%
Sheng Lih Dar Investment Corporation	Chairman and President	Gau Ruei Investment Corporation (Representative: Kuei-Nien Chou)	100,000	4.17%
	Supervisor	Ever Wealthy International Corporation (Representative: Li-Li Kuo)	840,000	35.00%
Chiun Yu Investment Corporation	Chairman and President	Eminence Investment Corporation (Representative: Ming-Chu Chu)	747,500	25.00%
	Supervisor	China Ecotek Corporation (Representative: Li-Ming Hu)	1,196,000	40.00%
Gainsplus Asset Management Inc	Chairman and President	Gains Investment Corporation (Representative: Pai-Chien Huang)	100,000	100.00%
	Chairman	China Steel Corporation (Representative: Chien-Chih Hwang)	78,827,362	100.00%
China Steel Global Trading Corporation	Director	China Steel Corporation (Representative: Chao-Tung Wong)	78,827,362	100.00%
	Director	China Steel Corporation (Representative: Min-Hsiung Liu)	78,827,362	100.00%
	Supervisor	Ming-Rea Kao	0	0.00%
	President	Yi-Jen Kuo	0	0.00%
Wabo Global Trading Corporation	Chairman	China Steel Global Trading Corporation (Representative: Chien-Chih Hwang)	5,236,000	44.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
	Director	China Steel Global Trading Corporation (Representative: Ming-Yuan Chen)	5,236,000	44.00%
	Director	China Steel Global Trading Corporation (Representative: Shen-Chin Huang)	5,236,000	44.00%
	Director	China Steel Global Trading Corporation (Representative: Kai-Ming Hwang)	5,236,000	44.00%
	Director	China Steel Global Trading Corporation (Representative: Yeou-Ching Ferng)	5,236,000	44.00%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	5,236,000	44.00%
	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%
	Director	Great Grandeur Corporation (Representative: Young-Ho Kuo)	1,309,000	11.00%
	Director	China Steel Structure Co., Ltd. (Representative: Ping-Hao Li)	714,000	6.00%
	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%
	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%
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)	%
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%
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: Min-Hsiung Liu)	USD\$ 600,000	100.00%
	Director	Chung Mao Trading (Samoa) Corporation (Representative: Yi-Jen Kuo)	USD\$ 600,000	100.00%
	Supervisor	Chung Mao Trading (Samoa) Corporation (Representative: Ming-Yuan Chen)	USD\$ 600,000	100.00%
	President	Pai-Cheng Chang	USD\$ 0	0.00%
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: Ming-Yuan Chen)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Chin-Long Wu)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Che-Chia Chang)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Yeou-Ching Ferrng)	326,300	65.00%
	Director	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	326,300	65.00%
	Director	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%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CSGT Hong Kong Limited	Director	China Steel Global Trading Corporation (Representative: Rong-Jer Lee)	326,300	65.00%
	Director	Chang Yee Steel Co., Ltd. (Representative: Seng-Ping Chen)	50,200	10.00%
	Director	Jo & Dave Company Ltd. (Representative: Jean-Jean Wang)	37,650	7.50%
	Director	Chun Yuan Steel Industry Co., Ltd (Representative: Chang-Yi Tsai)	37,650	7.50%
	Director	Faith Union International Limited (Representative: Sung-Shyong Hong)	25,100	5.00%
	Director	Cathay Gen International Co., Ltd. (Representative: Fu-Lin Kao)	12,550	2.50%
	Director	Mayer Steel Pipe Corporation (Representative: Lung-Chi Wu)	12,550	2.50%
	Director and President	China Steel Global Trading Corporation (Representative: Pai-Cheng Chang)	326,300	65.00%
	Chairman	Chung Mao Trading (BVI) Corporation (Representative: Min-Hsiung Liu)	1,000,000	100.00%
	Director and President	Chung Mao Trading (BVI) Corporation (Representative: Pai-Cheng Chang)	1,000,000	100.00%
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%
	Chairman	CSGT International Corporation (Representative: Che-Chia Chang)	11,950,830	53.96%
CSGT Metals Vietnam Joint Stock Company	Director	CSGT International Corporation (Representative: Ming-Yuan Chen)	11,950,830	53.96%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CSGT Trading India Private Limited	Director	CSGT International Corporation (Representative: Yi-Jen Kuo)	11,950,830	53.96%
	Director	Kingrock International Development Limited (Representative: Sung-Shyong Hong)	3,322,350	15.00%
	Director	Nippon Steel Trading Corporation (Representative: Jun Tokunaga)	2,889,000	13.04%
	Director	Fuku Holding Co., Ltd. (Representative: Yu-Fu Chang)	1,328,940	6.00%
	Director	CSC Steel Holdings Berhad (Representative: Shou-Kang Yin)	1,328,940	6.00%
	Director	Kao Hsing Chang Iron And Steel Corporation (Representative: Rong-Feng Lu)	1,328,940	6.00%
	Supervisor	CSGT International Corporation (Representative: Chin-Da Lin)	11,950,830	53.96%
	Supervisor	Kingrock International Development Limited (Representative: Tsang-Yuan Wang)	3,322,350	15.00%
	Director and President	CSGT International Corporation (Representative: Tu-Sheng Shao)	11,950,830	53.96%
	Chairman	CSGT International Corporation (Representative: Yeou-Ching Ferng)	4,752,000	99.00%
	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 (Singapore) Pte. Ltd.	Chairman	China Steel Global Trading Corporation (Representative: Yi-Jen Kuo)	6,100,000
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%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
China Steel and Nippon Steel Vietnam Joint Stock Company	Chairman and President	China Steel Corporation (Representative: Jiunn-Yann Lee)	514,304,000	56.00%
	Director	China Steel Corporation (Representative: Ming-Yuan Chen)	514,304,000	56.00%
	Director	China Steel Corporation (Representative: Yu-Chuan Lu)	514,304,000	56.00%
	Director	China Steel Corporation (Representative: Tse-Wei Hsu)	514,304,000	56.00%
	Director	China Steel Corporation (Representative: Yeong-Kuen Chen)	514,304,000	56.00%
	Director	Nippon Steel Corporation (Representative: Ichiro Sato)	275,520,000	30.00%
	Director	Nippon Steel Corporation (Representative: Hiroaki Takenaka)	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 Trading Corporation (Representative: Kazuhide Sakai)	45,920,000	5.00%
CSC Steel Australia Holdings Pty Ltd	Director	China Steel Corporation (Representative: John Toigo)	594,638	100.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	594,638	100.00%
	Director	China Steel Corporation (Representative: Yu-Ming Liu)	594,638	100.00%
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: Yu-Ming Liu)	16,440,001	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
China Steel Corporation India Pvt. Ltd.	Director	CSC Steel Australia Holdings Pty Ltd (Representative: John Toigo)	16,440,001	100.00%
	Chairman	China Steel Corporation (Representative: Kuei-Sung Tseng)	728,690,560	100.00%
	Director	China Steel Corporation (Representative: Ming-Yuan Chen)	728,690,560	100.00%
	Director	China Steel Corporation (Representative: Hung-Tai Chou)	728,690,560	100.00%
	Director	China Steel Corporation (Representative: Chien-Hung Lin)	728,690,560	100.00%
	Director and President	China Steel Corporation (Representative: Han-Chuan Lai)	728,690,560	100.00%
	Director	China Steel Corporation (Representative: Wei-Tei Chen)	191,065,407	100.00%
	Director	China Steel Corporation (Representative: Fu-Chang Huang)	191,065,407	100.00%
	Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Min-Hsiung Liu)	171,000,000	46.30%
	Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Yi-Jen Kuo)	171,000,000	46.30%
CSC Steel Holdings Berhad	Director	Brig. Gen. (R) Mohd Zaaba @ Nik Zaaba Bin Nik Daud	0	0.00%
	Independent Director	Lay-Ching Lim	0	0.00%
	Independent Director	Hon-Wai Phong	0	0.00%
Group Steel Corporation (M) Sdn. Bhd.	Executive Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Chien-Tu Chen)	171,000,000	46.30%
	Director and President	China Steel Asia Pacific Holdings Pte Ltd (Representative: Shou-Kang Yin)	171,000,000	46.30%
	Director and President	CSC Steel Holdings Berhad (Representative: Shou-Kang Yin)	1,000,000	100.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
CSC Steel Sdn. Bhd.	Director	CSC Steel Holdings Berhad (Representative: Min-Hsiung Liu)	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: Shou-Kang Yin)	359,000,000	100.00%
Constant Mode Sdn. Bhd.	Director and President	CSC Steel Sdn. Bhd. (Representative: Shou-Kang Yin)	750,000	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: Homg-Yth Liou)	USD\$ 30,520,000	70.00%
	Director	Concord Industries Ltd. (Representative: Chih-Ta Wang)	USD\$ 13,080,000	30.00%
	Supervisor	China Steel Asia Pacific Holdings Pte Ltd (Representative: Ming-Yuan Chen)	USD\$ 30,520,000	70.00%
	President	Fu-An Feng	USD\$ 0	0.00%
	Chairman	Chung Mao Trading (Samoa) Corporation (Representative: Yi-Jen Kuo)	USD\$ 2,000,000	10.00%
China Steel Precision Metals Qingdao Co., Ltd.	Director	China Steel Asia Pacific Holdings Pte Ltd (Representative: Shen-Chin Huang)	USD\$ 12,000,000	60.00%
	Director	Rechi Holdings Co., Ltd. (Representative: Chih-Cheng Ko)	USD\$ 6,000,000	30.00%
	Supervisor	Rechi Holdings Co., Ltd. (Representative: Yong-Guang Niu)	USD\$ 6,000,000	30.00%
United Steel International Co., Ltd.	President	Hsi-Chang Ou	USD\$ 0	0.00%
	Director	Chung Mao Trading (Samoa) Corporation (Representative: Min-Hsiung Liu)	3,000,000	20.00%
	Director	China Steel Corporation (Representative: Kuan-Fu Chen)	12,000,000	80.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	%
China Steel Precision Metals Kunshan Co., Ltd.	Chairman	United Steel International Co., Ltd. (Representative: Yi-Jen Kuo)	USD\$ 15,000,000	100.00%
	Director	United Steel International Co., Ltd. (Representative: Shen-Chin Huang)	USD\$ 15,000,000	100.00%
	Supervisor	United Steel International Co., Ltd. (Representative: Hsi-Chang Ou)	USD\$ 15,000,000	100.00%
	Director and President	United Steel International Co., Ltd. (Representative: Pai-Cheng Chang)	USD\$ 15,000,000	100.00%

6. Operating Overview of Affiliated Companies

(From January 1, 2019 to December 31, 2019)

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	30,462,406	15,893,509	14,568,897	40,467,516	(217,532)	10,791	0.01
Hung Kao Investment Corporation	26,000	28,373	1,200	27,173	2,613	(85)	(74)	(0.03)
Taiwan Steel Corporation (Note 1)	0	0	0	0	0	(93)	(90)	NA
China Steel Chemical Corporation	2,369,044	11,381,564	4,389,319	6,992,245	7,379,595	1,398,571	1,292,839	5.57
Ever Wealthy International Corporation	1,045,750	1,745,781	1,805	1,743,976	62,822	55,325	57,450	0.55
Changzhou China Steel New Materials Technology Co., Ltd.	171,985	389,110	226,768	162,342	290,377	(6,877)	(8,406)	NA
Ever Glory International Co., Ltd.	39,920	39,485	0	39,485	0	(964)	17,186	13.22
Formosa Ha Tinh CSCO (Cayman) International Limited	668,800	1,310,431	577,486	732,945	37,135	3,270	10,300	0.52
China Ecotek Corporation	1,237,426	5,984,872	3,019,693	2,965,179	8,127,997	149,653	126,858	1.03
Econova Technology Corporation	25,000	24,134	0	24,134	0	(508)	(374)	(0.15)
China Ecotek Construction Corporation	25,000	54,454	22,536	31,918	11,866	6,666	5,372	2.15
CEC International Corporation	30,642	43,552	0	43,552	0	(1,115)	(498)	(0.05)
China Ecotek India Private Limited	27,097	40,488	27	40,461	0	(740)	671	0.13
CEC Holding Company Limited	163,779	20,718	0	20,718	0	(1)	(5,315)	(0.36)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
CEC Development Corporation	494,146	1,032,779	0	1,032,779	0	(61)	(108,524)	(6.38)
China Ecotek Vietnam Company Limited	302,065	973,270	189,017	784,253	1,249,161	(118,667)	(111,749)	NA
Xiamen Ecotek PRC Company Limited	179,880	171,680	446	171,234	0	(1,492)	3,293	NA
China Steel Structure Co., Ltd.	2,000,000	10,604,407	6,315,461	4,288,946	10,060,482	78,001	157,617	0.82
United Steel Engineering & Construction Corporation	740,000	5,303,650	3,897,231	1,406,419	6,729,431	79,506	92,668	1.25
United Steel Construction (Vietnam) Co., Ltd.	33,129	79,545	23,024	56,521	11,578	(1,636)	977	NA
United Steel Investment Pte Ltd	126,806	150,468	0	150,468	0	(667)	8,900	2.13
China Steel Structure Holding Co., Ltd.	397,075	276,433	0	276,433	0	0	(75,881)	(6.32)
China Steel Structure Investment Co., Ltd.	397,075	276,405	0	276,405	0	0	(75,881)	(6.32)
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	359,760	480,957	204,578	276,379	328,341	(60,854)	(75,880)	NA
China Steel Structure Investment Pte. Ltd.	134,578	175,081	0	175,081	0	0	(48,056)	(11.72)
CHC Resources Corporation	2,485,404	11,289,784	6,120,267	5,169,517	8,722,754	984,319	816,432	3.28
Hsieh Sheng Development Corporation (Note 1)	0	0	0	0	13,357	12,393	9,592	NA
Yu Cheng Lime Corporation	12,000	187,369	49,281	138,088	12,865	2,762	2,246	18.72

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Union Steel Development Corporation	50,000	241,382	114,201	127,181	551,279	55,471	45,716	9.14
Pao Good Industrial Co., Ltd.	106,050	394,903	228,921	165,982	197,291	11,581	8,847	0.83
CHC Resources Vietnam Co., Ltd	431,244	442,733	19,571	423,162	445,832	23,040	26,338	NA
China Steel Security Corporation	250,470	1,219,390	689,510	529,880	1,400,175	47,115	104,675	4.18
Steel Castle Technology Corporation	130,000	705,030	387,519	317,511	1,245,266	73,211	57,804	4.45
China Steel Management And Maintenance For Buildings Corporation	10,000	16,288	2,799	13,489	29,844	2,172	1,789	1.79
ChinaSteel Management Consulting Corporation	10,000	22,214	4,406	17,808	43,478	4,498	3,460	3.46
China Prosperity Development Corporation	5,098,095	8,579,062	599,197	7,979,865	6,661,273	2,917,587	2,563,845	5.03
China Prosperity Construction Corporation								
(Original name: United Steel Development Corporation Limited)	133,875	153,933	357	153,576	0	(324)	1,368	0.10
CK Japan Co., Ltd.	189,408	524,074	308,859	215,215	56,028	23,992	13,569	2,826.88
HIMAG Magnetic Corporation	276,055	705,553	143,618	561,935	913,124	69,391	31,174	1.13
MagnPower Corporation	400,000	577,404	309,270	268,134	45,085	(44,703)	(45,082)	(1.13)
Eminent Venture Capital Corporation	450,045	334,771	23,708	311,063	71,113	69,145	69,153	1.54
Sing Da Marine Structure Corporation	3,421,000	4,904,128	1,680,776	3,223,352	483,141	(136,382)	(130,788)	(0.38)

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 Power Holding Corporation	5,000	4,779	60	4,719	0	(74)	(209)	(0.42)
China Steel Power Corporation	4,800	4,800	137	4,663	0	(137)	(137)	(0.29)
CSC Solar Corporation	1,744,000	4,392,926	2,540,214	1,852,712	353,446	149,031	101,809	0.64
White Biotech Corporation	0	32	32	0	0	(693)	(638)	NA
CSC Precision Metal Industrial Corporation	322,500	351,028	51,760	299,268	257,241	9,618	9,930	0.31
China Steel Resources Corporation	981,120	2,264,982	1,270,317	994,665	619,569	19,775	9,857	0.10
InfoChamp Systems Corporation	414,706	2,091,881	1,316,572	775,309	2,083,519	184,269	160,721	3.88
Info-Champ System (B.V.I) Corporation	6,828	13,589	0	13,589	0	(107)	512	2.55
Wuhan InfoChamp I.T. Co., Ltd.	5,996	24,724	11,468	13,256	36,330	629	617	NA
Kaohsiung Rapid Transit Corporation	2,786,064	6,578,162	3,493,148	3,085,014	2,566,951	60	61,509	0.22
Taiwan Intelligent Transportation Co., Ltd.	26,000	37,779	9,334	28,445	55,235	1,388	1,158	0.45
China Steel Machinery Corporation	1,352,824	4,383,176	2,581,422	1,801,754	7,173,071	194,676	173,758	1.39
China Steel Machinery Vietnam Co., Ltd.	8,960	27,749	2,107	25,642	59,048	4,868	3,869	NA
Dragon Steel Corporation	86,125,861	175,738,032	76,371,555	99,366,477	84,818,374	(1,255,307)	(1,453,883)	(0.17)
C.S.A Aluminum Corporation	8,402,512	28,382,087	20,444,758	7,937,329	18,376,149	7,763	(299,335)	(0.36)
ALU Investment Offshore Corporation	1,063,593	539,581	0	539,581	0	0	(112,009)	(112,009,000.00)
United Steel International Development Corporation	1,646,637	835,380	0	835,380	0	(82)	(173,415)	(3.54)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Ningbo Huayang Aluminium-Tech Co., Ltd.	1,469,020	1,870,749	1,045,605	825,144	1,348,163	(151,839)	(173,600)	NA
China Steel Express Corporation	4,225,453	25,773,258	14,269,311	11,503,947	15,561,254	1,837,846	1,938,085	4.59
Kaoport Stevedoring Corporation	50,000	90,747	27,854	62,893	224,902	2,525	4,346	0.87
Transglory Investment Corporation	7,274,659	6,375,080	200,008	6,175,072	268,506	253,051	249,976	0.34
CSE Transport Corporation	316	5,381,953	2,524,488	2,857,465	1,479,734	132,149	91,714	9,171,400.00
CSEI Transport (Panama) Corporation	316	1,240,527	763,725	476,802	646,081	57,520	12,799	1,279,900.00
Gains Investment Corporation	5,593,820	8,715,619	2,020,960	6,694,659	618,377	564,988	547,172	0.98
Thintech Materials Technology Co., Ltd.	734,980	1,587,348	401,132	1,186,216	1,994,819	44,187	118,924	1.62
Thintech Global Limited	205,435	31,712	0	31,712	0	0	2,287	0.34
Taicang Thintech Materials Co., Ltd.	203,864	280,862	249,150	31,712	218,046	(19,805)	2,287	NA
Thintech United Limited (Note 1)	0	0	0	0	0	0	35,072	NA
Thintech United Metal Resources (Taicang) Co., Ltd. (Note 1)	0	0	0	0	12	(3,065)	(4,041)	NA
Winning Investment Corporation	2,300,000	3,835,219	1,200,953	2,634,266	160,406	154,031	142,672	0.62
Betacera Inc.	427,803	2,981,832	1,421,228	1,560,604	965,774	213,881	312,857	7.31
Lefkara Ltd.	438,904	1,676,575	211,057	1,465,518	1,231,365	94,824	181,394	13.32
Betacera (Su Zhou) Co., Ltd.	131,912	762,388	327,131	435,257	1,320,051	72,204	55,310	NA
Suzhou Betacera Technology Co., Ltd.	449,700	576,003	27,774	548,229	397,446	14,386	11,051	NA
Shanghai Xike Ceramic Electronic Co., Ltd.	35,976	142,341	27,764	114,577	170,107	12,530	11,658	NA

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Universal Exchange Inc.	165,450	223,235	33,069	190,166	125,856	24,231	17,874	1.08
Mentor Consulting Corporation	10,000	60,562	35,465	25,097	76,852	6,530	5,511	5.51
Eminence Investment Corporation	1,500,000	2,481,969	617,351	1,864,618	144,398	139,971	129,348	0.86
Shin Mau Investment Corporation	29,900	56,979	40	56,939	3,441	3,414	3,374	1.13
Hung-Chuan Investment Corporation	20,000	39,264	0	39,264	1,606	1,595	1,595	0.80
Chi-Yi Investment Corporation	20,000	39,518	0	39,518	1,617	1,605	1,605	0.80
Ding Da Investment Corporation	29,900	53,860	0	53,860	4,323	4,194	4,194	1.40
Jjing-Cherng-Fa Investment Corporation	23,000	42,840	0	42,840	1,711	1,696	1,696	0.74
Gau Ruei Investment Corporation	29,900	65,940	167	65,773	5,968	3,699	3,232	1.08
Li-Ching-Long Investment Corporation	20,000	39,374	0	39,374	1,605	1,591	1,592	0.80
Sheng Lih Dar Investment Corporation	24,000	47,878	27	47,851	3,184	3,168	3,141	1.31
Chiun Yu Investment Corporation	29,900	58,078	0	58,078	3,749	(107)	(278)	(0.09)
Gainsplus Asset Management Inc.	3,522	3,553	0	3,553	7,051	6,747	6,092	60.92
China Steel Global Trading Corporation	788,298	3,141,888	1,045,919	2,095,969	12,954,207	337,777	440,553	5.59
Wabo Global Trading Corporation	119,000	169,674	7,561	162,113	39,423	23,355	25,294	2.13
CSGT Japan Co., Ltd.	10,160	35,957	15,996	19,961	49,567	(1,109)	156	195.00
Chung Mao Trading (Samoa) Corporation	376,066	596,048	0	596,048	0	(1,016)	35,526	3.01
CSGT (Shanghai) Co., Ltd.	17,988	50,390	12,470	37,920	45,143	10,127	9,280	NA

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
Chung Mao Trading (BVI) Corporation	16,705	36,405	88	36,317	0	(1,359)	(359)	(0.68)
CSGT Hong Kong Limited	4,273	34,085	8,121	25,964	30,076	478	1,100	1.10
CSGT International Corporation	631,983	946,899	0	946,899	0	(1,241)	99,179	4.78
CSGT Metals Vietnam Joint Stock Company	420,509	1,212,517	678,840	533,677	2,031,927	61,270	70,244	3.17
CSGT Trading India Private Limited	23,695	18,964	2,471	16,493	11,253	(131)	10	0.00
CSGT (Singapore) Pte. Ltd.	136,396	388,702	23,211	365,491	121,189	42,779	44,843	7.35
China Steel and Nippon Steel Vietnam Joint Stock Company	17,387,235	20,207,776	8,862,379	11,345,397	19,071,005	(744,914)	(944,584)	(1.03)
CSC Steel Australia Holdings Pty Ltd	17,359,623	21,360,130	1,616,408	19,743,722	0	(1,718)	644,327	1,083.56
CSC Sonoma Pty Ltd	479,943	223,369	47,674	175,695	146,621	37,091	49,346	3.00
China Steel Corporation India Pvt. Ltd.	3,795,159	6,043,937	4,979,969	1,063,968	3,015,107	(308,361)	(578,045)	(0.79)
China Steel Asia Pacific Holdings Pte Ltd	6,853,104	4,327,120	427	4,326,693	0	(485)	229,230	1.20
CSC Steel Holdings Berhad	5,486,470	5,772,491	6,400	5,766,091	41,517	(1,576)	227,888	0.60
Group Steel Corporation (M) Sdn. Bhd.	13,279	18,861	37	18,824	0	(103)	5,050	5.05
CSC Steel Sdn. Bhd.	4,767,227	6,198,205	542,055	5,656,150	9,789,688	113,215	222,261	0.62
Constant Mode Sdn. Bhd.	9,959	6,730	107	6,623	473	228	207	0.28
Changzhou China Steel Precision Materials Co., Ltd.	1,307,128	2,346,083	1,098,785	1,247,298	3,016,742	189,625	122,373	NA
China Steel Precision Metals Qingdao Co., Ltd.	599,600	758,693	139,770	618,923	1,128,376	45,291	37,871	NA

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net Profit or Loss (After Tax)	Earnings per Share (NT\$)
United Steel International Co., Ltd.	450,000	318,183	0	318,183	0	0	(2,453)	(0.16)
China Steel Precision Metals Kunshan Co., Ltd.	449,700	817,286	499,126	318,160	740,112	16,019	(2,453)	NA

Note 1: Taiwan Steel Corporation completed liquidation process in December 2019. Hsieh Sheng Development Corporation merged with CHC Resources

Corporation in December 2019 and ceased to exist after the merger. Thintech United Limited completed liquidation process in June 2019. Disposal of Thintech United Metal Resources (Taicang) Co., Ltd. was completed in March 2019. Therefore, the aforementioned companies recorded no balance sheet items, whereas statements of comprehensive income is presented for fiscal year ended December 31, 2019.

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	(29.9800)	JPY	(0.276000)	SGD	(22.2800)	HKD	(3.8490)	MYR	(7.0330)
	RMB	(4.3050)	VND	(0.001170)	THB	(1.00980)	AUD	(21.0050)	INR	(0.4196)
Exchange rates on income statement:	USD	(30.9065)	JPY	(0.283700)	SGD	(22.6624)	HKD	(3.9442)	MYR	(7.1741)
	RMB	(4.4717)	VND	(0.001209)	THB	(1.0007)	AUD	(21.4954)	INR	(0.4391)

(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, 2020): None.

III. Shares of the Company Held or Disposed of by Subsidiaries

From January 1, 2019 to March 31, 2020

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% (Note 5)	2019	0	0	0	NA	None	0	3,450,000
				Current year up to the publication date of this annual report	0	0	0	33,109,239 shares 627,420 thousand	None	0	3,250,000
Hung Kao Investment Corporation	26,000	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	1,003,980 shares 19,025 thousand	None	0	0
China Steel Chemical Corporation	2,369,044	Own funds	29.44% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	2,556,915 ordinary shares 48,454 thousand 229,000 preferred shares 12,068 thousand	None	0	0
Ever Wealthy International Corporation	1,045,750	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	4,226,265 shares 80,088 thousand	None	0	0
China Steel Structure Co., Ltd.	2,000,000	Own funds	35.60% (Note 5)	2019	0	0	0	NA	None	0	650,000
				Current year up to the publication date of this annual report	0	0	0	6,936,878 shares 131,454 thousand	None	0	650,000
United Steel Engineering & Construction Corporation	740,000	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	3,745,446 shares 70,976 thousand	None	0	0
CHC Resources Corporation	2,485,404	Own funds	35.61% (Note 5)	2019	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 174,374 thousand	None	0	400,000
Union Steel Development Corporation	50,000	Own funds	93.37% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	423,849 shares 8,032 thousand	None	0	0
China Steel Security Corporation	250,470	Own funds	99.96%	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	2,349,975 shares 44,532 thousand	None	0	0
China Prosperity Development Corporation	5,098,095	Own funds	100%	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	952,979 shares 18,059 thousand	None	0	0

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
HIMAG Magnetic Corporation	276,055	Own funds	87.64% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	325,505 shares 6,168 thousand	None	0	0
InfoChamp Systems Corporation	414,706	Own funds	99.99%	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	3,834,338 shares 72,661 thousand	None	0	0
C.S.Aluminium Corporation	8,402,512	Own funds	99.98%	2019	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 83,985 thousand	None	0	5,200,000
China Steel Express Corporation	4,225,453	Own funds	100%	2019	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 166,789 thousand	None	0	600,000
Transglory Investment Corporation	7,274,659	Own funds	100% (Note 5)	2019	1,100,000 shares 25,278 thousand	0	0	NA	120,100,000 shares as the mortgage of commercial paper issued (Note 6)	0	0
				Current year up to the publication date of this annual report	0	0	0	256,765,331 shares 4,865,703 thousand	0	0	
Winning Investment Corporation	2,300,000	Own funds	58.00% (Note 5)	2019	0	0	0	NA	115,800,000 shares as the mortgage of commercial paper issued (Note 6)	0	0
				Current year up to the publication date of this annual report	0	0	0	160,406,339 shares 3,039,700 thousand	0	0	
Shin Mau Investment Corporation	29,900	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	1,433,749 shares 27,170 thousand	None	0	0
Hung-Chuan Investment Corporation	20,000	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	1,605,875 shares 30,431 thousand	None	0	0
Chi-Yi Investment Corporation	20,000	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	1,616,723 shares 30,637 thousand	None	0	0
Ding Da Investment Corporation	29,900	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	1,525,494 shares 28,908 thousand	None	0	0
Jiing-Cherng-Fa Investment Corporation	23,000	Own funds	100% (Note 5)	2019	0	0	0	NA	None	0	0
				Current year up to the publication date of this annual report	0	0	0	1,461,875 shares 27,703 thousand	None	0	0
Gau Ruei	29,900	Own	100%	2019	0	0	0	NA	None	0	0

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
Investment Corporation		funds	(Note 5)	Current year up to the publication date of this annual report	0	0	0	1,493,318 shares 28,298 thousand	None	0	0
				2019	0	0	0	NA	None	0	0
Li-Ching-Long Investment Corporation	20,000	Own funds	100% (Note 5)	Current year up to the publication date of this annual report	0	0	0	1,605,441 shares 30,423 thousand	None	0	0
				2019	0	0	0	NA	None	0	0
Sheng Lih Dar Investment Corporation	24,000	Own funds	100% (Note 5)	Current year up to the publication date of this annual report	0	0	0	1,542,138 shares 29,224 thousand	None	0	0
				2019	0	0	0	NA	None	0	0
Chiun Yu Investment Corporation	29,900	Own funds	100% (Note 5)	Current year up to the publication date of this annual report	0	0	0	1,623,289 shares 30,761 thousand	None	0	0
				2019	0	0	0	NA	None	0	0
China Steel Global Trading Corporation	788,298	Own funds	100%	Current year up to the publication date of this annual report	0	0	0	4,349,507 shares 82,423 thousand	None	0	300,000
				2019	0	0	0	NA	None	0	0
Wabo Global Trading Corporation	119,000	Own funds	50% (Note 5)	Current year up to the publication date of this annual report	0	0	0	487,367 shares 9,236 thousand	None	0	0

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 has no significant impact on the financial performance and condition of the Company.

IV. Other Supplementary Matters: None

Chapter IX. During 2019 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. On September 23, 2019, the Board of Directors approved the change of President. The former President Mr. Horng-Nan Lin was discharged and Mr. Shyi-Chin Wang, Executive Vice President at the time, was promoted to the position of President. This change was effective on September 30, 2019.

China Steel Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

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, 2019, 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

Chao-Tung Wong
Chairman

March 23, 2020

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, 2019 and 2018, 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, 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, 2019 and 2018, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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, 2019 are stated as follows:

Inventory Valuation

As of December 31, 2019, inventories of the Corporation and its subsidiaries amounted to NT\$99,651,852 thousand, of which the inventories from steel industry amounted to NT\$88,045,333 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 11 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, 2019, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$23,324,222 thousand, representing 3% 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 transaction, 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 reasonableness of key inputs, including the comparable transaction, market multiplier, discount for lack of marketability and control premium.

Other Matter

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion and an unmodified opinion with emphasis of matter and other matter paragraphs, 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, 2019 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 Jui-Hsuan Hsu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 17,029,797	3	\$ 18,287,242	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,927,715	1	2,594,485	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 5 and 8)	3,958,587	1	2,969,038	1
Financial assets for hedging - current (Note 9)	1,970,043	-	2,484,391	-
Contract assets - current (Notes 4 and 24)	9,984,279	1	11,536,389	2
Notes receivable (Notes 4 and 10)	1,246,805	-	1,853,631	-
Notes receivable - related parties (Notes 4, 10 and 30)	225,179	-	488,680	-
Accounts receivable, net (Notes 4 and 10)	11,013,257	2	15,270,077	2
Accounts receivable - related parties (Notes 4, 10 and 30)	396,542	-	789,032	-
Other receivables (Note 30)	1,626,652	-	2,198,312	-
Current tax assets	395,179	-	171,737	-
Inventories (Notes 4, 5 and 11)	99,651,852	15	101,084,885	15
Non-current assets held for sale (Note 4)	-	-	839,218	-
Other financial assets - current (Notes 13 and 31)	8,864,968	1	9,353,900	2
Other current assets	4,338,520	1	4,386,727	1
Total current assets	<u>164,629,375</u>	<u>25</u>	<u>174,307,744</u>	<u>26</u>
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	996,547	-	1,879,072	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	55,854,165	8	56,780,774	9
Financial assets at amortized cost - noncurrent (Note 4)	3,875	-	17,580	-
Financial assets for hedging - noncurrent (Note 9)	461	-	109,643	-
Investments accounted for using equity method (Notes 4 and 12)	14,367,890	2	14,767,074	2
Property, plant and equipment (Notes 4, 14 and 31)	390,063,303	59	398,733,684	59
Right-of-use assets (Notes 4 and 15)	14,394,336	2	-	-
Investment properties (Notes 4, 16 and 31)	9,750,647	2	9,570,503	2
Intangible assets (Note 4)	1,677,536	-	1,850,508	-
Deferred tax assets (Notes 4 and 26)	8,897,359	1	8,332,662	1
Refundable deposits	526,351	-	582,235	-
Other financial assets - noncurrent (Notes 13 and 31)	2,330,359	-	2,290,486	-
Other noncurrent assets	3,139,777	1	5,304,631	1
Total noncurrent assets	<u>502,002,606</u>	<u>75</u>	<u>500,218,852</u>	<u>74</u>
TOTAL	<u>\$ 666,631,981</u>	<u>100</u>	<u>\$ 674,526,596</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 17 and 31)	\$ 40,057,395	6	\$ 42,010,006	6
Short-term bills payable (Note 17)	39,035,932	6	22,412,046	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	10,879	-	-	-
Financial liabilities for hedging - current (Note 9)	220,578	-	4,405,228	1
Contract liabilities - current (Notes 4 and 24)	6,203,958	1	7,555,264	1
Notes payable	1,648,218	-	1,786,843	-
Accounts payable (Note 19)	14,627,805	2	19,354,016	3
Accounts payable - related parties (Notes 19 and 30)	70,726	-	66,171	-
Other payables (Notes 20 and 30)	23,066,651	4	25,625,388	4
Current tax liabilities (Note 26)	1,242,745	-	4,854,183	1
Provisions - current (Notes 4 and 21)	3,858,959	1	7,276,429	1
Lease liabilities - current (Notes 4 and 15)	951,653	-	-	-
Current portion of bonds payable (Note 18)	15,549,642	2	12,899,340	2
Current portion of long-term bank borrowings (Notes 17 and 31)	2,536,181	1	2,974,653	1
Refund liabilities - current	1,739,701	-	2,868,815	-
Other current liabilities	1,455,285	-	1,250,323	-
Total current liabilities	<u>152,276,308</u>	<u>23</u>	<u>155,338,705</u>	<u>23</u>
NONCURRENT LIABILITIES				
Financial liabilities for hedging - noncurrent (Note 9)	4,636,085	1	4,350,730	1
Bonds payable (Note 18)	83,399,883	13	98,933,304	15
Long-term bank borrowings (Notes 17 and 31)	42,993,841	6	27,494,745	4
Long-term bills payable (Note 17)	14,094,893	2	21,319,494	3
Provisions - noncurrent (Notes 4 and 21)	1,036,460	-	862,059	-
Deferred tax liabilities (Notes 4 and 26)	14,078,731	2	12,708,119	2
Lease liabilities - noncurrent (Notes 4 and 15)	11,394,449	2	-	-
Net defined benefit liabilities (Notes 4 and 22)	9,398,363	1	9,361,721	1
Other noncurrent liabilities	1,108,458	-	1,360,001	-
Total noncurrent liabilities	<u>182,141,163</u>	<u>27</u>	<u>176,390,173</u>	<u>26</u>
Total liabilities	<u>334,417,471</u>	<u>50</u>	<u>331,728,878</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Share capital				
Ordinary shares	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	<u>157,731,290</u>	<u>23</u>	<u>157,731,290</u>	<u>23</u>
Capital surplus	38,877,269	6	38,545,884	6
Retained earnings				
Legal reserve	65,674,189	10	63,228,774	9
Special reserve	27,803,906	4	27,649,488	4
Unappropriated earnings	21,998,036	3	31,804,134	5
Total retained earnings	<u>115,476,131</u>	<u>17</u>	<u>122,682,396</u>	<u>18</u>
Other equity	(861,959)	-	2,595,167	-
Treasury shares	(8,664,198)	(1)	(8,646,700)	(1)
Total equity attributable to owners of the Corporation	<u>302,558,533</u>	<u>45</u>	<u>312,908,037</u>	<u>46</u>
NON-CONTROLLING INTERESTS	<u>29,655,977</u>	<u>5</u>	<u>29,889,681</u>	<u>5</u>
Total equity	<u>332,214,510</u>	<u>50</u>	<u>342,797,718</u>	<u>51</u>
TOTAL	<u>\$ 666,631,981</u>	<u>100</u>	<u>\$ 674,526,596</u>	<u>100</u>

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

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			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24, 30 and 35)	\$ 366,240,735	100	\$ 400,665,057	100
OPERATING COSTS (Notes 11, 30 and 35)	<u>338,412,847</u>	<u>92</u>	<u>351,826,655</u>	<u>88</u>
GROSS PROFIT	<u>27,827,888</u>	<u>8</u>	<u>48,838,402</u>	<u>12</u>
OPERATING EXPENSES				
Selling and marketing expenses	6,122,845	2	5,979,883	1
General and administrative expenses	6,906,724	2	7,059,548	2
Research and development expenses	2,165,619	-	2,180,058	1
Expected credit loss	<u>54,470</u>	<u>-</u>	<u>39,902</u>	<u>-</u>
Total operating expenses	<u>15,249,658</u>	<u>4</u>	<u>15,259,391</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>12,578,230</u>	<u>4</u>	<u>33,579,011</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 30)	2,264,299	1	1,786,804	1
Other gains and losses (Notes 25 and 30)	493,084	-	(303,078)	-
Finance costs (Note 25)	(3,143,383)	(1)	(3,327,227)	(1)
Share of the profit of associates	<u>609,325</u>	<u>-</u>	<u>186,235</u>	<u>-</u>
Total non-operating income and expenses	<u>223,325</u>	<u>-</u>	<u>(1,657,266)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	12,801,555	4	31,921,745	8
INCOME TAX (Notes 4 and 26)	<u>2,471,097</u>	<u>1</u>	<u>4,035,136</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>10,330,458</u>	<u>3</u>	<u>27,886,609</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(306,884)	-	(1,170,383)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(471,772)	-	(914,883)	-
Gains and losses on hedging instruments	(314,008)	-	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			
	2019		2018	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates	\$ 15,142	-	\$ (7,139)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(1,491,818)	(1)	132,088	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,095,938)	-	(242,424)	-
Gains and losses on hedging instruments	(3,417)	-	(202,003)	-
Share of the other comprehensive income (loss) of associates	55,640	-	746,686	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	<u>23,248</u>	<u>-</u>	<u>(867)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,589,807)</u>	<u>(1)</u>	<u>(1,218,335)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,740,651</u>	<u>2</u>	<u>\$ 26,668,274</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 8,809,555	2	\$ 24,454,152	6
Non-controlling interests	<u>1,520,903</u>	<u>1</u>	<u>3,432,457</u>	<u>1</u>
	<u>\$ 10,330,458</u>	<u>3</u>	<u>\$ 27,886,609</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 5,125,045	1	\$ 23,004,013	6
Non-controlling interests	<u>1,615,606</u>	<u>1</u>	<u>3,664,261</u>	<u>1</u>
	<u>\$ 6,740,651</u>	<u>2</u>	<u>\$ 26,668,274</u>	<u>7</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 0.57</u>		<u>\$ 1.58</u>	
Diluted	<u>\$ 0.57</u>		<u>\$ 1.57</u>	

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

(Concluded)

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													
	Share Capital				Retained Earnings			Other Equity			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	Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge				
											Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	
BALANCE AT JANUARY 1, 2018	\$ 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)	\$ (8,532,389)	\$ 304,010,063	\$ 27,941,924	\$ 331,951,987
Effect of retrospective application	-	-	-	-	-	3,842,218	(4,005,260)	(9,614,863)	5,251,741	131,335	-	(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	-	(8,532,389)	303,588,010	27,927,386	331,515,396
Appropriation of 2017 earnings (Note 23)	-	-	-	1,690,558	(5,992)	(1,690,558)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,690,558	(5,992)	(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)	-	(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)	-	-	(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)	-	-	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	-	-	53,116	-	-	(110,083)	-	-	110,083	-	-	49,256	-	49,256
Adjustment of other equity	-	-	-	-	-	(4,225)	-	-	-	-	-	-	-	-
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	-	(8,646,700)	312,908,037	29,889,681	342,797,718
Appropriation of 2018 earnings (Note 23)	-	-	-	2,445,415	(62)	(2,445,415)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	2,445,415	(62)	(2,445,415)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	154,480	-	154,480	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- NT\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	(62)	(62)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	-	62	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	8,809,555	-	-	-	-	-	8,809,555	1,520,903	10,330,458
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(242,632)	(919,212)	-	(2,271,323)	-	-	(3,684,510)	94,703	(3,589,807)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	8,566,923	(919,212)	-	(2,271,323)	-	-	5,125,045	1,615,606	6,740,651
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	(17,498)	(17,498)	-	(17,498)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	320,031	-	-	-	-	-	-	-	-	320,031	-	320,031
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,849,310)	(1,849,310)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	11,354	-	-	15,248	-	-	(15,248)	-	-	11,354	-	11,354
Adjustment of other equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	157,348,610	382,680	38,877,269	65,674,189	27,803,906	21,998,036	(6,838,836)	-	2,124,342	-	(8,664,198)	302,558,533	29,655,977	332,214,510

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 12,801,555	\$ 31,921,745
Adjustments for:		
Depreciation expense	35,146,724	34,160,855
Amortization expense	261,276	280,302
Expected credit loss	54,470	39,902
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(165,317)	51,554
Finance costs	3,143,383	3,327,227
Interest income	(417,940)	(369,947)
Dividend income	(902,375)	(618,920)
Share of the profit of associates	(610,361)	(215,944)
Loss on disposal of property, plant and equipment	199,687	190,813
Gain on disposal of investments	(47,318)	(73,151)
Impairment loss recognized on financial assets	1,668	-
Impairment loss (gain) recognized on nonfinancial assets	(100,366)	1,830,853
Write-down of inventories	2,935,121	1,057,104
Recognition (reversal) of provisions	(3,174,339)	2,021,082
Others	12,879	(112,655)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(281,296)	1,418,486
Financial assets for hedging	341,064	921,936
Contract assets	1,579,958	(689,452)
Notes receivable	606,826	(55,693)
Notes receivable - related parties	263,501	(179,093)
Accounts receivable	4,260,614	(2,274,704)
Accounts receivable - related parties	392,490	(433,955)
Other receivables	552,883	(468,152)
Inventories	(1,488,812)	(14,061,608)
Other current assets	907,205	635,478
Financial liabilities for hedging	(31,643)	8,866
Contract liabilities	(1,351,306)	420,039
Notes payable	(138,625)	598,689
Accounts payable	(4,726,211)	6,092,531
Accounts payable - related parties	4,555	28,794
Other payables	(1,821,727)	3,107,888
Provisions	(103,442)	(19,117)
Other current liabilities	216,505	(493,947)
Net defined benefit liabilities	(270,242)	(130,442)
Refund liabilities	(1,129,114)	1,286,615
Cash generated from operations	46,921,930	69,203,979
Income taxes paid	(6,968,632)	(4,099,781)
Net cash generated from operating activities	<u>39,953,298</u>	<u>65,104,198</u>

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (2,264,871)	\$ (1,587,302)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,390,274	517,094
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	20,291	129,326
Acquisition of financial assets at amortized cost	(3,885)	(13,912)
Proceeds from disposal of financial assets at amortized cost	7,865	118,514
Acquisition of financial assets at fair value through profit or loss	(979,415)	(1,814,988)
Proceeds from disposal of financial assets as at fair value through profit or loss	961,622	3,064,280
Acquisition of financial assets for hedging	-	(1,203,457)
Acquisition of financial liabilities for hedging	349,389	3,642,472
Derecognition of financial liabilities for hedging	(4,239,103)	(18,409,436)
Acquisition of investments accounted for using equity method	(142,107)	(243,120)
Proceeds from disposal of investments accounted for using equity method	19,752	221,066
Net cash outflow on acquisition of subsidiaries	-	(1,138,500)
Disposal of subsidiaries	33,863	-
Proceeds from the capital reduction on investments accounted for using equity method	25,402	-
Acquisition of property, plant and equipment	(27,054,867)	(18,704,664)
Proceeds from disposal of property, plant and equipment	68,865	56,720
Decrease in refundable deposits	14,258	115,611
Acquisition of intangible assets	(30,816)	(37,087)
Acquisition of right-of-use assets	(153,347)	-
Acquisition of investment properties	-	(158,305)
Proceeds from disposal of investment properties	-	63,878
Decrease (increase) in other financial assets	449,059	(203,123)
Decrease (increase) in other noncurrent assets	(114,786)	43,172
Interest received	423,241	355,006
Dividends received from associates	748,176	429,253
Dividends received from others	900,867	618,956
	<u>(29,570,273)</u>	<u>(34,138,546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	299,333,748	255,310,817
Repayments of short-term borrowings	(301,080,902)	(251,441,059)
Proceeds from short-term bills payable	132,280,150	222,871,015
Repayments of short-term bills payable	(115,656,264)	(225,094,551)
Issuance of bonds payable	-	28,000,000
Repayments of bonds payable	(12,900,000)	(11,200,000)

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2019	2018
Proceeds from long-term bank borrowings	\$ 62,922,900	\$ 51,061,021
Repayments of long-term bank borrowings	(47,679,030)	(73,637,400)
Proceeds from long-term bills payable	7,193,184	2,600,267
Repayments of long-term bills payable	(14,417,785)	(8,893,932)
Repayment of principal of lease liabilities	(917,995)	-
Increase in other noncurrent liabilities	39,115	86,637
Dividends paid to owners of the Corporation	(15,779,153)	(13,892,306)
Acquisition of the Corporation's shares held by subsidiaries	(17,498)	(195,434)
Disposal of the Corporation's shares held by subsidiaries	-	1,334
Interest paid	(3,477,560)	(3,567,240)
Decrease in non-controlling interests	<u>(1,849,310)</u>	<u>(1,622,280)</u>
Net cash used in financing activities	<u>(12,006,400)</u>	<u>(29,613,111)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>1,131,582</u>	<u>1,286,762</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(491,793)	2,639,303
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,522,832</u>	<u>9,883,529</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,031,039</u>	<u>\$ 12,522,832</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, 2019 and 2018:		
Cash and cash equivalents in the consolidated balance sheets	\$ 17,029,797	\$ 18,287,242
Bank overdraft	<u>(4,998,758)</u>	<u>(5,764,410)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 12,031,039</u>	<u>\$ 12,522,832</u>

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

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2019, 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 23, 2020.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 material impact on the Corporation and its subsidiaries's accounting policies:

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. Refer to Note 4 for information relating to the relevant accounting policies.

