

China Steel Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 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, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, China Steel Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

China Steel Corporation

By

Chao-Tung Wong
Chairman

March 25, 2019

INDEPENDENT AUDITORS' REPORT

China Steel Corporation

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

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

Inventory Valuation

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

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

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

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

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

The audit procedures we performed included the following:

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

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

Other Matter

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

Notice to Readers

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

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

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

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

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

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

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

(Concluded)

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

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

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

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

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

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

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

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

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

(Concluded)

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

Classification, measurement and impairment of financial assets

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

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

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

(Continued)

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

(Concluded)

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

Hedge accounting

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

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

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

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

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

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

Impact on assets, liabilities and equity for current year

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

Impact on total comprehensive income for current year

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

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

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

(Continued)

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

Explanations for the main adjustments are as follows:

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

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

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

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

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

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

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

1) IFRS 16 “Leases”

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

Definition of a lease

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

The Corporation and its subsidiaries as lessee

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

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

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

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

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

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

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

The Corporation and its subsidiaries as lessor

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

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

Anticipated impact on assets, liabilities and equity

	December 31, 2018	Adjustments Arising from Initial Application	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
			(Continued)

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

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

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

d. Basis of consolidation

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

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

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

The consolidated entities were as follows:

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

(Continued)

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

(Continued)

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

f. Foreign currencies

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

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

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

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

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

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

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

g. Inventories

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

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

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

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

h. Investment in associates

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

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

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

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

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

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

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

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

i. Joint operations

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

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

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

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

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

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

j. Property, plant, and equipment

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

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

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

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

k. Investment properties

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

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

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

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

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

l. Goodwill

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

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

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

m. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

acquired separately.

3) Derecognition of intangible assets

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

n. Impairment of tangible and intangible assets

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

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

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

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

o. Non-current assets held for sale

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

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

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

p. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

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

i Financial asset at FVTPL

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

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

ii Investments in equity instruments at FVTOCI

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

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

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

iii Financial assets at amortized cost

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

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

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

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

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

2017

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

i Financial assets at fair value through profit or loss

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

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

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

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

ii Held-to-maturity investments

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

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

iii Available-for-sale financial assets

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

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

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

iv Loans and receivables

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

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

b) Impairment of financial assets and contract assets

2018

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

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

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

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

2017

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

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Corporation and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

i Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

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

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in

other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 34.

ii Financial guarantee contracts

2018

Financial guarantee contracts issued by the Corporation and its subsidiaries, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss and amortized cost.

2017

Financial guarantee contracts issued by the Corporation and its subsidiaries, if not designated as at FVTPL, are subsequently measured at the higher of amortized cost. However, if contractual obligations are possibly paid after evaluation, then financial guarantee contracts issued by the Corporation and its subsidiaries, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the best estimate of contractual obligations and amortized cost.

b) Derecognition of financial liabilities

Only when the obligation is relieved, cancelled or expired would the Corporation and its subsidiaries derecognize financial liabilities. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation and its subsidiaries are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

5) Derivative financial instruments

The Corporation and its subsidiaries enter into foreign exchange forward contracts and interest swap contracts to manage their exposure to foreign exchange rate and interest rate.

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

6) Hedging instruments

The Corporation and its subsidiaries designate certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2017, hedge accounting is discontinued prospectively when the Corporation and its subsidiaries revoke the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the Corporation and its subsidiaries' documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. From 2018, the Corporation and its subsidiaries discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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

Before 2017, hedge accounting is discontinued prospectively when the Corporation and its subsidiaries revoke the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the

Corporation and its subsidiaries' documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. From 2018, the Corporation and its subsidiaries discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

c) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of exchange differences on translating the financial statements of foreign operations before 2018, and recognized in gains and losses on hedging instruments from 2018. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the exchange differences on translating the financial statements of foreign operations are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

q. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured using the cash flows estimated to settle the present obligation.

r. Treasury shares

Shares of the Corporation held by subsidiaries are reclassified to treasury shares from investments accounted for using equity method at the acquisition cost.

s. Revenue recognition

Contracts applicable to IFRS 15 starting from 2018

The Corporation and its subsidiaries identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Corporation and its subsidiaries to customers to satisfy performance obligations, as follows: domestic sales - when products are moved out of the Corporation and its subsidiaries' premises for delivery to customers; exports - when products are loaded onto vessels. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. Estimated discount or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Corporation and its subsidiaries transfer a promised good or service to a customer and the date the customer pays for

that good or service is one year or less, the Corporation and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

2) Construction contract revenue

As property is being constructed and construction is in progress, the Corporation and its subsidiaries recognize revenue from construction contract over time. The Corporation and its subsidiaries measure the progress on the basis of costs incurred relative to the total expected costs or the units produced and installed relative to estimated total units under the contract as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligation. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payments exceed the revenue recognized to date, then the Corporation and its subsidiaries recognize a contract liability for the difference. Certain amount retained by the customer as specified in the contract is intended to ensure that the subsidiaries adequately complete all their contractual obligations. Such retention receivables are recognized as contract assets until the subsidiaries satisfy their performance obligations.

3) Revenue from rendering of services

Revenue from services is recognized when services are provided by reference to the stage of completion of the services provided.

Contracts prior to 2018 not retrospectively applying IFRS 15

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers as follows: domestic sales - when products are moved out of the Corporation and its subsidiaries' premises for delivery to customers; exports - when products are loaded onto vessels. Revenues are recognized because the earning process is accomplished and revenue is realized or realizable.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. But if the related receivable is due within one year, the difference between its present value and undiscounted amount is immaterial, and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

2) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services. If a service contract is estimated to bear a loss prior to completion, the Corporation and its subsidiaries recognize the full amount of the loss immediately.

Freight revenues are recognized according to the proportion of voyage days used to contracted voyage of each ship. Revenues from construction contracts are recognized in accordance with the accounting standards for construction contracts which are described below in "Construction Contracts".

Construction contracts prior to 2018 not retrospectively applying IFRS 15

When the outcome of a construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that are estimated as recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated, contractors and customers can accept or reject any part of the contract related to each asset and the costs and revenues of each asset can be separately identified. A group of contracts performed concurrently or in a continuous sequence is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work.

t. Leasing

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

1) The Corporation and its subsidiaries as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents are recognized as income in the year in which they are incurred.

2) The Corporation and its subsidiaries as lessee

Assets held under finance leases are initially recognized as assets of the Corporation and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as income in the year in which they are incurred.

u. Borrowing costs

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

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

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

v. Government grants

Government grants are not recognized until there is reasonable assurance that the subsidiaries will comply with the conditions attaching to them and that the grants will be received.

w. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) 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. Rereasurement, 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. Rereasurement 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 rereasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation and its subsidiaries can no longer withdraw the offer of the termination benefit and when the Corporation and its subsidiaries recognize any related restructuring costs.

x. Taxation

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

1) Current tax

Current tax is the amount of tax at statutory rate calculated on the taxable profit at the end of each reporting period. According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery and equipment, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

a. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation and its subsidiaries use judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

b. Fair value of private-placement shares of listed companies, emerging market shares, unlisted equity securities

As described in Note 34, the Corporation and its subsidiaries applied valuation techniques commonly used by market practitioners to evaluate fair value of the financial instruments that do not have listed market price in an active market. The measurement for the fair value of private-placement shares of listed companies, emerging market shares and unlisted equity securities includes assumptions not based on observable market prices or interest rates; therefore, the fair value may change significantly.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 49,926	\$ 46,814
Checking accounts and demand deposits	9,653,003	8,364,630
Cash equivalents (investments with original maturities less than three months)		
Time deposits	7,912,749	2,259,696
Commercial papers with repurchase agreements	671,564	1,808,222
Bonds with repurchase agreements	<u>-</u>	<u>377,300</u>
	<u>\$ 18,287,242</u>	<u>\$ 12,856,662</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets designated as at FVTPL		
Mutual funds	\$ -	\$ 2,655,982
Listed shares	-	46,868
	<u>-</u>	<u>2,702,850</u>
Financial assets held for trading		
Listed shares	-	1,138,209
Mutual funds	-	622,426
Convertible bonds	-	229,671
Emerging market shares	-	215,464
Foreign exchange forward contracts (a)	-	2,024
	<u>-</u>	<u>2,207,794</u>
Financial assets mandatorily classified as at FVTPL		
Mutual funds	1,902,173	-
Listed shares	423,640	-
Emerging market shares	217,281	-
Convertibles bonds	46,440	-
Futures contracts (b)	4,951	-
	<u>2,594,485</u>	<u>-</u>
	<u>\$ 2,594,485</u>	<u>\$ 4,910,644</u>
<u>Financial assets at FVTPL - noncurrent</u>		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	\$ 1,834,226	\$ -
Emerging market shares	44,846	-
	<u>\$ 1,879,072</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Futures contracts (b)	\$ -	\$ 247

Part of unlisted shares were classified as debt investments with no active market under IAS 39 (Note 16). However, under IFRS 9, they were classified mandatorily as at FVTPL.