1) Definition of a lease

The Corporation and its subsidiaries 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

2) The Corporation and its subsidiaries as lessee

The Corporation and its subsidiaries 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 asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries 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 are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contract were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Corporation and its subsidiaries elect to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Corporation and its subsidiaries apply IAS 36 to all right-of-use assets.

The Corporation and its subsidiaries also apply the following practical expedients:

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

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.40%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 15,581,780
Less: Recognition exemption for short-term leases or leases of low-value assets	<u>(63,376)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 15,518,404</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 12,332,884
Add: Finance lease liabilities on December 31, 2018	300,690
Add: Adjustments as a result of a different treatment of extension and termination options	<u>15,842</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 12,649,416</u>

3) The Corporation and its subsidiaries as lessor

The Corporation and its subsidiaries do not make any adjustments for leases in which they are lessor, and they account for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
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
Other noncurrent assets	<u>5,304,631</u>	<u>(2,061,545)</u>	<u>3,243,086</u>
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>

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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.

Note 2: The Corporation and its subsidiaries shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Corporation and its subsidiaries shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries are in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries are in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been 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, 2019	December 31, 2018	
China Steel Corporation	Dragon Steel Corporation (DSC)	Hot-rolled products, H beams, billets, flat steels	100	100	
China Steel Corporation	Gains Investment Corporation (GIC)	General investment	100	100	
China Steel Corporation	China Steel Express Corporation (CSE)	Shipping services for raw materials	100	100	
China Steel Corporation	C.S.Aluminium Corporation (CSAC)	Production and sale of aluminum and non-ferrous metal products	100	100	
China Steel Corporation	China Prosperity Development Corporation (CPDC)	Real estate development	100	100	
China Steel Corporation	China Steel Asia Pacific Holdings Pte Ltd (CSAP)	Holding and investment	100	100	
China Steel Corporation	Chung Hung Steel Corporation (CHS)	Manufacture and sale of steel products	41	41	Refer to 2) below
China Steel Corporation	China Steel Chemical Corporation (CSCC)	Manufacture of coal chemistry and specialty chemical	29	29	Refer to 1) below
China Steel Corporation	China Steel Global Trading Corporation (CSGT)	Buy and sell, and act as an agency for steel products	100	100	
China Steel Corporation	CHC Resources Corporation (CHC)	Manufacture and sale of GBFS powder and slag cement, air-cooled BFS and BOFS, surveys and remediation of soil and groundwater, intermediate solidification, reutilization of resources	20	20	Direct and indirect ownerships amounted to 36%, and refer to 1) below
China Steel Corporation	Infochamp Systems Corporation (Info Champ)	ERP systems automation control systems service	100	100	
China Steel Corporation	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 1) below
China Steel Corporation	China Ecotek Corporation (CEC)	Environmental engineering, M&E engineering, and O&M engineering	45	45	Refer to 1) below
China Steel Corporation	China Steel Security Corporation (CSS)	On-site security, systematic security	100	100	
China Steel Corporation	HIMAG Magnetic Corporation (HIMAG)	Production and sale of industrial magnetic, chemical, and iron oxides	69	69	Direct and indirect ownerships amounted to 88%
China Steel Corporation	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 Corporation	ChinaSteel Management Consulting Corporation (CMCC)	Business management and management consulting services	100	100	
China Steel Corporation	Eminent Venture Capital Corporation (Eminent VC)	General Investment	-	-	Indirect ownership was 55%
China Steel Corporation	CSC Steel Australia Holdings Pty Ltd (CSC SAH)	General investment	100	100	
China Steel Corporation	China Steel and Nippon Steel Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel products	56	56	Renamed from China Steel Sumikin Vietnam Joint Stock Company
China Steel Corporation	China Steel Corporation India Pvt. Ltd. (CSCI)	Electrical steel	100	100	
China Steel Corporation	Kaohsiung Rapid Transit Corporation (KRTC)	Mass Rapid Transit service	43	43	Direct and indirect ownerships amounted to 51%
China Steel Corporation	China Steel Resources Corporation (CSRC)	Other non-metallic mineral products manufacturing	100	100	
China Steel Corporation	CSC Precision Metal Industrial Corporation (CPMI)	Other non-ferrous metal basic industries	100	100	
China Steel Corporation	White Biotech Corporation (WBT)	Biotechnology introduction and development	-	87	End of settlement in September 2019
China Steel Corporation	CSC Solar Corporation (CSCSOLAR)	Solar energy generation	55	55	Direct and indirect ownerships amounted to 100%
China Steel Corporation	Sing Da Marine Structure Corporation (SDMS)	Foundation of offshore wind power	100	100	
China Steel Corporation	United Steel International Co., Ltd. (USICL)	Holding and investment	80	80	Direct and indirect ownerships amounted to 100%
China Steel Corporation	China Steel Power Holding Corporation (CPHC)	General investment	100	100	
Gains Investment Corporation	Eminence Investment Corporation (EIC)	General investment	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2019	December 31, 2018	
Gains Investment Corporation	Betacera Inc. (BETACERA)	Manufacturing and trading of electronic ceramics	48	48	Refer to 2) below
Gains Investment Corporation	Thintech Materials Technology Co., Ltd. (TTMC)	Sputtering target manufacturing and sales	32	32	Direct and indirect ownerships amounted to 40%, and refer to 1) below
Gains Investment Corporation	Gainsplus Asset Management Inc. (GAM)	General investment	100	100	
Gains Investment Corporation	Universal Exchange Inc. (UEC)	Wholesale of computer software, software design services, digital information supply services	64	64	Direct and indirect ownerships amounted to 99%
Gains Investment Corporation	Mentor Consulting Corporation (MCC)	Management consulting services	100	100	
Gains Investment Corporation	Winning Investment Corporation (WIC)	General investment	49	49	Direct and indirect ownerships amounted to 58%
Eminence Investment Corporation	Shin Mau Investment Corporation (SMIC)	General investment	30	30	Direct and indirect ownerships amounted to 100%
Eminence Investment Corporation	Ding Da Investment Corporation (DDIC)	General investment	30	30	Direct and indirect ownerships amounted to 100%
Eminence Investment Corporation	Gau Ruei Investment Corporation (GRIC)	General investment	25	25	Direct and indirect ownerships amounted to 100%
Eminence Investment Corporation	Chiun Yu Investment Corporation (CYIC)	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin Mau Investment Corporation	Hung-Chuan Investment Corporation (HCIC)	General investment	5	5	Direct and indirect ownerships amounted to 100%
Shin Mau Investment Corporation	Chi-Yi Investment Corporation (CYIC)	General investment	5	5	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing-Cherng-Fa Investment Corporation (JCFIC)	General investment	4	4	Direct and indirect ownerships amounted to 100%
Gau Ruei Investment Corporation	Sheng Lih Dar Investment Corporation (SLDIC)	General investment	4	4	Direct and indirect ownerships amounted to 100%
Gau Ruei Investment Corporation	Li-Ching-Long Investment Corporation (LCLIC)	General investment	5	5	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd. (LL)	Trading of electronic ceramics and life saving products	100	100	
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd. (BSZ)	Manufacturing and trading of electronic ceramics	100	100	
Lefkara Ltd.	Shanghai Xike Ceramic Electronic Co., Ltd. (SHXCE)	Manufacturing and trading of electronic ceramics	100	100	
Lefkara Ltd.	Suzhou Betacera Technology Co., Ltd. (SBTC)	Manufacturing and trading of aeronautical or marine life saving products	100	100	
Thintech Materials Technology Co., Ltd.	Thintech Global Limited (TTGL)	Holding and investment	100	100	
Thintech Materials Technology Co., Ltd.	Thintech United Limited (TTUL)	Holding and investment	-	100	End of settlement in June 2019
Thintech Global Limited	Taicang Thintech Materials Co., Ltd. (TCMC)	Sputtering target manufacturing and sales	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd. (TUMC)	Precious metal refining and sales	-	100	Disposal in March 2019
China Steel Express Corporation	CSEI Transport (Panama) Corporation (CSEIP)	Shipping services for raw materials	100	100	
China Steel Express Corporation	CSE Transport Corporation (CSEP)	Shipping services for raw materials	100	100	
China Steel Express Corporation	Transyang Shipping Pte Ltd (TYS)	Shipping services for raw materials	-	-	End of settlement in July 2018
China Steel Express Corporation	Transglory Investment Corporation (TIC)	General investment	50	50	Direct and indirect ownerships amounted to 100%
China Steel Express Corporation	Kaoport Stevedoring Corporation (KPC)	Ship cargo loading and unloading industry	66	66	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2019	December 31, 2018	
C.S.Aluminium Corporation	ALU Investment Offshore Corporation (ALU)	Holding and investment	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corporation (USID)	Holding and investment	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corporation	Ningbo Huayang Aluminium-Tech Co., Ltd. (NA)	Production of aluminum products	100	100	
China Prosperity Development Corporation	Chung Hsin Japan Co., Ltd. (CHJCL)	Real estate lease	80	80	Direct and indirect ownerships amounted to 100%
	United Steel Development Corporation Limited (USD)	Residential and building development and rental industry	60	-	
China Steel Asia Pacific Holdings Pte Ltd	CSC Steel Holdings Berhad (CSHB)	General investment	46	46	Refer to 2) below
China Steel Asia Pacific Holdings Pte Ltd	Changzhou China Steel Precision Materials Co., Ltd. (CSPM)	Production and sale of titanium and titanium alloys, nickel and nickel alloys	70	70	
China Steel Asia Pacific Holdings Pte Ltd	China Steel Precision Metals Qingdao Co., Ltd. (CSMQ)	Cutting and processing of steel products	60	60	Direct and indirect ownerships amounted to 70%
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCM)	Manufacture and sale of steel products	100	100	
CSC Steel Holdings Berhad	Group Steel Corporation (M) Sdn. Bhd. (GSC)	General investment	100	100	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd. (CMSB)	General investment	100	100	
Chung Hung Steel Corporation	Taiwan Steel Corporation (TSC)	Iron and steel industry chain industry	-	100	End of settlement in December 2019
Chung Hung Steel Corporation	Hung Kao Investment Corporation (HKIC)	General investment	100	100	
Chung Hung Steel Corporation	Hung Li Steel Corporation (HLS)	Cutting and processing of steel products	-	-	Merged with CHS in June 2018
China Steel Chemical Corporation	Ever Wealthy International Corporation (EWIC)	General investment	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd. (EVERGLORY)	International trading and general investment	100	100	
China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited (FHTCIL)	International trade and investment	50	50	
Ever Wealthy International Corporation	Changzhou China Steel New Materials Technology Co., Ltd. (CSNCMT)	Mesophase sales and trading	100	100	Reorganization to Ever Wealthy International Corporation in December 2018
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd. (CSCMT)	General investment	-	-	End of settlement in December 2018
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Materials Technology Co., Ltd. (CSNCMT)	Mesophase sales and trading	-	-	Reorganization to Ever Wealthy International Corporation in December 2018
China Steel Global Trading Corporation	Chung Mao Trading (Samoa) Corporation (SAMOA)	Holding and investment	100	100	
China Steel Global Trading Corporation	Wabo Global Trading Corporation (WABO)	Buy and sell, and act as an agency for steel products	44	44	Direct and indirect ownerships amounted to 50%
China Steel Global Trading Corporation	CSGT (Singapore) Pte. Ltd. (CSGTSNG)	Buy and sell, and act as an agency for steel products	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (BVI) Corporation (BVI)	Holding and investment	65	65	
China Steel Global Trading Corporation	CSGT International Corporation (CIC)	Holding and investment	100	100	
Chung Mao Trading (Samoa) Corporation	CSGT (Shanghai) Co., Ltd. (CSGTSPRC)	Buy and sell, and act as an agency for steel products	100	100	
Wabo Global Trading Corporation	CSGT Japan Co., Ltd. (CSGTJPN)	Buy and sell, and act as an agency for steel products	100	100	
Chung Mao Trading (BVI) Corporation	CSGT Hong Kong Limited (CSGTHK)	Buy and sell, and act as an agency for steel products	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company (CSGT-VTM)	Cutting and processing of steel products	54	54	Direct and indirect ownerships amounted to 60%
CSGT International Corporation	CSGT Trading India Private Limited (CSGTIN)	Buy and sell, and act as an agency for steel products	99	99	Direct and indirect ownerships amounted to 100%
CHC Resources Corporation	Union Steel Development Corporation (USDC)	Manufacture and sale of iron powder, OEM and sales of refractory, trading, human dispatch	93	93	
CHC Resources Corporation	Pao Good Industrial Co., Ltd. (PG)	Sales of fly ash, manufacture and sales of dry-mix mortar, trading	51	51	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2019	December 31, 2018	
CHC Resources Corporation	Yu Cheng Lime Corporation (YCC)	Real estate lease, management of raw materials	90	90	
CHC Resources Corporation	CHC Resources Vietnam Co., Ltd (CHCV)	Sales of GBFS	85	85	
CHC Resources Corporation	Hsieh Sheng Development Corporation (HSDC)	Real estate lease	-	100	Merged with CHC in December 2019
Infochamp Systems Corporation	Info-Champ System (B.V.I) Corporation (ICSCB)	Holding and investment	100	100	
Info-Champ System (B.V.I) Corporation	Wuhan InfoChamp I.T. Co., Ltd. (WICIT)	Enterprise information system integration services	100	100	
China Steel Structure Co., Ltd.	United Steel Engineering & Construction Corporation (USEC)	Construction and management of buildings, roads and railways, and other civil engineering projects	100	100	
China Steel Structure Co., Ltd.	China Steel Structure Holding Co., Ltd. (CSSCHCL)	Holding and investment	37	37	Direct and indirect ownerships amounted to 100%
China Steel Structure Co., Ltd.	China Steel Structure Investment Pte. Ltd. (CSSIPL)	Holding and investment	100	100	
United Steel Engineering & Construction Corporation	United Steel Investment Pte Ltd (USIPL)	Holding and investment	100	100	
United Steel Engineering & Construction Corporation	United Steel Construction (Vietnam) Co., Ltd. (USCVC)	Construction and management of buildings, roads and railways, and other civil engineering projects	100	100	
United Steel Engineering & Construction Corporation	United Steel Development Corporation Limited (USD)	Residential and building development and rental industry	40	100	Direct and indirect ownerships amounted to 100%
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd. (CSSICL)	Holding and investment	100	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd. (CKSSKC)	Manufacture and sale of products of steel structure	100	100	
China Ecotek Corporation	CEC International Corporation (CECIC)	Holding and investment	100	100	
China Ecotek Corporation	CEC Development Corporation (CDC)	Holding and investment	100	100	
China Ecotek Corporation	China Ecotek Construction Corporation (CECC)	Engineering service industry	100	100	
China Ecotek Corporation	CEC Holding Company Limited (CHC)	Holding and investment	100	100	
China Ecotek Corporation	Econova Technology Corporation (ETC)	Environmental engineering, M&E engineering, and O&M engineering	100	100	
CEC International Corporation	China Ecotek India Private Limited (CECI)	Projects designs, construction and related services	100	100	
CEC Development Corporation	China Ecotek Vietnam Company Limited (CEVC)	Projects designs, construction and related services	100	100	
CEC Development Corporation	Xiamen Ecotek PRC Company Limited (XEP)	Sales agency for import and export of equipment and materials	100	100	
China Steel Security Corporation	Steel Castle Technology Corporation (SCTC)	Firefighting engineering and mechatronic engineering	100	100	
China Steel Security Corporation	China Steel Management And Maintenance For Buildings Corporation (CSMM)	Management and maintenance for buildings	100	100	
HIMAG Magnetic Corporation	MagnPower Corporation (MPC)	Powder metallurgy	55	55	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation (CSMHC)	General investment.	-	100	End of settlement in May 2019
China Steel Machinery Corporation	China Steel Machinery Vietnam Co., Ltd. (CSMVC)	Machines manufacturing	100	100	
China Steel Machinery Corporation	China Steel Machinery Corporation India Private Limited (CSMCI)	Machines manufacturing	-	99	End of settlement in May 2019
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd. (CSMCS)	Wholesale and retail trade	-	-	End of settlement in October 2018
CSC Steel Australia Holdings Pty Ltd	CSC Sonoma Pty Ltd (CSC Sonoma)	Investments in mining industry	100	100	
Kaohsiung Rapid Transit Corporation	Taiwan Intelligent Transportation Co., Ltd. (TITC)	Technical service	100	100	
White Biotech Corporation	Renery Biotech Corporation (RBT)	Ethanol manufacturing	-	-	End of settlement in August 2018
United Steel International Co., Ltd.	China Steel Precision Metals Kunshan Co., Ltd. (CSMK)	Cutting and processing of steel products	100	100	
China Steel Power Holding Corporation	China Steel Power Corporation (ZN)	Offshore wind power generation	100	-	Investment in December 2019

(Concluded)

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

- a) The chairman and general manager of CEC, CSCC, CHC, CSSC and TTMC 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.

- b) The actual operations of 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 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.
- 2) The subsidiary, CSMC, acquired 50% of shareholding in Senergy Wind Power Co., Ltd. Under the shareholders' agreement, CSMC 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 general manager 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 recognize 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 Corporation and its subsidiaries expect 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 are 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 discontinue 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 cease 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 have 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

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 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 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.

b) Impairment of financial assets and contract assets

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.

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.

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 29.

ii Financial guarantee contracts

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.

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) 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.

5) 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.

The Corporation and its subsidiaries discontinue 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.

The Corporation and its subsidiaries discontinue 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 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 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

The Corporation and its subsidiaries identify the contract with the customers, allocate the transaction price to the performance obligations, and recognize 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.

t. Leases

2019

At the inception of a contract, the Corporation and its subsidiaries assess whether the contract is, or contains, a lease.

1) The Corporation and its subsidiaries as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Corporation and its subsidiaries assess the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Corporation and its subsidiaries. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Corporation and its subsidiaries as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation and its subsidiaries use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

1) The Corporation and its subsidiaries as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation and its subsidiaries' net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation and its subsidiaries' net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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 expenses on a straight-line basis over the lease term.

3) Leasehold land for own use

When a lease includes both land and building elements, the Corporation and its subsidiaries assess the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Corporation and its subsidiaries. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

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.

Key sources of estimation uncertainty

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 29, 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

	December 31	
	2019	2018
Cash on hand	\$ 47,286	\$ 49,926
Checking accounts and demand deposits	12,435,184	9,653,003
Cash equivalents (investments with original maturities less than three months)		
Time deposits and negotiable certificates of deposit	3,284,855	7,912,749
Commercial papers with repurchase agreements	894,902	671,564
Bonds with repurchase agreements	<u>367,570</u>	<u>-</u>
	<u>\$ 17,029,797</u>	<u>\$ 18,287,242</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
<hr/>		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	\$ 2,559,451	\$ 1,902,173
Unlisted shares	826,071	-
Listed shares	276,734	423,640
Emerging market shares	181,351	217,281
Convertibles bonds	78,997	46,440
Futures contracts (b)	4,767	4,951
Foreign exchange forward contracts (a)	<u>344</u>	<u>-</u>
	<u>\$ 3,927,715</u>	<u>\$ 2,594,485</u>
<hr/>		
Financial assets at FVTPL - noncurrent		
<hr/>		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	\$ 967,876	\$ 1,834,226
Emerging market shares	<u>28,671</u>	<u>44,846</u>
	<u>\$ 996,547</u>	<u>\$ 1,879,072</u>
<hr/>		
Financial liabilities at FVTPL - current		
<hr/>		
Financial liabilities held for trading		
Foreign exchange forward contracts (a)	<u>\$ 10,879</u>	<u>\$ -</u>

- 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 end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2019</u>			
Sell	USD/NTD	2020.01	USD5,000/NTD150,700
Buy	NTD/USD	2020.01	NTD291,213/USD9,350

- 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, 2019</u>		
June 15, 2020	1,830	\$ 33,667 (RMB 7,821 thousand)
<u>December 31, 2018</u>		
June 15, 2019	2,281	37,659 (RMB 8,421 thousand)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - EQUITY INSTRUMENTS

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Domestic investments		
Listed shares	\$ 3,900,097	\$ 2,916,952
Emerging market shares and unlisted shares	<u>58,490</u>	<u>52,086</u>
	<u>\$ 3,958,587</u>	<u>\$ 2,969,038</u>
<u>Noncurrent</u>		
Domestic investments		
Listed shares	\$ 12,423,358	\$ 10,670,938
Emerging market shares and unlisted shares	2,179,248	1,821,200
Private placement shares of listed companies	<u>-</u>	<u>147,368</u>
	<u>14,602,606</u>	<u>12,639,506</u>
Foreign investments		
Unlisted shares	38,515,865	41,161,772
Listed shares	1,944,817	2,188,927
Certificate of entitlement	<u>790,877</u>	<u>790,569</u>
	<u>41,251,559</u>	<u>44,141,268</u>
	<u>\$ 55,854,165</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.

9. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2019	2018
<u>Financial assets for hedging - current</u>		
Hedging foreign-currency deposits	\$ 1,851,414	\$ 2,255,386
Foreign exchange forward contracts	<u>118,629</u>	<u>229,005</u>
	<u>\$ 1,970,043</u>	<u>\$ 2,484,391</u>
<u>Financial assets for hedging - noncurrent</u>		
Foreign exchange forward contracts	<u>\$ 461</u>	<u>\$ 109,643</u>
<u>Financial liabilities for hedging - current</u>		
Borrowed precious metals from bank	\$ 181,210	\$ 201,997
Foreign exchange forward contracts	39,368	26,122
Bank loans (Note 17)	<u>-</u>	<u>4,177,109</u>
	<u>\$ 220,578</u>	<u>\$ 4,405,228</u>
<u>Financial liabilities for hedging - noncurrent</u>		
Bank loans (Note 17)	\$ 4,620,425	\$ 4,348,562
Foreign exchange forward contracts	<u>15,660</u>	<u>2,168</u>
	<u>\$ 4,636,085</u>	<u>\$ 4,350,730</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, 2019 and 2018, 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\$1,851,414 thousand (JPY0.99 billion, RMB27,954 thousand, USD25,440 thousand, EUR20,332 thousand and GBP332 thousand) and NT\$2,255,386 thousand (JPY0.46 billion, RMB42,966 thousand, USD31,349 thousand, EUR27,251 thousand and GBP332 thousand), respectively. As of December 31, 2019 and 2018, cash outflows would be expected from aforementioned contracts during the periods from 2020 and 2019, respectively.

Refer to Note 29 for information relating to financial instruments for hedging.

10. NOTES AND ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	December 31	
	2019	2018
Notes receivable		
Operating	\$ 1,471,984	\$ 2,341,981
Non-operating	<u>-</u>	<u>330</u>
	1,471,984	2,342,311
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,471,984</u>	<u>\$ 2,342,311</u>

(Continued)

	December 31	
	2019	2018
Accounts receivable	\$ 11,481,468	\$ 16,130,968
Less: Allowance for impairment loss	<u>71,669</u>	<u>71,859</u>
	<u>\$ 11,409,799</u>	<u>\$ 16,059,109</u>

(Concluded)

The Corporation and its subsidiaries make prudent assessment of 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, 2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 12,096,649	\$ 545,721	\$ 92,229	\$ 171,608	\$ 47,245	\$ 12,953,452
Loss allowance (Lifetime ECL)	<u>(23,726)</u>	<u>(6)</u>	<u>(696)</u>	<u>(1,918)</u>	<u>(45,323)</u>	<u>(71,669)</u>
Amortized cost	<u>\$ 12,072,923</u>	<u>\$ 545,715</u>	<u>\$ 91,533</u>	<u>\$ 169,690</u>	<u>\$ 1,922</u>	<u>\$ 12,881,783</u>

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:

	For the Year Ended December 31	
	2019	2018
Balance, beginning of year	\$ 71,859	\$ 52,297
Recognition	1,316	22,892
Written off	(101)	(3,412)
Effect of foreign currency exchange difference	<u>(1,405)</u>	<u>82</u>
Balance, end of year	<u>\$ 71,669</u>	<u>\$ 71,859</u>

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.

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, 2019 and 2018, 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, 2019						
Mega Bank	\$ 4,309,472	\$ 9,947,303	\$ 10,788,608	\$ 3,468,167	1.05-1.75	NT\$9 billion
Bank of Taiwan	1,582,029	4,376,609	4,484,322	1,474,316	1.05-1.75	NT\$3 billion
Bank of Taiwan	491,723	5,374,940	5,150,290	716,373	0.60-3.86	USD130,000 thousand
Taishin Bank	3,341,792	8,480,143	9,637,765	2,184,170	2.82-3.39	USD150,000 thousand
CTBC Bank	1,046,091	2,180,840	2,618,644	608,287	2.84-3.47	USD40,000 thousand
Mizuho Bank	13,372	472,671	454,663	31,380	2.61-3.34	USD10,000 thousand
Mega Bank	1,033,187	2,719,821	2,826,277	926,731	1.24	NT\$3 billion
Bank of Taiwan	199,960	520,664	596,410	124,214	3.66	USD20,000 thousand
	<u>\$ 12,017,626</u>	<u>\$ 34,072,991</u>	<u>\$ 36,556,979</u>	<u>\$ 9,533,638</u>		
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	NT3 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>		

11. INVENTORIES

	December 31	
	2019	2018
Work in progress	\$ 28,774,928	\$ 25,240,250
Finished goods	23,024,361	26,664,139
Raw materials	23,395,362	20,789,812

(Continued)

	December 31	
	2019	2018
Supplies	\$ 12,933,866	\$ 12,389,277
Raw materials and supplies in transit	9,750,625	11,672,473
Buildings and lands under construction and held for sale	1,019,181	4,071,736
Others	<u>753,529</u>	<u>257,198</u>
	<u>\$ 99,651,852</u>	<u>\$ 101,084,885</u> (Concluded)

The costs of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was NT\$286,958,174 thousand and NT\$299,856,591 thousand, respectively, including loss on inventory value decline of NT\$2,935,121 thousand and NT\$1,057,104 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Material associates		
9404-5515 Québec Inc. (Renamed from 7623704 Canada Inc. in September, 2019)	\$ 8,113,736	\$ 8,306,551
Associates that are not individually material	<u>6,254,154</u>	<u>6,460,523</u>
	<u>\$ 14,367,890</u>	<u>\$ 14,767,074</u>

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)	
			December 31, 2019	December 31, 2018
9404-5515 Québec Inc.	Mineral Investment	Canada	25	25

The summarized financial information below represents amounts shown in the financial statements of 9404-5515 Québec Inc., which has been prepared in accordance with IFRSs, converted to the functional currency and adjusted for the purposes of applying equity method.

	December 31	
	2019	2018
Current assets	\$ 84,863	\$ 63,126
Noncurrent assets	32,978,480	33,785,917
Current liabilities	<u>(35)</u>	<u>(18)</u>
Equity	<u>\$ 33,063,308</u>	<u>\$ 33,849,025</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>\$ 8,113,736</u>	<u>\$ 8,306,551</u>

	For the Year Ended December 31	
	2019	2018
Net profit for the year	<u>\$ 2,527,339</u>	<u>\$ 1,214,366</u>
Total comprehensive income for the year	<u>\$ 2,779,683</u>	<u>\$ 4,416,155</u>
Dividends received from 9404-5515 Québec Inc.	<u>\$ 631,069</u>	<u>\$ 313,173</u>
Comprehensive income attributable to the Corporation and its subsidiaries	<u>\$ 682,134</u>	<u>\$ 1,083,724</u>

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

	For the Year Ended December 31	
	2019	2018
The Corporation and its subsidiaries' share of		
Net loss for the year	\$ (9,848)	\$ (82,061)
Other comprehensive income	<u>8,857</u>	<u>(46,172)</u>
Total comprehensive income	<u>\$ (991)</u>	<u>\$ (128,233)</u>

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2019	2018
Chateau International Development Co., Ltd.	<u>\$ 562,291</u>	<u>\$ 674,749</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.

13. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
<u>Current</u>		
Pledged time deposits (Note 31)	\$ 6,507,473	\$ 6,419,409
Time deposits with original maturities more than three months	2,339,339	2,609,083
Deposits for projects	<u>18,156</u>	<u>325,408</u>
	<u>\$ 8,864,968</u>	<u>\$ 9,353,900</u>
<u>Noncurrent</u>		
Pledged receivables (Note 31)	\$ 2,000,000	\$ 2,000,000
Pledged time deposits (Note 31)	281,109	266,649
Time deposits	46,992	21,710
Deposits for projects	<u>2,258</u>	<u>2,127</u>
	<u>\$ 2,330,359</u>	<u>\$ 2,290,486</u>

Refer to Note 31 for information relating to other financial assets pledged as collateral.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2019

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2019	\$ 68,051,676	\$ 5,070,779	\$ 125,285,948	\$ 639,144,466	\$ 26,549,694	\$ 17,650,303	\$ 10,238,637	\$ 323,003	\$ 18,581,794	\$ 910,896,300
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	-	(323,003)	-	(323,003)
Balance at January 1, 2019, as restated	68,051,676	5,070,779	125,285,948	639,144,466	26,549,694	17,650,303	10,238,637	-	18,581,794	910,573,297
Additions	79,933	60,996	3,802,722	10,817,871	6,005,371	972,030	1,733,096	-	3,361,021	26,833,040
Disposals	(45,127)	-	(39,346)	(2,645,772)	(146,148)	(517,211)	(1,200,677)	-	-	(4,594,281)
Reclassification	(136,776)	-	476,072	(487,618)	2,923	(477)	(4,257)	-	(876)	(151,009)
Disposal of subsidiaries	-	-	(81,507)	(23,962)	-	(10,039)	-	-	-	(115,508)
Effect of foreign currency exchange difference	(572)	(5,156)	(215,012)	(719,042)	(185,410)	(24,115)	-	-	(9,115)	(1,158,422)
Balance at December 31, 2019	<u>\$ 67,949,134</u>	<u>\$ 5,126,619</u>	<u>\$ 129,228,877</u>	<u>\$ 646,085,943</u>	<u>\$ 32,226,430</u>	<u>\$ 18,070,491</u>	<u>\$ 10,766,799</u>	<u>\$ -</u>	<u>\$ 21,932,824</u>	<u>\$ 931,387,117</u>
Accumulated depreciation and impairment										
Balance at January 1, 2019	\$ 25,546	\$ 4,697,736	\$ 52,172,169	\$ 424,512,529	\$ 11,945,801	\$ 14,212,434	\$ 4,552,853	\$ 43,548	\$ -	\$ 512,162,616
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	-	(43,548)	-	(43,548)
Balance at January 1, 2019, as restated	25,546	4,697,736	52,172,169	424,512,529	11,945,801	14,212,434	4,552,853	-	-	512,119,068
Depreciation	-	58,908	3,922,154	25,959,765	1,659,176	1,126,392	1,312,146	-	-	34,038,541
Disposals	(19,176)	-	(28,871)	(2,432,288)	(146,134)	(498,964)	(1,195,187)	-	-	(4,320,620)
Impairments (reversal)	-	-	382	853	-	(1,616)	-	-	-	(381)
Reclassification	-	-	111,156	(117,332)	2,917	(1,046)	-	-	-	(4,305)
Disposal of subsidiaries	-	-	(20,007)	(15,075)	-	(9,104)	-	-	-	(44,186)
Effect of foreign currency exchange difference	-	(2,041)	(60,575)	(293,826)	(88,128)	(19,733)	-	-	-	(464,303)
Balance at December 31, 2019	<u>\$ 6,370</u>	<u>\$ 4,754,603</u>	<u>\$ 56,096,408</u>	<u>\$ 447,614,626</u>	<u>\$ 13,373,632</u>	<u>\$ 14,808,363</u>	<u>\$ 4,669,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 541,323,814</u>
Carrying amount at December 31, 2019	<u>\$ 67,942,764</u>	<u>\$ 372,016</u>	<u>\$ 73,132,469</u>	<u>\$ 198,471,317</u>	<u>\$ 18,852,798</u>	<u>\$ 3,262,128</u>	<u>\$ 6,096,987</u>	<u>\$ -</u>	<u>\$ 21,932,824</u>	<u>\$ 390,063,303</u>

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
Cost										
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>
Accumulated depreciation and impairment										
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>

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

(Continued)

Wall	20-40 years
Others	3-10 years
Buildings	
Main structure	3-60 years
Facility	8-40 years
Mechanical and electrical facilities	10-15 years
Trellis and corrugated iron building	3-20 years
Others	3-10 years
Machinery and equipment	
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
Transportation Equipment	
Ship equipment	18-25 years
Railway equipment	5-20 years
Telecommunication equipment	5 years
Transportation equipment	2-10 years
Others	2 years
Other equipment	
Leasehold improvement	2-35 years
Office, air condition and extinguishment equipment	5-25 years
Computer equipment	2-10 years
Others	2-35 years
Rental assets	
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, 2019 and 2018, the book value of the farmlands were both NT\$55,433 thousand and recorded as land.

The subsidiary DSC's partial property, plant and equipment were idle; as a result, DSC assessed that 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, which was recorded as operating costs for the year ended December 31, 2018.

Refer to Note 31 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 13,247,835
Land improvements	409,226
Buildings	633,975
Machinery	14,673
Transportation equipment	86,110
Office equipment	170
Others	<u>2,347</u>
	<u>\$ 14,394,336</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 826,064</u>
Depreciation charge for right-of-use assets	
Land	\$ 776,835
Land improvements	62,015
Buildings	144,013
Machinery	9,798
Transportation equipment	60,729
Office equipment	43
Others	<u>44</u>
	<u>\$ 1,053,477</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	\$ 951,653
Non-current	<u>11,394,449</u>
	<u>\$ 12,346,102</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land (%)	0.92-2.21
Land improvements (%)	0.92-1.31
Buildings (%)	0.85-5.44
Machinery (%)	0.88-0.92
Transportation equipment (%)	0.60-5.44
Office equipment (%)	6.07
Others (%)	2.00-2.01

c. Material lease activities and terms

The Corporation leases land with a total of 261,207.62 square meter from Taiwan International Ports Corporation, Ltd. The rent is calculated by an annual rate of 5% based on the aforementioned announced land value. The lease term started from January 2008 to December 2027.

The Corporation leases No. 101 berth in Kaohsiung Harbor from Taiwan International Ports Corporation, Ltd. for the use of cargo handling of raw materials, including coal and iron ore, as well as GBFS with a lease term started from December 2016 to December 2027.

The subsidiary DSC leases industrial land and port land from Taiwan International Ports Corporation, Ltd. Taichung branch for the use of cargo handling with a lease term started from December 2004 to November 2054. The rent is calculated based on leased portion of land times announced land value and tax rate of land value.

To expand its operation in central Taiwan, the subsidiary CHC rented land from Taiwan International Ports Corporation, Ltd. Taichung branch for 20 years, which is from January 1, 2007 to December 31, 2026. Rental cost consists of rent and fixed as well as floating operating royalties during operating period. Rental duration may be extended when due. Each extension is limited to no more than 20 years until such extension is not permitted. The conditions of the extension shall be negotiated when extended.

To expand storage of GBFS and mid to long-term utilization, the subsidiary CHC continued to rent several pieces of land in the Port of Taichung industrial area from Taiwan International Ports Corporation, Ltd. Taichung branch with a lease period due on various dates through 2036. Rental duration may be extended when expired, with conditions of the extension to be negotiated.

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 229,865</u>
Expenses relating to variable leases payments not included in the measurement of lease liabilities	<u>\$ 26,045</u>
Total cash outflow for leases	<u>\$ (1,528,397)</u>

For land and buildings which qualify as short-term leases and some office and transportation equipments which qualify as low-value asset leases, the Corporation and its subsidiaries have elected to

apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

For the year ended December 31, 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 8,126,680	\$ 2,719,497	\$ 10,846,177
Transferred from property, plant and equipment	136,776	-	136,776
Effect of foreign currency exchange difference	<u>(1,250)</u>	<u>(2,241)</u>	<u>(3,491)</u>
Balance at December 31, 2019	<u>\$ 8,262,206</u>	<u>\$ 2,717,256</u>	<u>\$ 10,979,462</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ 237,364	\$ 1,038,310	\$ 1,275,674
Depreciation	-	54,706	54,706
Reversal of impairments	(99,985)	-	(99,985)
Effect of foreign currency exchange difference	<u>-</u>	<u>(1,580)</u>	<u>(1,580)</u>
Balance at December 31, 2019	<u>\$ 137,379</u>	<u>\$ 1,091,436</u>	<u>\$ 1,228,815</u>
Carrying amount at December 31, 2019	<u>\$ 8,124,827</u>	<u>\$ 1,625,820</u>	<u>\$ 9,750,647</u>

For the year ended December 31, 2018

	Land	Buildings	Total
<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>

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, which has transferred to demand deposit as its maturity was due in the beginning of 2019, 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, first recognized as investment properties, 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 and has been disposed in 2019.

The fair value of the investment properties was arrived at on the basis of valuations conducted in 2013, 2014, 2015, 2017 and 2019 by independent appraisers, who are not related parties. The valuation was took into consideration the market approach, income approach, cost approach and land developing analysis approach of similar properties’ market price using Level 3 inputs. 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:

	December 31	
	2019	2018
Fair value	<u>\$ 23,367,837</u>	<u>\$ 24,172,985</u>
Depreciation rate (%)	1.20-2.00	1.20-2.00
Discount rate (%)	2.11	0.85-2.13

All of the Corporation and its subsidiaries’ investment properties are held under freehold interests. Refer to Note 31 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

17. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2019	2018
Unsecured loans	\$ 33,533,163	\$ 32,111,402
Bank overdraft (Note 31)	4,998,758	5,764,410
Letters of credit	775,033	1,834,030
Export bill loans	584,361	612,035
Secured loans (Note 31)	<u>166,080</u>	<u>1,688,129</u>
	<u>\$ 40,057,395</u>	<u>\$ 42,010,006</u>
Range of interest rate (%)	0-7.95	0-12

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	\$ 39,051,700	\$ 22,417,000
Less: Unamortized discounts	<u>15,768</u>	<u>4,954</u>
	<u>\$ 39,035,932</u>	<u>\$ 22,412,046</u>
Range of interest rate (%)	0.52-1.48	0.40-1.15

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., Bank of Taiwan, Dah Chung Bills Finance and Shanghai Commercial & Savings Bank etc.

c. Long-term borrowings

	December 31	
	2019	2018
Syndicated bank loans	\$ 5,301,542	\$ 5,881,222
Mortgage loans (Note 31)	13,951,479	6,747,390
Unsecured loans	<u>30,897,426</u>	<u>26,366,457</u>
	50,150,447	38,995,069
Less: Current portion	2,536,181	2,974,653
Financial liabilities for hedging - current	-	4,177,109
Financial liabilities for hedging - noncurrent	<u>4,620,425</u>	<u>4,348,562</u>
	<u>\$ 42,993,841</u>	<u>\$ 27,494,745</u>
Range of interest rate (%)	0.64-3.50	0.29-4.37

1) The subsidiary CSVC entered into a syndicated credit facility agreement with financial institutions for a USD126,000 thousand credit line. Under the agreements, the Corporation should meet some financial ratios and criteria. CSVC was in compliance with the syndicated credit facility agreement based on its 2019 and 2018 audited financial statements.

2) The subsidiary CSCI entered into a syndicated credit facility agreement with financial institutions for a USD110,000 thousand credit line. Under the agreements, the Corporation should meet some financial ratios and criteria. CSCI was in compliance with the syndicated credit facility agreement based on its 2018 audited financial statements and audited consolidated financial statements for the year ended December 31, 2019.

3) 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 consolidated financial statements for each quarter ended in 2019 and the last three quarters ended in 2018.

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, which

were reclassified to financial liabilities for hedging (including current and noncurrent).

d. Long-term bills payable

	December 31	
	2019	2018
Commercial paper	\$ 14,100,000	\$ 21,330,000
Less: Unamortized discounts	<u>5,107</u>	<u>10,506</u>
	<u>\$ 14,094,893</u>	<u>\$ 21,319,494</u>
Range of interest rate (%)	0.48-1.08	0.51-1.20

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 above commercial paper was secured by Mega Bank, KGI Bank, Agricultural Bank of Taiwan, Taishin Bank, Bangkok Bank, Hua Nan Bank, Bank of Taiwan and Bank BNP Paribas, etc.