- a. The subsidiaries entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, some of those contracts were not accounted for by using hedge accounting. The outstanding foreign exchange forward contracts not under hedge accounting of the subsidiaries at the balance sheet date were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>			
Sell	USD/NTD	January 2018	USD6,805/NTD204,580
Sell	HKD/NTD	January 2018	HKD11,000/NTD42,410

- b. The subsidiary entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not accounted for by using hedge accounting. As of the balance sheet date, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
<u>December 31, 2018</u>		
June 15, 2019	2,281	\$ 37,659 (RMB 8,421 thousand)
<u>December 31, 2017</u>		
June 15, 2018	510	\$ 8,798 (RMB 1,927 thousand)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2018
<u>Current</u>	
Domestic investments	
Listed shares	\$ 2,916,952
Emerging market shares and unlisted shares	<u>52,086</u>
	<u>\$ 2,969,038</u>
<u>Noncurrent</u>	
Domestic investments	
Listed shares	\$ 10,670,938
Emerging market shares and unlisted shares	1,821,200
Private - placement shares of listed companies	<u>147,368</u>
	<u>12,639,506</u>
Foreign investments	
Unlisted shares	41,161,772
Listed shares	2,188,927
Certificate of entitlement	<u>790,569</u>
	<u>44,141,268</u>
	<u>\$ 56,780,774</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation and its subsidiaries' strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 10 for information relating to reclassification and comparative information for 2017.

Dividend of NT\$549,150 thousand was recognized for the year ended December 31, 2018. Of the amounts, NT\$1,629 thousand, related to investments derecognized as of December 31, 2018, and NT\$547,521 thousand, related to investments still held as of December 31, 2018.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2018
<u>Noncurrent</u>	
Bonds	\$ 13,436
Subordinated financial bonds	<u>4,144</u>
	<u>\$ 17,580</u>

Above bonds were classified as held-to-maturity financial assets and debt investments with no active market under IAS 39. Refer to Notes 3, 11 and 16 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
<u>Current</u>	
Domestic investments	
Listed shares	\$ 1,993,089
Mutual funds	143,539
Emerging market shares and unlisted shares	<u>49,528</u>
	<u>\$ 2,186,156</u>
<u>Noncurrent</u>	
Domestic investments	
Listed shares	\$ 9,050,659
Emerging market shares and unlisted shares	2,482,383
Private-placement shares of listed companies	<u>172,785</u>
	<u>11,705,827</u>

(Continued)

	December 31, 2017
Foreign investments	
Unlisted shares	\$ 43,754,121
Listed shares	2,141,150
Certificate of entitlement	<u>782,890</u>
	<u>46,678,161</u>
	<u>\$ 58,383,988</u>
	(Concluded)

11. HELD-TO-MATURITY FINANCIAL ASSETS – NONCURRENT

	December 31, 2017
Structured notes	\$ 102,360
Corporate bonds	<u>27,390</u>
	<u>\$ 129,750</u>

12. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2018	2017
<u>Financial assets for hedging - current</u>		
Hedging foreign-currency deposits (Note 18)	\$ 2,255,386	\$ -
Foreign exchange forward contracts	<u>229,005</u>	<u>-</u>
	<u>\$ 2,484,391</u>	<u>\$ -</u>
<u>Financial assets for hedging - noncurrent</u>		
Foreign exchange forward contracts	<u>\$ 109,643</u>	<u>\$ -</u>
<u>Financial liabilities for hedging - current</u>		
Bank loans (Note 21)	\$ 4,177,109	\$ -
Borrowed precious metals from bank	201,997	-
Foreign exchange forward contracts	<u>26,122</u>	<u>-</u>
	<u>\$ 4,405,228</u>	<u>\$ -</u>
<u>Financial liabilities for hedging - noncurrent</u>		
Bank loans (Note 21)	\$ 4,348,562	\$ -
Foreign exchange forward contracts	<u>2,168</u>	<u>-</u>
	<u>\$ 4,350,730</u>	<u>\$ -</u>

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<hr/>		
Derivative financial assets for hedging - current		
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 54,131</u>
<hr/>		
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 16,237</u>
<hr/>		
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 42,433</u>
Interest rate swap contracts	<u> -</u>	<u> 5,785</u>
	<u>\$ <u> -</u></u>	<u>\$ <u> 48,218</u></u>
<hr/>		
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 210,325</u>
		(Concluded)

Refer to Note 34 for information relating to financial instruments for hedging.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Notes receivable		
Operating	\$ 2,341,981	\$ 2,107,525
Non-operating	<u> 330</u>	<u> -</u>
	2,342,311	2,107,525
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>
	<u>\$ <u> 2,342,311</u></u>	<u>\$ <u> 2,107,525</u></u>
Accounts receivable	\$ 16,130,968	\$ 14,718,811
Less: Allowance for impairment loss	<u> 71,859</u>	<u> 52,297</u>
	<u>\$ <u>16,059,109</u></u>	<u>\$ <u>14,666,514</u></u>

For the year ended December 31, 2018

The Corporation and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. The Corporation did transactions with a large number of unrelated customers and no concentration of credit risk was observed. The Corporation and its subsidiaries continue to manage the financial condition and entire credit risk of their customers, and obtain sufficient collateral if needed to mitigate the risk of financial loss from late payment.

The expected credit losses on notes and accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as

well as the forecast GDP and direction of economic conditions at the reporting date.

The Corporation and its subsidiaries continue to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Corporation and its subsidiaries review the recoverable amount of receivables one by one on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The following table details the loss allowance of notes and accounts receivable based on the impaired aging analysis.

December 31, 2018

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 17,377,232	\$ 771,240	\$ 83,355	\$ 176,412	\$ 65,040	\$ 18,473,279
Loss allowance (Lifetime ECL)	<u>(4,628)</u>	<u>(14)</u>	<u>(20,378)</u>	<u>(19,276)</u>	<u>(27,563)</u>	<u>(71,859)</u>
Amortized cost	<u>\$ 17,372,604</u>	<u>\$ 771,226</u>	<u>\$ 62,977</u>	<u>\$ 157,136</u>	<u>\$ 37,477</u>	<u>\$ 18,401,420</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31, 2018
Balance, beginning of year (IAS 39)	\$ 52,297
Adjustment on initial application of IFRS 9	<u>-</u>
Balance, beginning of year (IFRS 9)	52,297
Recognition	22,892
Written off	(3,412)
Effect of foreign currency exchange difference	<u>82</u>
Balance, end of year	<u>\$ 71,859</u>

For the year ended December 31, 2017

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. In determining the recoverability of notes and accounts receivable, the Corporation and its subsidiaries considered any change in the credit quality of the notes and accounts receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation and its subsidiaries will recognize 100% allowance for doubtful accounts.

The Corporation and its subsidiaries had not recognized an allowance for some notes and accounts receivable that are past due at the end of the reporting period because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation and its subsidiaries did not hold any collateral or other credit enhancement for these balances.

The aging of notes and accounts receivable was as follows:

	December 31, 2017
Not past due	\$ 15,518,346
1 to 30 days	776,274
	(Continued)

	December 31, 2017
31-60 days	\$ 170,983
61-365 days	220,495
More than 365 days	<u>87,941</u>
	<u>\$ 16,774,039</u> (Concluded)

Above aging analysis of notes and accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Aging analysis of notes and accounts receivable that are past due but not impaired was as follows:

	December 31, 2017
Less than 31 days	\$ 769,349
31-60 days	169,780
61-365 days	218,014
More than 365 days	<u>84,555</u>
	<u>\$ 1,241,698</u>

Above analysis of notes and accounts receivable was based on the past due days from end of credit term.

Movements in the allowance for doubtful accounts recognized on accounts receivable were as follows:

	For the Year Ended December 31, 2017
Balance, beginning of year	\$ 79,640
Reversal	(26,667)
Written off	(62)
Effect of foreign currency exchange difference	<u>(614)</u>
Balance, end of year	<u>\$ 52,297</u>

Aging analysis of individually impaired accounts receivable was as follows:

	December 31, 2017
Less than 31 days	\$ 6,925
31-60 days	1,203
61-365 days	2,481
More than 365 days	<u>3,386</u>
	<u>\$ 13,995</u>

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Retentions receivable from construction contracts included in the accounts receivable did not bear interests; they were expected to be received upon the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 14 for details on construction contracts.

The Corporation and its subsidiaries CHS and CSAC entered into accounts receivable factoring agreements (without recourse) with Mega Bank and other financial institutions. Under the agreements, the Corporation and its subsidiaries are empowered to sell accounts receivable to the banks upon the delivery of products to customers and are required to complete related formalities at the next banking day.

For the years ended December 31, 2018 and 2017, the related information for the Corporation and its subsidiaries CHS's and CASC'S sale of accounts receivable was as follows.

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Annual Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2018						
Mega Bank	\$ 3,946,637	\$ 10,988,135	\$ 10,625,300	\$ 4,309,472	1.05-1.68	NT\$9 billion
Bank of Taiwan	1,473,874	4,194,030	4,085,875	1,582,029	1.05-1.68	NT\$3 billion
Bank of Taiwan	649,515	5,843,018	6,000,810	491,723	0.55-3.47	USD130,000 thousand
Taishin Bank	1,626,213	9,471,752	7,756,173	3,341,792	2.00-3.00	USD120,000 thousand
CTBC Bank	677,245	3,143,818	2,774,972	1,046,091	2.00-3.47	USD40,000 thousand
Mizuho Bank	-	202,522	189,150	13,372	2.19-2.92	USD10,000 thousand
Mega Bank	1,088,226	3,114,212	3,169,251	1,033,187	1.19	NT\$3 billion
Bank of Taiwan	62,805	534,050	396,895	199,960	3.52	USD20,000 thousand
Bank of Taiwan	157,681	115,912	273,593	-	2.70	USD15,000 thousand
	<u>\$ 9,682,196</u>	<u>\$ 37,607,449</u>	<u>\$ 35,272,019</u>	<u>\$ 12,017,626</u>		
For the Year Ended December 31, 2017						
Mega Bank	\$ 3,407,655	\$ 10,454,377	\$ 9,915,395	\$ 3,946,637	1.02-1.68	NT\$9 billion
Mega Bank	1,099,546	3,137,353	3,148,673	1,088,226	1.19	NT\$3 billion
Bank of Taiwan	106,911	356,052	400,158	62,805	2.58	USD30,000 thousand
Bank of Taiwan	1,305,411	4,022,227	3,853,764	1,473,874	1.02-1.68	NT\$3 billion
Bank of Taiwan	658,609	5,912,848	5,921,942	649,515	1.84-2.49	USD130,000 thousand
Bank of Taiwan	-	324,490	166,809	157,681	1.52-2.55	USD15,000 thousand
Taishin Bank	-	726,453	726,453	-	2.61	USD10,000 thousand
Taishin Bank	1,944,923	7,724,850	8,043,560	1,626,213	1.59-2.00	USD123,000 thousand
CTBC Bank	552,811	2,567,555	2,443,121	677,245	1.59-2.02	USD40,000 thousand
	<u>\$ 9,075,866</u>	<u>\$ 35,226,205</u>	<u>\$ 34,619,875</u>	<u>\$ 9,682,196</u>		

14. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	December 31, 2017
<u>Amounts due from customers for construction contracts</u>	
Construction costs incurred plus recognized profits less recognized losses to date	\$ 63,159,329
Less: Progress billings	<u>53,758,369</u>
Amounts due from customers for construction contracts	<u>\$ 9,400,960</u>
<u>Amounts due to customers for construction contracts</u>	
Progress billings	\$ 14,469,434
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>9,043,206</u>
Amounts due to customers for construction contracts	<u>\$ 5,426,228</u>
Retentions receivable	<u>\$ 1,371,118</u>
Retentions payable	<u>\$ 2,717,118</u>

15. INVENTORIES

	December 31	
	2018	2017
Work in progress	\$ 25,240,250	\$ 23,421,176
Finished goods	26,664,139	24,357,521
Raw materials	20,789,812	18,974,890
Supplies	12,389,277	10,675,761
Raw materials and supplies in transit	11,672,473	7,826,224
Buildings and lands under construction and held for sale	4,071,736	2,482,318
Others	<u>257,198</u>	<u>225,870</u>
	<u>\$ 101,084,885</u>	<u>\$ 87,963,760</u>

The costs of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was NT\$299,856,591 thousand and NT\$264,013,789 thousand, respectively, including loss on inventory value decline of NT\$1,057,104 thousand and reversal of inventories NT\$880,774 thousand, respectively.

16. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2017
<u>Noncurrent</u>	
Unlisted preference shares - overseas	
East Asia United Steel Corporation (EAUS) - Preference A	\$ 1,761,421
Bonds	88,907
Subordinated financial bonds	<u>4,015</u>
	<u>\$ 1,854,343</u>

In July 2003, the Corporation and Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation established the joint venture Company EAUS in Japan. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation also signed a long-term purchase agreement with EAUS and promised to purchase certain amount of slabs annually. In 2015, the Corporation sold 3,333 shares of preference A of EAUS to Nippon Steel & Sumitomo Metal Corp.

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Material associates		
7623704 Canada Inc.	\$ 8,306,551	\$ 8,059,570
Associates that are not individually material	<u>6,460,523</u>	<u>6,670,243</u>
	<u>\$ 14,767,074</u>	<u>\$ 14,729,813</u>

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)	
			December 31, 2018	December 31, 2017
7623704 Canada Inc.	Mineral Investment	Canada	25	25

The summarized financial information below represents amounts shown in the financial statements of 7623704 Canada Inc., which has been prepared in accordance with IFRSs, converted to the functional currency and adjusted for the purposes of applying equity method.

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 63,126	\$ 106,549
Noncurrent assets	33,785,917	32,736,293
Current liabilities	<u>(18)</u>	<u>(260)</u>
Equity	<u>\$ 33,849,025</u>	<u>\$ 32,842,582</u>
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	<u>\$ 8,306,551</u>	<u>\$ 8,059,570</u>
	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Net profit for the year	<u>\$ 1,214,366</u>	<u>\$ 2,215,665</u>
Total comprehensive income for the year	<u>\$ 4,416,155</u>	<u>\$ (455,667)</u>
Dividends received from 7623704 Canada Inc.	<u>\$ 313,173</u>	<u>\$ 531,892</u>
Comprehensive income attributable to the Corporation and its subsidiaries	<u>\$ 1,083,724</u>	<u>\$ (111,821)</u>

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

	For the Year Ended December 31	
	2018	2017
The Corporation and its subsidiaries' share of		
Net profit (loss) for the year	\$ (82,061)	\$ 77,372
Other comprehensive income	<u>(46,172)</u>	<u>(173,150)</u>
Total comprehensive income	<u>\$ (128,233)</u>	<u>\$ (95,778)</u>

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

	December 31	
	2018	2017
Chateau International Development Co., Ltd.	<u>\$ 674,749</u>	<u>\$ 791,532</u>

Refer to Table 9 "Information on Investees" for the nature of main business, principal place of business and countries of incorporation of associates that are not individually material.

18. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Current		
Pledged time deposits	\$ 6,419,409	\$ 6,580,282
Time deposits with original maturities more than three months	2,609,083	2,108,285
Deposits for projects	325,408	188,475
Hedging foreign-currency deposits	<u>-</u>	<u>1,874,979</u>
	<u>\$ 9,353,900</u>	<u>\$ 10,752,021</u>
Noncurrent		
Pledged receivables	\$ 2,000,000	\$ 2,000,000
Pledged time deposits	266,649	264,574
Time deposits	21,710	22,144
Deposits for projects	<u>2,127</u>	<u>337,023</u>
	<u>\$ 2,290,486</u>	<u>\$ 2,623,741</u>

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts. As of December 31, 2018 and 2017, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT\$2,255,386 thousand (JPY0.46 billion, RMB42,966 thousand, USD31,349 thousand, EUR27,251 thousand and GBP332 thousand) and NT\$1,874,979 thousand (JPY1.08 billion, RMB63,443 thousand, USD29,386 thousand, EUR11,562 thousand and GBP332 thousand), respectively. As of December 31, 2018 and 2017 cash outflows would be expected from aforementioned contracts for the periods from 2019 and 2018, respectively.

Under IFRS 9, hedging foreign-currency deposits are reclassified to financial assets for hedging.

Refer to Note 36 for information relating to other financial assets pledged as collateral.

19. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2018

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
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>

For the year ended December 31, 2017

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2017	\$ 63,547,108	\$ 4,992,881	\$ 122,481,708	\$ 618,315,362	\$ 29,763,661	\$ 17,086,014	\$ 9,906,663	\$ 323,003	\$ 17,497,100	\$ 883,913,500
Additions	3,294,316	57,984	1,667,674	8,368,272	258,808	659,561	1,217,484	-	6,014,342	21,538,441
Disposals	(11,260)	-	(11,781)	(3,113,979)	(855,554)	(245,466)	(1,649,315)	-	(1,728)	(5,889,083)
Reclassification	5,106	162	(204,731)	(654,614)	1,415	(5,069)	858,280	-	(522,761)	(522,212)
Effect of foreign currency exchange difference	(600)	(2,682)	(287,642)	(1,382,304)	(1,631,796)	(19,783)	-	-	(2,321)	(3,327,128)
Others	-	-	-	1,362	-	-	(32,648)	-	-	(31,286)
Balance at December 31, 2017	<u>\$ 66,834,670</u>	<u>\$ 5,048,345</u>	<u>\$ 123,645,228</u>	<u>\$ 621,534,099</u>	<u>\$ 27,536,534</u>	<u>\$ 17,475,257</u>	<u>\$ 10,300,464</u>	<u>\$ 323,003</u>	<u>\$ 22,984,632</u>	<u>\$ 895,682,232</u>
Accumulated depreciation and impairment										
Balance at January 1, 2017	\$ 25,546	\$ 4,568,858	\$ 44,480,284	\$ 375,772,170	\$ 11,541,392	\$ 12,646,644	\$ 4,006,875	\$ 22,144	\$ -	\$ 453,063,913
Depreciation	-	71,377	3,902,393	26,127,985	1,574,188	1,176,926	1,595,535	10,702	-	34,459,106
Disposals	-	-	(8,921)	(3,041,143)	(703,831)	(225,169)	(1,649,315)	-	-	(5,628,379)
Impairments	-	-	-	781,099	-	786	94,895	-	-	876,780
Reclassification	-	-	(33,217)	(167,147)	1,415	(1,228)	194,417	-	-	(5,760)
Effect of foreign currency exchange difference	-	(417)	(25,130)	(226,771)	(647,804)	(5,904)	-	-	-	(906,026)
Others	-	-	-	1,362	-	-	-	-	-	1,362
Balance at December 31, 2017	<u>\$ 25,546</u>	<u>\$ 4,639,818</u>	<u>\$ 48,315,409</u>	<u>\$ 399,247,555</u>	<u>\$ 11,765,360</u>	<u>\$ 13,592,055</u>	<u>\$ 4,242,407</u>	<u>\$ 32,846</u>	<u>\$ -</u>	<u>\$ 481,860,996</u>
Carrying amount at December 31, 2017	<u>\$ 66,809,124</u>	<u>\$ 408,527</u>	<u>\$ 75,329,819</u>	<u>\$ 222,286,544</u>	<u>\$ 15,771,174</u>	<u>\$ 3,883,202</u>	<u>\$ 6,058,057</u>	<u>\$ 290,157</u>	<u>\$ 22,984,632</u>	<u>\$ 413,821,236</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Land improvements

Bridge	40 years
Drainage system	40 years
Wharf	20-40 years
Wall	20-40 years

(Continued)

Others	5-15 years
Buildings	
Main structure	2-60 years
Facility	8-40 years
Mechanical and electrical facilities	10-15 years
Trellis and corrugated iron building	3-20 years
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	3-10 years
Others	2-3 years
Other equipment	
Leasehold improvement	2-35 years
Office, air condition and extinguishment equipment	5-25 years
Computer equipment	3-10 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, 2018 and 2017, the book value of the farmlands were both NT\$55,433 thousand recorded as land.