18. BONDS PAYABLE

	December 31	
	2019	2018
Unsecured domestic bonds	\$ 99,000,000	\$ 111,900,000
Less: Issuance cost of bonds payable	50,475	67,356
Current portion	<u>15,549,642</u>	<u>12,899,340</u>
	<u>\$ 83,399,883</u>	<u>\$ 98,933,304</u>

The major terms of unsecured domestic bonds are as follows:

Issuer	Issuance Period	Total Amount	Coupon Rate (%)	Repayment and Interest Payment
The Corporation	August 2012 to August 2019	\$ 5,000,000	1.37	Repayable in August 2018 and August 2019; interest payable annually
The Corporation	July 2013 to July 2020	6,300,000	1.44	Repayable in July 2019 and July 2020; interest payable annually
The Corporation	January 2014 to January 2021	6,900,000	1.75	Repayable in January 2020 and January 2021; interest payable annually
The Corporation	May 2018 to May 2025	6,000,000	0.95	Repayable in May 2024 and May 2025; interest payable annually
The Corporation	October 2018 to October 2025	4,150,000	0.90	Repayable 25% in October 2024 and 75% in October 2025; interest payable annually
The Corporation	August 2012 to August 2022	15,000,000	1.50	Repayable in August 2021 and August 2022; interest payable annually
The Corporation	July 2013 to July 2023	9,700,000	1.60	Repayable in July 2022 and July 2023; interest payable annually
The Corporation	January 2014 to January 2024	7,000,000	1.95	Repayable in January 2023 and January 2024; interest payable annually

(Continued)

Issuer	Issuance Period	Total Amount	Coupon Rate (%)	Repayment and Interest Payment
The Corporation	August 2018 to August 2028	\$ 5,600,000	1.10	Repayable in August 2027 and August 2028; interest payable annually
The Corporation	October 2018 to October 2028	2,250,000	1.05	Repayable in October 2027 and October 2028; interest payable annually
The Corporation	July 2013 to July 2028	3,600,000	1.88	Repayable 30% in July 2026, 30% in July 2027 and 40% in July 2028; interest payable annually
The Corporation	January 2014 to January 2029	9,000,000	2.15	Repayable 30% in January 2027, 30% in January 2028 and 40% in January 2029; interest payable annually
DSC	June 2014 to June 2019	7,000,000	1.40	Repayable in June 2018 and June 2019; interest payable annually
DSC	June 2015 to June 2020	15,000,000	1.45	Repayable in June 2019 and June 2020; interest payable annually
DSC	June 2016 to June 2021	5,400,000	0.89	Repayable in June 2020 and June 2021; interest payable annually
DSC	June 2018 to June 2023	4,500,000	0.91	Repayable in June 2022 and June 2023; interest payable annually
DSC	December 2018 to December 2023	3,250,000	0.97	Repayable in December 2022 and December 2023; interest payable annually
DSC	June 2014 to June 2021	5,000,000	1.75	Repayable in June 2020 and June 2021; interest payable annually
DSC	June 2015 to June 2022	2,500,000	1.72	Repayable in June 2021 and June 2022; interest payable annually
DSC	June 2018 to June 2025	2,250,000	1.00	Repayable in June 2024 and June 2025; interest payable annually

(Concluded)

19. 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.

20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Salaries and bonus	\$ 7,381,952	\$ 8,185,624
Purchase of equipment	2,910,598	3,446,049
Outsourced repair and construction	1,256,892	1,432,612
Interest payable	963,078	1,077,354
Employee compensation and remuneration of directors and supervisors	832,345	2,424,866
Others	<u>9,721,786</u>	<u>9,058,883</u>
	<u>\$ 23,066,651</u>	<u>\$ 25,625,388</u>

21. PROVISIONS

	December 31					
	2019			2018		
Current						
Onerous contracts (a)	\$ 3,476,626			\$ 6,880,915		
Construction warranties (b)	333,167			292,043		
Others	<u>49,166</u>			<u>103,471</u>		
	<u>\$ 3,858,959</u>			<u>\$ 7,276,429</u>		
Noncurrent						
Provision for stabilization funds (c)	\$ 850,168			\$ 844,090		
Others	<u>186,292</u>			<u>17,969</u>		
	<u>\$ 1,036,460</u>			<u>\$ 862,059</u>		
	Onerous Contracts	Construction Warranties	Sale Returns and Discounts (d)	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2019	\$ 6,880,915	\$ 292,043	\$ -	\$ 844,090	\$ 121,440	\$ 8,138,488
Recognized (reversal)	(3,404,226)	82,135	-	6,175	176,352	(3,139,564)
Paid	-	(41,011)	-	(97)	(62,334)	(103,442)
Effect of foreign currency exchange difference	<u>(63)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63)</u>
Balance at December 31, 2019	<u>\$ 3,476,626</u>	<u>\$ 333,167</u>	<u>\$ -</u>	<u>\$ 850,168</u>	<u>\$ 235,458</u>	<u>\$ 4,895,419</u>
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
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>

- 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.
- 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 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.
- d. Under IFRS 15, the provision for sales returns and discounts were reclassified to refund liability - current.

22. 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:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 28,468,259	\$ 29,363,047
Fair value of plan assets	<u>(19,008,490)</u>	<u>(19,951,892)</u>
Deficit	9,459,769	9,411,155
Net defined benefit liabilities - recognized as other payables, other current assets or other noncurrent assets	<u>(61,406)</u>	<u>(49,434)</u>
Net defined benefit liabilities	<u>\$ 9,398,363</u>	<u>\$ 9,361,721</u>

Movements of net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 29,363,047</u>	<u>\$ (19,951,892)</u>	<u>\$ 9,411,155</u>
Service cost			
Current service cost	737,085	-	737,085
Past service cost and loss on settlements	1,787	-	1,787

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Interest expense (income)	\$ 269,914	\$ (184,938)	\$ 84,976
Recognized in profit or loss	<u>1,008,786</u>	<u>(184,938)</u>	<u>823,848</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(739,934)	(739,934)
Actuarial loss - changes in demographic assumptions	29,987	-	29,987
Actuarial loss - changes in financial assumptions	545,438	-	545,438
Actuarial loss - experience adjustments	<u>471,393</u>	<u>-</u>	<u>471,393</u>
Recognized in other comprehensive income	<u>1,046,818</u>	<u>(739,934)</u>	<u>306,884</u>
Contributions from the employer	-	(992,277)	(992,277)
Benefits paid	(2,950,184)	2,860,539	(89,645)
Others	<u>(208)</u>	<u>12</u>	<u>(196)</u>
	<u>(2,950,392)</u>	<u>1,868,274</u>	<u>(1,082,118)</u>
Balance at December 31, 2019	<u>\$ 28,468,259</u>	<u>\$ (19,008,490)</u>	<u>\$ 9,459,769</u>
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> (Concluded)

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

	For the Year Ended December 31	
	2019	2018
Operating costs	\$ 562,815	\$ 569,283
Operating expenses	260,269	244,400
Others	<u>764</u>	<u>1,328</u>
	<u>\$ 823,848</u>	<u>\$ 815,011</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:

	December 31	
	2019	2018
Discount rate (%)	0.625-1.625	0.875-1.625
Expected rate of salary increase (%)	2.000-3.250	2.000-3.000
Turnover rate (%)	0.000-11.00	0.000-30.500

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:

	December 31	
	2019	2018
Discount rate		
0.25% increase	<u>\$ (641,935)</u>	<u>\$ (641,866)</u>
0.25% decrease	<u>\$ 668,760</u>	<u>\$ 668,261</u>

(Continued)

	December 31	
	2019	2018
Expected rate of salary increase		
0.25% increase	<u>\$ 652,468</u>	<u>\$ 651,643</u>
0.25% decrease	<u>\$ (629,030)</u>	<u>\$ (628,632)</u>
		(Concluded)

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 962,334</u>	<u>\$ 719,052</u>
The average duration of the defined benefit obligation	5.7-16 years	2.5-19 years

23. EQUITY

a. Share capital

	December 31	
	2019	2018
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, 2019 and 2018, the outstanding depositary receipts were 713,607 units and 769,313 units and equivalent to 14,272,450 ordinary shares (including 310 fractional shares) and 15,386,570 ordinary shares (including 310 fractional shares), which both represented 0.09% of the outstanding ordinary shares.

b. Capital surplus

	December 31	
	2019	2018
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	7,079,070	6,759,039
Others	<u>8,099</u>	<u>8,099</u>
	<u>38,241,935</u>	<u>37,921,904</u>
May be used to offset deficits only (see 2 below)		
Share of change in equity of subsidiaries	509,181	507,077
Share of change in equity of associates	<u>126,153</u>	<u>116,903</u>
	<u>635,334</u>	<u>623,980</u>
	<u>\$ 38,877,269</u>	<u>\$ 38,545,884</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 and once a year).
 - 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 2018 and 2017 had been approved in the shareholders' meeting in June 2019 and June 2018, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 2,445,415	\$ 1,690,558		
Special reserve (reversal)	154,480	(5,992)		
Preference shares				
Cash dividends	53,575	53,575	<u>\$ 1.40</u>	<u>\$ 1.40</u>
Ordinary shares				
Cash dividends	15,734,861	13,846,677	<u>\$ 1.00</u>	<u>\$ 0.88</u>

The appropriations of earnings for 2019 had been proposed by the Corporation's board of directors on March 23, 2020 as follows:

	Appropriations of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 858,223	
Special reserve	110,524	
Preference shares		
Cash dividends	53,575	<u>\$ 1.4</u>
Ordinary shares		
Cash dividends	7,867,430	<u>\$ 0.5</u>

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held in June 2020.

d. Special reserves

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 27,649,488	\$ 27,655,869
Appropriation in respect of		
Difference due from the Corporation's shares held by subsidiaries in prices lower than carrying amount	154,480	-
Reversal in respect of		
Appreciation of the Corporation's shares held by subsidiaries	-	(5,992)
Disposal of property, plant and equipment	<u>(62)</u>	<u>(389)</u>
Balance, end of the year	<u>\$ 27,803,906</u>	<u>\$ 27,649,488</u>

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	<u>\$ (5,919,624)</u>	<u>\$ (6,115,853)</u>
Effect of change in tax rate	-	3,113
Recognized during the year		
Exchange differences arising on translating foreign operations	(998,099)	(547,652)
Income tax relating to exchange differences arising on translating foreign operations	19,446	(4,902)
Share from associates accounted for using the equity method	<u>59,441</u>	<u>745,670</u>
Other comprehensive income recognized in the year	<u>(919,212)</u>	<u>196,229</u>
Balance, end of the year	<u>\$ (6,838,836)</u>	<u>\$ (5,919,624)</u>

2) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	<u>\$ 4,410,913</u>	<u>\$ 5,251,741</u>
Effect of change in tax rate	-	(1,591)
Recognized during the year		
Unrealized gains and losses - equity instruments	(674,550)	(944,700)
Income tax relating to unrealized gains and losses	(1,610,432)	(65)
Share from associates accounted for using the equity method	<u>13,659</u>	<u>(4,555)</u>
Other comprehensive income recognized in the year	<u>(2,271,323)</u>	<u>(950,911)</u>

(Continued)

	For the Year Ended December 31	
	2019	2018
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	\$ (15,248)	\$ 110,083
Balance, end of the year	<u>\$ 2,124,342</u>	<u>\$ 4,410,913</u> (Concluded)

3) Gains and losses on hedging instrument

	Cash Flow Hedges	Fair Value Hedges	Hedges of Net Investments in Foreign Operations	Total
Balance at January 1, 2019	\$ 290,851	\$ 15,555	\$ 3,797,472	\$ 4,103,878
Increase (decrease) in the year	<u>(256,316)</u>	<u>8,390</u>	<u>(3,417)</u>	<u>(251,343)</u>
Balance at December 31, 2019	<u>\$ 34,535</u>	<u>\$ 23,945</u>	<u>\$ 3,794,055</u>	<u>\$ 3,852,535</u>
Balance at January 1, 2018	\$ (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

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 290,851	\$ (131,335)
Effect of change in tax rate	-	5,552
Recognized during the year		
Foreign currency risk - foreign exchange forward contracts and hedging foreign - currency deposits	(311,263)	518,559
Interest rate risk - interest rate swap contracts	-	5,785
Tax effect	59,894	(105,916)
Reclassification adjustment		
Foreign currency risk - hedging foreign - currency deposits	(6,184)	(2,957)
Tax effect	<u>1,237</u>	<u>1,163</u>
Other comprehensive income recognized in the year	<u>(256,316)</u>	<u>422,186</u>
Balance, end of the year	<u>\$ 34,535</u>	<u>\$ 290,851</u>

b) Fair value hedges

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 15,555	\$ 98,851
Recognized during the year		
Foreign currency risk - bank loans	<u>8,390</u>	<u>(83,296)</u>
Balance, end of the year	<u>\$ 23,945</u>	<u>\$ 15,555</u>

c) Hedges of net investments in foreign operations

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 3,797,472	\$ 4,005,260
Recognized during the year		
Foreign currency risk - bank loans	<u>(3,417)</u>	<u>(207,788)</u>
Balance, end of the year	<u>\$ 3,794,055</u>	<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, 2019					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>320,004</u>	<u>761</u>	<u>-</u>	<u>320,765</u>	<u>\$ 8,664,198</u>
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>

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. As of December 31, 2019 and 2018, the market values of the treasury shares calculated by combined holding percentage were NT\$7,668,370 thousand and NT\$7,761,396 thousand, respectively.

g. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 29,889,681	\$ 27,927,386
Attributable to non-controlling interests:		
Effect of change in tax rate	-	9,791
Share of net profit for the year	1,520,903	3,432,457
Other comprehensive income for the year		
Exchange difference on translating foreign operations	(97,839)	305,228
Income tax relating to exchange difference on translating foreign operations	3,386	(85)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	202,778	29,817
Income tax relating to unrealized gains and losses on financial assets at fair value through other comprehensive income	(745)	(80)
Gains and losses on hedging instrument	(4,951)	8,869
Income tax relating to gains and losses on hedging instrument	1,502	(643)
Fair value changes of hedging instruments transferred to adjust the carrying amount of hedged items	-	(585)
Remeasurement of defined benefit plans	(6,333)	(127,806)
Income tax relating to remeasurement on defined benefit plans	(777)	8,866
Share of other comprehensive income of associates accounted for using the equity method	(2,318)	(1,568)
Changes of non-controlling interest arising from obtaining subsidiaries	62,344	(384,142)
Dividend distributed by subsidiaries	(1,755,647)	(1,519,907)
Others	<u>(156,007)</u>	<u>202,083</u>
Balance, end of the year	<u>\$ 29,655,977</u>	<u>\$ 29,889,681</u>

24. OPERATING REVENUES

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (Note 10)	<u>\$ 12,881,783</u>	<u>\$ 18,401,090</u>	<u>\$ 16,768,126</u>
Contract assets			
Construction contracts	\$ 8,512,064	\$ 9,667,413	\$ 9,245,710
Retentions receivable	1,373,103	1,744,344	1,833,151
Others	<u>99,112</u>	<u>124,632</u>	<u>62,771</u>
	<u>\$ 9,984,279</u>	<u>\$ 11,536,389</u>	<u>\$ 11,141,632</u>
Contract liabilities			
Construction contracts	\$ 4,280,397	\$ 4,993,926	\$ 4,901,393
Sale of goods	1,882,540	1,766,034	1,940,756

(Continued)

	December 31, 2019	December 31, 2018	January 1, 2018
Sales of real estate	\$ -	\$ 787,335	\$ 249,209
Others	<u>41,021</u>	<u>7,969</u>	<u>24,915</u>
	<u>\$ 6,203,958</u>	<u>\$ 7,555,264</u>	<u>\$ 7,116,273</u>

(Concluded)

b. Disaggregation of revenue

For the year ended December 31, 2019

Type of goods or services	Steel Department	Construction Department	Others	Total
Revenue from the sale of goods	\$ 278,393,796	\$ 2,115,720	\$ 51,988,411	\$ 332,497,927
Construction contract revenue	2,090,380	18,690,800	3,462,559	24,243,739
Service revenue	591,200	511,094	5,671,136	6,773,430
Other revenue	<u>2,190,097</u>	<u>40,264</u>	<u>495,278</u>	<u>2,725,639</u>
	<u>\$ 283,265,473</u>	<u>\$ 21,357,878</u>	<u>\$ 61,617,384</u>	<u>\$ 366,240,735</u>

For the year ended December 31, 2018

Type of goods or services	Steel Department	Construction Department	Others	Total
Revenue from the sale of goods	\$ 316,570,997	\$ 2,895,934	\$ 51,607,413	\$ 371,074,344
Construction contract revenue	1,170,010	16,353,526	2,421,070	19,944,606
Service revenue	1,065,814	503,211	5,569,086	7,138,111
Other revenue	<u>2,146,803</u>	<u>21,230</u>	<u>339,963</u>	<u>2,507,996</u>
	<u>\$ 320,953,624</u>	<u>\$ 19,773,901</u>	<u>\$ 59,937,532</u>	<u>\$ 400,665,057</u>

c. Partially completed contracts

As of December 31, 2019 and 2018, the transaction prices allocated to the performance obligations that are not fully satisfied are NT\$45,669,073 thousand and NT\$28,271,037 thousand, respectively. The Corporation will recognize revenue as the construction is being completed and the expected timing for recognition of revenue is on various dates through June 2024.

25. PROFIT BEFORE INCOME TAX

a. Other income

	<u>For the Year Ended December 31</u>	
	2019	2018
Dividends income	\$ 651,960	\$ 450,244
Interest income	417,940	369,947

(Continued)

	For the Year Ended December 31	
	2019	2018
Insurance claim income	\$ 248,127	\$ 231,054
Rental income	137,874	138,813
Others	<u>808,398</u>	<u>596,746</u>
	<u>\$ 2,264,299</u>	<u>\$ 1,786,804</u> (Concluded)

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain on disposal of non-current assets held for sale	\$ 763,943	\$ -
Net foreign exchange gain	460,969	421,557
Gain (loss) on disposal of investments	34,412	(2,996)
Gain (loss) arising on financial assets at fair value through profit or loss	4,292	(48,486)
Loss on disposal of property, plant and equipment	(199,687)	(190,813)
Reversal of impairment loss	76,244	-
Other losses	<u>(647,089)</u>	<u>(482,340)</u>
	<u>\$ 493,084</u>	<u>\$ (303,078)</u>

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2019	2018
Foreign exchange gain	\$ 1,816,064	\$ 2,184,788
Foreign exchange loss	<u>(1,355,095)</u>	<u>(1,763,231)</u>
Net exchange gain	<u>\$ 460,969</u>	<u>\$ 421,557</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Total interest expense	\$ 3,363,262	\$ 3,570,892
Less: Amounts included in the cost of qualifying assets	<u>219,879</u>	<u>243,665</u>
	<u>\$ 3,143,383</u>	<u>\$ 3,327,227</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized amounts	\$ 219,879	\$ 243,665
Capitalized annual rates (%)	0.48-1.49	0.32-1.49

d. Impairment loss recognized on (reversal) non-financial assets

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ (381)	\$ 1,830,853
Investment properties	<u>(99,985)</u>	<u>-</u>
	<u>\$ (100,366)</u>	<u>\$ 1,830,853</u>
Analysis of recognition (reversal) of impairment loss on non-financial assets by function		
Operating costs	\$ (22,454)	\$ 1,830,853
Other gains and losses	<u>(77,912)</u>	<u>-</u>
	<u>\$ (100,366)</u>	<u>\$ 1,830,853</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 34,038,541	\$ 34,098,984
Investment properties	54,706	61,871
Right-of use assets	1,053,477	-
Intangible assets	203,355	203,477
Others	<u>57,921</u>	<u>76,825</u>
	<u>\$ 35,408,000</u>	<u>\$ 34,441,157</u>
Analysis of depreciation by function		
Operating costs	\$ 33,207,502	\$ 32,422,008
Operating expenses	1,730,130	1,621,148
Others	<u>209,092</u>	<u>117,699</u>
	<u>\$ 35,146,724</u>	<u>\$ 34,160,855</u>
Analysis of amortization by function		
Operating costs	\$ 182,937	\$ 180,530
Operating expenses	67,717	89,668
Others	<u>10,622</u>	<u>10,104</u>
	<u>\$ 261,276</u>	<u>\$ 280,302</u>

f. Employee benefits

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salaries	\$ 30,407,432	\$ 32,701,382
Labor and health insurance	2,162,901	2,047,824
Others	<u>1,493,711</u>	<u>1,622,509</u>
	<u>\$ 34,064,044</u>	<u>\$ 36,371,715</u>

(Continued)

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	\$ 892,170	\$ 825,803
Defined benefit plans (Note 22)	<u>823,848</u>	<u>815,011</u>
	<u>1,716,018</u>	<u>1,640,814</u>
Termination benefits	<u>84,724</u>	<u>86,209</u>
	<u>\$ 35,864,786</u>	<u>\$ 38,098,738</u>
Analysis of employee benefits by function		
Operating costs	\$ 28,834,518	\$ 30,689,764
Operating expenses	6,527,760	6,942,397
Others	<u>502,508</u>	<u>466,577</u>
	<u>\$ 35,864,786</u>	<u>\$ 38,098,738</u>

(Concluded)

g. 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, 2019 and 2018 which have been approved by the Corporation's board of directors in March 2020 and 2019, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2019	2018
Employees' compensation	\$ 622,979	\$ 1,744,054
Remuneration of directors	11,681	32,701

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation (%)	5.84	6.19
Remuneration of directors (%)	0.11	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, 2018 and 2017.

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.

26. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 2,459,654	\$ 6,462,503
Income tax on unappropriated earnings	424,786	38,797
In respect of prior years	116,083	(563,962)
Deferred tax		
In respect of the current year	(437,710)	(1,234,294)
Changes in tax rates	-	(619,887)
In respect of prior years	<u>(91,716)</u>	<u>(48,021)</u>
	<u>\$ 2,471,097</u>	<u>\$ 4,035,136</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before income tax	<u>\$ 12,801,555</u>	<u>\$ 31,921,745</u>
Income tax expense calculated at the statutory rate	\$ 3,017,668	\$ 6,637,874
Non-deductible expenses in determining taxable income	28,432	30,063
Tax-exempt income	(869,444)	(848,870)
Others	(103,965)	18,560
Changes in tax rates	-	(619,887)
Additional income tax under the Alternative Minimum Tax Act	6,453	13,639
Income tax on unappropriated earnings	424,786	38,797
Unrecognized deductible temporary differences	(196,783)	(56,740)
Unrecognized loss carryforwards	159,007	(554,480)
Unrecognized investment credits	(19,425)	(11,837)
In respect of prior years	<u>24,368</u>	<u>(611,983)</u>
	<u>\$ 2,471,097</u>	<u>\$ 4,035,136</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income had been recognized in profit or loss. In addition, the tax rate of the corporate unappropriated earnings in 2018 has been reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Corporation has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 31, 2019.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2019	2018
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	\$ 23	\$ 116
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	<u>(23)</u>	<u>(116)</u>
	<u>\$ -</u>	<u>\$ -</u>

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

	For the Year Ended December 31	
	2019	2018
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	57,142	217,752
Current - translation of foreign operations	22,832	(4,987)
Current - unrealized gains and losses on financial assets at fair value through other comprehensive income	(1,611,177)	(145)
Current - fair value changes of cash flow hedges	61,396	(106,559)
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	<u>1,237</u>	<u>1,163</u>
	<u>\$ (1,468,570)</u>	<u>\$ 131,221</u>

d. 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.

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards	<u>\$ 11,485,023</u>	<u>\$ 10,561,650</u>
Deductible temporary differences	<u>\$ 1,637,258</u>	<u>\$ 2,428,660</u>

The unrecognized loss carryforwards will expire from 2020 to 2029.

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised of:

Unused Amount	Expire Year
<u>\$ 13,522,840</u>	2020-2029

g. Income tax assessments

The Corporation's income tax returns through 2016 and the subsidiaries' income tax returns through 2015 to 2017 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

	For the Year Ended December 31	
	2019	2018
Net profit for the year attributable to owners of the Corporation	\$ 8,809,555	\$ 24,454,152
Less: Dividends on preference shares	<u>53,575</u>	<u>53,575</u>
Net profit used in computation of basic earnings per share	8,755,980	24,400,577
Add: Dividends on preference shares	<u>-</u>	<u>53,575</u>
Net profit used in computation of diluted earnings per share	<u>\$ 8,755,980</u>	<u>\$ 24,454,152</u>

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in computation of basic earnings per share	15,414,667	15,416,806
Effect of dilutive potential ordinary shares:		
Employees' compensation	42,045	84,201
Convertible preference shares	<u>-</u>	<u>38,268</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>15,456,712</u>	<u>15,539,275</u>

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2019 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 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.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

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.

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, 2019</u>				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 2,559,451	\$ -	\$ -	\$ 2,559,451
Unlisted shares	-	-	1,793,947	1,793,947
Listed shares	276,734	-	-	276,734
Emerging market shares	-	-	210,022	210,022
Convertible bonds	78,997	-	-	78,997
Future contracts	-	4,767	-	4,767
Foreign exchange forward contracts	-	344	-	344
	<u>\$ 2,915,182</u>	<u>\$ 5,111</u>	<u>\$ 2,003,969</u>	<u>\$ 4,924,262</u>
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 10,879</u>	<u>\$ -</u>	<u>\$ 10,879</u>
Financial assets at fair value through other comprehensive income				
Equity instruments				
Foreign unlisted shares and certificate of entitlement	\$ -	\$ -	\$ 39,306,742	\$ 39,306,742
Domestic listed shares	16,323,455	-	-	16,323,455
Domestic emerging market shares and unlisted shares	-	-	2,237,738	2,237,738
Foreign listed shares	<u>1,944,817</u>	<u>-</u>	<u>-</u>	<u>1,944,817</u>
	<u>\$ 18,268,272</u>	<u>\$ -</u>	<u>\$ 41,544,480</u>	<u>\$ 59,812,752</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 119,090</u>	<u>\$ -</u>	<u>\$ 119,090</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 55,028</u>	<u>\$ -</u>	<u>\$ 55,028</u>
<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	<u>-</u>	<u>4,951</u>	<u>-</u>	<u>4,951</u>
	<u>\$ 2,372,253</u>	<u>\$ 4,951</u>	<u>\$ 2,096,353</u>	<u>\$ 4,473,557</u>
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>

(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

	<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 the year	\$ 2,096,353	\$ 43,825,627	\$ 45,921,980
Recognized in profit or loss	14,650	-	14,650
Recognized in other comprehensive income	-	(2,214,399)	(2,214,399)
Purchases	1,082	227,902	228,984
Reclassification	-	153,687	153,687
Transfer out of Level 3	-	(16,637)	(16,637)
Disposal	(105,046)	(53,588)	(158,634)
Capital reduction	(3,070)	(20,291)	(23,361)
Effect of foreign currency exchange difference	<u>-</u>	<u>(357,821)</u>	<u>(357,821)</u>
Balance, end of the year	<u>\$ 2,003,969</u>	<u>\$ 41,544,480</u>	<u>\$ 43,548,449</u>
Unrealized gains and losses recognized in profit or loss	<u>\$ 34,250</u>	<u>\$ -</u>	<u>\$ 34,250</u>

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 the year	\$ 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 the year	<u>\$ 2,096,353</u>	<u>\$ 43,825,627</u>	<u>\$ 45,921,980</u>
Unrealized gains and losses recognized in profit or loss	<u>\$ 89,310</u>	<u>\$ -</u>	<u>\$ 89,310</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instrument	Valuation Techniques and Inputs
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.

	December 31	
	2019	2018
Long-term pre-tax operating income rate (%)	10.65-50.76	9.79-58.59
Discount rate (%)	10.79-11.01	8.50-10.37

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:

	December 31	
	2019	2018
Long-term pre-tax operating income rate		
Increase 1%	<u>\$ 187,755</u>	<u>\$ 195,918</u>
Decrease 1%	<u>\$ (189,229)</u>	<u>\$ (197,357)</u>
Discount rate		
Increase 1%	<u>\$ (365,524)</u>	<u>\$ (497,271)</u>
Decrease 1%	<u>\$ 452,460</u>	<u>\$ 606,196</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

	December 31	
	2019	2018
Financial assets		
Fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ 4,924,262	\$ 4,473,557
Financial assets for hedging	1,970,504	2,594,034
Financial assets at amortized cost 1)	43,520,410	51,346,174
Financial assets at fair value through other comprehensive income		
Equity instruments	59,812,752	59,749,812
Financial liabilities		
Fair value through profit or loss		
Held for trading	10,879	-
Financial liabilities for hedging	4,856,663	8,755,958
Financial liabilities at amortized cost 2)	279,481,156	278,253,465

- 1) The balances include 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.
- 2) 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 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 33.

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.

	USD Impact		RMB Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Pre-tax profit or loss	\$ 36,635	\$ 50,720 i	\$ (12,324)	\$(14,167) i
Equity	13,428	47,300 ii	(1,338)	(2,065) 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 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 the 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, 2019

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	\$ 119,023	\$ 54,423			
Hedging foreign-currency deposits/Forecast purchases, construction contracts and raw materials	Financial assets for hedging	1,851,414	-			
Fair value hedge						
Foreign exchange forward contracts/Forecast purchases and raw materials	Financial assets/liabilities for hedging	67	605			
Foreign currency bank borrowings/Financial assets at FVTOCI	Financial liabilities for hedging	-	1,052,664			
Foreign currency bank borrowings/Financial assets at FVTPL	Financial liabilities for hedging	-	1,812,492			
Net investment hedge in foreign operations						
Foreign currency bank borrowings/Investment in foreign operations	Financial liabilities for hedging	-	1,755,269			
	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	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments	
			Continuing Hedges	Discontinuing Hedges	Asset	Asset
Cash flow hedge						
Foreign exchange forward contracts/Forecast purchases, construction contracts and raw materials	\$ (252,594)	\$ 252,594	\$ 64,599	\$ -	NA	NA
Hedging foreign-currency deposits/Forecast purchases, construction contracts and raw materials	(69,805)	69,805	(63,142)	-	NA	NA
Fair value hedge						
Foreign exchange forward contracts/Forecast purchases and raw materials	2,961	(2,961)	NA	NA	\$ -	\$ -
Foreign currency bank borrowings/Financial assets at FVTOCI	8,390	(8,388)	\$ 23,945	\$ -	1,925,597	(51,465)
Foreign currency bank borrowings/Financial assets at FVTPL	14,447	(14,667)	NA	NA	1,651,895	(196,801)
Net investment hedge in foreign operations						
Foreign currency bank borrowings/Investment in foreign operations	43,033	43,033	\$ (172,607)	\$ 3,966,662	NA	NA

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			
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			
	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	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments	
			Continuing Hedges	Discontinuing Hedges	Asset	Asset
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, 2019

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	\$ (322,398)	\$ -	-	\$ -	\$ -
Net investment hedge in foreign operations	\$ (3,417)	\$ -	-	\$ -	\$ -

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, 2019</u>			
Buy	NTD/USD	January 2020-March 2023	NTD4,304,197/USD144,695
Buy	NTD/EUR	January 2020-January 2023	NTD450,037/EUR12,987
Buy	NTD/JPY	January 2020-March 2023	NTD713,385/JPY2,521,286
Buy	NTD/CNY	March 2020-March 2023	NTD3,344/CNY784
Buy	INR/USD	January 2020	INR247,418/USD3,441
Sell	USD/NTD	January 2020	USD95/NTD2,884
Sell	CNY/NTD	February 2020-September 2020	CNY17,247/NTD74,230
<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

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:

	December 31	
	2019	2018
Fair value interest rate risk Financial liabilities	\$ 150,331,559	\$ 134,244,690

(Continued)

	December 31	
	2019	2018
Cash flow interest rate risk		
Financial liabilities	\$ 104,302,735	\$ 102,324,569 (Concluded)

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, 2019 and 2018 would have been lower/higher by NT\$1,043,027 thousand and NT\$1,023,246 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	Line Item in Balance Sheet	Carrying Amount	
		Asset	Liability
Interest rate swap contracts/Syndicated bank loans	Financial liabilities for hedging	\$ -	\$ -
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	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments
Interest rate swap contracts/Syndicated bank loans	\$ 5,785	\$ (5,785)	\$ -

As of December 31, 2018, all interest rate swap contracts have 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 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
Interest rate swap contracts	\$ 5,785	\$ -	-	\$ -	\$ -

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, 2019 and 2018 would have been lower/higher by NT\$28,362 thousand and NT\$23,258 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 years ended December 31, 2019 and 2018 would have been lower/higher by NT\$182,683 thousand and NT\$157,768 thousand, respectively, as a result of the changes in fair value of financial assets at fair value through other comprehensive income.

Hedge accounting

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, 2019

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>\$ 188,815</u>	-	Financial liabilities for hedging	<u>\$ 181,210</u>	<u>\$ 7,605</u>

Hedged Items	Carrying Amount Asset	Accumulated Amount of Fair Value Hedge Adjustments Asset	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness
Fair value hedge Inventory	<u>\$ 181,210</u>	<u>\$ (7,605)</u>	<u>\$ (7,605)</u>

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 Asset</u>	<u>Accumulated Amount of Fair Value Hedge Adjustments Asset</u>	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness
Fair value hedge Inventory	<u>\$ 201,997</u>	<u>\$ (1,785)</u>	<u>\$ (1,785)</u>

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, 2019 and 2018, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement compliance was NT\$38,176,561 thousand and NT\$29,300,309 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:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2019</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 37,664,882	\$ 785,440	\$ -	\$ 38,450,322
Lease liabilities	1,100,597	3,116,647	10,767,105	14,984,349
Variable interest rate liabilities	43,403,870	57,880,435	4,930,246	106,214,551
Fixed interest rate liabilities	56,690,350	58,823,579	28,791,858	144,305,787
Refund liabilities	1,739,701	-	-	1,739,701
Financial guarantee liabilities	<u>154,259</u>	<u>32,922,647</u>	<u>5,099,655</u>	<u>38,176,561</u>
	<u>\$ 140,753,659</u>	<u>\$ 153,528,748</u>	<u>\$ 49,588,864</u>	<u>\$ 343,871,271</u>
<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>

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.

30. 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
Dyna Rechi Co., Ltd.	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
Eminent III Venture Capital Corporation	Associates
Nikken & CSSC Metal Products Co., Ltd.	Associates

(Continued)

Company	Relationship
Eminent II Venture Capital Corporation	Associates
Honley Auto. Parts Co., Ltd. (HAPC)	Associates
Ascentek Venture Capital Corporation	Associates
Taiwan Rolling Stock Co., Ltd.	Associates
Kaohsiung Arena Development Corporation	Associates
Overseas Investment & Development Corporation	Associates
Chateau International Development Co., Ltd.	Associates
Chungkang Steel Structure (Cambodia) Co., Ltd.	Associates
HC&C Auto Parts Co., Ltd.	Associates
SINO Vietnam HI-TECH Material Co., Ltd.	Associates
Hanwa Steel Centre (M) Sdn. Bhd. (Renamed from Tatt Giap Steel Centre Sdn. Bhd.)	Associates
TSK Steel Company Limited	Associates
Majestic Solid Light Corporation	Associates
Dyna Rechi (Jiujiang) Co., Ltd	Subsidiaries of associates
Changchun CECK Auto. Parts Co., Ltd.	Subsidiaries of associates
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
Taiwan International Windpower Training 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
CDIB Bioscience Ventures I, Inc.	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
CSBC Coating Solutions Co., Ltd.	Subsidiaries of other related party that the Corporation as key management personal
Rechi Refrigeration (Dongguan) Co, Ltd.	Subsidiaries of other related party that the Corporation as key management personal
Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiaries of other related party that the Corporation as key management personal
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiaries of other related party that the Corporation as key management personal

(Continued)

<u>Company</u>	<u>Relationship</u>
Ministry of Economic Affairs, R.O.C.	Director of the Corporation
CSC Labor Union	Director of the Corporation
Formosa Ha Tinh Steel Corporation	Other related parties
Formosa Ha Tinh (Cayman) Limited (FHC)	Other related parties
CSC Educational Foundation	Other related parties
iPASS Corporation	Associates before February 2019
	(Concluded)

b. Operating revenues

<u>Account Items</u>	<u>Related Parties Types</u>	<u>For the Year Ended December 31</u>	
		<u>2019</u>	<u>2018</u>
Revenue from sale of goods	The Corporation as key management personnel of other related parties	\$ 1,665,773	\$ 2,107,530
	Subsidiaries of other related party that the Corporation as key management personal	1,157,795	1,525,836
	Associates	938,821	1,223,915
	Other related parties	193,562	927
	Subsidiaries of associates	<u>93,262</u>	<u>111,261</u>
		<u>\$ 4,049,213</u>	<u>\$ 4,969,469</u>
Construction contract revenue	Other related parties	\$ 1,700,256	\$ 1,618,945
	Associates	28,683	10,730
	Others	<u>85,041</u>	<u>6,082</u>
		<u>\$ 1,813,980</u>	<u>\$ 1,635,757</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

<u>Related Parties Types</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Other related parties	\$ 10,088,086	\$ 12,468,996
Associates	257,544	284,424
The Corporation as key management personnel of other related parties	<u>195,006</u>	<u>199,178</u>
	<u>\$ 10,540,636</u>	<u>\$ 12,952,598</u>

Purchases from related parties were made at arm's length.

d. Receivables from related parties

Account Items	Related Parties Types	December 31	
		2019	2018
Notes and accounts receivable	The Corporation as key management personnel of other related parties	\$ 328,349	\$ 492,051
	Other related parties	146,528	482,390
	Subsidiaries of other related party that the Corporation as key management personal	98,432	162,089
	Associates	28,106	72,025
	Subsidiaries of associates	20,295	69,147
	Others	<u>11</u>	<u>10</u>
		<u>\$ 621,721</u>	<u>\$ 1,277,712</u>
Other receivables	Other related parties		
	FHC	\$ 209,860	\$ 215,005
	Others	125,519	3,572
	Associates	18,775	21,243
	Others	<u>25</u>	<u>65</u>
	<u>\$ 354,179</u>	<u>\$ 239,885</u>	

e. Payables to related parties

Account Items	Related Parties Types	December 31	
		2019	2018
Accounts payable	Associates	\$ 35,734	\$ 47,083
	Others related parties	<u>34,992</u>	<u>19,088</u>
		<u>\$ 70,726</u>	<u>\$ 66,171</u>
Other payables	Other related parties	\$ 555,277	\$ 568,924
	Others	<u>5,910</u>	<u>16,595</u>
		<u>\$ 561,187</u>	<u>\$ 585,519</u>

The outstanding payables to related parties were unsecured.

f. Others

Classified as operating and non-operating income by their nature:

Account Items	Related Parties Types	For the Year Ended December 31	
		2019	2018
Service and other revenues	The Corporation as key management personnel of other related parties	\$ 551,293	\$ 313,403

(Continued)

Account Items	Related Parties Types	For the Year Ended December 31	
		2019	2018
	Other related parties	\$ 409,665	\$ 363,653
	Associates	27,459	59,807
	Others	<u>1,222</u>	<u>167</u>
		<u>\$ 989,639</u>	<u>\$ 737,030</u>
			(Concluded)

g. Endorsements and guarantees provided by the Corporation and its subsidiaries

Related Parties Types/Names	December 31	
	2019	2018
Other related parties - FHC		
Amount endorsed	\$ 36,978,426	\$ 37,885,002
Amount utilized	<u>(36,978,426)</u>	<u>(28,460,872)</u>
	<u>\$ -</u>	<u>\$ 9,424,130</u>
The Corporation as key management personnel of other related parties		
Amount endorsed	\$ 1,502,038	\$ 938,807
Amount utilized	<u>(1,157,800)</u>	<u>(813,714)</u>
	<u>\$ 344,238</u>	<u>\$ 125,093</u>
Associates		
Amount endorsed	\$ 88,291	\$ 59,034
Amount utilized	<u>(20,430)</u>	<u>(25,723)</u>
	<u>\$ 67,861</u>	<u>\$ 33,311</u>

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	
	2019	2018
Short-term employee benefits	\$ 74,111	\$ 114,076
Post-employment benefits	<u>1,439</u>	<u>542</u>
	<u>\$ 75,550</u>	<u>\$ 114,618</u>

31. 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	
	2019	2018
Net property, plant and equipment	\$ 24,957,498	\$ 29,752,437
Time deposits	6,788,582	6,686,058
Shares (a)	5,638,010	5,720,575
Net investment properties	1,136,910	2,108,788
Pledged receivables (b)	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 40,521,000</u>	<u>\$ 46,267,858</u>

- a. Shares of the Corporation were pledged by WIC and TIC, both subsidiaries, and were recorded as treasury shares in the consolidated financial statements.
- b. 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.

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2019 were as follows:

- a. The Corporation and its subsidiaries provided letters of credits for NT\$8 billion guaranteed by financial institutions for several constructions, lease contracts and payment. Guarantee notes for NT\$55 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\$8.6 billion.
- c. Property purchase and construction contracts for NT\$15.4 billion were signed but not yet recorded.
- d. Construction contracts for NT\$45.7 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 11,540,000 metric tons of coal, 24,790,000 metric tons of iron ore, and 3,730,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2019 were USD3.7 billion (including 6,120,000 metric tons of coal, 34,890,000 metric tons of iron ore, and 1,100,000 metric tons of limestone).
- f. Refer to Table 2 for information relating to endorsements/guarantees provided.

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 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:

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2019</u>				
Monetary foreign currency assets				
USD	\$ 196,792	29.9800	(USD:NTD)	\$ 5,899,816
USD	14,570	6.9640	(USD:RMB)	436,807
USD	37,507	1.4273	(USD:AUD)	1,124,469
USD	3,902	4.2628	(USD:MYR)	116,983
USD	4,169	24,983.3333	(USD:VND)	124,982
JPY	8,361,630	0.2760	(JPY:NTD)	2,307,810
RMB	328,636	4.3050	(RMB:NTD)	1,414,777
EUR	21,001	33.5900	(EUR:USD)	705,411
Non-monetary foreign currency assets				
Financial assets at fair value through other comprehensive income				
USD	814,935	29.9800	(USD:NTD)	24,431,755
JPY	6,976,800	0.2760	(JPY:NTD)	1,925,597
MYR	238,160	7.0330	(MYR:NTD)	1,674,977
Associates accounted for using equity method				
USD	364,732	29.9800	(USD:NTD)	10,901,478
AUD	939,953	21.0050	(AUD:NTD)	19,743,722
INR	2,535,672	0.4196	(INR:NTD)	1,063,968
Monetary financial liabilities				
VND	105,760,937	0.00004	(VND:USD)	123,740
JPY	12,087,610	0.2760	(JPY:NTD)	3,336,180
USD	258,611	29.9800	(USD:NTD)	7,753,153
USD	129,133	71.4490	(USD:INR)	3,871,419
USD	20,651	24,983.3333	(USD:VND)	619,126
USD	14,432	6.9640	(USD:RMB)	432,666
USD	3,600	4.2628	(USD:MYR)	107,925
<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

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
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
(Concluded)				

The total realized and unrealized foreign exchange gains were NT\$460,969 thousand and NT\$421,557 thousand for the years ended December 31, 2019 and 2018, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

34. SEPARATELY DISCLOSED ITEMS

a. 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 29)

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)

35. SEGMENT INFORMATION

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

- Steel - manufacture and sell steel products, including the Corporation, DSC, CHS, CSCM, CSVC, CSCI, HLS and TSC.
- Construction - construction, including CPDC, CEC, CECC, CECI, CEVC, CSSC, CKSSKC, USDC, USEC and USCVC.

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	Construction Department	Others	Adjustment and Elimination	Total
<u>For the year ended December 31, 2019</u>					
Revenues from external customers	\$ 283,265,473	\$ 21,357,878	\$ 61,617,384	\$ -	\$ 366,240,735
Inter-segment revenues	<u>81,193,750</u>	<u>11,822,251</u>	<u>39,309,375</u>	<u>(132,325,376)</u>	<u>-</u>
Segment revenues	<u>\$ 364,459,223</u>	<u>\$ 33,180,129</u>	<u>\$ 100,926,759</u>	<u>\$ (132,325,376)</u>	<u>\$ 366,240,735</u>
Segment profit	\$ 2,173,909	\$ 3,049,192	\$ 7,446,173	\$ (91,044)	\$ 12,578,230
Interest income	227,160	52,444	216,313	(77,977)	417,940
Financial costs	(2,565,268)	(69,721)	(691,626)	183,232	(3,143,383)
Share of the profit (loss) of associates	4,929,053	112,921	1,511,238	(5,943,887)	609,325
Other non-operating income and expenses	<u>2,221,975</u>	<u>36,753</u>	<u>388,287</u>	<u>(307,572)</u>	<u>2,339,443</u>
Profit before income tax	6,986,829	3,181,589	8,870,385	(6,237,248)	12,801,555
Income tax	<u>(920,825)</u>	<u>(419,842)</u>	<u>(1,085,747)</u>	<u>(44,683)</u>	<u>(2,471,097)</u>
Net profit for the year	<u>\$ 6,066,004</u>	<u>\$ 2,761,747</u>	<u>\$ 7,784,638</u>	<u>\$ (6,281,931)</u>	<u>\$ 10,330,458</u>
<u>For the year ended December 31, 2018</u>					
Revenues from external customers	\$ 320,953,624	\$ 19,773,902	\$ 59,937,531	\$ -	\$ 400,665,057
Inter-segment revenues	<u>97,055,990</u>	<u>12,290,814</u>	<u>43,222,992</u>	<u>(152,569,796)</u>	<u>-</u>
Segment revenues	<u>\$ 418,009,614</u>	<u>\$ 32,064,716</u>	<u>\$ 103,160,523</u>	<u>\$ (152,569,796)</u>	<u>\$ 400,665,057</u>
Segment profit	\$ 26,566,133	\$ 258,795	\$ 6,989,081	\$ (234,998)	\$ 33,579,011
Interest income	232,942	54,424	156,987	(74,406)	369,947
Financial costs	(2,781,137)	(73,552)	(525,535)	52,997	(3,327,227)
Share of the profit of associates	10,367,283	298,465	910,281	(11,389,794)	186,235
Other non-operating income and expenses	<u>1,420,846</u>	<u>63,023</u>	<u>416,336</u>	<u>(786,426)</u>	<u>1,113,779</u>
Profit before income tax	35,806,067	601,155	7,947,150	(12,432,627)	31,921,745
Income tax	<u>(2,786,827)</u>	<u>(66,127)</u>	<u>(1,203,726)</u>	<u>21,544</u>	<u>(4,035,136)</u>
Net profit for the year	<u>\$ 33,019,240</u>	<u>\$ 535,028</u>	<u>\$ 6,743,424</u>	<u>\$ (12,411,083)</u>	<u>\$ 27,886,609</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Segment assets</u>		
Steel department	\$ 704,729,544	\$ 725,164,836
Construction department	32,254,638	37,800,386
Others	195,679,413	176,911,473
Adjustment and elimination	<u>(266,031,614)</u>	<u>(265,350,099)</u>
Consolidated total assets	<u>\$ 666,631,981</u>	<u>\$ 674,526,596</u>
<u>Segment liabilities</u>		
Steel department	\$ 270,170,121	\$ 272,586,581
Construction department	14,271,119	22,202,880
Others	77,608,729	64,452,643
Adjustment and elimination	<u>(27,632,498)</u>	<u>(27,513,226)</u>
Consolidated total liabilities	<u>\$ 334,417,471</u>	<u>\$ 331,728,878</u>

c. Revenues from major products and services

Revenues from major products and services of the Corporation and its subsidiaries were as follows:

	For the Year Ended December 31	
	2019	2018
Steel products	\$ 282,365,862	\$ 321,090,534
Non-ferrous materials	36,585,469	38,470,811
Construction contracts revenue	24,243,739	19,944,606
Freight and service revenue	14,285,051	12,492,609
Others	<u>8,760,614</u>	<u>8,666,497</u>
	<u>\$ 366,240,735</u>	<u>\$ 400,665,057</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:

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Taiwan	\$ 321,888,645	\$ 351,782,506	\$ 390,050,363	\$ 384,039,265
Vietnam	22,383,448	24,564,187	14,075,525	15,084,025
Malaysia	9,789,945	9,954,126	1,678,540	1,804,758
China	7,316,346	7,264,931	2,964,472	3,291,373
India	3,013,514	4,263,523	4,459,003	4,894,091
Others	<u>1,848,837</u>	<u>2,835,784</u>	<u>5,797,696</u>	<u>6,345,814</u>
	<u>\$ 366,240,735</u>	<u>\$ 400,665,057</u>	<u>\$ 419,025,599</u>	<u>\$ 415,459,326</u>

Non-current assets excluded those classified as financial instruments and deferred tax 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, 2019 and 2018.

TABLE 1

CHINA STEEL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	China Prosperity Development Corporation	Other receivables	Yes	\$ 900,000	\$ -	\$ -	0.54%-0.73%	2	\$ -	Operating capital	\$ -	-	\$ 30,255,853	\$ 60,511,706	Note 2	
0	China Steel Corporation	Sing Da Marine Structure Corporation	Other receivables	Yes	400,000	200,000	-	N/A	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	Dragon Steel Corporation	Other receivables	Yes	2,150,000	950,000	-	N/A	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	Gains Investment Corporation	Other receivables	Yes	500,000	200,000	200,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	China Steel Global Trading Corporation	Other receivables	Yes	400,000	300,000	300,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	China Steel Express Corporation	Other receivables	Yes	1,000,000	600,000	600,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	China Steel Resources Corporation	Other receivables	Yes	1,800,000	950,000	810,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	C.S.Aluminium Corporation	Other receivables	Yes	7,200,000	5,200,000	3,600,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Other receivables	Yes	566,300	387,450	-	3.80%-4.00%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	China Steel Machinery Corporation	Other receivables	Yes	650,000	350,000	-	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	Changzhou China Steel Precision Materials Co., Ltd.	Other receivables	Yes	445,600	129,150	-	N/A	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	China Ecotek Corporation	Other receivables	Yes	470,000	310,000	310,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	Kaohsiung Rapid Transit Corporation	Other receivables	Yes	550,000	350,000	350,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	Chung Hung Steel Corporation	Other receivables	Yes	4,950,000	3,450,000	2,450,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	China Steel Structure Co., Ltd.	Other receivables	Yes	1,250,000	650,000	650,000	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
0	China Steel Corporation	CHC Resources Corporation	Other receivables	Yes	600,000	400,000	-	0.54%-0.73%	2	-	Operating capital	-	-	30,255,853	60,511,706	Note 2	
1	China Steel Structure Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Other receivables	Yes	222,700	215,250	107,625	3.60%	2	-	Repayments of bank borrowings	-	-	428,895	1,715,579	Note 3	
2	United Steel Investment Pte Ltd	Chungkang Steel Structure (Cambodia) Co., Ltd.	Other receivables	Yes	19,592	18,588	18,588	5.80%	2	-	Operating capital	-	-	50,000	60,187	Note 4	
3	Ever Wealthy International Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Other receivables	Yes	85,400	83,944	83,944	2.5%-3.00%	2	-	Operating capital	-	-	348,795	523,193	Note 5	

(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			
4	Group Steel Corporation (M) Sdn. Bhd. Thintech Materials Technology Co., Ltd.	CSC Steel Sdn. Bhd.	Other receivables	Yes	\$ 289,040	\$ -	\$ -	N/A	2	\$ -	Operating capital	\$ -	-	\$ 7,529	\$ 7,529	Note 6	
5	Thintech Materials Technology Co., Ltd.	Taicang Thintech Materials Co., Ltd.	Other receivables	Yes	147,342	103,578	103,535	3.25%	2	-	Operating capital	-	-	355,865	474,486	Note 7	
6	C.S.Aluminium Corporation	Ningbo Huayang Aluminium-Tech Co., Ltd.	Other receivables	Yes	186,240	179,880	-	N/A	2	-	Operating capital	-	-	793,733	1,587,466	Note 8	
7	China Prosperity Development Corporation	China Steel Corporation	Other receivables	Yes	2,350,000	2,350,000	2,300,000	0.60%-0.69%	2	-	Operating capital	-	-	3,191,946	3,191,946	Note 9	
8	China Steel Security Corporation	China Steel Corporation	Other receivables	Yes	50,000	50,000	-	N/A	2	-	Operating capital	-	-	158,964	211,952	Note 10	
9	Lefkara Ltd.	Suzhou Betacara Technology Co., Ltd.	Other receivables	Yes	62,780	59,960	-	N/A	2	-	Operating capital	-	-	293,102	586,205	Note 11	
10	Sing Da Marine Structure Corporation	China Steel Corporation	Other receivable-Other	Yes	300,000	300,000	300,000	0.67%-0.69%	2	-	Operating capital	-	-	1,289,341	1,289,341	Note 12	
11	CSC Precision Metal Industrial Corporation	China Steel Corporation	Other receivable-Other	Yes	100,000	100,000	100,000	0.67%	2	-	Operating capital	-	-	104,744	119,707	Note 13	

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 Structure Co., Ltd., the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 10% of the net worth of China Steel Structure Co., Ltd., 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.

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 C.S.Aluminium 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 C.S.Aluminium Corporation, respectively.

Note 9: According to "The Process of Financing Others" established by China Prosperity Development 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 China Prosperity Development Corporation.

(Continued)

Note 10: According to “The Process of Financing Others” established by China Steel Security Corporation, 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 China Steel Security Corporation, respectively.

Note 11: According to “The Process of Financing Others” established by Lefkara Ltd., the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 20% of the net worth of Lefkara Ltd., respectively.

Note 12: According to “The Process of Financing Others” established by Sing Da Marine Structure 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 China Prosperity Development Corporation.

Note 13: 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 the China Steel Security Corporation, respectively.

(Concluded)

TABLE 2

CHINA STEEL CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

NO.	Endorsement/Guarantee Provider	Endorsee/Guaranteee		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	China Steel Power Holding Corporation	2	\$ 90,767,559	\$ 3,000,000	\$ -	\$ -	\$ -	-	\$ 121,023,413	Y	N	N	Notes 2 and 5
0	China Steel Corporation	China Steel Power Corporation	2	90,767,559	2,580,000	2,580,000	-	-	1	121,023,413	Y	N	N	Notes 2 and 5
0	China Steel Corporation	Formosa Ha Tinh (Cayman) Limited	6	90,767,559	38,976,593	36,978,426	36,978,426	-	12	121,023,413	N	N	N	Note 5
0	China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	6	90,767,559	1,670,347	1,502,038	1,157,800	-	1	121,023,413	N	N	N	Note 5
1	China Steel Structure Co., Ltd.	United Steel Construction (Vietnam) Co., Ltd.	2	1,429,649	189,600	179,880	-	-	4	8,148,998	N	N	N	Note 6
1	China Steel Structure Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	2	1,429,649	808,105	765,250	143,856	-	18	8,148,998	N	N	Y	Note 6
1	China Steel Structure Co., Ltd.	Chungkang Steel Structure (Cambodia) Co., Ltd.	6	1,429,649	163,593	88,291	20,430	-	2	8,148,998	N	N	N	Note 6
2	United Steel Engineering & Construction Corporation	China Steel Structure Co., Ltd.	3	21,096,287	1,567,675	746,500	746,500	-	53	21,096,287	N	N	N	Notes 3 and 7
3	Thintech Materials Technology Co., Ltd.	Taiyang Thintech Materials Co., Ltd.	2	474,486	266,815	254,830	84,604	-	21	474,486	N	N	Y	Note 8
4	Chung Hung Steel Corporation	Chung Hung Steel Corporation	1	4,370,669	10,000	-	-	-	-	7,284,449	N	N	N	Notes 4 and 9
5	Infochamp Systems Corporation	Wuhan InfoChamp I.T. Co., Ltd.	2	232,593	109,906	107,603	64,553	-	14	387,655	N	N	Y	Note 10
5	Infochamp Systems Corporation	Tang Steel Internation Engineering Technology Corp.	5	232,593	20,113	19,905	19,905	-	3	387,655	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)

TABLE 3

CHINA STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(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, 2019			Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	
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	\$ 9,298,483	4	\$ 9,298,483
China Steel Corporation	Common stock Maruichi Steel Tube Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	2,000,000	1,700,160	2	1,700,160
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	1,252,656	9	1,252,656
China Steel Corporation	Common stock O-Bank Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	103,847,695	811,050	4	811,050
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	527,896	5	527,896
China Steel Corporation	Common stock Yodogawa Steel Works, Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	400,000	225,437	1	225,437
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	208,124	2	208,124
China Steel Corporation	Common stock Formosa Ha Tinh (Cayman) Limited		Financial assets at fair value through other comprehensive income-noncurrent	1,111,418,177	23,324,222	20	23,324,222
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	1,338,034	19	1,338,034
China Steel Corporation	Common stock CSN Mineracao S.A.		Financial assets at fair value through other comprehensive income-noncurrent	745,562	968,262	-	968,262
China Steel Corporation	Common stock CDIB & Partners Investment Holding Corporation		Financial assets at fair value through other comprehensive income-noncurrent	54,000,000	941,426	5	941,426
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	13,213	15	13,213
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	8,093	5	8,093

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
China Steel Corporation	Common stock	PHALANX BIOTECH GROUP, INC.		Financial assets at fair value through other comprehensive income-noncurrent	1,073,812	\$ 6,722	1	\$ 6,722
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 mandatorily classified as at fair value through profit or loss -current(including measurement)	3,334	826,071	10	826,071
China Steel Corporation	Preferred stock	East Asia United Steel Corporation (A)	The held company as its director	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	3,333	825,824	9	825,824
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	336,943	19	336,943
Chung Hung Steel Corporation	Common stock	Shouh Hwang Enterprise Co., Ltd.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	730,000	-	15	-
Chung Hung Steel Corporation	Common stock	YIEH UNITED STEEL CORPORATION		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	39,151,800	181,351	1	181,351
Chung Hung Steel Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	33,109,239	791,311	-	791,311
Chung Hung Steel Corporation	Common stock	TAIWAN VES-POWER CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	958,333	35,305	2	35,305
Chung Hung Steel Corporation	Common stock	PACIFIC HARBOR STEVEDORING CORP.	The held company as its supervisor	Financial assets at fair value through other comprehensive income-noncurrent	250,000	5,958	5	5,958
Chung Hung Steel Corporation	Common stock	Riselink Venture Capital Corp.		Financial assets at fair value through other comprehensive income-noncurrent	197,381	3,580	3	3,580
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	23,995	-	23,995
China Steel Chemical Corporation	Common stock	ADIMMUNE CORPORATION		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	105,747	2,675	-	2,675
China Steel Chemical Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	2,556,915	61,110	-	61,110
China Steel Chemical Corporation	Preferred stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	229,000	12,481	-	12,481
China Steel Chemical Corporation	Mutual fund	YUANTA VIETNAM LEADER FUND SEGREGATED PORTFOLIO		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	5,000	14,157	-	14,157

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
China Steel Chemical Corporation	Mutual fund	PineBridge China A-Shares Quantitative Equity		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	30,000	\$ 9,426	-	\$ 9,426
China Steel Chemical Corporation	Mutual fund	KGI Hospital & Dependency Related Industries Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	8,603	3,450	-	3,450
China Steel Chemical Corporation	Mutual fund	Cathay US Multi-Income Balanced Fund A USD		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	2,140,673	21,429	-	21,429
China Steel Chemical Corporation	Mutual fund	JPM China Income Fund CNH Acc		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	262,019	18,442	-	18,442
China Steel Chemical Corporation	Mutual fund	JPMorgan Investment Funds - Global Income Fund A (acc) - USD (hedged)		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,539	9,197	-	9,197
China Steel Chemical Corporation	Mutual fund	Taishin Global Short-Dated High Yield Bond Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	196,766	61,717	-	61,717
China Steel Chemical Corporation	Mutual fund	JPMorgan Funds - Emerging Markets Debt Fund - JPM Emerging Markets Debt A (mth) - USD		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	47,275	32,158	-	32,158
China Steel Chemical Corporation	Mutual fund	FSJTC US Top 100 Bond Fund(USD)		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	100,000	31,218	-	31,218
China Steel Chemical Corporation	Mutual fund	JPMorgan Funds - Income Fund - JPM Income A (mth) - USD		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	3,962	15,053	-	15,053
China Steel Chemical Corporation	Mutual fund	Allianz Global Investors US Short Duration High Income Bond Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	30,000	9,276	-	9,276
China Steel Chemical Corporation	Mutual fund	Cathay Senior Secured High Yield Bond Fund A USD		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	483,985	5,330	-	5,330
China Steel Chemical Corporation	Mutual fund	Taishin North American Income Trust Fund USD A		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,299,883	30,966	-	30,966
Ever Wealthy International Corporation	Common stock	CATHAY FINANCIAL HOLDING CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	310,748	13,222	-	13,222
Ever Wealthy International Corporation	Common stock	Mega Financial Holding Co., Ltd.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	311,000	9,517	-	9,517
Ever Wealthy International Corporation	Common stock	TAISHIN FINANCIAL HOLDING CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	611,235	8,863	-	8,863
Ever Wealthy International Corporation	Common stock	TAIWAN BUSINESS BANK,LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	669,147	8,431	-	8,431
Ever Wealthy International Corporation	Common stock	HUA NAN FINANCIAL HOLDINGS CO.,LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	330,100	7,262	-	7,262

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Ever Wealthy International Corporation	Common stock	TAICHUNG COMMERCIAL BANK CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	603,668	\$ 7,244	-	\$ 7,244
Ever Wealthy International Corporation	Common stock	TA CHEN STAINLESS PIPE CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	152,047	4,873	-	4,873
Ever Wealthy International Corporation	Common stock	Nishoku Technology Inc.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	30,400	2,067	-	2,067
Ever Wealthy International Corporation	Common stock	International CSRC Investment Holdings Co., LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	27,633	868	-	868
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	582,308	-	582,308
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	101,008	-	101,008
Ever Wealthy International Corporation	Common stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,540,000	45,142	4	45,142
Ever Wealthy International Corporation	Common stock	National Kaohsiung First University of Science and Technology Investment Corporation		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	300,000	2,613	9	2,613
Ever Wealthy International Corporation	Common stock	Riselink Venture Capital Corp.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	131,587	2,388	2	2,388
Ever Wealthy International Corporation	Common stock	TCC RECYCLE ENERGY TECHNOLOGY COMPANY		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	81,281	934	-	934
Ever Wealthy International Corporation	Common stock	Harbinger Venture III Capital Corp.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,000	43	1	43
Ever Wealthy International Corporation	Common stock	Asia Hepato Gene CO.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	133,300	-	2	-
Ever Wealthy International Corporation	Common stock	JU-KAO ENGINEERING CO., LTD		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,774,483	20,789	7	20,789
Ever Wealthy International Corporation	Preferred stock	TAISHIN FINANCIAL HOLDING CO., LTD. Class E Preferred Shares II		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	164,139	8,946	-	8,946
Ever Wealthy International Corporation	Preferred stock	Cathay Financial Holding Co., Ltd.(B)		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	12,540	803	-	803

(Continued)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	
Ever Wealthy International Corporation	Mutual fund	Taishin China Equity Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	486,146	\$ 26,096	-	\$ 26,096
Ever Wealthy International Corporation	Mutual fund	UPAMC Global AIoT Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	500,000	5,180	-	5,180
Ever Wealthy International Corporation	Mutual fund	JPMorgan (Taiwan) Multi Income Fund of Fund TWD Acc	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	3,058,938	36,633	-	36,633
Ever Wealthy International Corporation	Mutual fund	UPAMC James Bond Money Market	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,197,340	20,089	-	20,089
Ever Wealthy International Corporation	Mutual fund	Shin Kong Chi-Shin Money-market Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	645,928	10,040	-	10,040
Ever Wealthy International Corporation	Mutual fund	Jih Sun Upstream Fund A	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	72,939	3,057	-	3,057
Ever Wealthy International Corporation	Mutual fund	Taishin Senior Secured High Yield Bond Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	2,029,414	20,757	-	20,757
Ever Wealthy International Corporation	Mutual fund	PineBridge US Dual Core Income Fund-A(TWD)	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,613,476	19,531	-	19,531
Ever Wealthy International Corporation	Mutual fund	Prudential Financial US Investment Grade Corporate Bond Fund Acc TWD	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,000,000	9,934	-	9,934
Ever Wealthy International Corporation	Mutual fund	FSITC US Top 100 Bond Fund(TWD)	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	959,813	9,646	-	9,646
Ever Wealthy International Corporation	Mutual fund	Union Asian High Yield Bond Fund TWD A	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	477,295	5,047	-	5,047
Ever Wealthy International Corporation	Mutual fund	Cathay Senior Secured High Yield Bond Fund A USD	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	449,039	4,946	-	4,946
Ever Wealthy International Corporation	Mutual fund	JSfunds Asian High Yield Bond	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	387,378	4,914	-	4,914
Ever Wealthy International Corporation	Mutual fund	JPMorgan (Taiwan) Global Fund of Bond Acc	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	3,461,034	39,950	-	39,950
Ever Wealthy International Corporation	Mutual fund	KGI Fund Taiwan Multi-Asset Income Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,000,000	10,150	-	10,150
Ever Wealthy International Corporation	Mutual fund	TCB Taiwan Money Market Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	688,428	7,021	-	7,021
Ever Wealthy International Corporation	Mutual fund	SinoPac US Treasury 20+ Year Bond ETF	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	500,000	18,543	-	18,543

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Ever Wealthy International Corporation	Mutual fund	Taishin North American Income Trust Fund TWD A		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,505,751	\$ 35,792	-	\$ 35,792
Ever Wealthy International Corporation	Mutual fund	Jih Sun Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	2,035,801	30,288	-	30,288
Ever Wealthy International Corporation	Mutual fund	FSITC Taiwan Money Market		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,962,323	30,147	-	30,147
Ever Wealthy International Corporation	Mutual fund	Yuanta De- Bao Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	2,498,917	30,147	-	30,147
Ever Wealthy International Corporation	Mutual fund	Prudential Financial Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,273,379	20,223	-	20,223
Ever Wealthy International Corporation	Corporate bond	CNH Bond Offering by ITNL Offshore Pte Limited		Financial assets at amortized cost - noncurrent	30,000	3,875	-	3,875
Ever Glory International Co., Ltd.	Mutual fund	JPMorgan Investment Funds - Global Income Fund A (acc) - USD (hedged)		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	2,724	16,279	-	16,279
Ever Glory International Co., Ltd.	Mutual fund	China Southern Dragon Dynamic Fund Sicav-FIS - China New Balance Opportunity Fund-A USD		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,100	5,888	-	5,888
Ever Glory International Co., Ltd.	Mutual fund	JPMorgan Funds - US Aggregate Bond Fund A (acc) - USD		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	29,062	15,535	-	15,535
China Ecotek Corporation	Common stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	440,000	12,898	1	12,898
China Ecotek Corporation	Common stock	JDV CONTROL VALVES CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	500,000	8,926	2	8,926
China Ecotek Corporation	Common stock	ECOTEK INDUSTRIAL AQUACULTURE CORP.	The held company as its director	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	74,681	600	19	600
China Ecotek Corporation	Common stock	HSIN YU ENERGY DEVELOPMENT CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	391,249	-	-	-
China Ecotek Corporation	Common stock	FLEXUP TECHNOLOGIES CORPORATION		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	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	139,272	11	139,272

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
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	\$ 165,791	-	\$ 165,791
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	170,800	-	170,800
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	89,516	-	89,516
CHC Resources Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	9,201,806	219,923	-	219,923
CHC Resources Corporation	Common stock	FENG SHEHG ENTERPRISE COMPANY		Financial assets at fair value through other comprehensive income-noncurrent	932,053	12,473	2	12,473
CHC Resources Corporation	Mutual fund	Jih Sun Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	4,039,030	60,091	-	60,091
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	10,130	-	10,130
Union Steel Development Corporation	Mutual fund	Capital Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	3,420,339	55,400	-	55,400
Union Steel Development Corporation	Certificate of entitlement	Shanghai Bao Shan Lian Steel Products Co., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	-	16,409	19	16,409
China Steel Security Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	2,349,975	56,164	-	56,164
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	133	-	133
Steel Castle Technology Corporation	Mutual fund	Yuanta De-Li Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,529,581	25,039	-	25,039
Steel Castle Technology Corporation	Mutual fund	Union Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,511,876	20,039	-	20,039
Steel Castle Technology Corporation	Mutual fund	Capital Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	928,247	15,035	-	15,035
ChinaSteel Management Consulting Corporation	Mutual fund	Capital Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	348,056	5,637	-	5,637
China Prosperity Development Corporation	Common stock	HUA NAN FINANCIAL HOLDINGS CO.,LTD.		Financial assets at fair value through other comprehensive income-current	4,520,594	99,453	-	99,453

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
China Prosperity Development Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	952,979	\$ 22,776	-	\$ 22,776
China Prosperity Development Corporation	Common stock	Mega Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income-current	463,457	14,182	-	14,182
China Prosperity Development Corporation	Common stock	Taiwan Cooperative Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income-current	229,472	4,762	-	4,762
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	54,300	-	54,300
China Prosperity Development Corporation	Common stock	HI SCENE WORLD ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-current	386,535	4,190	-	4,190
China Prosperity Development Corporation	Mutual fund	FSJTC MONEY MARKET FUND		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	162,180	29,046	-	29,046
HIMAG Magnetic Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-noncurrent	325,505	7,780	-	7,780
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	8,890	2	8,890
Eminent Venture Capital Corporation	Common stock	Bionime Corporation		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	327,990	26,403	1	26,403
Eminent Venture Capital Corporation	Common stock	SynCore Biotechnology Co., Ltd		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	436,000	13,080	-	13,080
Eminent Venture Capital Corporation	Common stock	Asia Best Healthcare Co., Ltd.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	4,530	18,609	1	18,609
Eminent Venture Capital Corporation	Common stock	StemCye International, Ltd.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,080,647	14,919	1	14,919
Eminent Venture Capital Corporation	Common stock	U-Liang Pharmaceutical Co., Ltd.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	557,000	6,131	1	6,131
Eminent Venture Capital Corporation	Common stock	New Medical Imaging Co., LTD		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	160,368	-	3	-
Eminent Venture Capital Corporation	Common stock	Dance Biopharm Holdings, Inc.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	166,394	-	1	-

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Eminent Venture Capital Corporation	Common stock	Cellerant Therapeutics, Inc.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	43,900	\$ -	-	\$ -	
Eminent Venture Capital Corporation	Common stock	American BriVision (Holding) Corporation		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	33,334	4,037	-	4,037	
Eminent Venture Capital Corporation	Common stock	HOLY STONE HEALTHCARE CO.,LTD.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	500,000	3,844	-	3,844	
Eminent Venture Capital Corporation	Preferred stock	BioResource International, Inc.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	815,486	21,519	3	21,519	
Eminent Venture Capital Corporation	Preferred stock	Nereus Pharmaceuticals, Inc.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,895,531	7,331	2	7,331	
Eminent Venture Capital Corporation	Preferred stock	AndroScience Corp.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	2,111,111	-	7	-	
Eminent Venture Capital Corporation	Preferred stock	Bayhill Therapeutics, Inc.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,404,494	-	2	-	
Eminent Venture Capital Corporation	Preferred stock	Cardiva Medical, Inc.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	612,648	-	1	-	
Eminent Venture Capital Corporation	Mutual fund	Franklin Templeton Sinoam Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	9,920,862	102,970	-	102,970	
Eminent Venture Capital Corporation	Mutual fund	Jih Sun Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	5,381,264	80,060	-	80,060	
Infochamp Systems Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-noncurrent	3,834,338	91,641	-	91,641	
Infochamp Systems Corporation	Common stock	Lion Corporation Berhad		Financial assets at fair value through other comprehensive income-noncurrent	58	-	-	-	
Infochamp Systems Corporation	Common stock	iPASS Corporation		Financial assets at fair value through other comprehensive income-noncurrent	4,000,000	33,991	4	33,991	
Infochamp Systems Corporation	Common stock	TRICORNTech CORPORATION		Financial assets at fair value through other comprehensive income-noncurrent	726,885	6,256	2	6,256	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note	
					Shares/Units	Carrying Value	Percentage of Ownership (%)		Fair Value
Infochamp Systems Corporation	Common stock	RiselinK Venture Capital Corp.		Financial assets at fair value through other comprehensive income-noncurrent	438,624	\$ 2,388	2	\$ 2,388	
Infochamp Systems Corporation	Common stock	GEMINI OPEN CLOUD COMPUTING INC.		Financial assets at fair value through other comprehensive income-noncurrent	889,571	-	5	-	
Kaohsiung Rapid Transit Corporation	Common stock	iPASS Corporation	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	13,000,000	110,431	11	110,431	
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	105,923	-	105,923	
China Steel Express Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	8,801,555	210,357	-	210,357	
China Steel Express Corporation	Common stock	CSBC Corporation, Taiwan		Financial assets at fair value through other comprehensive income-current	1,564,258	42,000	-	42,000	
China Steel Express Corporation	Common stock	CDIB & Partners Investment Holding Corporation		Financial assets at fair value through other comprehensive income-noncurrent	3,240,000	56,486	-	56,486	
China Steel Express Corporation	Common stock	Huiyang Private Equity Fund Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	35,000	3,856	1	3,856	
China Steel Express Corporation	Common stock	RiselinK Venture Capital Corp.		Financial assets at fair value through other comprehensive income-noncurrent	197,381	3,581	3	3,581	
Transglory Investment Corporation	Common stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income-noncurrent	256,765,331	6,136,691	2	6,136,691	Note 1
Gains Investment Corporation	Common stock	BRIGHTON-BEST INTERNATIONAL (TAIWAN) INC.		Financial assets at fair value through other comprehensive income-current	23,129,242	647,619	-	647,619	
Gains Investment Corporation	Common stock	Cayman Engley Industrial Co., Ltd.		Financial assets at fair value through other comprehensive income-current	1,467,723	140,755	-	140,755	
Gains Investment Corporation	Common stock	GLOBAL TEK FABRICATION CO., LTD.		Financial assets at fair value through other comprehensive income-current	2,507,620	127,889	-	127,889	
Gains Investment Corporation	Common stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income-current	695,184	121,310	-	121,310	
Gains Investment Corporation	Common stock	QST INTERNATIONAL CORP.		Financial assets at fair value through other comprehensive income-current	1,461,257	94,982	-	94,982	

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Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	
Gains Investment Corporation	Common stock FUSHENG PRECISION CO., LTD.		Financial assets at fair value through other comprehensive income-current	473,000	\$ 84,904	-	\$ 84,904
Gains Investment Corporation	Common stock FARCENT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-current	735,032	53,804	-	53,804
Gains Investment Corporation	Common stock SHINY CHEMICAL INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income-current	500,000	47,050	-	47,050
Gains Investment Corporation	Common stock SYMTEK AUTOMATION ASIA CO., LTD.		Financial assets at fair value through other comprehensive income-current	524,593	40,656	-	40,656
Gains Investment Corporation	Common stock I JANG INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income-current	892,000	40,586	-	40,586
Gains Investment Corporation	Common stock SHIN FOONG SPECIALTY AND APPLIED MATERIALS CO., LTD. Bionime Corporation		Financial assets at fair value through other comprehensive income-current	683,000	39,341	-	39,341
Gains Investment Corporation	Common stock HERAN CO., LTD.		Financial assets at fair value through other comprehensive income-current	421,036	33,893	-	33,893
Gains Investment Corporation	Common stock FORMOSA ADVANCED TECHNOLOGIES CO., LTD.		Financial assets at fair value through other comprehensive income-current	263,000	28,404	-	28,404
Gains Investment Corporation	Common stock NAN LIU ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-current	750,000	27,975	-	27,975
Gains Investment Corporation	Common stock TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED ACTER GROUP CORPORATION LIMITED		Financial assets at fair value through other comprehensive income-current	201,000	27,637	-	27,637
Gains Investment Corporation	Common stock San Neng Group Holdings Co., Ltd.		Financial assets at fair value through other comprehensive income-current	82,000	27,142	-	27,142
Gains Investment Corporation	Common stock ADIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income-current	140,000	25,830	-	25,830
Gains Investment Corporation	Common stock CHINA FINEBLANKING TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-current	700,000	25,620	-	25,620
Gains Investment Corporation	Common stock QUALIPOLY CHEMICAL CORPORATION		Financial assets at fair value through other comprehensive income-current	1,000,000	25,300	-	25,300
Gains Investment Corporation	Common stock ZENG HSING INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income-current	704,194	24,576	-	24,576
Gains Investment Corporation	Common stock		Financial assets at fair value through other comprehensive income-current	885,300	24,434	-	24,434
Gains Investment Corporation	Common stock		Financial assets at fair value through other comprehensive income-current	166,000	21,995	-	21,995

(Continued)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	
Gains Investment Corporation	Common stock	TAIWAN CHELIC CO., LTD.	Financial assets at fair value through other comprehensive income-current	407,000	\$ 20,350	-	\$ 20,350
Gains Investment Corporation	Common stock	APAQ TECHNOLOGY CO., LTD.	Financial assets at fair value through other comprehensive income-current	505,149	20,155	-	20,155
Gains Investment Corporation	Common stock	C.T.I. TRAFFIC INDUSTRIES CO., LTD.	Financial assets at fair value through other comprehensive income-current	1,381,917	17,619	-	17,619
Gains Investment Corporation	Common stock	ARDENTEC CORPORATION	Financial assets at fair value through other comprehensive income-current	548,000	16,906	-	16,906
Gains Investment Corporation	Common stock	CHING CHAN OPTICAL TECHNOLOGY CO., LTD.	Financial assets at fair value through other comprehensive income-current	495,000	16,335	-	16,335
Gains Investment Corporation	Common stock	CHIEN SHING HARBOUR SERVICE CO., LTD.	Financial assets at fair value through other comprehensive income-current	552,000	15,732	-	15,732
Gains Investment Corporation	Common stock	KING CHOU MARINE TECHNOLOGY CO., LTD.	Financial assets at fair value through other comprehensive income-current	420,000	14,511	-	14,511
Gains Investment Corporation	Common stock	AAEON TECHNOLOGY INC.	Financial assets at fair value through other comprehensive income-current	193,000	13,915	-	13,915
Gains Investment Corporation	Common stock	BIN CHUAN ENTERPRISE CO., LTD.	Financial assets at fair value through other comprehensive income-current	536,000	13,802	-	13,802
Gains Investment Corporation	Common stock	TAISUN INTL (HOLDING) CORP., TAIWAN BRANCH(CAYMAN)	Financial assets at fair value through other comprehensive income-current	90,000	12,330	-	12,330
Gains Investment Corporation	Common stock	RAFAEL MICROELECTRONICS, INC.	Financial assets at fair value through other comprehensive income-current	65,000	11,538	-	11,538
Gains Investment Corporation	Common stock	MetaTech (AP) Inc.	Financial assets at fair value through other comprehensive income-current	183,000	10,157	-	10,157
Gains Investment Corporation	Common stock	Enterex International Limited	Financial assets at fair value through other comprehensive income-current	535,000	9,175	-	9,175
Gains Investment Corporation	Common stock	WISTRON NEWEB CORPORATION	Financial assets at fair value through other comprehensive income-current	78,000	5,889	-	5,889
Gains Investment Corporation	Common stock	PEGAVISION CORPORATION	Financial assets at fair value through other comprehensive income-current	30,000	5,445	-	5,445
Gains Investment Corporation	Common stock	FLYTECH TECHNOLOGY CO.,LTD.	Financial assets at fair value through other comprehensive income-current	71,000	5,112	-	5,112
Gains Investment Corporation	Common stock	FIRST HI-TEC ENTERPRISE CO., LTD.	Financial assets at fair value through other comprehensive income-current	120,000	4,908	-	4,908

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Gains Investment Corporation	Common stock	FITTECH CO.,LTD		Financial assets at fair value through other comprehensive income-current	20,000	\$ 2,360	-	\$ 2,360
Gains Investment Corporation	Common stock	KHGEARS INTERNATIONAL LIMITED		Financial assets at fair value through other comprehensive income-current	10,000	705	-	705
Gains Investment Corporation	Common stock	Rentian Technology Holdings Ltd.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	18,350	-	-	-
Gains Investment Corporation	Common stock	GEMINI OPEN CLOUD COMPUTING INC.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	889,571	-	5	-
Gains Investment Corporation	Common stock	FLEXUP TECHNOLOGIES CORPORATION	The held company as its supervisor	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,315,000	-	8	-
Gains Investment Corporation	Common stock	AbGenomics Holding Ltd.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	500,000	-	-	-
Gains Investment Corporation	Common stock	Tech alliance Corporation	The held company as its director	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,433,250	-	5	-
Gains Investment Corporation	Common stock	TAIWAN IMPLANT TECHNOLOGY CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	1,678,788	-	10	-
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	102,503	-	102,503
Gains Investment Corporation	Common stock	LUXNET CORPORATION	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	3,340,969	85,362	-	85,362
Gains Investment Corporation	Common stock	ULTRA CHIP, INC.	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	930,147	28,369	-	28,369
Gains Investment Corporation	Common stock	KING POINT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	3,500,000	105,000	9	105,000
Gains Investment Corporation	Common stock	Poju International Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	2,127,000	77,931	5	77,931
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	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	1,980,000	58,040	5	58,040

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Gains Investment Corporation	Common stock	Ping Ho Environmental Technology Company Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	600,000	\$ 40,000	2	\$ 40,000
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	37,657	-	37,657
Gains Investment Corporation	Common stock	YONGDA FOOD TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	1,413,500	35,980	5	35,980
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	TIGERAIR TAIWAN CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	750,000	30,750	-	30,750
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	Ultra Display (Cayman) Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	1,425,000	29,905	9	29,905
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	28,690	6	28,690
Gains Investment Corporation	Common stock	MUTUAL-PAK TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	1,300,000	26,500	8	26,500
Gains Investment Corporation	Common stock	SUN RISE E&T CORPORATION		Financial assets at fair value through other comprehensive income-noncurrent	700,000	22,400	2	22,400
Gains Investment Corporation	Common stock	SUNNY PHARMTECH INC.		Financial assets at fair value through other comprehensive income-noncurrent	2,060,413	19,367	2	19,367
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	17,852	4	17,852
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	Riselink Venture Capital Corp.	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	328,968	5,969	4	5,969
Gains Investment Corporation	Common stock	Huiyang Private Equity Fund Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	35,000	3,856	1	3,856
Gains Investment Corporation	Common stock	JUMP MEDIA INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	549,122	-	2	-

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note	
					Shares/Units	Carrying Value	Percentage of Ownership (%)		Fair Value
Gains Investment Corporation	Common stock	TRANSCOM, INC.	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	645,750	\$ 49,529	2	\$ 49,529	
Gains Investment Corporation	Common stock	MEDICAL IMAGING CORPORATION		Financial assets at fair value through other comprehensive income-noncurrent	1,188,000	47,577	6	47,577	
Gains Investment Corporation	Common stock	CHEN NAN IRON WIRE CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	2,000,000	44,960	5	44,960	
Gains Investment Corporation	Common stock	ENIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income-noncurrent	2,001,000	39,043	5	39,043	
Gains Investment Corporation	Common stock	FEMCO STEEL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	1,248,000	26,488	3	26,488	
Gains Investment Corporation	Preferred stock	WPG HOLDINGS LIMITED – Preferred Shares A		Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	51,700	-	51,700	
Gains Investment Corporation	Mutual fund	CATHAY US MULTI-INCOME BALANCED FUND-TWD GREENWAY ENVIRONMENTAL TECHNOLOGY CO., LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	500,000	5,058	-	5,058	
Gains Investment Corporation	Convertible bond	Tong Ming Enterprise Co., Ltd. Convertible Bond I		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	300,000	30,000	-	30,000	
Gains Investment Corporation	Convertible bond	China Steel Corporation	The ultimate parent company	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	130,000	12,805	-	12,805	
Winning Investment Corporation	Common stock	TAIWAN IMPLANT TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	160,406,339	3,833,712	-	3,833,712	Note 2
Betacera Inc.	Common stock	HCT REGENERATIVE CO., LTD		Financial assets mandatorily classified as at fair value through profit or loss - noncurrent(including measurement)	74,149	-	-	-	
Betacera Inc.	Common stock	Shanghai Join Buy Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	994,153	5,418	17	5,418	
Shanghai Xike Ceramic Electronic Co., Ltd.	Common stock	Union Money Market Fund		Financial assets at fair value through other comprehensive income-noncurrent	71,820	1,973	-	1,973	
Universal Exchange Inc.	Mutual fund	Union Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,262,800	16,737	-	16,737	
Mentor Consulting Corporation	Mutual fund	EVERGREEN MARINE CORPORATION (TAIWAN) LTD.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	537,611	7,126	-	7,126	
Eminence Investment Corporation	Common stock	Amazon.com, Inc.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,558,498	19,325	-	19,325	
Eminence Investment Corporation	Common stock			Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	318	17,617	-	17,617	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Eminence Investment Corporation	Common stock	Xilinx, Inc.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	5,190	\$ 15,213	-	\$ 15,213
Eminence Investment Corporation	Common stock	MEDIATEK INC.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	34,000	15,079	-	15,079
Eminence Investment Corporation	Common stock	UNI-PRESIDENT ENTERPRISES CORP.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	185,000	13,727	-	13,727
Eminence Investment Corporation	Common stock	Visa Inc.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	2,202	12,404	-	12,404
Eminence Investment Corporation	Common stock	Adobe Systems Incorporated		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	758	7,495	-	7,495
Eminence Investment Corporation	Common stock	NVIDIA Corporation		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	960	6,772	-	6,772
Eminence Investment Corporation	Common stock	Microsoft Corporation		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,411	6,671	-	6,671
Eminence Investment Corporation	Common stock	Facebook, Inc.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,061	6,529	-	6,529
Eminence Investment Corporation	Common stock	Starbucks Corporation		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	2,350	6,194	-	6,194
Eminence Investment Corporation	Common stock	Advanced Micro Devices, Inc		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	3,800	5,225	-	5,225
Eminence Investment Corporation	Common stock	Broadcom Ltd(AVGO)		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	514	4,870	-	4,870
Eminence Investment Corporation	Common stock	SYNERGY SCIENTECH CORP.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	60,000	4,368	-	4,368
Eminence Investment Corporation	Common stock	Google Inc.-Class A(GOOG)		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	42	1,686	-	1,686
Eminence Investment Corporation	Common stock	Capital Futures Corporation		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	26,000	1,123	-	1,123
Eminence Investment Corporation	Common stock	Salesforce.Com, Inc.		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	221	1,078	-	1,078
Eminence Investment Corporation	Common stock	TBI MOTION TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-current	3,294,000	170,959	-	170,959
Eminence Investment Corporation	Common stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED		Financial assets at fair value through other comprehensive income-current	507,000	167,817	-	167,817

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Eminence Investment Corporation	Common stock	TANG ENG IRON WORKS CO., LTD.		Financial assets at fair value through other comprehensive income-current	3,718,000	\$ 159,502	-	\$ 159,502
Eminence Investment Corporation	Common stock	Capital Futures Corporation		Financial assets at fair value through other comprehensive income-current	2,223,000	96,034	-	96,034
Eminence Investment Corporation	Common stock	FARCENT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-current	1,179,564	86,344	-	86,344
Eminence Investment Corporation	Common stock	TAIWAN MOBILE CO., LTD.		Financial assets at fair value through other comprehensive income-current	530,000	59,360	-	59,360
Eminence Investment Corporation	Common stock	Bionime Corporation		Financial assets at fair value through other comprehensive income-current	722,200	58,137	-	58,137
Eminence Investment Corporation	Common stock	Fubon Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income-current	900,000	41,760	-	41,760
Eminence Investment Corporation	Common stock	CHUNGHWA TELECOM CO., LTD.		Financial assets at fair value through other comprehensive income-current	361,000	39,710	-	39,710
Eminence Investment Corporation	Common stock	FORMOSA PLASTICS CORPORATION		Financial assets at fair value through other comprehensive income-current	388,000	38,722	-	38,722
Eminence Investment Corporation	Common stock	MICRO-STAR INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income-current	399,000	34,593	-	34,593
Eminence Investment Corporation	Common stock	EXCELSIOR MEDICAL CO., LTD.		Financial assets at fair value through other comprehensive income-current	619,000	33,364	-	33,364
Eminence Investment Corporation	Common stock	YUNGSHIN CONSTRUCTION & DEVELOPMENT CO.,LTD.		Financial assets at fair value through other comprehensive income-current	965,000	32,086	-	32,086
Eminence Investment Corporation	Common stock	CHINA FINEBLANKING TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-current	900,000	31,410	-	31,410
Eminence Investment Corporation	Common stock	First Financial Holding Co. Ltd.		Financial assets at fair value through other comprehensive income-current	1,155,440	27,384	-	27,384
Eminence Investment Corporation	Common stock	JOURDENESS GROUP LIMITED		Financial assets at fair value through other comprehensive income-current	205,000	25,215	-	25,215
Eminence Investment Corporation	Common stock	QUALIPOLY CHEMICAL CORPORATION		Financial assets at fair value through other comprehensive income-current	912,450	25,184	-	25,184
Eminence Investment Corporation	Common stock	QUANG VIET ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-current	163,000	24,776	-	24,776
Eminence Investment Corporation	Common stock	TAIWAN CHELIC CO., LTD.		Financial assets at fair value through other comprehensive income-current	487,000	24,350	-	24,350