The subsidiary DSC's partial property, plant and equipment were idle; as a result, DSC assessed the amounts were not considered recoverable or the recoverable amount were less than carrying amount. Hence, it recognized an impairment loss of NT\$1,832,292 thousand and NT\$795,330 thousand, which was recorded as operating costs for the years ended December 31, 2018 and 2017, respectively.

Refer to Note 36 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.

20. INVESTMENT PROPERTIES

For the year ended December 31, 2018

	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>

For the year ended December 31, 2017

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 8,222,428	\$ 3,236,752	\$ 11,459,180
Additions	-	614,852	614,852
Transferred from inventory	142,688	-	142,688
Transferred to property, plant and equipment	(5,106)	(9,612)	(14,718)
Effect of foreign currency exchange difference	<u>(6,476)</u>	<u>(16,535)</u>	<u>(23,011)</u>
Balance at December 31, 2017	<u>\$ 8,353,534</u>	<u>\$ 3,825,457</u>	<u>\$ 12,178,991</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2017	\$ 222,057	\$ 920,981	\$ 1,143,038
Impairment loss	15,307	-	15,307
Depreciation	-	70,186	70,186
Transferred to property, plant and equipment	-	(3,477)	(3,477)
Effect of foreign currency exchange difference	<u>-</u>	<u>(2,141)</u>	<u>(2,141)</u>
Balance at December 31, 2017	<u>\$ 237,364</u>	<u>\$ 985,549</u>	<u>\$ 1,222,913</u>
Carrying amount at December 31, 2017	<u>\$ 8,116,170</u>	<u>\$ 2,839,908</u>	<u>\$ 10,956,078</u>

The above items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings 3-60 years

The Corporation and its subsidiaries participated in the “Qianzhen Residential Building Project”, which was jointly conducted by its subsidiary CPDC, signed the land sales agreements with its employees. According to the agreements, payment for the land received from employees were deposited in the Bank of Taiwan and recognized as other financial assets while other liabilities were recognized simultaneously. After acquiring the building use permit in November 2018, the “Qianzhen Residential Building Project” was reclassified to noncurrent assets held for sale.

To encourage its employees and enhance employees’ welfare, the subsidiary DSC began to build “Lohas Center” in August 2004, which was approved by the board of directors to sell to employees in November 2017. Lohas Center is estimated to be sold out within 12 months and was transferred to noncurrent asset held for sale in June 2018 after acquiring the building use permit.

The fair value of the investment properties was arrived at on the basis of valuations conducted in 2013, 2014, 2015 and 2017 by independent appraisers, who are not related parties. The valuation was measured under the market approach, income approach, cost approach and land developing analysis approach, and Level 3 inputs were used when performing the abovementioned approaches. In December 2016, due to the significant change in the present value of several plots of land, the Corporation, based on the actual selling prices of land sale in the vicinity, reappraised the land value. The important assumptions and fair value were as follows:

	December 31	
	2018	2017
Fair value	<u>\$ 24,172,985</u>	<u>\$ 27,140,670</u>
Depreciation rate (%)	1.20-2.00	1.20-2.00
Discount rate (%)	0.85-2.13	0.85-2.13

All of the Corporation and its subsidiaries’ investment properties are held under freehold interests. Refer to Note 36 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

21. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2018	2017
Unsecured loans - interest at 0.47%-12% p.a. and 0.42%-7.40% p.a. as of December 31, 2018 and 2017, respectively	\$ 32,111,402	\$ 29,311,397
Bank overdraft (Note 36) - interest at 0.14%-8.33% p.a. and 0.14%-7.40% p.a. as of December 31, 2018 and 2017, respectively	5,764,410	2,973,133
Letters of credit - interest at 0%-1.17% p.a. and 0%-1.25% p.a. as of December 31, 2018 and 2017, respectively	1,834,030	1,503,507
Secured loans (Note 36) - interest at 0.88%-5.00% p.a. and 0.88%-5.30% p.a. as of December 31, 2018 and 2017, respectively	1,688,129	757,814

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Export bill loans - interest at 0.21%-3.36% p.a. and 0.37%-6.45% p.a. as of December 31, 2018 and 2017, respectively	\$ 612,035	\$ 780,207
	<u>\$ 42,010,006</u>	<u>\$ 35,326,058</u> (Concluded)

Starting from January 2016, the subsidiary CSPM entered into several credit facility agreements with ANZ (China) and several banks for total amount of USD47,000 thousand (or equal amount in RMB, the credit line remained unchanged) and RMB105,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold over 50% of the CSPM's equity and half or more of the seats in the board of directors and supervisors. As of December 31, 2018, the subsidiary CSAPH held 70% equity of CSPM and three-quarters of the seats in the board of directors and supervisors.