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Eminence Investment Corporation	Common stock	STARK TECHNOLOGY, INC.		Financial assets at fair value through other comprehensive income-current	450,000	\$ 24,165	-	\$ 24,165
Eminence Investment Corporation	Common stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income-current	138,279	24,130	-	24,130
Eminence Investment Corporation	Common stock	PROMATE SOLUTIONS CORPORATION		Financial assets at fair value through other comprehensive income-current	339,000	23,086	-	23,086
Eminence Investment Corporation	Common stock	Cayman Engley Industrial Co., Ltd.		Financial assets at fair value through other comprehensive income-current	230,000	22,057	-	22,057
Eminence Investment Corporation	Common stock	LA KAFFA INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income-current	120,000	20,340	-	20,340
Eminence Investment Corporation	Common stock	CTBC Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income-current	900,000	20,160	-	20,160
Eminence Investment Corporation	Common stock	REALTEK SEMICONDUCTOR CORP.		Financial assets at fair value through other comprehensive income-current	84,000	19,740	-	19,740
Eminence Investment Corporation	Common stock	GREAT WALL ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-current	445,200	19,433	-	19,433
Eminence Investment Corporation	Common stock	LUXNET CORPORATION		Financial assets at fair value through other comprehensive income-current	675,168	17,251	-	17,251
Eminence Investment Corporation	Common stock	KERRY TJ LOGISTICS CO., LIMITED		Financial assets at fair value through other comprehensive income-current	431,000	16,895	-	16,895
Eminence Investment Corporation	Common stock	PHISON ELECTRONICS CORPORATION		Financial assets at fair value through other comprehensive income-current	49,000	16,684	-	16,684
Eminence Investment Corporation	Common stock	NOVATEK MICROELECTRONICS CORP.		Financial assets at fair value through other comprehensive income-current	76,000	16,644	-	16,644
Eminence Investment Corporation	Common stock	CHICONY ELECTRONICS CO., LTD.		Financial assets at fair value through other comprehensive income-current	187,000	16,643	-	16,643
Eminence Investment Corporation	Common stock	QUANTA COMPUTER INC.		Financial assets at fair value through other comprehensive income-current	256,000	16,461	-	16,461
Eminence Investment Corporation	Common stock	TRIPOD TECHNOLOGY CORPORATION		Financial assets at fair value through other comprehensive income-current	123,000	15,436	-	15,436
Eminence Investment Corporation	Common stock	CHING CHAN OPTICAL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-current	409,000	13,497	-	13,497
Eminence Investment Corporation	Common stock	AMAZING MICROELECTRONIC CORP.		Financial assets at fair value through other comprehensive income-current	135,000	13,365	-	13,365

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
Eminence Investment Corporation	Common stock	SYNNEX TECHNOLOGY INTERNATIONAL CORPORATION		Financial assets at fair value through other comprehensive income-current	350,000	\$ 13,125	-	\$ 13,125
Eminence Investment Corporation	Common stock	SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.		Financial assets at fair value through other comprehensive income-current	266,000	12,595	-	12,595
Eminence Investment Corporation	Common stock	KINIK COMPANY		Financial assets at fair value through other comprehensive income-current	170,000	11,713	-	11,713
Eminence Investment Corporation	Common stock	SINON CORPORATION		Financial assets at fair value through other comprehensive income-current	585,000	11,115	-	11,115
Eminence Investment Corporation	Common stock	CATHAY FINANCIAL HOLDING CO., LTD.		Financial assets at fair value through other comprehensive income-current	258,648	11,005	-	11,005
Eminence Investment Corporation	Common stock	MAKALOT INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income-current	69,000	10,868	-	10,868
Eminence Investment Corporation	Common stock	SINBON ELECTRONICS COMPANY LTD.		Financial assets at fair value through other comprehensive income-current	80,000	9,920	-	9,920
Eminence Investment Corporation	Common stock	UNIVERSAL MICROWAVE TECHNOLOGY, INC.		Financial assets at fair value through other comprehensive income-current	104,000	9,755	-	9,755
Eminence Investment Corporation	Common stock	TRANSCEND INFORMATION INC.		Financial assets at fair value through other comprehensive income-current	125,000	9,738	-	9,738
Eminence Investment Corporation	Common stock	SIGURD MICROELECTRONICS CORPORATION		Financial assets at fair value through other comprehensive income-current	262,000	9,720	-	9,720
Eminence Investment Corporation	Common stock	CHICONY POWER TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-current	153,000	9,608	-	9,608
Eminence Investment Corporation	Common stock	WISTRON NEWEB CORPORATION		Financial assets at fair value through other comprehensive income-current	115,000	8,683	-	8,683
Eminence Investment Corporation	Common stock	CATCHER TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income-current	37,000	8,399	-	8,399
Eminence Investment Corporation	Common stock	PACIFIC HOSPITAL SUPPLY CO., LTD.		Financial assets at fair value through other comprehensive income-current	106,000	7,876	-	7,876
Eminence Investment Corporation	Common stock	SHENG YU STEEL CO., LTD.		Financial assets at fair value through other comprehensive income-current	374,000	7,330	-	7,330
Eminence Investment Corporation	Common stock	NETRONIX, INC.		Financial assets at fair value through other comprehensive income-current	150,000	5,963	-	5,963
Eminence Investment Corporation	Common stock	FIRST HI-TEC ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income-current	112,000	4,581	-	4,581

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
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	\$ 87,768	-	\$ 87,768
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	813,323	21,146	-	21,146
Eminence Investment Corporation	Common stock	Yonggu Group Inc.		Financial assets at fair value through other comprehensive income-noncurrent	1,081,750	59,551	2	59,551
Eminence Investment Corporation	Common stock	JUFAN INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	1,200,000	28,690	6	28,690
Eminence Investment Corporation	Common stock	JDV CONTROL VALVES CO., LTD.		Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	17,852	4	17,852
Eminence Investment Corporation	Common stock	SUNNY PHARMTECH INC.		Financial assets at fair value through other comprehensive income-noncurrent	1,146,801	10,779	1	10,779
Eminence Investment Corporation	Common stock	MEDICAL IMAGING CORPORATION		Financial assets at fair value through other comprehensive income-noncurrent	1,188,000	47,577	6	47,577
Eminence Investment Corporation	Common stock	ENIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income-noncurrent	1,749,000	34,126	4	34,126
Eminence Investment Corporation	Preferred stock	Fubon Financial Holding Co., Ltd.(B)		Financial assets mandatorily classified as at fair value through profit or loss	266,000	17,104	-	17,104
Eminence Investment Corporation	Preferred stock	Cathay Financial Holding Co., Ltd.(B)		-current(including measurement)	833,000	53,312	-	53,312
Eminence Investment Corporation	Preferred stock	TAISHIN FINANCIAL HOLDING CO., LTD.(E)		Financial assets at fair value through other comprehensive income-current	560,000	31,024	-	31,024
Eminence Investment Corporation	Mutual fund	CATHAY US MULTI-INCOME BALANCED FUND-TWD		Financial assets mandatorily classified as at fair value through profit or loss	500,000	5,058	-	5,058
Eminence Investment Corporation	Convertible bond	HY ELECTRONIC (CAYMAN) LIMITED, LTD Convertible Bond I		-current(including measurement)	230,000	22,402	-	22,402
Eminence Investment Corporation	Convertible bond	Tong Ming Enterprise Co., Ltd. Convertible Bond I		Financial assets mandatorily classified as at fair value through profit or loss	140,000	13,790	-	13,790
Shin Mau Investment Corporation	Common stock	China Steel Corporation	The ultimate parent company	-current(including measurement)	1,433,749	34,267	-	34,267
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	38,380	-	38,380
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	38,640	-	38,640

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
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	\$ 36,459	-	\$ 36,459
Jing-Cheng-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	34,939	-	34,939
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	35,690	-	35,690
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	38,370	-	38,370
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	36,857	-	36,857
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	38,797	-	38,797
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	103,953	-	103,953
China Steel Global Trading Corporation	Common stock	Thai Sumilox Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	1,110	72,165	15	72,165
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-noncurrent	487,367	11,648	-	11,648
Wabo Global Trading Corporation	Mutual fund	Franklin Templeton Sinoam Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	4,883,724	50,689	-	50,689
Wabo Global Trading Corporation	Mutual fund	Mega Diamond Money Market Fund		Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	1,703,466	21,448	-	21,448
Chung Mao Trading (Samoa) Corporation	Certificate of entitlement	Maruichi Metal Product (Foshan) Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	-	256,367	15	256,367
Chung Mao Trading (Samoa) Corporation	Certificate of entitlement	PCMI Metal Products (Chongqing) Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	-	117,439	8	117,439
Chung Mao Trading (Samoa) Corporation	Certificate of entitlement	Xiamen Chun Yuan Precision Mechatronic Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	-	24,338	19	24,338
CSGT International Corporation	Common stock	NSSB Coil Center (Thailand) Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	3,001	79,477	13	79,477
CSGT International Corporation	Certificate of entitlement	Hanoi Steel Center Co., Ltd.		Financial assets at fair value through other comprehensive income-noncurrent	-	175,458	19	175,458

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019			Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	
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	\$ 12,011,697	13	\$ 12,011,697
China Steel Asia Pacific Holdings Pte Ltd	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	-	158,894	6	158,894
China Steel Asia Pacific Holdings Pte Ltd	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	-	41,972	12	41,972
CSC Steel Holdings Berhad	Common stock	Astino Berhad		Financial assets at fair value through other comprehensive income-noncurrent	3,574,472	17,247	-	17,247
CSC Steel Holdings Berhad	Mutual fund	Affin Hwang Select Cash Fund		Financial assets mandatorily classified as at fair value through profit or loss	3,317,966	24,601	-	24,601
Group Steel Corporation (M) Sdn. Bhd.	Mutual fund	Hwang-DBS		-current(including measurement) Financial assets mandatorily classified as at fair value through profit or loss	2,520,717	18,690	-	18,690
CSC Steel Sdn. Bhd.	Mutual fund	Hwang-DBS		-current(including measurement) Financial assets mandatorily classified as at fair value through profit or loss	177,601,217	1,316,827	-	1,316,827
Constant Mode Sdn. Bhd.	Mutual fund	OSK-UOB Cash Management Fund		-current(including measurement) Financial assets mandatorily classified as at fair value through profit or loss	226,975	2,248	-	2,248

(Concluded)

Note 1: Parent company's stocks pledged as collateral amounted to 120,100 thousand shares and NT\$2,870,390 thousand.

Note 2: Parent company's stocks pledged as collateral amounted to 115,800 thousand shares and NT\$2,767,620 thousand.

TABLE 4

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, 2019
(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
China Steel Corporation	Common stock	Sing Da Marine Structure Corporation	Investments accounted for using equity method	Subsidiary	Subsidiary	82,100,000	\$ 754,140	260,000,000	\$ 2,414,900	-	\$ -	342,100,000	\$ 3,169,040
China Steel Corporation	Common stock	CSC Solar Corporation	Investments accounted for using equity method	Subsidiary	Subsidiary	66,000,000	692,176	29,920,000	327,496	-	-	95,920,000	1,019,672
China Steel Chemical Corporation	Mutual fund	TCB Taiwan Money Market Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	-	-	-	-	37,368,340	380,000	37,368,340	380,000	-	-
CHC Resources Corporation	Mutual fund	Capital Money Market Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	-	-	-	-	19,209,762	310,000	19,209,762	310,000	-	-
CHC Resources Corporation	Mutual fund	Jih Sun Money Market Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	-	-	-	-	28,994,028	430,082	24,954,998	370,085	94	60,091
CHC Resources Corporation	Mutual fund	Taishin 1699 Money Market Fund	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	-	-	2,965,729	40,060	32,492,646	439,993	35,458,375	480,053	281	-
CSC Steel Holdings Berhad	Common stock	CSC Steel Sdn. Bhd.	Investments accounted for using equity method	Subsidiary	Subsidiary	220,000,000	4,559,344	139,000,000	1,096,806	-	-	359,000,000	5,656,150
Group Steel Corporation (M) Sdn. Bhd.	Mutual fund	Hwang-DBS	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	-	-	99,948,029	745,648	1,109,276	15,919	98,536,588	742,877	2,520,717	18,690
CSC Steel Sdn. Bhd.	Mutual fund	Hwang-DBS	Financial assets mandatorily classified as at fair value through profit or loss -current(including measurement)	-	-	-	-	194,237,779	1,442,361	16,636,562	125,534	177,601,217	1,316,827

Note: The acquisition and disposal include the costs, proceeds from sale, share of profits/losses of investees and other related adjustment.

TABLE 5

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, 2019
(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			
Dragon Steel Corporation	INDOOR YARD	2015.12.14	\$ 2,511,513	According to the contract	United Steel Engineering & Construction Corporation, CHINA STEEL STRUCTURE CO., LTD., China Ecotek Corporation	Fellow Company	-	-	Price negotiation	Construction for own use	The relevant contracts were signed in December 2015, and the construction was completed in January, July and November 2019 and recognized as property, plant and equipment-buildings.

TABLE 6

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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Purchase/Sale		Relationship		Payment Terms	Abnormal Transaction Unit Price	Payment Terms	Notes/Accounts Receivable Ending Balance	% of Total	Note
			Amount	% of Total	Amount	% of Total						
China Steel Corporation	Chung Hung Steel Corporation	Subsidiary	\$	(10)	\$ (20,637,270)	(10)	Letter of credit/Receivables were collected after final acceptance	-	-	\$ 34,581	1	
China Steel Corporation	China Steel and Nippon Steel Vietnam Joint Stock Company	Subsidiary		(2)	(3,768,856)	(2)	Accounts receivable factoring agreements/Receivables were collected within 14 days after shipment date	-	-	2,504	-	
China Steel Corporation	China Steel Structure Co., Ltd.	Subsidiary		(1)	(2,661,319)	(1)	Letter of credit/Accounts received in advance before shipment date	-	-	56,196	2	
China Steel Corporation	China Steel Corporation India Pvt. Ltd.	Subsidiary		(1)	(2,180,840)	(1)	Accounts receivable factoring agreements	-	-	-	-	
China Steel Corporation	China Steel Chemical Corporation	Subsidiary		(1)	(2,114,710)	(1)	Letter of credit	-	-	144,666	4	
China Steel Corporation	China Steel Global Trading Corporation	Subsidiary		(1)	(1,995,141)	(1)	Receivables were collected within 10 days after shipment date	-	-	37,109	1	
China Steel Corporation	CSBC Corporation, Taiwan	The Corporation as director of the board of related party		(1)	(1,665,324)	(1)	Accounts received in advance before shipment date	-	-	192,500	5	
China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	Subsidiary		(1)	(1,129,542)	(1)	Receivables were collected within 30 days after shipment date	-	-	54,355	1	
China Steel Corporation	CSC Steel Sdn. Bhd.	Subsidiary		-	(899,002)	-	Receivables were collected within 14 days after shipment date	-	-	31,604	1	
China Steel Corporation	Dragon Steel Corporation	Subsidiary		-	(892,518)	-	Receivables were collected within 5 days after shipment date	-	-	41,664	1	
China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	Subsidiary		-	(881,767)	-	Receivables were collected within 60 days after shipment date	-	-	110,099	3	
China Steel Corporation	CHC Resources Corporation	Subsidiary		-	(736,501)	-	Letter of credit	-	-	14,924	-	
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiary		-	(548,618)	-	Receivables were collected within 85 days after shipment date	-	-	166,127	5	
China Steel Corporation	TSK Steel Company Limited	Affiliated enterprise		-	(524,557)	-	Letter of credit/Accounts received in advance before shipment date	-	-	-	-	
China Steel Corporation	Rechi Refrigeration Dongguan Co. Ltd.	The Corporation as director of the board of related party's parent company		-	(360,599)	-	Receivables were collected after shipment date	-	-	-	-	
China Steel Corporation	Sing Da Marine Structure Corporation	Subsidiary		-	(175,934)	-	Receivables were collected within 10 days after shipment date	-	-	6,515	-	

(Continued)

Buyer	Related Party	Relationship	Relationship		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	Unit Price	Payment Terms	Ending Balance	% of Total	
China Steel Corporation China Steel Corporation	Fukuta Electric & Machinery Co., Ltd. China Steel Machinery Corporation	Affiliated enterprise Subsidiary	Sales Sales	\$ (170,310) (157,289)	- -	Letter of credit Receivables were collected within 10 days after shipment date	- -	\$ 119	- -
China Steel Corporation China Steel Corporation	HIMAG Magnetic Corporation ITCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary The Corporation as director of the board of related party's parent company Subsidiary	Sales Sales	(137,768) (118,544)	- -	Letter of credit Letter of credit	- -	1,687	- -
China Steel Corporation	Dragon Steel Corporation	Subsidiary	Service revenue and other operating revenue	(1,165,876)	(1)	By contract terms	-	53,511	1
China Steel Corporation	Tang Eng Iron Works Co., Ltd.	The Corporation as director of the board of related party Subsidiary	Service revenue and other operating revenue	(405,895)	-	By contract terms	-	9,238	-
China Steel Corporation	China Steel Chemical Corporation	Subsidiary	Service revenue and other operating revenue	(272,728)	-	By contract terms	-	34,329	1
China Steel Corporation	C.S.Aluminium Corporation	Subsidiary	Service revenue and other operating revenue	(156,987)	-	By contract terms	-	-	-
China Steel Corporation	Dragon Steel Corporation	Subsidiary	Purchases	17,209,793	11	Payment within 5 days after shipment date/Payment after final acceptance	-	-	-
China Steel Corporation	China Steel Express Corporation	Subsidiary	Purchases	8,983,344	6	Payment against copy of B/L	-	(1,044,396)	(16)
China Steel Corporation	C.S.Aluminium Corporation	Subsidiary	Purchases	2,288,135	2	Payment after final acceptance	-	(192,221)	(3)
China Steel Corporation	CSE Transport Corporation	Subsidiary	Purchases	555,821	-	Payment against copy of B/L	-	(71,080)	(1)
China Steel Corporation	China Steel Global Trading Corporation	Subsidiary	Purchases	504,163	-	Payment after final acceptance	-	(47,171)	(1)
China Steel Corporation	HIMAG Magnetic Corporation	Subsidiary	Purchases	317,673	-	Payment after final acceptance	-	(10,533)	-
China Steel Corporation	Hsin Hsin Cement Enterprise Corporation	Affiliated enterprise	Purchases	199,953	-	Payment after final acceptance	-	(26,183)	-
Dragon Steel Corporation	China Steel Corporation	Parent company	Sales	(16,965,653)	(20)	Receivables were collected within 5 days after shipment date/Receivables were collected after final acceptance	-	-	-
Dragon Steel Corporation	Chung Hung Steel Corporation	The same parent company	Sales	(8,625,119)	(10)	Letter of credit/Receivables were collected within 5 days after shipment date	-	9,588	1
Dragon Steel Corporation	China Steel and Nippon Steel Vietnam Joint Stock Company	The same parent company	Sales	(5,353,946)	(6)	Receivables were collected within 5 days after shipment date	-	77,360	5
Dragon Steel Corporation	CSC Steel Sdn. Bhd.	The same parent company	Sales	(4,100,004)	(5)	Receivables were collected within 5 days after shipment date	-	39,365	3
Dragon Steel Corporation	China Steel Structure Co., Ltd. China Steel Chemical Corporation	The same parent company The same parent company	Sales Sales	(979,600) (815,758)	(1) (1)	Letter of credit Receivables were collected within 5 days after shipment date	- -	19,040 15,060	1 1
Dragon Steel Corporation	China Steel Global Trading Corporation	The same parent company	Sales	(596,915)	(1)	Receivables were collected within 5 days after shipment date	-	711	-
Dragon Steel Corporation	CHC Resources Corporation CSGT Metals Vietnam Joint Stock Company	The same parent company The same parent company	Sales Sales	(317,046) (112,230)	- -	Letter of credit Receivables were collected within 5 days after shipment date	- -	5,624	- -
Dragon Steel Corporation	China Steel Corporation	Parent company	Service revenue	(226,068)	-	Receivables were collected within 5 days after shipment date	-	-	-
Dragon Steel Corporation	China Steel Corporation	Parent company	Other operating revenue	(244,140)	-	Receivables were collected within 5 days after shipment date	-	-	-
Dragon Steel Corporation	China Steel Express Corporation	The same parent company	Purchases	4,688,086	7	Receivables were collected after final acceptance Payment against copy of B/L	-	(136,097)	(16)

(Continued)

Buyer	Related Party	Relationship	Relationship		Payment Terms	Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount		Unit Price	Payment Terms	Ending Balance	% of Total	
Dragon Steel Corporation	China Steel Corporation	Parent company	Purchases	\$ 1,488,796	2	Payment within 5 days after shipment date	-	\$ (41,664)	(5)	
Dragon Steel Corporation	C.S.Aluminium Corporation	The same parent company	Purchases	704,597	1	Payment in advance/Payment within 30 days after final acceptance	NO THIRD-PARTY COULD BE COMPARED	(43,106)	(5)	
Dragon Steel Corporation	CSE Transport Corporation	The same parent company	Purchases	236,020	-	Payment against copy of B/L	NO THIRD-PARTY COULD BE COMPARED	(29,432)	(4)	
Dragon Steel Corporation	China Steel Global Trading Corporation	The same parent company	Purchases	225,531	-	Payment in advance/Payment within 30 days after final acceptance	NO THIRD-PARTY COULD BE COMPARED	(14,170)	(2)	
Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	The same parent company	Sales	(1,288,652)	(3)	T/T within 7 working days against copy of B/L	-	-	-	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Service revenue	(470,271)	(1)	T/T as the end of the month of when invoice is issued after final acceptance	NO THIRD-PARTY COULD BE COMPARED	43,118	8	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchases	20,764,285	63	Letter of credit at sight/Payment after final acceptance	NO THIRD-PARTY COULD BE COMPARED	(56,343)	(59)	
Chung Hung Steel Corporation	Dragon Steel Corporation	The same parent company	Purchases	8,712,164	27	Letter of credit at sight	NO THIRD-PARTY COULD BE COMPARED	-	-	
Chung Hung Steel Corporation	China Steel Global Trading Corporation	The same parent company	Purchases	259,405	1	Letter of credit at sight/Payment after final acceptance	NO THIRD-PARTY COULD BE COMPARED	-	-	
Chung Hung Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchases	122,810	-	Letter of credit at sight	NO THIRD-PARTY COULD BE COMPARED	-	-	
China Ecotek Corporation	China Steel Corporation	Parent company	Construction revenue	(2,940,758)	(36)	Contractual period	-	211,159	17	
China Ecotek Corporation	Dragon Steel Corporation	The same parent company	Construction revenue	(1,212,688)	(15)	Contractual period	-	117,651	10	
China Ecotek Corporation	CSC Solar Corporation	The same parent company	Construction revenue	(1,170,812)	(14)	Contractual period	-	474,456	39	
China Ecotek Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Construction revenue	(968,352)	(12)	Contractual period	-	44,063	4	
China Ecotek Corporation	Sing Da Marine Structure Corporation	The same parent company	Construction revenue	(386,071)	(5)	Contractual period	-	83,796	7	
China Ecotek Corporation	China Steel Machinery Corporation	The same parent company	Purchases	460,154	6	Contractual period	-	(2,783)	-	
China Ecotek Vietnam Company Limited	Formosa Ha Tinh Steel Corporation	Other related parties	Construction revenue	(731,904)	(59)	Contractual period	-	79,875	45	
China Steel Chemical Corporation	Linyuan Advanced Materials Technology Co., Ltd.	Subsidiary of director of the board	Sales	(1,140,278)	(16)	Receivables are collected as the end of every month of when invoice is issued	-	85,021	18	
China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Subsidiary	Sales	(160,219)	(2)	Net 150 days from the end of the month of when invoice is issued	-	85,928	18	
China Steel Chemical Corporation	China Steel Corporation	Parent company	Purchases	2,111,712	51	when invoice is issued	-	(186,149)	(74)	
China Steel Chemical Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchases	1,094,469	26	Letter of credit at sight	-	-	-	
China Steel Chemical Corporation	Dragon Steel Corporation	The same parent company	Purchases	815,758	20	Payment after final acceptance	-	-	-	
Changzhou China Steel New Materials Technology Co., Ltd.	China Steel Chemical Corporation	Parent company	Purchases	160,219	63	Letter of credit at sight	-	(85,928)	(100)	
CHC Resources Corporation	Taiwan Cement Corporation	Director of the board	Sales	(552,989)	(6)	Net 150 days from the end of the month of when invoice is issued	-	135,558	15	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.

(Continued)

Buyer	Related Party	Relationship	Relationship		Payment Terms	Abnormal Transaction Unit Price	Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount			% of Total	Ending Balance	
CHC Resources Corporation	YA TUNG READY-MIXED CONCRETE CORP.	Subsidiary of director of the board	Sales	\$ (446,976)	(5)	Net 60 days from the end of the month of when invoice is issued	-	\$ 63,654	7
CHC Resources Corporation	Universal Cement Corporation	Director of the board	Sales	(244,562)	(3)	Net 60 days from the end of the month of when invoice is issued	-	32,176	4
CHC Resources Corporation	China Steel Corporation	Parent company	Service revenue	(1,786,993)	(20)	Net 60 days from the end of the month of when invoice is issued	-	109,125	12
CHC Resources Corporation	Dragon Steel Corporation	The same parent company	Service revenue	(1,291,613)	(15)	Net 30-70 days from the end of the month of when invoice is issued	-	153,055	17
CHC Resources Corporation	China Steel Resources Corporation	The same parent company	Service revenue	(477,529)	(5)	By contract terms	-	39,128	4
CHC Resources Corporation	China Steel Corporation	Parent company	Purchases	766,662	29	Letter of credit	-	(14,924)	(9)
CHC Resources Corporation	Chung Hung Steel Corporation	The same parent company	Purchases	377,925	14	Letter of credit	-	(31,578)	(19)
CHC Resources Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchases	344,462	13	Prepaid before shipping	-	-	-

(Continued)

Buyer	Related Party	Relationship	Relationship		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Ending Balance	
CHC Resources Corporation	Dragon Steel Corporation	The same parent company	Purchases	\$ 316,891	12	Letter of credit	-	\$ (4,590)	(3)
CHC Resources Corporation	Taiwan Cement Corporation	Director of the board	Purchases	134,269	5	45 days after B/L	-	(16,068)	(10)
Union Steel Development Corporation	CHC Resources Corporation	Parent company	Service revenue	(327,892)	(59)	Net 60 days from the end of the month of when invoice is issued	-	42,084	68
CHC Resources Vietnam Co., Ltd	Formosa Ha Tinh Steel Corporation	Other related parties	Purchases	328,243	99	Prepaid before shipment date	-	-	-
China Steel Structure Co., Ltd.	China Steel Corporation	Parent company	Service revenue	(395,934)	(4)	Contractual period	-	7,348	1
China Steel Structure Co., Ltd.	Dragon Steel Corporation	The same parent company	Service revenue	(110,628)	(1)	Contractual period	-	11,902	1
China Steel Structure Co., Ltd.	Sing Da Marine Structure Corporation	The same parent company	Construction revenue	(563,540)	(6)	Contractual period	-	-	-
China Steel Structure Co., Ltd.	United Steel Engineering & Construction Corporation	Subsidiary	Construction revenue	(409,194)	(4)	Contractual period	-	-	-
China Steel Structure Co., Ltd.	Dragon Steel Corporation	The same parent company	Construction revenue	(368,418)	(4)	Contractual period	-	47,784	5
China Steel Structure Co., Ltd.	China Steel Corporation	Parent company	Construction revenue	(126,751)	(1)	Contractual period	-	26,787	3
China Steel Structure Co., Ltd.	China Steel Corporation	Parent company	Purchases	2,724,079	60	Letter of credit/Prepaid before shipment date	-	(58,584)	(4)
China Steel Structure Co., Ltd.	Dragon Steel Corporation	The same parent company	Purchases	981,721	22	Letter of credit	-	(14,958)	(1)
United Steel Engineering & Construction Corporation	Sing Da Marine Structure Corporation	The same parent company	Construction revenue	(1,011,263)	(15)	Contractual period	-	24,841	12
United Steel Engineering & Construction Corporation	China Steel Corporation	The ultimate parent of the company	Construction revenue	(741,054)	(11)	Contractual period	-	52,864	25
United Steel Engineering & Construction Corporation	China Prosperity Development Corporation	The same parent company	Construction revenue	(636,892)	(9)	Contractual period	-	-	-
United Steel Engineering & Construction Corporation	Dragon Steel Corporation	The same parent company	Construction revenue	(633,626)	(9)	Contractual period	-	59,197	28
United Steel Engineering & Construction Corporation	CHC Resources Corporation	The same parent company	Construction revenue	(631,958)	(9)	Contractual period	-	62,443	30
United Steel Engineering & Construction Corporation	Steel Castle Technology Corporation	The same parent company	Outsourcing construction fee	162,437	3	Letter of credit	-	(61,618)	(4)
Infochamp Systems Corporation	China Steel Corporation	Parent company	Service revenue	(797,441)	-	Receivables were collected within 30 days after shipment date	-	295,157	-
Infochamp Systems Corporation	C.S.Aluminium Corporation	The same parent company	Service revenue	(128,565)	-	Receivables were collected within 30 days after shipment date	-	17,477	-
Infochamp Systems Corporation	Dragon Steel Corporation	The same parent company	Service revenue	(101,823)	-	Receivables were collected within 30 days after shipment date	-	9,114	-
China Steel Global Trading Corporation	CSC Steel Sdn. Bhd.	The same parent company	Sales	(687,892)	(5)	Receivables were collected after shipment date	-	31,505	14
China Steel Global Trading Corporation	China Steel Corporation	Parent company	Sales	(504,163)	(4)	Receivables were collected after final acceptance	-	47,171	21
China Steel Global Trading Corporation	Chung Hung Steel Corporation	The same parent company	Sales	(259,405)	(2)	Receivables were collected after shipment date	-	-	-
China Steel Global Trading Corporation	Dragon Steel Corporation	The same parent company	Sales	(225,531)	(2)	Receivables were collected after shipment date	-	14,170	6

(Continued)

Buyer	Related Party	Relationship	Purchase/Sale		Relationship		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Amount	% of Total	Unit Price	Payment Terms	Ending Balance	% of Total			
China Steel Global Trading Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	\$	(1)	-	T/T before shipment date	-	\$	-		
China Steel Global Trading Corporation	China Steel Corporation	Parent company	(296,690)	(73)	-	By contract terms	-	(12,759)	(6)	Note 2	
China Steel Global Trading Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	7,358,794	60	-	Payment from counter-party notice after shipping	-	(34,992)	(26)		
China Steel Global Trading Corporation	China Steel Corporation	Parent company	2,595,924	21	-	Payment after shipment date	-	(37,109)	(28)	Note 1	
China Steel Global Trading Corporation	Tsang Eng Iron Works Co., Ltd.	The Corporation as director of the board of related party	183,478	1	-	Prepaid before shipment date	-	-	-		
CSGT Metals Vietnam Joint Stock Company	China Steel Corporation	The ultimate parent of the company	1,240,358	63	-	Payment from counter-party notice after shipping	-	(53,431)	(65)	Note 1	
CSGT Metals Vietnam Joint Stock Company	China Steel and Nippon Steel Vietnam Joint Stock Company	The same parent company	367,033	20	-	Payment after shipment date	-	(23,887)	(32)		
CSGT (Singapore) Pre. Ltd.	China Steel Corporation	The ultimate parent of the company	(101,308)	(83)	-	By contract terms	-	6,849	100		
Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	Subsidiary	(291,354)	(30)	-	Net 90 days from the end of the month of when invoice is issued	-	79,863	17		
Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	Subsidiary	363,253	67	-	Net 90 days from the end of the month of when invoice is issued	-	(130,990)	(46)		
Betacera Inc.	Suzhou Betacera Technology Co., Ltd.	Subsidiary	112,590	21	-	Net 90 days from the end of the month of when invoice is issued	-	(59,487)	(21)		
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	(764,719)	(58)	-	Net 90 days from the end of the month of when invoice is issued	-	37,308	18		
Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	Parent company	(370,493)	(28)	-	Net 90 days from the end of the month of when invoice is issued	-	131,220	63		
Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	Parent company	292,414	35	-	Net 90 days from the end of the month of when invoice is issued	-	(80,176)	(30)		
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	199,587	24	-	Net 90 days from the end of the month of when invoice is issued	-	(88,998)	(34)		
Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	Parent company	(281,281)	(70)	-	Net 90 days from the end of the month of when invoice is issued	-	-	-		
Suzhou Betacera Technology Co., Ltd.	Betacera Inc.	Parent company	(116,123)	(29)	-	Net 90 days from the end of the month of when invoice is issued	-	59,591	100		
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiary	(202,098)	(16)	-	Net 90 days from the end of the month of when invoice is issued	-	88,842	21		
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiary	764,800	60	-	Net 90 days from the end of the month of when invoice is issued	-	(37,243)	(18)		
Lefkara Ltd.	Suzhou Betacera Technology Co., Ltd.	Subsidiary	281,311	22	-	Net 90 days from the end of the month of when invoice is issued	-	-	-		
HIMAG Magnetic Corporation	China Steel Corporation	Parent company	(327,944)	(36)	-	Receivables were collected within 10 days after shipment date	-	10,615	11		
HIMAG Magnetic Corporation	China Steel Corporation	Parent company	137,267	25	-	Letter of credit	-	1,687	5	Note 3	
China Steel Express Corporation	China Steel Corporation	Parent company	(9,617,127)	(62)	-	Payment after shipping document specified	-	1,046,333	77		
China Steel Express Corporation	Dragon Steel Corporation	The same parent company	(5,001,756)	(32)	-	Payment after shipping document specified	-	138,286	10		
China Steel Express Corporation	China Steel Global Trading Corporation	The same parent company	(147,621)	(1)	-	Payment after shipping document specified	-	-	-		
Kaoport Stevedoring Corporation	China Steel Corporation	The ultimate parent of the company	(194,898)	86	-	Receivable were collected within 30 working days against copy of B/L	-	10,249	79		
CSE Transport Corporation	China Steel Corporation	The ultimate parent of the company	(555,657)	(38)	-	Payment after shipping document specified	-	71,659	26		

(Continued)

Buyer	Related Party	Relationship	Purchase/Sale	Relationship		Payment Terms	Abnormal Transaction	Notes/Accounts Receivable (Payable)		Note
				Amount	% of Total			Ending Balance	% of Total	
CSE Transport Corporation	Dragon Steel Corporation	The same parent company	Service revenue	\$ (236,789)	(16)	Payment after shipping document specified	-	\$ 29,432	10	
CSE Transport Corporation	China Steel Express Corporation	Parent company	Service revenue	(148,685)	(10)	Payment after shipping document specified	-	160,136	59	
CSEI Transport (Panama) Corporation	China Steel Express Corporation	Parent company	Service revenue	(458,843)	(71)	Payment after shipping document specified	-	-	-	
C.S.Aluminium Corporation	China Steel Corporation	Parent company	Sales	(2,288,135)	(12)	Receivables were collected after final acceptance	-	192,221	33	
C.S.Aluminium Corporation	Dragon Steel Corporation	The same parent company	Sales	(704,597)	(4)	Receivables were collected after final acceptance	-	43,106	7	
China Steel Machinery Corporation	China Steel Corporation	Parent company	Construction revenue	(2,498,799)	(35)	Payment after final acceptance	-	161,086	31	
China Steel Machinery Corporation	Dragon Steel Corporation	The same parent company	Construction revenue	(841,004)	(12)	Payment after final acceptance	-	175,423	33	
China Steel Machinery Corporation	Sing Da Marine Structure Corporation	The same parent company	Construction revenue	(771,539)	(11)	Payment after final acceptance	-	1,751	-	
China Steel Machinery Corporation	China Steel Corporation	Parent company	Purchases	161,666	11	Payment after final acceptance	-	119	-	Note 3
China Steel Security Corporation	China Steel Corporation	Parent company	Service revenue	(354,174)	(25)	By contract terms	-	45,470	29	
China Steel Security Corporation	Dragon Steel Corporation	The same parent company	Service revenue	(102,819)	(7)	By contract terms	-	7,358	5	
Steel Castle Technology Corporation	China Steel Corporation	The ultimate parent of the company	Service revenue	(534,344)	(43)	By contract terms	-	37,609	67	
Steel Castle Technology Corporation	United Steel Engineering & Construction Corporation	The same parent company	Service revenue	(235,658)	(19)	By contract terms	-	-	-	
Steel Castle Technology Corporation	Dragon Steel Corporation	The same parent company	Service revenue	(179,247)	(14)	By contract terms	-	14,826	26	
Steel Castle Technology Corporation	China Steel Security Corporation	Parent company	Service revenue	(109,296)	(9)	By contract terms	-	-	-	
China Steel Precision Metals Kunshan Co., Ltd.	China Steel Corporation	The ultimate parent of the company	Purchases	123,791,258	93	Payment within 85 days after shipment date	-	(38,513,327)	(89)	
China Steel Precision Metals Qingdao Co., Ltd.	Rechi Precision (Qingdao) Electric Machinery Limited	The parent company as the director of other related party's parent company	Sales	(678,581)	(60)	Receivables were collected after shipment date	-	98,430	40	
China Steel Precision Metals Qingdao Co., Ltd.	China Steel Corporation	The ultimate parent of the company	Purchases	886,204	99	60 days after B/L	-	(110,099)	(96)	
CSC Steel Sdn. Bhd.	Hanwa Steel Centre (M) Sdn. Bhd.	Affiliated enterprise	Sales	(120,691)	(1)	Net 10 days from the end of the month of when invoice is issued	-	8,972	1	
CSC Steel Sdn. Bhd.	Dragon Steel Corporation	The same parent company	Purchases	4,230,395	53	Payment after shipping document specified	-	(36,230)	(29)	
CSC Steel Sdn. Bhd.	Chung Hung Steel Corporation	The same parent company	Purchases	1,259,029	16	Payment after shipping document specified	-	-	-	
CSC Steel Sdn. Bhd.	China Steel Corporation	The ultimate parent of the company	Purchases	877,779	11	Payment after shipping document specified	-	(30,827)	(24)	
CSC Steel Sdn. Bhd.	China Steel Global Trading Corporation	The same parent company	Purchases	647,868	8	Payment after shipping document specified	-	(30,447)	(24)	
China Steel Resources Corporation	China Steel Corporation	Parent company	Sales	(619,569)	(100)	Net 60 days from the end of the month of when invoice is issued	-	53,445	100	
CSC Precision Metal Industrial Corporation	China Steel Corporation	Parent company	Service revenue	(257,241)	(100)	Net 60 days from the end of the month of when invoice is issued	NO THIRD-PARTY COULD BE COMPARED	21,225	100	
Kaohsiung Rapid Transit Corporation	China Steel Corporation	Parent company	Service revenue	(170,775)	(7)	Net 15 days from the end of the month of when invoice is issued	-	14,250	4	
Sing Da Marine Structure Corporation	China Steel Corporation	Parent company	Purchases	173,934	62	Payment within 10 days after shipment date	-	-	-	
China Steel and Nippon Steel Vietnam Joint Stock Company Limited	Nippon Steel Sales Vietnam Company Limited	Other related parties	Sales	(2,590,256)	(14)	Accounts receivable, 10 days term	-	99,245	7	
China Steel and Nippon Steel Vietnam Joint Stock Company	NS BlueScope (Vietnam) Limited	Other related parties	Sales	(468,939)	(2)	Accounts receivable, 60 days term	-	99,999	7	
China Steel and Nippon Steel Vietnam Joint Stock Company	CSGT Metals Vietnam Joint Stock Company	The same parent company	Sales	(404,072)	(2)	Accounts receivable, 30 days term	-	26,383	2	
China Steel and Nippon Steel Vietnam Joint Stock Company	Nippon Steel Trading Vietnam Co., Ltd.	Other related parties	Sales	(154,874)	(1)	Accounts receivable, 10 days term	-	-	-	
China Steel and Nippon Steel Vietnam Joint Stock Company	SINO Vietnam HI-TECH Material Co., Ltd.	Affiliated enterprise	Sales	(118,432)	(1)	Accounts receivable, 60 days term	-	13,613	1	

(Continued)

Buyer	Related Party	Relationship	Relationship		Payment Terms	Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount		Unit Price	Payment Terms	Ending Balance	% of Total	
China Steel and Nippon Steel Vietnam Joint Stock Company	China Steel Corporation	Parent company	Purchases	\$ 9,403,046	Receivables were collected within 120 days after shipment date	-	-	\$ 29,914	1	Notes 1 and 3
China Steel and Nippon Steel Vietnam Joint Stock Company	NIPPON STEEL TRADING CORPORATION	Supervisor	Purchases	4,244,605	Receivables were collected within 14 days after shipment date	-	-	-	-	
China Steel and Nippon Steel Vietnam Joint Stock Company	Formosa Ha Tinh Steel Corporation	Other related parties	Purchases	734,317	Prepaid before shipment date	-	-	-	-	
China Steel Corporation India Pvt. Ltd.	China Steel Corporation	Parent company	Purchases	2,186,070	Payment to the bank after the Corporation's shipment date	-	-	-	-	

(Concluded)

Note 1: Purchase amount includes the Corporation's sales commitment to Dragon Steel Corporation.

Note 2: Balance of accounts payable refers to accounts received in advance.

Note 3: Balance of accounts receivable refers to prepayments.

TABLE 7

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, 2019
(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	Subsidiary	\$ 3,602,553	-	-	-	\$ 2,601,899	-	Note
China Steel Corporation	Chung Hung Steel Corporation	Subsidiary	2,473,564	-	-	-	2,452,014	-	Note
China Steel Corporation	China Steel Resources Corporation	Subsidiary	810,407	-	-	-	-	-	Note
China Steel Corporation	China Steel Structure Co., Ltd.	Subsidiary	653,369	-	-	-	102,467	-	Note
China Steel Corporation	China Steel Express Corporation	Subsidiary	600,824	-	-	-	600,824	-	Note
China Steel Corporation	Kaohsiung Rapid Transit Corporation	Subsidiary	350,321	-	-	-	350,321	-	Note
China Steel Corporation	China Steel Global Trading Corporation	Subsidiary	317,818	-	-	-	217,766	-	Note
China Steel Corporation	China Ecotek Corporation	Subsidiary	310,669	-	-	-	310,235	-	Note
China Steel Corporation	Gains Investment Corporation	Subsidiary	200,127	-	-	-	-	-	Note
China Steel Corporation	CSBC Corporation, Taiwan	The Corporation as director of the board of related party	192,500	5	-	-	187,446	-	Note
China Steel Corporation	China Steel Chemical Corporation	Subsidiary	178,995	12	-	-	178,995	-	
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiary	166,127	3	-	-	108,802	-	
China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	Subsidiary	111,236	6	-	-	111,236	-	
China Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	101,538	-	-	-	-	-	Note
Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	Parent company	131,220	5	-	-	131,220	-	
Thintech Materials Technology Co., Ltd.	Taicang Thintech Materials Co., Ltd.	Subsidiary	104,421	-	-	-	891	-	Note
China Steel Express Corporation	China Steel Corporation	Parent company	1,046,333	8	-	-	1,046,333	-	
China Steel Express Corporation	Dragon Steel Corporation	The same parent company	138,286	13	-	-	138,286	-	
CSE Transport Corporation	China Steel Express Corporation	Parent company	160,136	-	-	-	-	-	
C.S.Aluminium Corporation	China Steel Corporation	Parent company	192,221	12	-	-	179,062	-	Note
China Prosperity Development Corporation	China Steel Corporation	Parent company	2,308,148	-	-	-	60,209	-	Note
Chung Hung Steel Corporation	China Steel Corporation	Parent company	508,259	-	-	-	3	-	Note
Formosa Ha Tinh CSCO (Cayman) International Limited	China Steel Chemical Corporation	Parent company	209,860	-	-	-	-	-	Note
Formosa Ha Tinh CSCO (Cayman) International Limited	Formosa Ha Tinh (Cayman) Limited	Other related parties	209,860	-	-	-	-	-	Note
CHC Resources Corporation	Dragon Steel Corporation	The same parent company	153,055	9	4,985	Receivable on demand	153,055	-	
CHC Resources Corporation	Taiwan Cement Corporation	Director of the board	135,558	4	-	Receivable on demand	67,589	-	
CHC Resources Corporation	China Steel Corporation	Parent company	109,125	12	-	Receivable on demand	109,125	-	
Infochamp Systems Corporation	China Steel Corporation	Parent company	305,653	5	-	-	305,456	-	
China Steel Structure Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Subsidiary	108,648	-	-	-	-	-	Note
China Ecotek Corporation	CSC Solar Corporation	The same parent company	474,456	2	-	-	-	-	
China Ecotek Corporation	China Steel Corporation	Parent company	211,159	11	-	-	202,775	-	
China Ecotek Corporation	Dragon Steel Corporation	The same parent company	117,651	9	-	-	86,672	-	
China Steel Machinery Corporation	Dragon Steel Corporation	The same parent company	175,423	8	-	-	112,530	-	
China Steel Machinery Corporation	China Steel Corporation	Parent company	161,086	14	-	-	113,839	-	
CSC Precision Metal Industrial Corporation	China Steel Corporation	Parent company	121,341	-	-	-	21,224	-	Note
Sing Da Marine Structure Corporation	China Steel Corporation	Parent company	300,341	-	-	-	300,341	-	Note

Note: Other receivables.

TABLE 8

CHINA STEEL CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2019 (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	
0	China Steel Corporation	Chung Hung Steel Corporation	1	Sales	\$ 20,637,270	Letter of credit/Receivables were collected after final acceptance
0	China Steel Corporation	China Steel and Nippon Steel Vietnam Joint Stock Company	1	Sales	3,768,856	Accounts receivable factoring agreements/Receivables were collected within 14 days after shipment date
0	China Steel Corporation	China Steel Structure Co., Ltd.	1	Sales	2,661,319	Letter of credit/Accounts received in advance before shipment date
0	China Steel Corporation	China Steel Corporation India Pvt. Ltd.	1	Sales	2,180,840	Accounts receivable factoring agreements
0	China Steel Corporation	China Steel Chemical Corporation	1	Sales	2,114,710	Letter of credit
0	China Steel Corporation	China Steel Global Trading Corporation	1	Sales	1,995,141	Receivables were collected within 10 days after shipment date
0	China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	1	Sales	1,129,542	Receivables were collected within 30 days after shipment date
0	China Steel Corporation	CSC Steel Sdn. Bhd.	1	Sales	899,002	Receivables were collected within 14 days after shipment date
0	China Steel Corporation	Dragon Steel Corporation	1	Sales	892,518	Receivables were collected within 5 days after shipment date
0	China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	1	Sales	881,767	Receivables were collected within 60 days after shipment date
0	China Steel Corporation	CHC Resources Corporation	1	Sales	736,501	Letter of credit
0	China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	1	Sales	548,618	Receivables were collected within 85 days after shipment date
0	China Steel Corporation	Sing Da Marine Structure Corporation	1	Sales	173,934	Receivables were collected within 10 days after shipment date
0	China Steel Corporation	China Steel Machinery Corporation	1	Sales	157,289	Receivables were collected within 10 days after shipment date
0	China Steel Corporation	HIMAG Magnetic Corporation	1	Sales	137,768	Letter of credit
0	China Steel Corporation	Dragon Steel Corporation	1	Service revenue and other operating revenue	1,165,876	By contract terms
0	China Steel Corporation	China Steel Chemical Corporation	1	Service revenue and other operating revenue	272,728	By contract terms
0	China Steel Corporation	C.S.Aluminium Corporation	1	Service revenue and other operating revenue	156,987	By contract terms
0	China Steel Corporation	Dragon Steel Corporation	1	Service revenue and other operating revenue Purchases	17,209,793	Payment within 5 days after shipment date/Payment after final acceptance

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details		% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	
0	China Steel Corporation	China Steel Express Corporation	1	Purchases	\$ 8,983,344	2
0	China Steel Corporation	C.S.Aluminium Corporation	1	Purchases	2,288,135	1
0	China Steel Corporation	CSE Transport Corporation	1	Purchases	555,821	-
0	China Steel Corporation	China Steel Global Trading Corporation	1	Purchases	504,163	-
0	China Steel Corporation	HIMAG Magnetic Corporation	1	Purchases	317,673	-
1	Dragon Steel Corporation	China Steel Corporation	2	Sales	16,965,653	5
1	Dragon Steel Corporation	Chung Hung Steel Corporation	3	Sales	8,625,119	2
1	Dragon Steel Corporation	China Steel and Nippon Steel Vietnam Joint Stock Company	3	Sales	5,353,946	1
1	Dragon Steel Corporation	CSC Steel Sdn. Bhd.	3	Sales	4,100,004	1
1	Dragon Steel Corporation	China Steel Structure Co., Ltd.	3	Sales	979,600	-
1	Dragon Steel Corporation	China Steel Chemical Corporation	3	Sales	815,758	-
1	Dragon Steel Corporation	China Steel Global Trading Corporation	3	Sales	596,915	-
1	Dragon Steel Corporation	CHC Resources Corporation	3	Sales	317,046	-
1	Dragon Steel Corporation	CSGT Metals Vietnam Joint Stock Company	3	Sales	112,230	-
1	Dragon Steel Corporation	China Steel Corporation	2	Service revenue	226,068	-
1	Dragon Steel Corporation	China Steel Corporation	2	Other operating revenue	244,140	-
1	Dragon Steel Corporation	China Steel Express Corporation	3	Purchases	4,688,086	1
1	Dragon Steel Corporation	China Steel Corporation	2	Purchases	1,488,796	-
1	Dragon Steel Corporation	C.S.Aluminium Corporation	3	Purchases	704,597	-
1	Dragon Steel Corporation	CSE Transport Corporation	3	Purchases	236,020	-
1	Dragon Steel Corporation	China Steel Global Trading Corporation	3	Purchases	225,531	-
2	Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	3	Sales	1,288,652	-
2	Chung Hung Steel Corporation	China Steel Corporation	2	Service revenue	470,271	-
2	Chung Hung Steel Corporation	China Steel Corporation	2	Purchases	20,764,285	6
2	Chung Hung Steel Corporation	Dragon Steel Corporation	3	Purchases	8,712,164	2

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
2	Chung Hung Steel Corporation	China Steel Global Trading Corporation	3	Purchases	\$ 259,405	Letter of credit at sight/Payment after final acceptance	-
3	China Ecotek Corporation	China Steel Corporation	2	Construction revenue	2,940,758	By contract terms	1
3	China Ecotek Corporation	Dragon Steel Corporation	3	Construction revenue	1,212,688	By contract terms	-
3	China Ecotek Corporation	CSC Solar Corporation	3	Construction revenue	1,170,812	By contract terms	-
3	China Ecotek Corporation	Sing Da Marine Structure Corporation	3	Construction revenue	386,071	By contract terms	-
3	China Ecotek Corporation	China Steel Machinery Corporation	3	Purchases	460,154	By contract terms	-
4	China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	1	Sales	160,219	Net 150 days from the end of the month of when invoice is issued	-
4	China Steel Chemical Corporation	China Steel Corporation	2	Purchases	2,111,712	Letter of credit at sight	1
4	China Steel Chemical Corporation	Dragon Steel Corporation	3	Purchases	815,758	Letter of credit at sight	-
5	Changzhou China Steel New Materials Technology Co., Ltd.	China Steel Chemical Corporation	2	Purchases	160,219	Net 150 days from the end of the month of when invoice is issued	-
6	CHC Resources Corporation	China Steel Corporation	2	Service revenue	1,786,993	Net 60 days from the end of the month of when invoice is issued	-
6	CHC Resources Corporation	Dragon Steel Corporation	3	Service revenue	1,291,613	Net 30~70 days from the end of the month of when invoice is issued	-
6	CHC Resources Corporation	China Steel Resources Corporation	3	Service revenue	477,529	By contract terms	-
6	CHC Resources Corporation	China Steel Corporation	2	Purchases	766,662	Letter of credit	-
6	CHC Resources Corporation	Chung Hung Steel Corporation	3	Purchases	377,925	Letter of credit	-
6	CHC Resources Corporation	Dragon Steel Corporation	3	Purchases	316,891	Letter of credit	-
7	Union Steel Development Corporation	CHC Resources Corporation	2	Service revenue	327,892	Net 60 days from the end of the month of when invoice is issued	-
8	China Steel Structure Co., Ltd.	China Steel Corporation	2	Service revenue	395,934	Contractual period	-
8	China Steel Structure Co., Ltd.	Dragon Steel Corporation	3	Service revenue	110,628	Contractual period	-
8	China Steel Structure Co., Ltd.	Sing Da Marine Structure Corporation	3	Construction revenue	563,540	Contractual period	-
8	China Steel Structure Co., Ltd.	United Steel Engineering & Construction Corporation	1	Construction revenue	409,194	Contractual period	-
8	China Steel Structure Co., Ltd.	Dragon Steel Corporation	3	Construction revenue	368,418	Contractual period	-
8	China Steel Structure Co., Ltd.	China Steel Corporation	2	Construction revenue	126,751	Contractual period	-
8	China Steel Structure Co., Ltd.	China Steel Corporation	2	Purchases	2,724,079	Letter of credit/Prepaid before shipment date	1
8	China Steel Structure Co., Ltd.	Dragon Steel Corporation	3	Purchases	981,721	Letter of credit	-
9	United Steel Engineering & Construction Corporation	Sing Da Marine Structure Corporation	3	Construction revenue	1,011,263	Contractual period	-
9	United Steel Engineering & Construction Corporation	China Steel Corporation	2	Construction revenue	741,054	Contractual period	-
9	United Steel Engineering & Construction Corporation	China Prosperity Development Corporation	3	Construction revenue	636,892	Contractual period	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
9	United Steel Engineering & Construction Corporation	Dragon Steel Corporation	3	Construction revenue	\$ 633,626	Contractual period	-
9	United Steel Engineering & Construction Corporation	CHC Resources Corporation	3	Construction revenue	631,958	Contractual period	-
9	United Steel Engineering & Construction Corporation	Steel Castle Technology Corporation	3	Outsourcing construction fee	162,437	Letter of credit	-
10	Infochamp Systems Corporation	China Steel Corporation	2	Service revenue	797,441	Receivables were collected within 30 days after shipment date	-
10	Infochamp Systems Corporation	C.S.Aluminium Corporation	3	Service revenue	128,565	Receivables were collected within 30 days after shipment date	-
10	Infochamp Systems Corporation	Dragon Steel Corporation	3	Service revenue	101,823	Receivables were collected within 30 days after shipment date	-
11	China Steel Global Trading Corporation	CSC Steel Sdn. Bhd.	3	Sales	687,892	Receivables were collected after shipment date	-
11	China Steel Global Trading Corporation	China Steel Corporation	2	Sales	504,163	Receivables were collected after final acceptance	-
11	China Steel Global Trading Corporation	Chung Hung Steel Corporation	3	Sales	259,405	Receivables were collected after shipment date	-
11	China Steel Global Trading Corporation	Dragon Steel Corporation	3	Sales	225,531	Receivables were collected after shipment date	-
11	China Steel Global Trading Corporation	China Steel Corporation	2	Service revenue	296,690	By contract terms	-
11	China Steel Global Trading Corporation	China Steel Corporation	2	Purchases	2,595,924	Payment after shipment date	1
12	CSGT Metals Vietnam Joint Stock Company	China Steel Corporation	2	Purchases	1,240,358	Payment from counter-party notice after shipping	-
12	CSGT Metals Vietnam Joint Stock Company	China Steel and Nippon Steel Vietnam Joint Stock Company	3	Purchases	367,033	Payment after shipment date	-
13	CSGT (Singapore) Pte. Ltd.	China Steel Corporation	2	Service revenue	101,308	By contract terms	-
14	Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	1	Sales	291,354	Net 90 days from the end of the month of when invoice is issued	-
14	Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	1	Purchases	363,253	Net 90 days from the end of the month of when invoice is issued	-
14	Betacera Inc.	Suzhou Betacera Technology Co., Ltd.	1	Purchases	112,590	Net 90 days from the end of the month of when invoice is issued	-
15	Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	2	Sales	764,719	Net 90 days from the end of the month of when invoice is issued	-
15	Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	2	Sales	370,493	Net 90 days from the end of the month of when invoice is issued	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details		% of Total Operating Revenues or Assets	
				Financial Statement Accounts	Amount		Payment Terms
15	Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	2	Purchases	\$ 292,414	Net 90 days from the end of the month of when invoice is issued	-
15	Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	2	Purchases	199,587	Net 90 days from the end of the month of when invoice is issued	-
16	Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	2	Sales	281,281	Net 90 days from the end of the month of when invoice is issued	-
16	Suzhou Betacera Technology Co., Ltd.	Betacera Inc.	2	Sales	116,123	Net 90 days from the end of the month of when invoice is issued	-
17	Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	1	Sales	202,098	Net 90 days from the end of the month of when invoice is issued	-
17	Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	1	Purchases	764,800	Net 90 days from the end of the month of when invoice is issued	-
17	Lefkara Ltd.	Suzhou Betacera Technology Co., Ltd.	1	Purchases	281,311	Net 90 days from the end of the month of when invoice is issued	-
18	HIMAG Magnetic Corporation	China Steel Corporation	2	Sales	327,944	Receivables were collected within 10 days after shipment date	-
18	HIMAG Magnetic Corporation	China Steel Corporation	2	Purchases	137,267	Letter of credit	-
19	China Steel Express Corporation	China Steel Corporation	2	Service revenue	9,617,127	Payment after shipping document specified	3
19	China Steel Express Corporation	Dragon Steel Corporation	3	Service revenue	5,001,756	Payment after shipping document specified	1
19	China Steel Express Corporation	China Steel Global Trading Corporation	3	Service revenue	147,621	Payment after shipping document specified	-
20	Kaoport Stevedoring Corporation	China Steel Corporation	2	Service revenue	194,898	Receivable were collected within 30 working days against copy of B/L	-
21	CSE Transport Corporation	China Steel Corporation	2	Service revenue	555,657	Payment after shipping document specified	-
21	CSE Transport Corporation	Dragon Steel Corporation	3	Service revenue	236,789	Payment after shipping document specified	-
21	CSE Transport Corporation	China Steel Express Corporation	2	Service revenue	148,685	Payment after shipping document specified	-
22	CSEI Transport (Panama) Corporation	China Steel Express Corporation	2	Service revenue	458,843	Payment after shipping document specified	-
23	C.S.Aluminium Corporation	China Steel Corporation	2	Sales	2,288,135	Receivables were collected after final acceptance	1
23	C.S.Aluminium Corporation	Dragon Steel Corporation	3	Sales	704,597	Receivables were collected after final acceptance	-
24	China Steel Machinery Corporation	China Steel Corporation	2	Construction revenue	2,498,799	Payment after final acceptance	1
24	China Steel Machinery Corporation	Dragon Steel Corporation	3	Construction revenue	841,004	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	
24	China Steel Machinery Corporation	Sing Da Marine Structure Corporation	3	Construction revenue	\$ 771,539	Payment after final acceptance	-
24	China Steel Machinery Corporation	China Steel Corporation	2	Purchases	161,666	Payment after final acceptance	-
25	China Steel Security Corporation	China Steel Corporation	2	Service revenue	354,174	By contract terms	-
25	China Steel Security Corporation	Dragon Steel Corporation	3	Service revenue	102,819	By contract terms	-
26	Steel Castle Technology Corporation	China Steel Corporation	2	Service revenue	534,344	By contract terms	-
26	Steel Castle Technology Corporation	United Steel Engineering & Construction Corporation	3	Service revenue	235,658	By contract terms	-
26	Steel Castle Technology Corporation	Dragon Steel Corporation	3	Service revenue	179,247	By contract terms	-
26	Steel Castle Technology Corporation	China Steel Security Corporation	2	Service revenue	109,296	By contract terms	-
27	China Steel Precision Metals	China Steel Corporation	2	Purchases	123,791,258	Payment within 85 days after shipment date	34
28	China Steel Precision Metals	China Steel Corporation	2	Purchases	886,204	60 days after B/L	-
29	Qingdao Co., Ltd.	Dragon Steel Corporation	3	Purchases	4,230,395	Payment after shipping document specified	1
29	CSC Steel Sdn. Bhd.	Chung Hung Steel Corporation	3	Purchases	1,259,029	Payment after shipping document specified	-
29	CSC Steel Sdn. Bhd.	China Steel Corporation	2	Purchases	877,779	Payment after shipping document specified	-
29	CSC Steel Sdn. Bhd.	China Steel Global Trading Corporation	3	Purchases	647,868	Payment after shipping document specified	-
30	China Steel Resources Corporation	China Steel Corporation	2	Sales	619,569	Net 60 days from the end of the month of when invoice is issued	-
31	CSC Precision Metal Industrial Corporation	China Steel Corporation	2	Service revenue	257,241	Net 60 days from the end of the month of when invoice is issued	-
32	Kaohsiung Rapid Transit Corporation	China Steel Corporation	2	Service revenue	170,775	Net 15 days from the end of the month of when invoice is issued	-
33	Sing Da Marine Structure Corporation	China Steel Corporation	2	Purchases	173,934	Payment within 10 days after shipment date	-
34	China Steel and Nippon Steel Vietnam Joint Stock Company	CSGT Metals Vietnam Joint Stock Company	3	Sales	404,072	Accounts receivable, 30 days term	-
34	China Steel and Nippon Steel Vietnam Joint Stock Company	China Steel Corporation	2	Purchases	9,403,046	Receivables were collected within 120 days after shipment date	3
35	China Steel Corporation India Pvt. Ltd.	China Steel Corporation	2	Purchases	2,186,070	Payment to the bank after the Corporation's shipment date	1

(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.

TABLE 9

CHINA STEEL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%			
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	\$ 6,064,076	\$ (50,093)	Subsidiary
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	2,104,642	369,790	Subsidiary
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	1,274,475	527	Subsidiary
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	1,232,328	140,782	Subsidiary
China Steel Corporation	CHC Resources Corporation	Republic of China	Manufacture and sale of GBFS powder and slag cement, air-cooled BFS and BOFS, surveys and remediation of soil and groundwater, intermediate solidification, reutilization of resources	261,677	261,677	49,289,597	20	951,904	160,659	Subsidiary
China Steel Corporation	Dragon Steel Corporation	Republic of China	Hot-rolled products, H beams, billets, flat steels	95,779,069	95,779,069	8,612,586,123	100	98,857,201	(1,176,939)	Subsidiary
China Steel Corporation	CSC Steel Australia Holdings Pty Ltd	Australia	General investment	17,359,623	17,359,623	594,638	100	19,743,722	644,327	Subsidiary
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	11,869,947	1,726,494	Subsidiary
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	7,855,607	(270,156)	Subsidiary
China Steel Corporation	Gains Investment Corporation	Republic of China	General investment	4,999,940	4,999,940	559,375,112	100	7,112,136	464,968	Subsidiary
China Steel Corporation	China Prosperity Development Corporation	Republic of China	Real estate development	4,749,938	4,749,938	509,802,912	100	6,806,029	3,096,192	Subsidiary
China Steel Corporation	China Steel and Nippon Steel Vietnam Joint Stock Company	Vietnam	Manufacture and sale of steel products	9,651,239	9,651,239	514,304,000	56	6,353,422	(528,967)	Subsidiary
China Steel Corporation	China Steel Asia Pacific Holdings Pte Ltd	Singapore	Holding and investment	6,516,988	6,625,316	191,065,407	100	4,293,509	228,324	Subsidiary
China Steel Corporation	Sing Da Marine Structure Corporation	Republic of China	Foundation of offshore wind power	3,421,000	821,000	342,100,000	100	3,169,040	(130,788)	Subsidiary
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	2,050,305	435,972	Subsidiary
China Steel Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	4,031,501	4,031,501	120,799,811	43	1,338,049	27,057	Subsidiary
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	100,066,400	74	1,084,456	24,310	Subsidiary
China Steel Corporation	China Steel Corporation India Pvt. Ltd.	India	Electrical steel	3,795,159	3,795,159	728,690,559	100	1,063,968	(578,045)	Subsidiary
China Steel Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	959,200	660,000	95,920,000	55	1,019,672	56,675	Subsidiary
China Steel Corporation	China Steel Resources Corporation	Republic of China	Other non-metallic mineral products	981,120	981,120	98,112,000	100	995,460	10,653	Subsidiary
China Steel Corporation	Infochamp Systems Corporation	Republic of China	ERP systems automation control systems service	357,602	357,602	41,465,634	100	699,802	131,794	Subsidiary
China Steel Corporation	China Steel Security Corporation	Republic of China	On-site security, systematic security	149,940	149,940	25,036,986	100	526,997	102,871	Subsidiary
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	388,716	21,513	Subsidiary
China Steel Corporation	CSC Precision Metal Industrial Corporation	Republic of China	Other non-ferrous metal basic industries	322,500	322,500	32,250,000	100	299,268	9,930	Subsidiary
China Steel Corporation	United Steel International Co., Ltd.	Samoa	Holding and investment	269,141	269,141	12,000,000	80	254,547	(1,962)	Subsidiary
China Steel Corporation	ChinaSteel Management Consulting Corporation	Republic of China	Business management and management consulting services	15,144	15,144	999,993	100	17,808	3,460	Subsidiary
China Steel Corporation	China Steel Power Holding Corporation	Republic of China	General investment	5,000	5,000	500,000	100	4,719	(209)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
China Steel Corporation	White Biotech Corporation	Republic of China	Biotechnology introduction and development	\$ -	\$ 130,594	-	-	\$ -	\$ (638)	Subsidiary	
China Steel Corporation	China Steel Power Corporation	Republic of China	Offshore Wind Power Generation	-	-	10	-	-	(137)	Subsidiary	
China Steel Corporation	Taiwan Rolling Stock Co., Ltd.	Republic of China	Manufacture of railway vehicles	970,044	970,044	95,527,811	48	968,793	(77,854)	Associate	
China Steel Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	450,000	450,000	45,000,000	18	519,599	150,266	Associate	
China Steel Corporation	Honley Auto. Parts Co., Ltd.	Republic of China	Manufacture of automotive components	590,876	825,000	59,087,570	35	461,258	(341,000)	Associate	
China Steel Corporation	Eminent II Venture Capital Corporation	Republic of China	General investment	500,000	500,000	50,000,000	46	441,446	65,458	Associate	
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	359,196	(5,705)	Associate	
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	23	287,626	(54,021)	Associate	
China Steel Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	50,000	50,000	5,000,000	6	53,945	21,892	Associate	
China Steel Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	7,629	7,629	833,350	17	24,588	81,681	Associate	
Chung Hung Steel Corporation	Transglory Investment Corporation	Republic of China	General investment	2,001,152	2,001,152	297,619,989	41	2,526,222	249,976	Subsidiary	
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Republic of China	General investment	26,000	26,000	2,600,000	100	27,173	(74)	Subsidiary	
Chung Hung Steel Corporation	Taiwan Steel Corporation	Republic of China	Iron and steel industry chain industry	-	1,000	-	-	-	(90)	Subsidiary	
China Steel Chemical Corporation	CHC Resources Corporation	Republic of China	Manufacture and sale of GBFS powder and slag cement, air-cooled BFS and BOFS, surveys and remediation of soil and groundwater, intermediate solidification, reutilization of resources	91,338	91,338	15,019,341	6	312,239	816,432	Subsidiary	
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	-	12,798	157,617	Subsidiary	
China Steel Chemical Corporation	Ever Wealthy International Corporation	Republic of China	General investment	300,083	300,083	104,574,982	100	1,279,306	57,450	Subsidiary	
China Steel Chemical Corporation	Transglory Investment Corporation	Republic of China	General investment	450,000	450,000	66,931,030	9	568,107	249,976	Subsidiary	
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	366,473	10,300	Subsidiary	
China Steel Chemical Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	261,600	180,000	26,160,000	15	277,907	101,809	Subsidiary	
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	44,000	31,174	Subsidiary	
China Steel Chemical Corporation	United Steel International Development Corporation	British Virgin Islands	Holding and investment	68,839	68,839	2,450,000	5	41,769	(173,415)	Subsidiary	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	Cayman Island	International trading and general investment	39,920	39,920	1,300,000	100	39,485	17,186	Subsidiary	
China Steel Chemical Corporation	Gau Ruel Investment Corporation	Republic of China	General investment	15,070	15,070	1,196,000	40	26,309	3,232	Subsidiary	
China Steel Chemical Corporation	Eminent Venture Capital Corporation	Republic of China	General Investment	22,500	22,500	2,250,000	5	15,553	69,153	Subsidiary	
China Steel Chemical Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	7,000	7,000	700,000	35	13,781	1,592	Subsidiary	
China Steel Chemical Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	80,000	80,000	8,000,000	9	69,607	(18,875)	Associate	
China Steel Chemical Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	16,934	21,168	1,693,440	6	23,051	20,947	Associate	
China Steel Chemical Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	2,295	2,295	249,999	5	7,375	81,681	Associate	
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	98,812	118,924	Subsidiary	
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	32,255	31,174	Subsidiary	
Ever Wealthy International Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	9,000	9,000	900,000	45	17,669	1,595	Subsidiary	
Ever Wealthy International Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	8,400	8,400	840,000	35	16,748	3,141	Subsidiary	
Ever Wealthy International Corporation	Ding Da Investment Corporation	Republic of China	General investment	10,495	10,495	897,000	30	16,158	4,194	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	Carrying Amount				
							%				
China Ecotek Corporation China Ecotek Corporation	CEC Development Corporation China Steel Machinery Corporation	Samoa Republic of China	Holding and investment Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment Solar energy generation	\$ 494,146 329,174	\$ - 329,174	17,000,000 35,204,170	100 26	\$ 1,032,779 468,742	\$ (108,524) 173,758	Subsidiary Subsidiary	
China Ecotek Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	348,800	240,000	34,880,000	20	297,021	101,809	Subsidiary	
China Ecotek Corporation China Ecotek Corporation	CEC International Corporation China Ecotek Construction Corporation	Samoa Republic of China	Holding and investment Engineering service industry	30,642 25,000	30,642 25,000	10,000,000 2,500,000	100 100	43,552 31,919	(498) 5,372	Subsidiary Subsidiary	
China Ecotek Corporation	Econova Technology Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	25,000	25,000	2,500,000	100	24,134	(374)	Subsidiary	
China Ecotek Corporation	Chiun Yu Investment Corporation	Republic of China	General investment	14,233	14,233	1,196,000	40	23,231	(278)	Subsidiary	
China Ecotek Corporation China Ecotek Corporation	CEC Holding Company Limited Chi-Yi Investment Corporation	Samoa Republic of China	Holding and investment General investment	163,779 8,000	339,339 8,000	14,860,000 800,000	100 40	20,718 15,807	(5,315) 1,605	Subsidiary Subsidiary	
China Ecotek Corporation	Jijing-Cherng-Fa Investment Corporation	Republic of China	General investment	8,050	8,050	805,000	35	14,994	1,696	Subsidiary	
China Ecotek Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,779	1,595	Subsidiary	
China Ecotek Corporation	United Steel International Development Corporation	China	Holding and investment	8,262	8,262	300,000	1	5,095	(173,415)	Subsidiary	
China Ecotek Corporation	China Ecotek India Private Limited	British Virgin Islands	Projects designs, construction and related services	27	-	5,000	-	40	671	Subsidiary	
China Ecotek Corporation China Ecotek Corporation	CEC Development Corporation Eminent III Venture Capital Corporation	USA Republic of China	Holding and investment General investment	- 50,000	494,146 50,000	- 5,000,000	- 6	- 43,504	8,475 (18,875)	Subsidiary Associate	
China Ecotek Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	2,822	3,528	282,240	1	3,843	20,947	Associate	
CEC International Corporation	China Ecotek India Private Limited	China	Projects designs, construction and related services	27,070	27,070	4,995,000	100	40,420	671	Subsidiary	
CEC Development Corporation	China Ecotek India Private Limited	India	Projects designs, construction and related services	-	27	-	-	-	671	Subsidiary	
CEC Development Corporation	China Ecotek Vietnam Company Limited	Vietnam	Projects designs, construction and related services	-	302,065	-	-	-	(111,749)	Subsidiary	
CEC Development Corporation	China Ecotek Vietnam Company Limited	Vietnam	Projects designs, construction and related services	302,065	-	-	100	784,253	(111,749)	Subsidiary	
China Steel Structure Co., Ltd.	CHC Resources Corporation	Republic of China	Manufacture and sale of GBFS powder and slag cement, air-cooled BFS and BOFS, surveys and remediation of soil and groundwater, intermediate solidification, reutilization of resources	132,715	132,715	23,182,738	9	482,316	816,432	Subsidiary	
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	74,000,000	100	1,371,781	92,668	Subsidiary	
China Steel Structure Co., Ltd.	China Steel Structure Investment Pte. Ltd.	Singapore	Holding and investment	134,578	134,578	4,100,000	100	175,081	(48,056)	Subsidiary	
China Steel Structure Co., Ltd.	China Steel Structure Holding Co., Ltd.	Samoa	Holding and investment	148,264	148,264	4,400,000	37	101,368	(75,881)	Subsidiary	
China Steel Structure Co., Ltd.	Chiun Yu Investment Corporation	Republic of China	General investment	12,453	12,453	1,046,500	35	20,327	(278)	Subsidiary	
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	15,678	31,174	Subsidiary	
China Steel Structure Co., Ltd.	Chi-Yi Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,855	1,605	Subsidiary	
China Steel Structure Co., Ltd.	Li-Ching-Long Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,812	1,592	Subsidiary	
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	9,727	25,294	Subsidiary	
China Steel Structure Co., Ltd.	Ascentek Venture Capital Corporation	Republic of China	General investment	12,701	15,876	1,270,080	5	17,270	20,947	Associate	
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	4,649	227	Associate	
United Steel Engineering & Construction Corporation	United Steel Investment Pte Ltd	Singapore	Holding and investment	126,806	126,806	4,180,000	100	150,468	8,900	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Share of Profit (Loss)	Note	
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			Net Income (Loss) of the Investee
United Steel Engineering & Construction Corporation	United Steel Development Corporation Limited	Republic of China	Residential and building development and rental industry	\$ 53,550	\$ 53,550	5,555,000	40	\$ 61,430	\$ 1,368	Subsidiary	
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	56,521	977	Subsidiary	
United Steel Engineering & Construction Corporation	Shin Mau Investment Corporation	Republic of China	General investment	13,754	13,754	1,196,000	40	22,776	3,374	Subsidiary	
United Steel Engineering & Construction Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	15,433	15,433	1,543,276	1	16,968	61,509	Subsidiary	
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	116,067	150,266	Associate	
United Steel Engineering & Construction Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	44,100	44,100	4,410,000	5	47,430	21,892	Associate	
United Steel Engineering & Construction Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	4,234	5,292	423,360	2	5,745	20,947	Associate	
United Steel Investment Pte Ltd	Chungkang Steel Structure (Cambodia) Co., Ltd.	China	Building materials manufacturing, construction engineering	96,283	96,283	310	31	99,029	11,067	Associate	
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd.	Samoa	Holding and investment	397,075	397,075	12,000,000	100	276,405	(75,881)	Subsidiary	
China Steel Structure Investment Pte. Ltd.	China Steel Structure Holding Co., Ltd.	Samoa	Holding and investment	248,811	248,811	7,600,000	63	175,065	(75,881)	Subsidiary	
CHC Resources Corporation	CHC Resources Vietnam Co., Ltd	Vietnam	Sales of GBFS	366,557	129,922	-	85	359,687	26,338	Subsidiary	
CHC Resources Corporation	Yu Cheng Lime Corporation	Republic of China	Real estate lease, management of raw materials	126,010	126,010	108,000	90	142,530	2,246	Subsidiary	
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	118,758	45,716	Subsidiary	
CHC Resources Corporation	Pao Good Industrial Co., Ltd.	China	Sales of fly ash, manufacture and sales of dry-mix mortar, trading	50,937	50,937	5,408,550	51	84,651	8,847	Subsidiary	
CHC Resources Corporation	Gau Ruei Investment Corporation	Republic of China	General investment	12,306	12,306	1,046,500	35	23,020	3,232	Subsidiary	
CHC Resources Corporation	Ding Da Investment Corporation	Republic of China	General investment	12,516	12,516	1,196,000	40	21,544	4,194	Subsidiary	
CHC Resources Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	9,600	9,600	960,000	40	19,140	3,141	Subsidiary	
CHC Resources Corporation	Jiing-Cheng-Fa Investment Corporation	Republic of China	General investment	9,200	9,200	920,000	40	17,136	1,696	Subsidiary	
CHC Resources Corporation	Shin Mau Investment Corporation	Republic of China	General investment	10,316	10,316	897,000	30	17,082	3,374	Subsidiary	
CHC Resources Corporation	HIMAG Magnetic Corporation	China	Production and sale of industrial magnetic, chemical, and iron oxides	10,970	10,970	494,440	2	10,059	31,174	Subsidiary	
CHC Resources Corporation	United Steel International Development Corporation	British Virgin Islands	Holding and investment	8,254	8,254	300,000	1	5,096	(173,415)	Subsidiary	
CHC Resources Corporation	Hsieh Sheng Development Corporation	Republic of China	Real estate lease	-	1,142,189	-	-	-	9,592	Subsidiary	
CHC Resources Corporation	Hsin Hsin Cement Enterprise Corporation	China	Cement manufacturing, nonmetallic mining, cement and concrete mixing manufacturing	73,269	73,269	9,298,583	10	105,835	(5,705)	Associate	
CHC Resources Corporation	Eminent III Venture Capital Corporation	China	General investment	15,000	15,000	1,500,000	2	13,051	(18,875)	Associate	
CHC Resources Corporation	Ascentek Venture Capital Corporation	China	General investment	8,467	10,584	846,720	3	11,525	20,947	Associate	
Union Steel Development Corporation	Chung Hung Steel Corporation	China	Manufacture and sale of steel products	1,522	1,522	106,445	-	1,462	10,791	Subsidiary	
China Steel Security Corporation	Steel Castle Technology Corporation	China	Firefighting engineering and mechatronic engineering	313,899	31,257	13,000,000	100	313,899	57,804	Subsidiary	
China Steel Security Corporation	Kaohsiung Rapid Transit Corporation	China	Mass Rapid Transit service	18,819	17,000	1,700,000	1	18,819	61,509	Subsidiary	
China Steel Security Corporation	China Steel Management And Maintenance For Buildings Corporation	China	Management and maintenance for buildings	13,490	10,000	1,000,000	100	13,490	1,789	Subsidiary	
China Steel Security Corporation	Eminent III Venture Capital Corporation	China	General investment	4,350	5,000	500,000	1	4,350	(18,875)	Associate	
China Steel Security Corporation	Ascentek Venture Capital Corporation	China	General investment	3,838	3,528	282,240	1	3,838	20,947	Associate	
China Prosperity Development Corporation	Chateau International Development Co., Ltd.	China	Development of leisure business	343,848	131,921	22,491,623	20	343,848	40,015	Associate	
China Prosperity Development Corporation	Chung Hsin Japan Co., Ltd.	Japan	Real estate lease	172,172	151,526	3,840	80	172,172	13,569	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Share of Profit (Loss)	Note	
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			Net Income (Loss) of the Investee
China Prosperity Development Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	\$ 144,072	\$ 130,000	13,000,000	5	\$ 144,072	\$ 61,509	-	Subsidiary
China Prosperity Development Corporation	United Steel Development Corporation Limited	Republic of China	Residential and building development and rental industry	92,145	-	8,032,500	60	92,145	1,368	-	Subsidiary
China Prosperity Development Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	203,118	175,000	17,500,000	7	203,118	150,266	-	Associate
China Prosperity Development Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	7,685	7,056	564,480	2	7,685	20,947	-	Associate
HIMAG Magnetic Corporation	MagnPower Corporation	Republic of China	Powder metallurgy	218,000	218,000	21,800,000	55	146,133	(45,082)	-	Subsidiary
China Steel Power Holding Corporation	China Steel Power Corporation	China	Offshore Wind Power Generation	4,800	-	479,990	100	4,663	(137)	-	Subsidiary
CSC Solar Corporation	China Ecotek Corporation	China	Environmental engineering, M&E engineering, and O&M engineering	314	-	9,000	-	314	126,858	-	Subsidiary
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	66,957	17,874	-	Subsidiary
Infochamp Systems Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	40,265	40,265	5,200,319	2	57,690	61,509	-	Subsidiary
Infochamp Systems Corporation	Info-Champ System (B.V.I) Corporation	British Virgin Islands	Holding and investment	6,816	6,816	201,000	100	13,589	512	-	Subsidiary
Infochamp Systems Corporation	iPASS Corporation	Republic of China	Electronic stored value cards, electronic payment	-	40,000	4,000,000	4	-	4,321	-	Associate
Infochamp Systems Corporation	Majestic Solid Light Corporation	Republic of China	Manufacture and sale of UV LED	4,500	4,500	450,000	45	-	(1,436)	-	Associate
Kaohsiung Rapid Transit Corporation	Taiwan Intelligent Transportation Co., Ltd.	Republic of China	Technical service	26,000	26,000	2,600,000	100	28,445	1,158	-	Subsidiary
China Steel Machinery Corporation	China Steel Machinery Vietnam Co., Ltd.	Vietnam	Machines manufacturing	8,994	9,215	-	100	25,642	3,869	-	Subsidiary
China Steel Machinery Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	95,900	95,900	9,590,000	11	102,183	21,892	-	Associate
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	80,545	157,617	-	Subsidiary
Dragon Steel Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	174,400	120,000	17,440,000	10	185,271	101,809	-	Subsidiary
C.S.Aluminium Corporation	ALU Investment Offshore Corporation	British Virgin Islands	Holding and investment	1,063,593	1,063,593	1	100	539,581	(112,009)	-	Subsidiary
C.S.Aluminium Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	16,934	21,168	1,693,440	6	23,029	20,947	-	Associate
ALU Investment Offshore Corporation	United Steel International Development Corporation	British Virgin Islands	Holding and investment	1,063,593	1,063,593	31,650,000	65	539,572	(173,415)	-	Subsidiary
United Steel International Development Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	5,645	7,056	564,480	2	7,676	20,947	-	Associate
China Steel Express Corporation	Transglory Investment Corporation	Republic of China	General investment	2,440,000	2,440,000	362,914,927	50	3,080,743	249,976	-	Subsidiary
China Steel Express Corporation	CSE Transport Corporation	Panama	Shipping services for raw materials	316	316	10	100	2,857,466	91,714	-	Subsidiary
China Steel Express Corporation	CSEI Transport (Panama) Corporation	Panama	Shipping services for raw materials	316	316	10	100	476,802	12,799	-	Subsidiary
China Steel Express Corporation	Kaoport Stevedoring Corporation	Republic of China	Ship cargo loading and unloading industry	35,013	35,013	3,275,000	66	41,195	4,346	-	Subsidiary
China Steel Express Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	16,934	21,168	1,693,440	6	23,051	20,947	-	Associate
Transglory Investment Corporation	Winning Investment Corporation	Republic of China	General investment	321,331	321,331	20,700,000	9	237,084	142,672	-	Subsidiary
Gains Investment Corporation	Thintech Materials Technology Co., Ltd.	Republic of China	Sputtering target manufacturing and sales	212,912	212,912	23,423,016	32	378,047	118,924	-	Subsidiary
Gains Investment Corporation	Eminence Investment Corporation	Republic of China	General investment	1,600,000	1,600,000	150,000,000	100	1,862,331	129,348	-	Subsidiary
Gains Investment Corporation	Winning Investment Corporation	Republic of China	General investment	989,664	989,664	112,700,000	49	1,290,791	142,672	-	Subsidiary
Gains Investment Corporation	Betacera Inc.	Republic of China	Manufacturing and trading of electronic ceramics	150,165	150,165	20,555,253	48	749,870	312,857	-	Subsidiary
Gains Investment Corporation	Eminent Venture Capital Corporation	Republic of China	General investment	225,000	225,000	22,500,000	50	155,532	69,153	-	Subsidiary
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	121,079	17,874	-	Subsidiary
Gains Investment Corporation	United Steel International Development Corporation	British Virgin Islands	Holding and investment	58,784	58,784	1,850,000	4	31,577	(173,415)	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Gains Investment Corporation	Mentor Consulting Corporation	Republic of China	Management consulting services	\$ 25,909	\$ 25,909	1,000,000	100	\$ 25,097	\$ 5,511	\$ -	Subsidiary
Gains Investment Corporation	Gainsplus Asset Management Inc.	British Virgin Islands	General investment	2,998	3,072	100,000	100	3,553	6,092	-	Subsidiary
Gains Investment Corporation	Fukuta Electric & Machinery Co., Ltd.	Republic of China	Motor manufacturing and selling	538,688	544,748	8,000,395	20	666,088	27,515	-	Associate
Gains Investment Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	200,000	200,000	20,000,000	22	174,017	(18,875)	-	Associate
Gains Investment Corporation	Honley Auto. Parts Co., Ltd.	Republic of China	Manufacture of automotive components	63,311	-	4,525,411	3	58,416	(341,000)	-	Associate
Thintech Materials Technology Co., Ltd.	Thintech Global Limited	Samoa	Holding and investment	205,435	205,435	6,800,000	100	28,227	2,287	-	Subsidiary
Thintech Materials Technology Co., Ltd.	Thintech United Limited	Samoa	Holding and investment	-	277,173	-	-	-	35,072	-	Subsidiary
Betacera Inc.	Lefkara Ltd.	British Virgin Islands	Trading of electronic ceramics and life saving products	408,418	418,430	13,623,000	100	1,465,518	181,394	-	Subsidiary
Betacera Inc.	Eminent III Venture Capital Corporation	Republic of China	General investment	25,000	25,000	2,500,000	3	21,752	(18,875)	-	Associate
Mentor Consulting Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	2,822	3,528	282,240	1	3,842	20,947	-	Associate
Eminence Investment Corporation	Shin Mau Investment Corporation	Republic of China	General investment	9,513	9,513	896,999	30	17,082	3,374	-	Subsidiary
Eminence Investment Corporation	Gau Rwei Investment Corporation	Republic of China	General investment	8,805	8,805	747,499	25	16,443	3,232	-	Subsidiary
Eminence Investment Corporation	Ding Da Investment Corporation	Republic of China	General investment	8,970	8,970	897,000	30	16,158	4,194	-	Subsidiary
Eminence Investment Corporation	Chiun Yu Investment Corporation	Republic of China	General investment	7,475	7,475	747,500	25	14,519	(278)	-	Subsidiary
Eminence Investment Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	6,262	6,262	600,000	30	11,812	1,592	-	Subsidiary
Eminence Investment Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	5,317	5,317	500,000	21	9,967	3,141	-	Subsidiary
Eminence Investment Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	5,222	5,222	501,000	25	9,899	1,605	-	Subsidiary
Eminence Investment Corporation	Jing-Cheng-Fa Investment Corporation	Republic of China	General investment	4,762	4,762	476,000	21	8,868	1,696	-	Subsidiary
Eminence Investment Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	4,173	4,173	400,000	20	7,853	1,595	-	Subsidiary
Eminence Investment Corporation	Fukuta Electric & Machinery Co., Ltd.	Republic of China	Motor manufacturing and selling	5,940	27,900	44,000	-	5,849	27,515	-	Associate
Shin Mau Investment Corporation	CHC Resources Corporation	Republic of China	Manufacture and sale of GBFS powder and slag cement, air-cooled BFS and BOFS, surveys and remediation of soil and groundwater, intermediate solidification, reutilization of resources	5,454	5,454	512,685	-	10,876	816,432	-	Subsidiary
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	-	7,664	157,617	-	Subsidiary
Shin Mau Investment Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	1,000	1,000	100,000	5	1,963	1,595	-	Subsidiary
Shin Mau Investment Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	990	990	99,000	5	1,956	1,605	-	Subsidiary
Ding Da Investment Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	17,404	17,404	474,220	-	14,698	1,292,839	-	Subsidiary
Ding Da Investment Corporation	Jing-Cheng-Fa Investment Corporation	Republic of China	General investment	990	990	99,000	4	1,842	1,696	-	Subsidiary
Ding Da Investment Corporation	Betacera Inc.	Republic of China	Manufacturing and trading of electronic ceramics	25	25	1,000	-	36	312,857	-	Subsidiary
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	-	18	17,874	-	Subsidiary
Jing-Cheng-Fa Investment Corporation	China Ecotek Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	7,874	7,874	302,052	-	7,125	126,858	-	Subsidiary
Gau Rwei Investment Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	17,584	17,584	474,220	-	14,698	1,292,839	-	Subsidiary
Gau Rwei Investment Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	1,000	1,000	100,000	4	1,995	3,141	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Gau Ruel Investment Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	\$ 1,000	\$ 1,000	100,000	5	\$ 1,969	\$ -	Subsidiary	
Sheng Lih Dar Investment Corporation	CHC Resources Corporation	Republic of China	Manufacture and sale of GBFS powder and slag cement, air-cooled BFS and BOFS, surveys and remediation of soil and groundwater, intermediate solidification, reutilization of resources	5,678	5,678	512,535	-	10,876	816,432	Subsidiary	
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	-	6,531	126,858	Subsidiary	
Chiun Yu Investment Corporation	China Steel Structure Co., Ltd.	Republic of China	Manufacture and sale of products of steel structure	3,559	4,204	275,896	-	5,961	157,617	Subsidiary	
China Steel Global Trading Corporation	CSGT International Corporation	Samoa	Holding and investment	631,983	631,983	20,740,000	100	946,899	99,179	Subsidiary	
China Steel Global Trading Corporation	Chung Mao Trading (Samoa) Corporation	Samoa	Holding and investment	212,822	212,822	11,800,000	100	596,048	35,526	Subsidiary	
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	365,490	44,843	Subsidiary	
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	71,330	25,294	Subsidiary	
China Steel Global Trading Corporation	United Steel International Development Corporation	British Virgin Islands	Holding and investment	69,232	69,232	2,220,000	5	37,848	(173,415)	Subsidiary	
China Steel Global Trading Corporation	Chung Mao Trading (BVI) Corporation	British Virgin Islands	Holding and investment	18,741	32,591	326,300	65	23,605	(339)	Subsidiary	
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	165	10	Subsidiary	
China Steel Global Trading Corporation	Honley Auto. Parts Co., Ltd.	Republic of China	Manufacture of automotive components	63,311	-	4,525,411	3	58,933	(341,000)	Associate	
China Steel Global Trading Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	5,645	7,056	564,480	2	7,673	20,947	Associate	
Wabo Global Trading Corporation	Chung Hsin Japan Co., Ltd.	Japan	Real estate lease	37,488	37,488	960	20	42,784	13,569	Subsidiary	
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	19,961	156	Subsidiary	
Chung Mao Trading (Samoa) Corporation	United Steel International Co., Ltd.	Samoa	Holding and investment	84,079	86,140	3,000,000	20	63,637	(2,453)	Subsidiary	
Chung Mao Trading (BVI) Corporation	CSGT Hong Kong Limited	Hong Kong	Buy and sell, and act as an agency for steel products	3,850	3,944	1,000,000	100	25,964	1,100	Subsidiary	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Vietnam	Cutting and processing of steel products	223,492	228,972	11,950,830	54	287,732	70,244	Subsidiary	
CSGT International Corporation	CSGT Trading India Private Limited	India	Buy and sell, and act as an agency for steel products	23,313	23,884	4,752,000	99	16,323	10	Subsidiary	
CSGT International Corporation	TSK Steel Company Limited	Thailand	Steel coil processing and distributing	86,585	88,708	408,000	34	225,750	113,419	Associate	
CSGT International Corporation	Mahindra Auto Steel Private Limited	India	Cutting and processing of steel products	82,685	84,712	16,782,500	25	97,141	29,014	Associate	
CSGT International Corporation	Hanwa Steel Centre (M) Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	56,556	57,942	5,600,000	14	-	(29,447)	Associate	
CSGT (Singapore) Pte. Ltd.	CSCD Limited	Cyprus	International trade and investment	113,674	114,695	1,876,795	49	302,090	16,596	Associate	
CSC Steel Australia Holdings Pty Ltd	CSC Sonoma Pty Ltd	Australia	Investments in mining industry	345,322	356,173	16,440,001	100	175,695	49,346	Subsidiary	
CSC Steel Australia Holdings Pty Ltd	9404-5515 Quebec Inc.	Canada	Investments in mining industry	5,545,820	5,720,076	270,122,727	25	8,113,736	2,327,339	Associate	
China Steel Asia Pacific Holdings Pte Ltd	CSC Steel Holdings Berhad	Malaysia	General investment	1,086,368	1,113,002	171,000,000	46	2,669,700	227,888	Subsidiary	
China Steel Asia Pacific Holdings Pte Ltd	SINO Vietnam HI-TECH Material Co., Ltd.	Vietnam	Color coated steel coil	59,960	61,430	-	20	47,129	35,187	Associate	
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	3,071,965	2,117,904	359,000,000	100	5,656,150	222,261	Subsidiary	
CSC Steel Holdings Berhad	CSGT Metals Vietnam Joint Stock Company	Vietnam	Cutting and processing of steel products	19,482	19,700	1,328,940	6	31,996	70,259	Subsidiary	
CSC Steel Holdings Berhad	Group Steel Corporation (M) Sdn. Bhd.	Malaysia	General investment	522,784	528,657	1,000,000	100	18,824	5,050	Subsidiary	
CSC Steel Holdings Berhad	Hanwa Steel Centre (M) Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	57,836	58,486	8,000,000	20	-	(29,450)	Associate	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	Malaysia	General investment	5,275	5,334	750,000	100	6,622	207	Subsidiary	

(Concluded)

TABLE 10

CHINA STEEL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
				Outward	Inward								
Betacera (Su Zhou) Co., Ltd.	Manufacturing and trading of electronic ceramics	\$ 131,912	2	\$ -	\$ -	\$ 131,912	\$ 131,912	\$ 55,310	100	\$ 55,310	\$ 435,257	\$ -	Note 3 (1)
CSGT (Shanghai) Co., Ltd.	Buy and sell, and act as an agency for steel products	17,988	2	-	-	17,988	17,988	9,280	100	9,280	37,920	39,892	Note 3 (1)
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Manufacture and sale of products of steel structure	359,760	2	-	-	359,760	359,760	(75,880)	100	(75,880)	276,379	-	Note 3 (1)
Changzhou China Steel Precision Materials Co., Ltd.	Production and sale of titanium and titanium alloys, nickel and nickel alloys	1,307,128	2	-	-	914,990	914,990	122,373	70	85,661	873,109	-	Note 3 (1)
China Steel Precision Metals Qingdao Co., Ltd.	Cutting and processing of steel products	599,600	2	-	-	419,720	419,720	37,871	70	26,509	433,246	-	Note 3 (1)
Changzhou China Steel New Materials Technology Co., Ltd.	Mesophase sales and trading	171,985	2	-	-	195,050	195,050	(8,406)	100	(8,406)	162,342	-	Note 3 (1)
HC&C Auto Parts Co., Ltd.	Manufacture of automotive components	1,199,200	2	14,990	-	104,930	119,920	(22,031)	10	(2,203)	112,094	-	Note 3 (1)
Wuhan WISCO YUTEK Environment Technology Co, Ltd.	Environmental protection mechanical and electrical engineering and generation of operations	-	2	-	-	344,406	344,406	-	-	-	-	-	Note 4
Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd.	Consulting services of construction technology	119,920	2	-	-	13,491	13,491	32,805	30	9,947	70,169	-	Note 3 (1), Note 6
Ningbo Huayang Aluminium-Tech Co., Ltd.	Production of aluminum products	1,469,020	2	-	-	1,162,325	1,162,325	(173,600)	79	(137,352)	652,852	15,796	Note 3 (1)
Suzhou Betacera Technology Co., Ltd.	Manufacturing and trading of aeronautical or marine life saving products	449,700	2	-	-	449,700	449,700	11,051	100	11,051	548,229	-	Note 3 (1)
Shanghai Xike Ceramic Electronic Co., Ltd.	Manufacturing and trading of electronic ceramics	35,976	2	-	-	35,796	35,796	11,658	100	11,600	114,004	-	Note 3 (1)
Taichang Thintech Materials Co., Ltd.	Sputtering target manufacturing and sales	203,864	2	-	-	203,864	203,864	2,287	100	2,287	28,227	-	Note 3 (1)
Thintech United Metal Resources (Taicang) Co., Ltd.	Precious metal refining and sales	-	2	34,320	-	279,072	-	(4,041)	-	(4,041)	-	-	Note 3 (1), Note 7
China Steel Precision Metals Kunshan Co., Ltd.	Cutting and processing of steel products	449,700	2	-	-	481,479	481,479	(2,453)	100	(2,453)	318,160	-	Note 3 (1)
Wuhan InfoChamp I.T. Co., Ltd.	Enterprise information system integration services	5,996	2	-	-	5,996	5,996	617	100	617	13,256	55,453	Note 3 (1)
Xiamen Ecotek PRC Company Limited	Sales agency for import and export of equipment and materials	179,880	2	-	-	179,880	179,880	3,293	100	3,293	171,234	-	Note 3 (1)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (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	\$ 1,779,853	\$ 1,779,853	\$ -
China Steel Chemical Corporation	268,501	268,501	4,195,347
China Steel Structure Co., Ltd.	359,760	359,760	2,573,368
China Ecotek Corporation	546,771	663,041	1,779,108
C.S.Aluminium Corporation	948,867	948,867	4,762,398
Gains Investment Corporation	55,463	55,463	4,016,795
Thintech Materials Technology Co., Ltd.	203,864	203,864	711,730
Betacera Inc.	617,408	617,408	936,363

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (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 Global Trading Corporation	\$ 240,800	\$ 240,800	\$ 1,257,582
Infochamp Systems Corporation	5,996	5,996	465,185
CHC Resources Corporation	8,994	8,994	3,101,710

Note 1: The amounts were calculated based on the foreign exchange rate as of December 31, 2019.

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: The process of disposal and equity transfer were completed in June 2018. As of December 31, 2019, NT\$20,695 thousand has not been collected yet.

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: Capital increase of USD750 thousand was derived from retained earnings in the third quarter of 2013.

Note 7: The process of disposal and equity transfer were completed in March 2019. As of December 31, 2019, the related receivables amounting to NT\$34,320 thousand (USD 1,116 thousand) had been collected.

(Concluded)

TABLE 11

CHINA STEEL CORPORATION AND SUBSIDIARIES

**CHANGES OF DEFERRED TAX ASSETS AND LIABILITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

For the Year Ended December 31, 2019

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Others	Balance, End of Year
Deferred tax assets							
Temporary differences	\$ 1,777,949	\$ (35,574)	\$ 57,539	\$ -	\$ -	\$ 26	\$ 1,799,940
Defined benefit plan and estimated preferential severance pay	1,190,079	588,912	-	-	(424)	-	1,778,567
Unrealized loss on inventories	870,540	(562,712)	-	-	-	-	307,828
Provisions	2,428	(949)	-	-	-	-	1,479
Impairment loss on financial assets	960,841	52,714	-	-	-	-	1,013,555
Unrealized loss on construction	151,642	4,921	-	-	(314)	-	156,249
Difference between tax reporting and financial reporting - revenue recognition	224,598	(22,999)	-	-	-	-	201,599
Unrealized gain on the transactions with subsidiaries and associates	74,483	(10,211)	-	-	-	-	64,272
Unrealized settlement loss on foreign exchange forward for hedging	735,041	91,424	-	-	-	-	826,465
Foreign investment loss	1,949,133	310,519	41,786	-	33,179	(521)	2,334,096
Others	7,936,734	416,045	99,325	-	32,441	(495)	8,484,050
	395,928	18,700	-	-	(1,319)	-	413,309
Loss carryforwards	\$ 8,332,662	\$ 434,745	\$ 99,325	\$ -	\$ 31,122	\$ (495)	\$ 8,897,359
Deferred tax liabilities							
Temporary differences	\$ 10,314,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,314,586
Land value increment tax	713,229	(13,177)	-	-	(1,963)	(493)	697,596
Difference between tax reporting and financial reporting - depreciation methods	1,312,387	(97,590)	-	-	-	-	1,214,797
Foreign investment income	23,752	-	1,710,534	-	(37,584)	-	1,696,702
Unrealized gains and losses on financial assets	344,165	16,086	(142,639)	(23)	(62,534)	(5)	155,050
Others	\$ 12,708,119	\$ (94,681)	\$ 1,567,895	\$ (23)	\$ (102,081)	\$ (498)	\$ 14,078,731

(Continued)

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
Deferred tax assets										
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)	-	-	-	-	-	-
	\$ 6,192,780	\$ (217,793)	\$ 942,190	\$ 1,245,072	\$ 167,967	\$ -	\$ (423)	\$ 2,869	\$ -	\$ 8,332,662
Deferred tax liabilities										
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
	\$ 12,205,775	\$ 2,549	\$ 298,306	\$ (37,243)	\$ 60,743	\$ (116)	\$ 74,463	\$ 112,249	\$ (8,607)	\$ 12,708,119
										(Concluded)

China Steel Corporation

**Standalone Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

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, 2019 and 2018, 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, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2019 and 2018, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2019. 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, 2019 are stated as follows:

Inventory Valuation

As of December 31, 2019, inventories of the Corporation amounted to NT\$55,940,988 thousand, representing 12% 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 11 to the Corporation's standalone 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, 2019, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$23,324,222 thousand, representing 5% 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 transaction, 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 transaction, market multiplier, discount for lack of marketability and control premium.

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, 2019 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 Jui-Hsuan Hsu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,659,190	1	\$ 7,619,772	2
Financial assets at fair value through profit or loss-current (Notes 4 and 7)	826,071	-	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	-	-	112,155	-
Financial assets for hedging - current (Notes 9 and 28)	686,940	-	811,156	-
Contract assets - current (Notes 4 and 23)	37,687	-	204,993	-
Notes receivable (Notes 4 and 10)	424,724	-	686,507	-
Notes receivable - related parties (Notes 4, 10 and 29)	187,424	-	428,768	-
Accounts receivable, net (Notes 4 and 10)	2,017,984	1	2,872,455	1
Accounts receivable - related parties (Notes 4, 10 and 29)	1,010,906	-	1,893,989	1
Other receivables	1,032,050	-	1,356,235	-
Other receivables - loans to related parties (Note 29)	9,270,000	2	10,794,160	2
Inventories (Notes 4, 5 and 11)	55,940,988	12	50,931,887	11
Noncurrent assets held for sale (Notes 4 and 16)	-	-	594,606	-
Other financial assets - current (Notes 13 and 30)	5,950,006	2	6,070,843	1
Other current assets	755,316	-	934,428	-
Total current assets	<u>82,799,286</u>	<u>18</u>	<u>85,311,954</u>	<u>18</u>
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	825,824	-	1,651,808	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	40,960,721	9	46,868,501	10
Financial assets for hedging - noncurrent (Notes 9 and 28)	145	-	767	-
Investments accounted for using equity method (Notes 4 and 12)	181,884,058	39	180,223,533	38
Property, plant and equipment (Notes 4, 14 and 29)	146,141,153	31	155,897,997	32
Right-of-use assets (Notes 4 and 15)	1,409,621	-	-	-
Investment properties (Notes 4 and 16)	7,441,922	2	6,532,164	1
Intangible assets	24,890	-	34,847	-
Deferred tax assets (Notes 4 and 25)	4,485,947	1	4,500,087	1
Refundable deposits	105,619	-	60,519	-
Other financial assets - noncurrent (Note 13)	2	-	-	-
Total noncurrent assets	<u>383,279,902</u>	<u>82</u>	<u>395,770,223</u>	<u>82</u>
TOTAL	<u>\$ 466,079,188</u>	<u>100</u>	<u>\$ 481,082,177</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 17, 29 and 30)	\$ 20,143,975	4	\$ 17,328,763	4
Short-term bills payable (Note 17)	13,990,638	3	-	-
Financial liabilities for hedging - current (Notes 9 and 28)	20,396	-	4,192,300	1
Contract liabilities - current (Notes 4 and 23)	1,101,096	-	1,788,593	-
Accounts payable	4,966,533	1	7,205,398	1
Accounts payable - related parties (Note 29)	1,446,124	-	2,277,200	-
Other payables (Notes 19 and 29)	13,963,546	3	18,238,258	4
Current tax liabilities (Note 25)	462,797	-	2,857,677	1
Provisions - current (Notes 4 and 20)	2,511,033	1	4,933,753	1
Lease liabilities - current (Notes 4 and 15)	328,823	-	-	-
Current portion of bonds payable (Note 18)	6,599,642	2	5,649,340	1
Refund liabilities - current	2,054,213	1	3,040,059	1
Other current liabilities	826,293	-	500,564	-
Total current liabilities	<u>68,415,109</u>	<u>15</u>	<u>68,011,905</u>	<u>14</u>
NONCURRENT LIABILITIES				
Financial liabilities for hedging - noncurrent (Notes 9 and 28)	4,635,224	1	4,350,730	1
Bonds payable (Note 18)	65,713,769	14	72,304,214	15
Long-term bank borrowings (Note 17)	4,000,000	1	-	-
Long-term bills payable (Note 17)	1,998,687	-	5,897,729	1
Deferred tax liabilities (Notes 4 and 25)	10,673,748	2	10,722,181	2
Lease liabilities - noncurrent (Notes 4 and 15)	1,084,022	-	-	-
Net defined benefit liabilities (Notes 4 and 21)	7,000,096	2	6,887,381	2
Total noncurrent liabilities	<u>95,105,546</u>	<u>20</u>	<u>100,162,235</u>	<u>21</u>
Total liabilities	<u>163,520,655</u>	<u>35</u>	<u>168,174,140</u>	<u>35</u>
EQUITY (Notes 4 and 22)				
Share capital				
Ordinary shares	157,348,610	34	157,348,610	33
Preference shares	382,680	-	382,680	-
Total share capital	<u>157,731,290</u>	<u>34</u>	<u>157,731,290</u>	<u>33</u>
Capital surplus	38,877,269	8	38,545,884	8
Retained earnings				
Legal reserve	65,674,189	14	63,228,774	13
Special reserve	27,803,906	6	27,649,488	6
Unappropriated earnings	21,998,036	5	31,804,134	6
Total retained earnings	<u>115,476,131</u>	<u>25</u>	<u>122,682,396</u>	<u>25</u>
Other equity	(861,959)	-	2,595,167	1
Treasury shares	(8,664,198)	(2)	(8,646,700)	(2)
Total equity	<u>302,558,533</u>	<u>65</u>	<u>312,908,037</u>	<u>65</u>
TOTAL	<u>\$ 466,079,188</u>	<u>100</u>	<u>\$ 481,082,177</u>	<u>100</u>

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

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 23 and 29)	\$ 207,297,533	100	\$ 235,403,151	100
OPERATING COSTS (Notes 11 and 29)	<u>194,591,389</u>	<u>94</u>	<u>210,430,943</u>	<u>89</u>
GROSS PROFIT	12,706,144	6	24,972,208	11
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>138,254</u>	<u>-</u>	<u>(63,751)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>12,844,398</u>	<u>6</u>	<u>24,908,457</u>	<u>11</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,904,573	1	3,093,162	1
General and administrative expenses	3,451,922	2	3,715,086	2
Research and development expenses	<u>1,901,002</u>	<u>1</u>	<u>1,783,578</u>	<u>1</u>
Total operating expenses	<u>8,257,497</u>	<u>4</u>	<u>8,591,826</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>4,586,901</u>	<u>2</u>	<u>16,316,631</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 29)	1,981,301	1	1,587,435	1
Other gains and losses (Notes 24 and 29)	(11,675)	-	(61,193)	-
Finance costs (Notes 24 and 29)	(1,336,991)	-	(1,652,214)	(1)
Share of profit of subsidiaries and associates	<u>4,815,572</u>	<u>2</u>	<u>10,206,731</u>	<u>5</u>
Total non-operating income and expenses	<u>5,448,207</u>	<u>3</u>	<u>10,080,759</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	10,035,108	5	26,397,390	12
INCOME TAX EXPENSE (Notes 4 and 25)	<u>1,225,553</u>	<u>1</u>	<u>1,943,238</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>8,809,555</u>	<u>4</u>	<u>24,454,152</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(172,267)	-	(757,319)	-

(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			
	2019		2018	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ (5,888,537)	(3)	\$ (1,154,367)	(1)
Gains and losses on hedging instruments	(70,861)	-	(117,906)	-
Share of the other comprehensive income of subsidiaries and associates	3,319,480	2	432,420	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	50,304	-	158,592	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(733,134)	(1)	92,177	-
Gains and losses on hedging instruments	(3,417)	-	(207,788)	-
Share of the other comprehensive income of subsidiaries and associates	<u>(186,078)</u>	<u>-</u>	<u>104,052</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,684,510)</u>	<u>(2)</u>	<u>(1,450,139)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,125,045</u>	<u>2</u>	<u>\$ 23,004,013</u>	<u>10</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.57</u>		<u>\$ 1.58</u>	
Diluted	<u>\$ 0.57</u>		<u>\$ 1.57</u>	

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

(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				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		Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Gains and Losses on Hedging Instruments	Treasury Shares
BALANCE AT JANUARY 1, 2018	\$ 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)	\$ -	\$ (8,532,389)	\$ 304,010,063
Effect of retrospective application	-	-	-	-	-	3,842,218	(4,005,260)	(9,614,863)	5,251,741	131,335	3,972,776	-	(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	(8,532,389)	303,588,010
Appropriation of 2017 earnings (Note 22)	-	-	-	-	-	(1,690,558)	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,690,558	-	5,992	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	(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	-	(1,450,139)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	23,627,593	196,229	-	(950,911)	-	131,102	-	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	-	-	-	-
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	(8,646,700)	312,908,037
Appropriation of 2018 earnings (Note 22)	-	-	-	-	-	(2,445,415)	-	-	-	-	-	-	-
Legal reserve	-	-	-	2,445,415	-	154,480	-	-	-	-	-	-	-
Special reserve	-	-	-	(154,480)	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	-	(15,734,861)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(62)	62	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	8,809,555	-	-	-	-	-	-	8,809,555
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(242,632)	(919,212)	-	(2,271,323)	-	(251,343)	-	(3,684,510)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	8,566,923	(919,212)	-	(2,271,323)	-	(251,343)	-	5,125,045
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(17,498)	(17,498)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	320,031	-	-	-	-	-	-	-	-	-	320,031
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	15,248	-	-	(15,248)	-	-	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	11,354	-	-	-	-	-	-	-	-	-	11,354
BALANCE AT DECEMBER 31, 2019	157,348,610	382,680	38,877,269	65,674,189	27,803,906	21,998,036	(6,838,836)	-	2,124,342	-	3,852,555	(8,664,198)	302,558,533

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

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 10,035,108	\$ 26,397,390
Adjustments for:		
Depreciation expense	17,429,485	17,609,689
Amortization expense	9,957	9,963
Net gain on financial assets at fair value through profit or loss	(14,534)	(3,802)
Finance costs	1,336,991	1,652,214
Interest income	(194,172)	(197,865)
Dividend income	(536,241)	(363,401)
Share of profit of subsidiaries and associates	(4,815,572)	(10,206,731)
Loss on disposal of property, plant and equipment	7,148	51,676
Write-down of inventories	1,623,585	42,812
Unrealized (realized) gain on the transactions with subsidiaries and associates	(138,254)	63,751
Recognition (reversal) of provisions	(2,422,720)	1,783,317
Others	(168,035)	(154,575)
Changes in operating assets and liabilities		
Financial assets for hedging	63,422	118,500
Contract assets	189,967	(137,438)
Notes receivable	261,783	(4,606)
Notes receivable - related parties	241,344	(205,695)
Accounts receivable	854,471	(625,824)
Accounts receivable - related parties	883,083	632,138
Other receivables	318,714	(543,113)
Inventories	(6,646,390)	(2,790,464)
Other current assets	179,112	955,387
Contract liabilities	(627,061)	(814,399)
Accounts payable	(2,238,865)	3,059,942
Accounts payable - related parties	(831,076)	463,342
Other payables	(3,831,023)	3,277,721
Other current liabilities	325,729	46,449
Net defined benefit liabilities	(59,552)	81,088
Refund liabilities	(985,846)	1,215,587
Cash generated from operations	10,250,558	41,413,053
Income taxes paid	(3,604,422)	(2,369,887)
Net cash generated from operating activities	<u>6,646,136</u>	<u>39,043,166</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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	131,399	16

(Continued)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2019	2018
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	\$ -	\$ 107,527
Acquisition of financial liabilities for hedging	349,389	3,642,472
Derecognition of financial liabilities for hedging	(4,239,103)	(18,406,432)
Acquisition of subsidiaries	-	(26,000)
Proceeds from the capital reduction on investments accounted for using equity method	-	550,000
Proceeds from disposal of noncurrent assets held for sale	561,918	-
Acquisition of property, plant and equipment	(8,531,907)	(10,914,218)
Decrease (increase) in refundable deposits	(45,100)	39,573
Decrease (increase) in other receivables - loans to related parties	1,524,160	(3,437,210)
Decrease in other financial assets	120,835	198,391
Interest received	199,643	190,042
Dividends received from subsidiaries and associates	8,947,369	5,859,772
Dividends received from others	536,241	363,401
Proceeds from liquidation of subsidiaries	<u>18,665</u>	<u>-</u>
Net cash used in investing activities	<u>(426,491)</u>	<u>(21,847,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	68,199,596	21,006,626
Repayments of short-term borrowings	(65,017,674)	(17,508,172)
Proceeds from short-term bills payable	28,490,638	80,103,247
Repayments of short-term bills payable	(14,500,000)	(86,400,000)
Issuance of bonds payable	-	18,000,000
Repayments of bonds payable	(5,650,000)	(7,700,000)
Issuance of long-term bank borrowings	8,000,000	-
Repayments of long-term bank borrowings	(4,000,000)	(7,598,710)
Proceeds from long-term bills payable	1,998,687	-
Repayments of long-term bills payable	(5,897,729)	-
Repayments of principal of lease liabilities	(337,794)	-
Dividends paid	(15,779,153)	(13,892,306)
Acquisition of subsidiaries	(2,899,200)	(800,000)
Interest paid	(1,529,216)	(1,797,782)
Proceeds from the capital reduction on subsidiaries	<u>108,328</u>	<u>979,916</u>
Net cash used in financing activities	<u>(8,813,517)</u>	<u>(15,607,181)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,593,872)	1,588,319
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,417,541</u>	<u>829,222</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ (176,331)</u>	<u>\$ 2,417,541</u>

(Continued)

CHINA STEEL CORPORATION

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</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, 2019 and 2018:		
Cash and cash equivalents in the standalone balance sheets	\$ 4,659,190	\$ 7,619,772
Bank overdraft	<u>(4,835,521)</u>	<u>(5,202,231)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ (176,331)</u>	<u>\$ 2,417,541</u>

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

(Concluded)

CHINA STEEL CORPORATION

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2019, 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 23, 2020.

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:

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. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Corporation elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Corporation as lessee

The Corporation recognizes 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 asset and short-term leases are recognized as

expenses on a straight-line basis. On the standalone statements of comprehensive income, the Corporation presents 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 are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contract were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the standalone statements of cash flows. Leased assets and finance lease payables were recognized on the standalone balance sheets for contracts classified as finance leases.

The Corporation elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Corporation applies IAS 36 to all right-of-use assets.

The Corporation also applies the following practical expedients:

- 1) The Corporation applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Corporation accounts for those leases which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Corporation excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Corporation uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.24%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,702,636
Less: Recognition exemption for short-term leases or leases of low-value assets	<u>(3,742)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 1,698,894</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019 and lease liabilities recognized on January 1, 2019	<u>\$ 1,603,338</u>

The Corporation as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right - of - use assets	\$ <u> -</u>	\$ <u>1,603,338</u>	\$ <u>1,603,338</u>
Total effect on assets	\$ <u> -</u>	\$ <u>1,603,338</u>	\$ <u>1,603,338</u>
Lease liabilities - current	\$ <u> -</u>	\$ <u>306,672</u>	\$ <u>306,672</u>
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>

- b. The IFRSs endorsed by FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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.

Note 2: The Corporation shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: 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 reported to the board of directors for issue, the Corporation is in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on its financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the standalone financial statements were reported to the board of directors for issue, the Corporation is in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on its financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been 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 currencies) 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

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 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 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.

b) Impairment of financial assets and contract assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade 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 Corporation 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.

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.

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, 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

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.

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.

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.

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 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

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.

p. Leases

2019

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

1) The Corporation as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Corporation as lessee

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

Right-of-use assets, which comprises the initial measurement of lease liabilities, are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. Lease liabilities are presented on a separate line in the standalone balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

1) The Corporation as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Corporation as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

3) Leasehold land and building for own use

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

q. 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.

r. 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.

s. 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.

Key sources of estimation uncertainty

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 28, 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>	
	2019	2018
Cash on hand	\$ 18,804	\$ 18,824
Checking accounts and demand deposits	4,640,386	2,600,948
Cash equivalents (investments with original maturities less than three months)		
Time deposits	<u> -</u>	<u> 5,000,000</u>
	<u>\$ 4,659,190</u>	<u>\$ 7,619,772</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Foreign unlisted preference shares	<u>\$ 826,071</u>	<u>\$ -</u>
<u>Noncurrent</u>		
Foreign unlisted preference shares	<u>\$ 825,824</u>	<u>\$ 1,651,808</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - EQUITY INSTRUMENTS

	December 31	
	2019	2018
<u>Current</u>		
Domestic investments		
Listed shares	\$ <u>-</u>	\$ <u>112,155</u>
<u>Noncurrent</u>		
Domestic investments		
Listed shares	\$ 12,098,209	\$ 10,356,678
Unlisted shares	<u>969,454</u>	<u>845,486</u>
	<u>13,067,663</u>	<u>11,202,164</u>
Foreign investments		
Listed shares	1,925,597	2,171,073
Unlisted shares	<u>25,967,461</u>	<u>33,495,264</u>
	<u>27,893,058</u>	<u>35,666,337</u>
	<u>\$ 40,960,721</u>	<u>\$ 46,868,501</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's strategy of holding these investments for long-term purposes.

9. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2019	2018
<u>Financial assets for hedging - current</u>		
Foreign exchange forward contracts	\$ 454	\$ 7,162
Hedging foreign-currency deposits	<u>686,486</u>	<u>803,994</u>
	<u>\$ 686,940</u>	<u>\$ 811,156</u>
<u>Financial assets for hedging - noncurrent</u>		
Foreign exchange forward contracts	<u>\$ 145</u>	<u>\$ 767</u>
<u>Financial liabilities for hedging - current</u>		
Foreign exchange forward contracts	\$ 20,396	\$ 15,191
Bank loans (Note 17)	<u>-</u>	<u>4,177,109</u>
	<u>\$ 20,396</u>	<u>\$ 4,192,300</u>

(Continued)

	December 31	
	2019	2018
<u>Financial liabilities for hedging - noncurrent</u>		
Foreign exchange forward contracts	\$ 14,799	\$ 2,168
Bank loans (Note 17)	<u>4,620,425</u>	<u>4,348,562</u>
	<u>\$ 4,635,224</u>	<u>\$ 4,350,730</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, 2019 and 2018, the balance of the foreign-currency deposits, which were designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT\$686,486 thousand (USD5,658 thousand, EUR15,196 thousand and JPY23,300 thousand) and NT\$803,994 thousand (USD5,935 thousand, EUR17,287 thousand and JPY47,432 thousand), respectively. As of December 31, 2019 and 2018, cash outflows would be expected from aforementioned contracts for the period through 2020 and through 2019, respectively.

Refer to Note 28 for information relating to financial instruments for hedging.

10. NOTES AND ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	December 31	
	2019	2018
Notes receivable		
Operating	\$ 612,148	\$ 1,115,275
Non-operating	<u>-</u>	<u>-</u>
	612,148	1,115,275
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 612,148</u>	<u>\$ 1,115,275</u>
Accounts receivable	\$ 3,028,890	\$ 4,766,444
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 3,028,890</u>	<u>\$ 4,766,444</u>

The Corporation makes prudent assessment of 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, 2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Total
Gross carrying amount	\$ 3,624,721	\$ 16,317	\$ -	\$ -	\$ 3,641,038
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 3,624,721</u>	<u>\$ 16,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,641,038</u>

December 31, 2018

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Total
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>

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
<u>For the Year Ended December 31, 2019</u>						
Mega Bank	\$ 4,309,472	\$ 9,947,303	\$ 10,788,608	\$ 3,468,167	1.05-1.75	NT\$9 billion
Bank of Taiwan	1,582,029	4,376,609	4,484,322	1,474,316	1.05-1.75	NT\$3 billion
Bank of Taiwan	491,723	5,374,940	5,150,290	716,373	0.60-3.86	USD130,000 thousand
Taishin Bank	3,341,792	8,480,143	9,637,765	2,184,170	2.82-3.39	USD150,000 thousand
CTBC Bank	1,046,091	2,180,840	2,618,644	608,287	2.84-3.47	USD40,000 thousand
Mizuho Bank	13,372	472,671	454,663	31,380	2.61-3.34	USD10,000 thousand
	<u>\$ 10,784,479</u>	<u>\$ 30,832,506</u>	<u>\$ 33,134,292</u>	<u>\$ 8,482,693</u>		
<u>For the Year Ended December 31, 2018</u>						
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>		

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	\$ 10,689,410	\$ 11,501,847
Work in progress	21,096,102	17,171,433
Raw materials	12,047,408	8,481,807
Supplies	4,488,674	3,995,010
Raw materials and supplies in transit	7,253,127	9,668,574
Others	<u>366,267</u>	<u>113,216</u>
	<u>\$ 55,940,988</u>	<u>\$ 50,931,887</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was NT\$190,047,383 thousand and NT\$203,825,079 thousand, respectively, including loss on inventory NT\$1,623,585 thousand and NT\$42,812 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	\$ 178,767,607	\$ 177,001,964
Investments in associates	<u>3,116,451</u>	<u>3,221,569</u>
	<u>\$ 181,884,058</u>	<u>\$ 180,223,533</u>

a. Investments in subsidiaries

	December 31			
	2019		2018	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Listed companies				
Chung Hung Steel Corporation (CHS)	\$ 6,064,076	41	\$ 6,083,601	41
China Steel Chemical Corporation (CSCC)	2,104,642	29	2,094,831	29
China Steel Structure Co., Ltd. (CSSC)	1,274,475	33	1,270,135	33
China Ecotek Corporation (CEC)	1,232,328	45	1,161,560	45
CHC Resources Corporation (CHC)	<u>951,904</u>	20	<u>896,440</u>	20
	11,627,425		11,506,567	
Less: Shares held by subsidiaries accounted for as treasury shares	<u>2,081,642</u>		<u>2,076,756</u>	
	<u>9,545,783</u>		<u>9,429,811</u>	
Unlisted companies				
Dragon Steel Corporation (DSC)	98,857,201	100	105,260,525	100
CSC Steel Australia Holdings Pty Ltd. (CSCAU)	19,743,722	100	16,010,187	100
China Steel Express Corporation (CSE)	11,869,947	100	11,840,131	100
C. S. Aluminium Corporation (CSAC)	7,855,607	100	8,151,379	100
Gains Investment Corporation (GIC)	7,112,136	100	7,016,034	100
China Prosperity Development Corporation (CPDC)	6,806,029	100	3,706,884	100

(Continued)

	December 31			
	2019		2018	
	Amount	% of Owner - ship	Amount	% of Owner - ship
China Steel and Nippon Steel Vietnam Joint Stock Company (CSVN)	\$ 6,353,422	56	\$ 7,034,874	56
China Steel Asia Pacific Holdings Pte Ltd(CSAP)	4,293,509	100	4,142,730	100
Sing Da Marine Structure Corporation (SDMS)	3,169,040	100	754,140	100
China Steel Global Trading Corporation (CSGT)	2,050,305	100	2,189,379	100
Kaohsiung Rapid Transit Corporation (KRTC)	1,338,049	43	1,334,447	43
China Steel Machinery Corporation (CSMC)	1,084,456	74	1,070,002	74
China Steel Corporation India Pvt. Ltd. (CSCI)	1,063,968	100	1,688,762	100
CSC Solar Corporation (CSCSOLAR)	1,019,672	55	692,176	55
China Steel Resources Corporation (CSRC)	995,460	100	994,965	100
Infochamp Systems Corporation (Info Champ)	699,802	100	742,119	100
China Steel Security Corporation (CSS)	526,997	100	530,435	100
HIMAG Magnetic Corporation (HIMAG)	388,716	69	386,104	69
CSC Precision Metal Industrial Corporation (CPMI)	299,268	100	289,338	100
United Steel International Co., Ltd. (USICL)	254,547	80	266,381	80
China Steel Management Consulting Corporation (CMCC)	17,808	100	16,957	100
China Steel Power Holding Corporation (CPHC)	4,719	100	4,928	100
White Biotech Corporation (WBT)	-	-	19,220	87
China Steel Power Corporation (ZN)	-	0.002	-	-
	<u>175,804,380</u>		<u>174,142,097</u>	
Less: Shares held by subsidiaries accounted for as treasury shares	<u>6,582,556</u>		<u>6,569,944</u>	
	<u>169,221,824</u>		<u>167,572,153</u>	
	<u>\$ 178,767,607</u>		<u>\$ 177,001,964</u>	

(Concluded)

Due to structural adjustment resolved by CSAP's board of directors, CSAP 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 CSAP 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 August 2019, the subsidiary CSAP reduced its capital by NT\$108,328 thousand; 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:

	December 31	
	2019	2018
CSCC	<u>\$ 8,426,430</u>	<u>\$ 9,423,844</u>
CHS	<u>\$ 6,205,469</u>	<u>\$ 6,234,603</u>
CHC	<u>\$ 2,479,267</u>	<u>\$ 2,469,409</u>
CEC	<u>\$ 1,944,299</u>	<u>\$ 1,645,176</u>
CSSC	<u>\$ 1,668,845</u>	<u>\$ 1,751,955</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

	December 31			
	2019		2018	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Taiwan Rolling Stock Co., Ltd. (TRSC)	\$ 968,793	48	\$ 1,007,233	48
Kaohsiung Arena Development Corporation (KADC)	519,599	18	510,552	18
Honley Auto. Parts Co., Ltd. (HONLEY)	461,258	35	569,839	38
Eminent II Venture Capital Corporation (EVC II)	441,446	46	394,784	46
Hsin Hsin Cement Enterprise Corporation. (HHCEC)	359,196	31	370,263	31
Dyna Rechi Co., Ltd. (DRC)	287,626	23	296,830	25
Overseas Investment & Development Corporation. (OIDC)	53,945	6	58,761	6
TaiAn Technologies Corporation (TAIAN)	<u>24,588</u>	17	<u>13,307</u>	17
	<u>\$ 3,116,451</u>		<u>\$ 3,221,569</u>	

The Corporation's total equity in KADC is 29%, including 18% directly owned and 11% indirectly owned through United Steel Engineering & Construction Corporation and CPDC. The Corporation's total equity in TAIAN is 22%, including 17% directly owned and 5% indirectly owned through CSCC. The Corporation's total equity in OIDC is 21%, including 6% directly owned and 15% indirectly owned through the subsidiaries CSMC and Union Steel Development Corporation.

The above associates are not individually material. The related summarized information was as follows:

	For the Year Ended December 31	
	2019	2018
The Corporation's share of		
Net loss for the year	\$ (103,014)	\$ (225,309)
Other comprehensive income (loss)	<u>10,818</u>	<u>(15,677)</u>
Total comprehensive loss	<u>\$ (92,196)</u>	<u>\$ (240,986)</u>

Refer to Table 8 "Information on Investees" for the above investees' main business nature, principal places of business and countries of incorporation.

13. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Current		
Pledged time deposits (Note 30)	\$ 5,850,000	\$ 5,850,000
Time deposits with original maturities more than three months	100,000	100,000
Deposits for projects	<u>6</u>	<u>120,843</u>
	<u>\$ 5,950,006</u>	<u>\$ 6,070,843</u>

(Continued)

December 31
2019 **2018**

Noncurrent

Deposits for projects	\$ <u>2</u>	\$ <u>-</u> (Concluded)
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14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2019

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2019	\$ 52,264,108	\$ 4,712,604	\$ 66,926,178	\$ 368,722,658	\$ 2,162,522	\$ 7,884,746	\$ 6,432,588	\$ 9,900,042	\$ 519,005,446
Additions	-	44,232	361,425	4,511,729	81,570	274,824	1,219,706	1,755,065	8,248,551
Disposals	-	-	(4,299)	(1,643,756)	(41,109)	(311,087)	(675,281)	-	(2,675,532)
Reclassification	(929,990)	-	(4,000)	-	-	-	-	-	(933,990)
Balance at December 31, 2019	<u>\$ 51,334,118</u>	<u>\$ 4,756,836</u>	<u>\$ 67,279,304</u>	<u>\$ 371,590,631</u>	<u>\$ 2,202,983</u>	<u>\$ 7,848,483</u>	<u>\$ 6,977,013</u>	<u>\$ 11,655,107</u>	<u>\$ 523,644,475</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2019	\$ -	\$ 4,530,254	\$ 38,083,297	\$ 310,074,039	\$ 1,801,599	\$ 5,712,128	\$ 2,906,132	\$ -	\$ 363,107,449
Depreciation	-	29,903	2,129,469	13,384,115	113,014	655,860	753,457	-	17,065,818
Disposals	-	-	(1,955)	(1,640,400)	(41,000)	(309,748)	(675,281)	-	(2,668,384)
Reclassification	-	-	(1,561)	-	-	-	-	-	(1,561)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 4,560,157</u>	<u>\$ 40,209,250</u>	<u>\$ 321,817,754</u>	<u>\$ 1,873,613</u>	<u>\$ 6,058,240</u>	<u>\$ 2,984,308</u>	<u>\$ -</u>	<u>\$ 377,503,322</u>
Carrying amount at December 31, 2019	<u>\$ 51,334,118</u>	<u>\$ 196,679</u>	<u>\$ 27,070,054</u>	<u>\$ 49,772,877</u>	<u>\$ 329,370</u>	<u>\$ 1,790,243</u>	<u>\$ 3,992,705</u>	<u>\$ 11,655,107</u>	<u>\$ 146,141,153</u>

For the Year Ended December 31, 2018

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
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>
<u>Accumulated depreciation</u>									
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>

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
	(Continued)

Buildings	
Main structure	3-60 years
Facility	8-40 years
Mechanical and electrical facilities	10-15 years
Trellis and corrugated iron building	3-20 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
	(Concluded)

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 907,817
Land improvements	409,226
Buildings	66,398
Transportation equipment	12,920
Machinery	<u>13,260</u>
	<u>\$ 1,409,621</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 147,748</u>
Depreciation charge for right-of-use assets	
Land	\$ 207,028
Land improvements	62,015
Buildings	44,057
Transportation equipment	19,521
Machinery	<u>8,375</u>
	<u>\$ 340,996</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 328,823</u>
Non-current	<u>\$ 1,084,022</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land (%)	0.92-1.47
Land improvements (%)	0.92-1.31
Buildings (%)	0.92
Transportation equipment (%)	0.92
Machinery (%)	0.92

c. Material lease activities and terms

The Corporation leases land with a total of 261,207.62 square meter from Taiwan International Ports Corporation, Ltd. The rent is calculated by an annual rate of 5% based on the aforementioned announced land value. The lease term started from January 2008 to December 2027.

The Corporation leases No. 101 berth in Kaohsiung Harbor from Taiwan International Ports Corporation, Ltd. for the use of cargo handling of raw materials, including coal and iron ore, as well as GBFS with a lease term started from December 2016 to December 2027.

The Corporation enters into lease arrangements with the subsidiary CSE to cope with shipment of foreign raw materials. The payment terms are calculated based on actual shipping amount and thus classified as variable lease payment.

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 86,195</u>
Expenses relating to variable leases payments not included in the measurement of lease liabilities	<u>\$ 2,512,254</u>
Total cash outflow for leases	<u>\$ (2,954,801)</u>

For land and buildings which qualify as short-term leases and some office and transportation equipments which qualify as low-value asset leases, the Corporation has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

For the Year Ended December 31, 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 5,536,165	\$ 1,260,162	\$ 6,796,327
Transferred from property, plant and equipment	<u>929,990</u>	<u>4,000</u>	<u>933,990</u>
Balance at December 31, 2019	<u>\$ 6,466,155</u>	<u>\$ 1,264,162</u>	<u>\$ 7,730,317</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 264,163	\$ 264,163
Depreciation	-	22,671	22,671
Transferred from property, plant and equipment	<u>-</u>	<u>1,561</u>	<u>1,561</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 288,395</u>	<u>\$ 288,395</u>
Carrying amount at December 31, 2019	<u>\$ 6,466,155</u>	<u>\$ 975,767</u>	<u>\$ 7,441,922</u>

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	<u>(594,606)</u>	<u>-</u>	<u>(594,606)</u>
Balance at December 31, 2018	<u>\$ 5,536,165</u>	<u>\$ 1,260,162</u>	<u>\$ 6,796,327</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2018	\$ -	\$ 241,510	\$ 241,510
Depreciation	-	22,408	22,408
Transferred from property, plant and equipment	<u>-</u>	<u>245</u>	<u>245</u>
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>

The following items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings

Main structure

5-60 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 which has transferred to demand deposit as its maturity was due in the beginning of 2019, 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:

	December 31	
	2019	2018
Fair value	<u>\$ 25,058,287</u>	<u>\$ 23,924,857</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.

17. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2019	2018
Unsecured loans	\$ 12,000,000	\$ 11,500,000
Bank overdraft (Note 30)	4,835,521	5,202,231
Export bill loans	584,361	612,035
Letters of credit	24,093	14,497
Loans from related parties (Note 29)	<u>2,700,000</u>	<u>-</u>
	<u>\$ 20,143,975</u>	<u>\$ 17,328,763</u>
Range of interest rates p.a. (%)	0-4.75	0-3.36

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	\$ 14,000,000	\$ -
Less: Unamortized discounts	<u>(9,362)</u>	<u>-</u>
	<u>\$ 13,990,638</u>	<u>\$ -</u>
Range of interest rates p.a. (%)	0.52-0.58	-

The above commercial paper was unsecured, and the financial institutions included Cathay United Bank and E.SUN Bank.

c. Long-term borrowings

	<u>December 31</u>	
	2019	2018
Unsecured loans		
Due on various dates through November 2022	\$ 8,620,425	\$ 8,525,671
Less: Financial liabilities for hedging - current	-	4,177,109
Financial liabilities for hedging - noncurrent	<u>4,620,425</u>	<u>4,348,562</u>
	<u>\$ 4,000,000</u>	<u>\$ -</u>
Range of interest rates p.a. (%)	0.30-2.65	0.29-3.57

The amount of USD58,548 thousand and JPY10.38 billion (NT\$4,620,425 thousand), which is included in the above bank loans as of December 31, 2019 and 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 were used to hedge the exchange rate fluctuations and were reclassified to financial liabilities for hedging (including current and noncurrent).

d. Long-term bills payable

	<u>December 31</u>	
	2019	2018
Commercial paper	\$ 2,000,000	\$ 5,900,000
Less: Unamortized discounts	<u>1,313</u>	<u>2,271</u>
	<u>\$ 1,998,687</u>	<u>\$ 5,897,729</u>
Range of interest rates p.a. (%)	0.68	0.51-0.79

The Corporation entered into unsecured commercial paper contracts with Cathay United Bank, CTBC Bank and Taishin Bank in December 2019, 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.

18. BONDS PAYABLE

	<u>December 31</u>	
	2019	2018
Unsecured domestic bonds	\$ 72,350,000	\$ 78,000,000
Less: Issuance cost of bonds payable	36,589	46,446
Current portion	<u>6,599,642</u>	<u>5,649,340</u>
	<u>\$ 65,713,769</u>	<u>\$ 72,304,214</u>

The major terms of unsecured domestic bonds are as follows:

Issuance Period	Total Amount	Coupon Rate (%)	Repayment and Interest Payment
August 2012 to August 2019	\$ 5,000,000	1.37	Repayable in August 2018 and August 2019; interest payable annually
July 2013 to July 2020	6,300,000	1.44	Repayable in July 2019 and July 2020; interest payable annually
January 2014 to January 2021	6,900,000	1.75	Repayable in January 2020 and January 2021; interest payable annually
May 2018 to May 2025	6,000,000	0.95	Repayable in May 2024 and May 2025; interest payable annually
October 2018 to October 2025	4,150,000	0.90	Repayable 25% in October 2024 and 75% in October 2025; interest payable annually
August 2012 to August 2022	15,000,000	1.50	Repayable in August 2021 and August 2022; interest payable annually
July 2013 to July 2023	9,700,000	1.60	Repayable in July 2022 and July 2023; interest payable annually
January 2014 to January 2024	7,000,000	1.95	Repayable in January 2023 and January 2024; interest payable annually
August 2018 to August 2028	5,600,000	1.10	Repayable in August 2027 and August 2028; interest payable annually
October 2018 to October 2028	2,250,000	1.05	Repayable in October 2027 and October 2028; interest payable annually
July 2013 to July 2028	3,600,000	1.88	Repayable 30% in July 2026, 30% in July 2027 and 40% in July 2028; interest payable annually
January 2014 to January 2029	9,000,000	2.15	Repayable 30% in January 2027, 30% in January 2028 and 40% in January 2029; interest payable annually

19. OTHER PAYABLES

	December 31	
	2019	2018
Salaries and bonus	\$ 3,594,516	\$ 4,406,050
Purchase of equipment	3,067,514	3,472,471
Consignment payable	520,221	2,339,590
Employees' compensation and remuneration of directors	632,807	1,776,755
Outsourced repair and construction	554,981	893,148
Interest payable	752,634	800,597
Others	<u>4,840,873</u>	<u>4,549,647</u>
	<u>\$ 13,963,546</u>	<u>\$ 18,238,258</u>

20. PROVISIONS - CURRENT

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Onerous contracts (a)	\$ 2,510,578	\$ 4,933,298
Construction warranties (b)	<u>455</u>	<u>455</u>
	<u>\$ 2,511,033</u>	<u>\$ 4,933,753</u>

	Onerous Contracts	Sales Discounts (c)	Construction Warranties	Total
Balance at January 1, 2019	\$ 4,933,298	\$ -	\$ 455	\$ 4,933,753
Reversal	<u>(2,422,720)</u>	<u>-</u>	<u>-</u>	<u>(2,422,720)</u>
Balance at December 31, 2019	<u>\$ 2,510,578</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 2,511,033</u>
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>

- 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 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.
- c. Under IFRS 15, the provision for sales discounts were reclassified to refund liability - current.

21. 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:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 21,476,469	\$ 22,454,011
Fair value of plan assets	<u>(14,395,983)</u>	<u>(15,497,311)</u>
Deficit	7,080,486	6,956,700
Net defined benefit liabilities - recognized in other payables	<u>(80,390)</u>	<u>(69,319)</u>
Net defined benefit liabilities	<u>\$ 7,000,096</u>	<u>\$ 6,887,381</u>

Movements of net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 22,454,011</u>	<u>\$ (15,497,311)</u>	<u>\$ 6,956,700</u>
Service cost			
Current service cost	587,028	-	587,028
Interest expense (income)	<u>196,472</u>	<u>(137,652)</u>	<u>58,820</u>
Recognized in profit or loss	<u>783,500</u>	<u>(137,652)</u>	<u>645,848</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(591,643)	(591,643)
Actuarial loss - changes in financial assumptions	316,190	-	316,190
Actuarial loss - experience adjustments	<u>447,720</u>	-	<u>447,720</u>
Recognized in other comprehensive income	<u>763,910</u>	<u>(591,643)</u>	<u>172,267</u>
Contributions from the employer	-	(653,631)	(653,631)
Benefits paid	(2,538,226)	2,497,528	(40,698)
Contributions of employee returning to the Corporation	<u>13,274</u>	<u>(13,274)</u>	<u>-</u>
	<u>(2,524,952)</u>	<u>1,830,623</u>	<u>(694,329)</u>
Balance at December 31, 2019	<u>\$ 21,476,469</u>	<u>\$ (14,395,983)</u>	<u>\$ 7,080,486</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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> (Concluded)

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

	For the Year Ended December 31	
	2019	2018
Operating costs	\$ 445,102	\$ 457,350
Operating expenses	200,696	192,276
Others	<u>50</u>	<u>497</u>
	<u>\$ 645,848</u>	<u>\$ 650,123</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:

	<u>December 31</u>	
	2019	2018
Discount rate (%)	0.625	0.875
Expected rate of salary increase (%)	2.500	2.500
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:

	<u>December 31</u>	
	2019	2018
Discount rate		
0.25% increase	<u>\$ (316,190)</u>	<u>\$ (333,203)</u>
0.25% decrease	<u>\$ 325,651</u>	<u>\$ 342,913</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 316,388</u>	<u>\$ 332,659</u>
0.25% decrease	<u>\$ (308,854)</u>	<u>\$ (324,974)</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.

	<u>December 31</u>	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 658,417</u>	<u>\$ 468,682</u>
The average duration of the defined benefit obligation	5.9 years	6.1 years

22. EQUITY

a. Share capital

	December 31	
	2019	2018
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, 2019 and 2018, the outstanding depositary receipts were 713,607 units and 769,313 units, equivalent to 14,272,450 ordinary shares

(including 310 fractional shares) and 15,386,570 ordinary shares (including 310 fractional shares), which both represented 0.09% of the outstanding ordinary shares, respectively.

b. Capital surplus

	<u>December 31</u>	
	<u>2019</u>	<u>2018</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	7,079,070	6,759,039
Others	<u>8,099</u>	<u>8,099</u>
	<u>38,241,935</u>	<u>37,921,904</u>
May be used to offset deficits only (see 2 below)		
Share of change in equity of subsidiaries	509,181	507,077
Share of change in equity of associates	<u>126,153</u>	<u>116,903</u>
	<u>635,334</u>	<u>623,980</u>
	<u>\$ 38,877,269</u>	<u>\$ 38,545,884</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 2018 and 2017 had been approved in the shareholders’ meeting in June 2019 and 2018, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 2,445,415	\$ 1,690,558		
Special reserve (reversal)	154,480	(5,992)		
Preference shares				
Cash dividends	53,575	53,575	<u>\$ 1.40</u>	<u>\$ 1.40</u>
Ordinary shares				
Cash dividends	15,734,861	13,846,677	<u>\$ 1.00</u>	<u>\$ 0.88</u>

The appropriations of earnings for 2019 had been proposed by the Corporation’s board of directors on March 23, 2020 as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 858,223	
Special reserve	110,524	
Preference shares		
Cash dividends	53,575	<u>\$ 1.4</u>
Ordinary shares		
Cash dividends	7,867,430	<u>\$ 0.5</u>

The appropriations of earnings for 2019 are subject to the resolution of the shareholder’s meeting to be held in June 2020.

d. Special reserves

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 27,649,488	\$ 27,655,869
Appropriation in respect of		
Difference due from the Corporation’s shares held by subsidiaries in prices lower than carrying amount	154,480	-
Reversal of special reserve		
Appreciation of the Corporation’s shares held by subsidiaries	-	(5,992)
Disposal of property, plant and equipment	<u>(62)</u>	<u>(389)</u>
Balance, end of the year	<u>\$ 27,803,906</u>	<u>\$ 27,649,488</u>

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ (5,919,624)	\$ (6,115,853)
Recognized during the year		
Exchange differences arising on translating foreign operations	(733,134)	92,177
Share from subsidiaries and associates accounted for using the equity method	<u>(186,078)</u>	<u>104,052</u>
Other comprehensive income recognized in the year	<u>(919,212)</u>	<u>196,229</u>
Balance, end of the year	<u>\$ (6,838,836)</u>	<u>\$ (5,919,624)</u>

2) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 4,410,913	\$ 5,251,741
Recognized during the year		
Unrealized gains and losses - equity instruments	(5,888,537)	(1,154,367)
Share from subsidiaries and associates accounted for using the equity method	<u>3,617,214</u>	<u>203,456</u>
Other comprehensive income recognized in the year	<u>(2,271,323)</u>	<u>(950,911)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(15,248)</u>	<u>110,083</u>
Balance, end of the year	<u>\$ 2,124,342</u>	<u>\$ 4,410,913</u>

3) Gains and losses on hedging instrument

	Cash Flow Hedges	Fair Value Hedges	Hedges of Net Investments in Foreign Operations	Total
Balance at January 1, 2019	\$ 290,851	\$ 15,555	\$ 3,797,472	\$ 4,103,878
Increase (decrease) in the year	<u>(256,316)</u>	<u>8,390</u>	<u>(3,417)</u>	<u>(251,343)</u>
Balance at December 31, 2019	<u>\$ 34,535</u>	<u>\$ 23,945</u>	<u>\$ 3,794,055</u>	<u>\$ 3,852,535</u>
Balance at January 1, 2018	\$ (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

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 290,851	\$ (131,335)
Effect of change in tax rate	-	(1,387)
Recognized during the year		
Foreign currency risk - hedging foreign - currency deposits	(50,291)	23,504
Foreign currency risk - foreign exchange forward contracts	(25,166)	(37,696)
Tax effect	15,091	2,838
Share from subsidiaries and associates accounted for using the equity method	(192,915)	451,261
Reclassification adjustment		
Foreign currency risk - hedging foreign - currency deposits	(3,794)	(20,418)
Tax effect	759	4,084
Other comprehensive income (loss) recognized in the year	<u>(256,316)</u>	<u>422,186</u>
Balance, end of the year	<u>\$ 34,535</u>	<u>\$ 290,851</u>

b) Fair value hedges

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 15,555	\$ 98,851
Recognized during the year		
Foreign currency risk - bank loans	8,390	(83,296)
Other comprehensive income (loss) recognized in the year	<u>8,390</u>	<u>(83,296)</u>
Balance, end of the year	<u>\$ 23,945</u>	<u>\$ 15,555</u>

c) Hedges of net investments in foreign operations

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	\$ 3,797,472	\$ 4,005,260
Recognized during the year		
Foreign currency risk - bank loans	(3,417)	(207,788)
Other comprehensive loss recognized in the year	<u>(3,417)</u>	<u>(207,788)</u>
Balance, end of the year	<u>\$ 3,794,055</u>	<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, 2019					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>320,004</u>	<u>761</u>	<u>-</u>	<u>320,765</u>	<u>\$8,664,198</u>
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>

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. As of December 31, 2019 and 2018, the market values of the treasury shares calculated by combined holding percentage were NT\$7,668,370 thousand and NT\$7,761,396 thousand, respectively.

23. OPERATING REVENUES

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (Note 10)	<u>\$ 3,641,038</u>	<u>\$ 5,881,719</u>	<u>\$ 5,677,732</u>
Contract assets			
Construction contracts	<u>\$ 37,687</u>	<u>\$ 204,993</u>	<u>\$ 67,555</u>
Contract liabilities			
Sale of goods	\$ 960,115	\$ 1,037,999	\$ 1,743,471
Construction contracts	140,981	690,158	799,941
Sale of real estate	<u>-</u>	<u>60,436</u>	<u>59,580</u>
	<u>\$ 1,101,096</u>	<u>\$ 1,788,593</u>	<u>\$ 2,602,992</u>

b. Disaggregation of revenue

For the year ended December 31, 2019

Type of goods or services	Steel Department	Others	Total
Sale of goods	\$ 201,535,449	\$ -	\$ 201,535,449
Others	<u>-</u>	<u>5,762,084</u>	<u>5,762,084</u>
	<u>\$ 201,535,449</u>	<u>\$ 5,762,084</u>	<u>\$ 207,297,533</u>

For the year ended December 31, 2018

Type of goods or services	Steel Department	Others	Total
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

As of December 31, 2019 and 2018, the transaction prices allocated to the performance obligations that are not fully satisfied are NT\$8,819,068 thousand and NT\$10,926,729 thousand, respectively. The Corporation will recognize revenue as the construction is being completed and the expected timing for recognition of revenue is on various dates through June 2024.

24. PROFIT BEFORE INCOME TAX

a. Other income

	<u>For the Year Ended December 31</u>	
	2019	2018
Rental income	\$ 620,040	\$ 526,855
Dividend income	536,241	363,401
Royalty income	286,737	155,064
Interest income	194,172	197,865
Others	<u>344,111</u>	<u>344,250</u>
	<u>\$ 1,981,301</u>	<u>\$ 1,587,435</u>

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange gain	\$ 335,857	\$ 394,597
Loss on disposal of property, plant and equipment	(7,148)	(51,676)
Gain arising on financial assets at fair value through profit or loss	14,534	3,802
Other losses	<u>(354,918)</u>	<u>(407,916)</u>
	<u>\$ (11,675)</u>	<u>\$ (61,193)</u>

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2019	2018
Foreign exchange gain	\$ 953,777	\$ 1,018,473
Foreign exchange loss	<u>(617,920)</u>	<u>(623,876)</u>
Net exchange gain	<u>\$ 335,857</u>	<u>\$ 394,597</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest of bonds payable	\$ 1,176,788	\$ 1,179,089
Interest of short-term borrowings and bank overdraft	237,197	529,249
Interest of bills payable	48,710	85,232
Interest of lease liabilities	<u>18,558</u>	<u>-</u>
Total interest expense for financial liabilities measured at amortized cost	1,481,253	1,793,570
Less: Amounts included in the cost of qualifying assets	<u>144,262</u>	<u>141,356</u>
	<u>\$ 1,336,991</u>	<u>\$ 1,652,214</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized amounts	\$ 144,262	\$ 141,356
Capitalized annual rates (%)	1.14-1.40	1.21-1.40

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 17,065,818	\$ 17,587,281
Right-of-use assets	340,996	-

(Continued)

	For the Year Ended December 31	
	2019	2018
Investment properties	\$ 22,671	\$ 22,408
Intangible assets	<u>9,957</u>	<u>9,963</u>
	<u>\$ 17,439,442</u>	<u>\$ 17,619,652</u>
 An analysis of depreciation by function		
Operating costs	\$ 16,109,211	\$ 16,410,561
Operating expenses	1,115,688	1,085,787
Others	<u>204,586</u>	<u>113,341</u>
	<u>\$ 17,429,485</u>	<u>\$ 17,609,689</u>
 An analysis of amortization by function		
Operating costs	\$ 9,956	\$ 9,956
Operating expenses	<u>1</u>	<u>7</u>
	<u>\$ 9,957</u>	<u>\$ 9,963</u>

(Concluded)

e. Employee benefits

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salaries	\$ 15,459,628	\$ 17,706,124
Labor and health insurance	1,009,288	960,646
Others	<u>570,385</u>	<u>625,479</u>
	<u>17,039,301</u>	<u>19,292,249</u>
 Post-employment benefits		
Defined contribution plans	301,139	258,614
Defined benefit plans (Note 21)	<u>645,848</u>	<u>650,123</u>
	<u>946,987</u>	<u>908,737</u>
 Termination benefits	<u>57,947</u>	<u>78,722</u>
	<u>\$ 18,044,235</u>	<u>\$ 20,279,708</u>
 Analysis of employee benefits by function		
Operating costs	\$ 14,852,995	\$ 16,639,396
Operating expenses	3,045,835	3,481,047
Others	<u>145,405</u>	<u>159,265</u>
	<u>\$ 18,044,235</u>	<u>\$ 20,279,708</u>

f. 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, 2019 and 2018 which have been approved by the Corporation's board of directors in March 2020 and 2019, respectively, were as follows:

Amount

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Employees' compensation	\$ 622,979	\$ 1,744,054
Remuneration of directors	11,681	32,701

Accrual Rate

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Employees' compensation (%)	5.84	6.19
Remuneration of directors (%)	0.11	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, 2018 and 2017.

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.

25. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Current tax		
In respect of the current year	\$ 829,442	\$ 3,715,188
Income tax on unappropriated earnings	410,818	15,363
In respect of prior years	(30,741)	(607,057)
Deferred tax		
In respect of the current year	(1,333)	(567,545)
In respect of prior years	17,367	(180,413)
Changes in tax rates	-	(432,298)
	<u>\$ 1,225,553</u>	<u>\$ 1,943,238</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before income tax	<u>\$ 10,035,108</u>	<u>\$ 26,397,390</u>
Income tax expense calculated at the statutory rate	\$ 2,007,022	\$ 5,279,478
Non-deductible expenses in determining taxable income	11,656	12,361
Tax-exempt income	(1,113,551)	(2,106,903)
Changes in tax rates	-	(432,298)
Income tax on unappropriated earnings	410,818	15,363
Land value increment tax	2,456	-
Investment credits in respect of the current year	(12,779)	(9,643)
Adjustments for prior years' tax in respect of the current year	(13,374)	(787,470)
Realized investment loss on investees' capital reduction to cover losses	<u>(66,695)</u>	<u>(27,650)</u>
	<u>\$ 1,225,553</u>	<u>\$ 1,943,238</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income had been recognized in profit or loss. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Corporation has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 31, 2019.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2019	2018
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	\$ 23	\$ 116
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	<u>(23)</u>	<u>(116)</u>
	<u>\$ -</u>	<u>\$ -</u>

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
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	15,091	2,838

(Continued)

	For the Year Ended December 31	
	2019	2018
Current - remeasurement of defined benefit plan	\$ 34,454	\$ 151,462
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	<u>759</u>	<u>4,084</u>
	<u>\$ 50,304</u>	<u>\$ 158,592</u>
		(Concluded)

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2019

	Balance, Beginning of Year	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	\$ 1,391,338	\$ (9,696)	\$ 34,454	\$ -	\$ 1,416,096
Unrealized loss on inventories	765,655	324,717	-	-	1,090,372
Unrealized loss on cash flow hedges	-	-	13,523	-	13,523
Provision	510,583	(373,888)	-	-	136,695
Unrealized gain on the transactions with subsidiaries and associates	207,454	(27,651)	-	-	179,803
Unrealized settlement loss on foreign exchange forward contracts for hedging	74,483	(10,212)	-	-	64,271
Unrealized construction loss	801,892	-	-	-	801,892
Estimated preferential severance pay	22,534	(1,648)	-	-	20,886
Foreign investment loss	607,095	47,264	-	-	654,359
Others	<u>119,053</u>	<u>(11,003)</u>	<u>-</u>	<u>-</u>	<u>108,050</u>
	<u>\$ 4,500,087</u>	<u>\$ (62,117)</u>	<u>\$ 47,977</u>	<u>\$ -</u>	<u>\$ 4,485,947</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 10,011,916	\$ -	\$ -	\$ -	\$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	584,250	(42,264)	-	-	541,986
Unrealized exchange gains, net	71,507	(308)	-	-	71,199
Unrealized gain on revaluation increment	38,444	-	-	(23)	38,421
Unrealized gain on cash flow hedge	2,327	-	(2,327)	-	-
Others	<u>13,737</u>	<u>(3,511)</u>	<u>-</u>	<u>-</u>	<u>10,226</u>
	<u>\$ 10,722,181</u>	<u>\$ (46,083)</u>	<u>\$ (2,327)</u>	<u>\$ (23)</u>	<u>\$ 10,673,748</u>

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)	-	-	-	-	-
Provision	375,808	-	66,319	68,456	-	-	510,583

(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
Unrealized gain on the transactions with subsidiaries and associates	\$ 165,498	\$ -	\$ 29,206	\$ 12,750	\$ -	\$ -	\$ 207,454
Unrealized settlement loss on foreign exchange forward contracts 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>
Deferred tax liabilities							
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)

e. Income tax assessments

The Corporation's income tax returns through 2016 have been assessed by the tax authorities.

26. 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

	For the Year Ended December 31	
	2019	2018
Net profit for the year	\$ 8,809,555	\$ 24,454,152
Less: Dividends on preference shares	<u>53,575</u>	<u>53,575</u>
Net profit used in computation of basic earnings per share	8,755,980	24,400,577
Add: Dividends on preference shares	<u>-</u>	<u>53,575</u>
Net profit used in computation of diluted earnings per share	<u>\$ 8,755,980</u>	<u>\$ 24,454,152</u>

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in computation of basic earnings per share	15,414,667	15,416,806

(Continued)

	For the Year Ended December 31	
	2019	2018
Effect of dilutive potential ordinary shares:		
Employees' compensation	42,045	84,201
Convertible preference shares	<u>-</u>	<u>38,268</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>15,456,712</u>	<u>15,539,275</u> (Concluded)

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2019 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.

27. 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.

28. 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, 2019</u>				
Financial assets at fair value through profit or loss				
Foreign unlisted preference shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,651,895</u>	<u>\$ 1,651,895</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments				
Domestic listed shares	\$ 12,098,209	\$ -	\$ -	\$ 12,098,209
Foreign listed shares	1,925,597	-	-	1,925,597
Domestic unlisted shares	-	-	969,454	969,454
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>25,967,461</u>	<u>25,967,461</u>
	<u>\$ 14,023,806</u>	<u>\$ -</u>	<u>\$ 26,936,915</u>	<u>\$ 40,960,721</u>
Financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 599</u>	<u>\$ -</u>	<u>\$ 599</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 35,195</u>	<u>\$ -</u>	<u>\$ 35,195</u>
<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>
				(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

	<u>Equity Instruments</u>		
	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	Total
Balance, beginning of the year	\$ 1,651,808	\$ 34,340,750	\$ 35,992,558
Recognized in profit or loss	87	-	87
Recognized in other comprehensive income	-	(7,403,351)	(7,403,351)
Disposals	-	(484)	(484)
Balance, end of the year	<u>\$ 1,651,895</u>	<u>\$ 26,936,915</u>	<u>\$ 28,588,810</u>

For the year ended December 31, 2018

	<u>Equity Instruments</u>		
	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	Total
Balance, beginning of year	\$ 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	-	(107,527)	(107,527)
Balance, end of year	<u>\$ 1,651,808</u>	<u>\$ 34,340,750</u>	<u>\$ 35,992,558</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 domestic unlisted shares and some foreign unlisted shares, fair values were determined based on industry types, valuations of similar companies and operations.
- b) 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.

	December 31	
	2019	2018
Long-term pre-tax operating income rate (%)	10.65-50.76	9.79-58.59
Discount rate (%)	10.79-11.01	8.50-10.37

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:

	December 31	
	2019	2018
Long-term pre-tax operating income rate		
Increase 1%	<u>\$ 187,755</u>	<u>\$ 195,918</u>
Decrease 1%	<u>\$ (189,229)</u>	<u>\$ (197,357)</u>
Discount rate		
Increase 1%	<u>\$ (365,524)</u>	<u>\$ (497,271)</u>
Decrease 1%	<u>\$ 452,460</u>	<u>\$ 606,196</u>

- c) 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

	December 31	
	2019	2018
Financial assets		
Financial assets at fair value through profit or loss	\$ 1,651,895	\$ 1,651,808
Financial assets for hedging	687,085	811,923
Financial assets at amortized cost 1)	24,657,905	31,783,248
Financial assets at fair value through other comprehensive income	40,960,721	46,980,656
Financial liabilities		
Financial liabilities for hedging	4,655,620	8,543,030
Measured at amortized cost 2)	135,220,285	132,013,487

- 1) The balances as of December 31, 2019 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.
- 2) 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 32.

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.

	USD Impact	
	For the Year Ended	
	December 31	
	2019	2018
Pre-tax profit or loss	\$ 18,901 i	\$ 35,766 i
Equity	15,857 ii	54,554 ii

i. These were mainly attributable to the exposure of cash, outstanding receivables and payables 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 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, 2019

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	NTD1,201,595/ USD39,992	February 2020 - March 2023	28.57-31.38	Financial assets/ liabilities for hedging	\$ 599	\$ 19,813
	NTD/EUR	NTD149,276/ EUR4,192	January 2020 - December 2021	35.44-35.86	Financial liabilities for hedging	-	7,397
	NTD/JPY	NTD232,172/ JPY806,400	August 2020 - March 2023	0.28-0.29	Financial liabilities for hedging	-	7,985
Hedging foreign-currency deposits/Forecast purchases and construction contracts	USD	\$ 5,658	NA	NA	Financial assets for hedging	169,619	-
	EUR	15,196	NA	NA	Financial assets for hedging	510,436	-
	JPY	23,300	NA	NA	Financial assets for hedging	6,431	-
Net investment hedge in foreign operations							
Foreign currency bank borrowings/Investment in foreign operations	USD	58,548	April 2021	NA	Financial liabilities for hedging	-	1,755,269
Fair value hedge							
Foreign currency bank borrowings/Financial assets at FVTOCI	JPY	3,814,000	December 2021 - November 2022	NA	Financial liabilities for hedging	-	1,052,664
Foreign currency bank borrowings/Financial assets at FVTPL	JPY	6,567,000	June 2021	NA	Financial liabilities for hedging	-	1,812,492

Hedging Instruments/ Hedged Items	Currency	Change in Fair Value of Hedging Instruments Used for Calculating Hedge		Change in Fair Value of Hedged Items Used for Calculating Hedge		Balance in Other Equity		Fair Value Hedge - Hedged Items' Carrying Amount Asset	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments Asset
		Ineffectiveness	Ineffectiveness	Continuing Hedges	Discontinuing Hedges				
Cash flow hedge									
Foreign exchange forward contracts/ Forecast purchases and construction contracts	NTD/USD	\$ (16,143)	\$ 16,143	\$ (19,214)	\$ -	NA	NA	NA	NA
	NTD/EUR	(1,038)	1,038	(7,397)	-	NA	NA	NA	NA
	NTD/JPY	(7,985)	7,985	(7,985)	-	NA	NA	NA	NA
Hedging foreign-currency deposits/ Forecast purchases and construction contracts	USD	(7,396)	7,396	(1,298)	-	NA	NA	NA	NA
	EUR	(45,912)	45,912	(31,345)	-	NA	NA	NA	NA
	JPY	(777)	777	(379)	-	NA	NA	NA	NA
Net investment hedge in foreign operations									
Foreign currency bank borrowings/Investment in foreign operations	USD	43,033	(43,033)	(172,607)	3,966,662	NA	NA	NA	NA
Fair value hedge									
Foreign currency bank borrowings/Financial assets at FVTOCI	JPY	8,390	(8,388)	23,945	NA	\$ 1,925,597	\$ (51,465)		
Foreign currency bank borrowings/Financial assets at FVTPL	JPY	14,447	(14,667)	NA	NA	1,651,895	(196,801)		

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/	NTD/USD	\$ 21,750	\$ (21,750)	\$ (3,071)	\$ -	NA	NA
Forecast purchases and construction contracts	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, 2019

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					
Foreign exchange forward contracts	\$ (25,166)	\$ -	-	\$ -	\$ -
Hedging foreign - currency deposits	(54,085)	-	-	-	-
	<u>\$ (79,251)</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
Net investment hedge in foreign operations					
Foreign currency bank borrowings	<u>\$ (3,417)</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

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					
Foreign exchange forward contracts	\$ (37,696)	\$ -	-	\$ -	\$ -
Hedging foreign - currency deposits	<u>3,086</u>	<u>-</u>	-	<u>-</u>	<u>-</u>
	<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>

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:

	December 31	
	2019	2018
Fair value interest rate risk		
Financial liabilities	\$ 87,716,894	\$ 77,953,554
Cash flow interest rate risk		
Financial liabilities	30,763,087	31,752,163

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, 2019 and 2018 would have been lower/higher by NT\$307,631 thousand and NT\$317,522 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% lower/higher, the other comprehensive income for the year ended December 31, 2019 and 2018 would have been lower/higher by NT\$140,238 thousand and NT\$126,399 thousand, respectively, as a result of the changes in fair value of financial assets at fair value through other comprehensive income.

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, 2019 and 2018, the maximum credit risk of off-balance-sheet guarantees provided to subsidiaries and investees of co-investment for procurement and investment compliance was NT\$38,136,226 thousand and NT\$29,274,586 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.

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2019</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 19,623,569	\$ -	\$ -	\$ 19,623,569
Lease liabilities	344,346	643,583	503,508	1,491,437
Variable interest rate liabilities	20,278,438	10,690,380	-	30,968,818
Fixed interest rate liabilities	22,360,739	41,845,111	27,655,608	91,861,458
Refund liabilities	2,054,213	-	-	2,054,213
Financial guarantee liabilities	<u>113,924</u>	<u>32,922,647</u>	<u>5,099,655</u>	<u>38,136,226</u>
	<u>\$ 64,775,229</u>	<u>\$ 86,101,721</u>	<u>\$ 33,258,771</u>	<u>\$ 184,135,721</u>
<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>

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.

29. TRANSACTIONS WITH RELATED PARTIES

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

Company	Relationship
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 Corporation. (CPDC)	Subsidiaries
InfoChamp Systems Corporation (Info Champ)	Subsidiaries
Ever Wealthy International Corporation	Subsidiaries
China Steel Management Consulting Corporation	Subsidiaries
Himag Magnetic Corporation	Subsidiaries
Dragon Steel Corporation (DSC)	Subsidiaries
China Steel Nippon Steel Vietnam Joint Stock Company (Renamed from China Steel Sumikin Vietnam Joint Stock Company) (CSVC)	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 Corporation (USEC)	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
Gau Rwei Investment Corporation	Subsidiaries
Chiun Yu Investment Corporation	Subsidiaries
Taiwan Intelligent Transportation Co., Ltd.	Subsidiaries
Changzhou China Steel Precision Materials Co., Ltd. (CSPM)	Subsidiaries
China Steel Corporation India Pvt. Ltd. (CSCI)	Subsidiaries
China Steel Precision Metals-Qingdao Co., Ltd. (CSMQ)	Subsidiaries
Hung Li Steel Corporation Ltd (HLS)	Subsidiaries
China Steel Precision Metals Kunshan Co., Ltd. (CSMK)	Subsidiaries
Hung Kao Investment Corporation	Subsidiaries

(Continued)

Company	Relationship
White Biotech Corporation	Subsidiaries
CSC Precision Metal Industrial Corporation (CPMI)	Subsidiaries
China Steel Resources Corporation	Subsidiaries
Chung Hsin Japan Co., Ltd.	Subsidiaries
China Steel Management and Maintenance for Buildings Corporation	Subsidiaries
Kaohsiung Rapid Transit Corporation	Subsidiaries
Kaoport Stevedoring Corporation	Subsidiaries
Pao Good Industrial Co., Ltd.	Subsidiaries
CSC Sonoma Pty Ltd	Subsidiaries
CSC Solar Corporation	Subsidiaries
Sing Da Marine Structure Corporation (SDMS)	Subsidiaries
China Steel Power Holding Corporation (CPHC)	Subsidiaries
China Steel Power Corporation (ZN)	Subsidiaries
CSC Steel Australia Holdings Pty Ltd (CSCAU)	Subsidiaries
CSGT Trading India Private Limited	Subsidiaries
Magnpower Corporation	Subsidiaries
HC&C Auto Parts Co., Ltd.	Associates
TaiAn Technologies Corporation	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
TSK Steel Company Limited	Associates
Fukuta Electric & Machinery Co., Ltd.	Associates
Honley Auto. Parts Co., Ltd. (HONLEY)	Associates
Hanwa Steel Center (M) Sdn. Bhd. (Renamed from Tatt Giap Steel Centre Sdn. Bhd.)	Associates
Taiwan Rolling Stock Company Ltd.	Associates
Eminent II Venture Capital Corporation	Associates
Overseas Investment & Development Corporation	Associates
Kaohsiung Arena Development Corporation	Associates
Dyna Rechi (Jiujiang) Co., Ltd.	Subsidiaries of associates
Changchun CECK Auto. Parts Co., Ltd. (CCCA)	Subsidiaries of associates
Formosa Ha Tinh (Cayman) Limited (FHC)	Other related parties
Formosa Ha Tinh Steel Corporation	Other related parties
CSC Educational Foundation	Other related parties
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
East Asia United Steel Corporation	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

(Continued)

<u>Company</u>	<u>Relationship</u>
Tang Eng Iron Works Co., Ltd.	The Corporation as key management personnel of other related parties
Taiwan International Wind power Training 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
TCL Rechi (Huizhou) Refrigeration Equipment Ltd.	Subsidiaries of other related party that the Corporation as key management personnel
Rechi Refrigeration (Dongguan) Co, Ltd.	Subsidiaries of other related party that the Corporation as key management personnel
CSC Labor Union	Directors of the Corporation
Ministry of Economic Affairs, R.O.C	Directors of the Corporation
	(Concluded)

b. Operating revenues

Account Items	Related Parties Types /Names	<u>For the Year Ended December 31</u>	
		2019	2018
Revenues from sales of goods	Subsidiaries		
	CHS	\$ 20,637,270	\$ 25,132,836
	Others	17,737,923	18,771,476
	Others	<u>2,936,000</u>	<u>3,829,942</u>
		<u>\$ 41,311,193</u>	<u>\$ 47,734,254</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 CSMQ, 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

Related Parties Types/Names	<u>For the Year Ended December 31</u>	
	2019	2018
Subsidiaries		
DSC	\$ 17,209,793	\$ 21,796,702
Others	13,065,330	14,073,389
Others	<u>215,379</u>	<u>3,208,718</u>
	<u>\$ 30,490,502</u>	<u>\$ 39,078,809</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)

Account Items	Related Parties Types /Names	December 31	
		2019	2018
Notes and accounts receivable	Subsidiaries	\$ 853,912	\$ 1,641,429
	The Corporation as key management personnel of other related parties	307,023	491,957
	Others	<u>37,395</u>	<u>189,371</u>
		<u>\$ 1,198,330</u>	<u>\$ 2,322,757</u>

No guarantee had been received for receivables from related parties. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties (not including loans from related parties)

Account Items	Related Parties Types /Names	December 31	
		2019	2018
Accounts payable	Subsidiaries		
	CSE	\$ 1,044,396	\$ 1,215,959
	Others	375,545	1,026,753
	Associates	<u>26,183</u>	<u>34,488</u>
		<u>\$ 1,446,124</u>	<u>\$ 2,277,200</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	
	2019	2018
Subsidiaries		
CSAC	\$ 3,600,000	\$ 3,600,000
CHS	2,450,000	2,450,000
Others	<u>3,220,000</u>	<u>4,744,160</u>
	<u>\$ 9,270,000</u>	<u>\$ 10,794,160</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, 2019 and 2018, the interest rate was 0.68%-0.69% p.a. and 0.54%-3.80% p.a., respectively.

Loans to the Corporation's subsidiaries were unsecured loans with interest income of NT\$64,031 thousand and NT\$60,403 thousand for the years ended December 31, 2019 and 2018, respectively.

- g. Loans from related parties (recognized as short-term borrowings and bank overdraft)

Related Parties Types/Names	December 31	
	2019	2018
Subsidiaries		
CPDC	\$ 2,300,000	\$ -
Others	<u>400,000</u>	<u>-</u>
	<u>\$ 2,700,000</u>	<u>\$ -</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, 2019, the interest rate was 0.69% p.a.

Loans from the Corporation's subsidiaries were unsecured loans with interest expense of NT\$8,461 thousand and NT\$1,396 thousand for the years ended December 31, 2019 and 2018, respectively.

- h. Other related parties transactions

- 1) The Corporation signed brokerage contract with its subsidiary DSC. For the years ended December 31, 2019 and 2018, the commission revenue was NT\$478,600 thousand and NT\$764,391 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	
	2019	2018
Subsidiary		
DSC	<u>\$ 520,221</u>	<u>\$ 2,339,590</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.

Related Parties Types	For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ 1,541,802	\$ 1,533,853
The Corporation as key management personnel of other related parties	497,976	244,359
Other related parties	278,125	239,656
Others	<u>8,885</u>	<u>5,326</u>
	<u>\$ 2,326,788</u>	<u>\$ 2,023,194</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.

	Related Parties Types	For the Year Ended December 31	
		2019	2018
	Subsidiaries	\$ 8,678,357	\$ 8,574,057
	Others	<u>186,025</u>	<u>680,088</u>
		<u>\$ 8,864,382</u>	<u>\$ 9,254,145</u>

4) Capital expenditures

	Related Parties Types/Names	For the Year Ended December 31	
		2019	2018
	Subsidiaries		
	CSMC	\$ 1,526,973	\$ 2,298,693
	CEC	1,158,025	1,979,170
	Others	<u>937,239</u>	<u>650,697</u>
		<u>\$ 3,622,237</u>	<u>\$ 4,928,560</u>

The balances of outsourced repair and construction payable (recognized as other payables) were as follows:

	Related Parties Types/Names	December 31	
		2019	2018
	Subsidiaries	<u>\$ 364,804</u>	<u>\$ 301,827</u>

5) As of December 31, 2019 and 2018, guarantees provided to the related parties for investment compliance were as follows:

	Related Parties Types/Names	December 31	
		2019	2018
	Other related parties - FHC		
	Amount endorsed	\$ 36,978,426	\$ 37,885,002
	Amount utilized	<u>(36,978,426)</u>	<u>(28,460,872)</u>
		<u>\$ -</u>	<u>\$ 9,424,130</u>
	Subsidiaries		
	CPHC		
	Amount endorsed	\$ -	\$ 3,000,000
	Amount utilized	<u>-</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ 3,000,000</u>
	ZN		
	Amount endorsed	\$ 2,580,000	\$ -
	Amount utilized	<u>-</u>	<u>-</u>
		<u>\$ 2,580,000</u>	<u>\$ -</u>

(Continued)

Related Parties Types/Names	December 31	
	2019	2018
The Corporation as key management personnel of other related parties		
Amount endorsed	\$ 1,502,038	\$ 938,807
Amount utilized	<u>(1,157,800)</u>	<u>(813,714)</u>
	<u>\$ 344,238</u>	<u>\$ 125,093</u>
		(Concluded)

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	
	2019	2018
Short-term employee benefits	\$ 74,111	\$ 114,076
Post-employment benefits	<u>1,439</u>	<u>542</u>
	<u>\$ 75,550</u>	<u>\$ 114,618</u>

30. ASSETS PLEDGED AS COLLATERAL OR SECURITY

As of December 31, 2019 and 2018, time deposits pledged as collateral for bank overdraft was both NT\$5,850,000 thousand.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2019 were as follows:

- a. The Corporation provided letters of credits for NT\$4.9 billion guaranteed by financial institutions for several construction, lease contracts and payment.
- b. Unused letters of credit for importation of materials and machinery amounted to NT\$4.5 billion.
- c. Property purchase and construction contracts for NT\$10 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 7,710,000 metric tons of coal, 16,430,000 metric tons of iron ore, and 2,370,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2019 were USD 2.6 billion (including 4,460,000 metric tons of coal, 24,780,000 metric tons of iron ore, and 570,000 metric tons of limestone).
- e. The amount utilized for guarantees provided to related parties and investees of co-investment for procurement and investment compliances was NT\$38,136,226 thousand.

32. 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:

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2019</u>			
Monetary foreign currency assets			
USD	\$ 76,501	29.9800	\$ 2,295,371
JPY	7,234,354	0.2760	1,996,682
Non-monetary foreign currency assets			
Financial assets at fair value through other comprehensive income			
USD	810,290	29.9800	24,292,484
JPY	6,976,800	0.2760	1,925,597
MYR	238,160	7.0330	1,674,977
Investments accounted for using equity method			
USD	364,732	29.9800	10,901,478
AUD	939,953	21.0050	19,743,722
INR	2,535,672	0.4196	1,063,968
Monetary foreign currency liabilities			
USD	195,517	29.9800	5,771,088
JPY	11,810,242	0.2760	3,259,627
<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

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were NT\$335,857 thousand and NT\$394,597 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.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1) (Please refer to Page 362-364)
- 2) Endorsements/guarantees provided (Table 2) (Please refer to Page 365-366)
- 3) Marketable securities held (Table 3) (Please refer to Page 367-388)
- 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 389)
- 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 390)
- 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 391-398)
- 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 399)
- 9) Trading in derivative instruments (Note 28)
- 10) Information on investees (Table 8) (Please refer to Page 406-412 Table 9)

b. Information on investments in mainland China

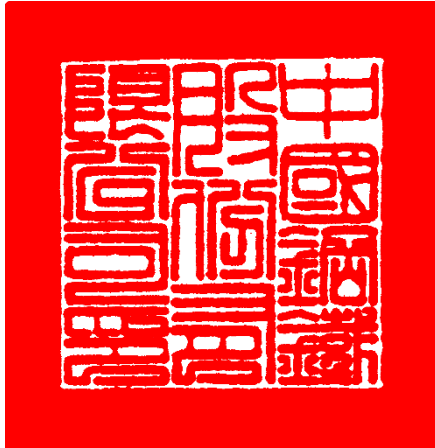
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the 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 413-414 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 391-398)
 - 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 391-398)
 - 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 365-366)

- 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 362-364)
- 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)

34. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

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.