Starting from March 2015, the subsidiary CSMK entered into short-term financing contract with ANZ (China) and several Banks for USD26,000 thousand credit line (or equal amount in RMB, the credit line remained unchanged) and RMB50,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold 100% of the CSMK's equity and all of the seats in the board of directors. As of December 31, 2018, the Corporation and CSGT collectively held 100% equity of CSMK and all of the seats in the board of directors.

Starting from March 2014, the subsidiary CSCI entered into short-term financing contracts with BNP Bank and several banks for INR 1.9 billion credit line. Under the agreements, the Corporation should hold at least 60% of CSCI's issued shares and half or more of the seats in the board of directors. As of December 31, 2018, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

Starting from March 2014, the subsidiary CSVC entered into short-term financing contracts with Standard Chartered Bank and several banks for a USD92,500 thousand short-term credit lines. Under the agreements, the Corporation should hold at least 56% of CSVC's issued shares and half or more of the seats in the board of directors. As of December 31, 2018, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.

b. Short-term bills payable

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Commercial paper - interest at 0.40%-1.15% p.a. and 0.39%-1.14% p.a. as of December 31, 2018 and 2017, respectively	\$ 22,417,000	\$ 24,643,000
Less: Unamortized discounts	<u>4,954</u>	<u>7,418</u>
	<u>\$ 22,412,046</u>	<u>\$ 24,635,582</u>

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, TaChing Bills Finance Corporation, Taiwan Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Grand Bills Finance Corp., Union Bank of Taiwan, Bank of Taiwan, Hua Nan Bank, Taiwan Cooperative Bank, Dah Chung Bills Finance Corp., Shanghai Commercial & Savings Bank and Bangkok Bank, etc.

c. Long-term borrowings

	December 31	
	2018	2017
Syndicated bank loans		
Bank of Taiwan and other banks loan to CHS		
Repayable in March 2019 with a revolving credit, repaid in March 2018 in advance, interest at 1.58% p.a. as of December 31, 2017	\$ -	\$ 2,250,000
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.14% p.a. as of December 31, 2017	-	6,523,540
Bank of Taiwan and other banks loan to the Corporation		
Repayable in several installments from February 2020, repaid in February and May, 2018, respectively, in advance, interest at 2.94% p.a. as of December 31, 2017	-	14,880,000
Mizuho Bank and other banks loan to the Corporation		
Repaid in August 2018, interest at 2.50%-2.57% p.a. as of December 31, 2017	-	4,464,000
Mega Bank and other banks loan to CSVC		
Repayable in 10 semiannual installments from September 2015 to March 2020, interest at 3.71% p.a. and 2.53% p.a. as of December 31, 2018 and 2017, respectively	2,515,558	2,812,320
CTBC Bank and other banks loan to CSCI		
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 4.37% p.a. and 3.35% p.a. as of December 31, 2018 and 2017, respectively	3,365,664	3,269,178
Mortgage loans (Note 36)		
Due on various dates through April 2032, interest at 1.26%-3.50% p.a. and 1.26%-2.44% p.a. as of December 31, 2018 and 2017, respectively	6,747,390	8,009,239
Unsecured loans		
Due on various dates through June 2025, interest at 0.29%-3.57% p.a. and 0.28%-2.57% p.a. as of December 31, 2018 and 2017, respectively	<u>26,366,457</u>	<u>33,409,554</u>
	38,995,069	75,617,831
Less: Syndicated loan fee	<u>-</u>	<u>20,900</u>
	38,995,069	75,596,931
Less: Current portion	2,974,653	18,549,055
Financial liabilities for hedging - current	4,177,109	-
Financial liabilities for hedging - noncurrent	<u>4,348,562</u>	<u>-</u>
	<u>\$ 27,494,745</u>	<u>\$ 57,047,876</u>

- 1) In December 2011, the subsidiary CHS entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for a NT\$16 billion credit line, which consists of NT\$7 billion secured loans with a non-revolving credit line that had been repaid in December 2017 in advance, and NT\$9 billion unsecured loans with a revolving credit line that had been repaid in March 2018 in advance. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of the CHS's issued shares and control CHS's operation. Starting from 2012, CHS should meet some financial ratios and criteria.

The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. The financial ratios of CHS's 2017 standalone financial statements is in

compliance with the agreements.

- 2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT\$35 billion credit line, which consists of NT\$30 billion secured loans with a non-revolving credit line and NT\$5 billion secured commercial paper with a revolving credit line recognized as long - term bills payable; in February 2008, DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT\$51.7 billion credit line which was repaid in July 2018. Under the agreements, the Corporation and its associates should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. Starting from 2012, DSC should meet some financial ratios and criteria.

DSC was in compliance with the syndicated credit facility agreement based on its financial statement of 2017.

- 3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD246,000 thousand credit line, which has been re-signed in December 2017 for a USD126,000 thousand credit line. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and hold half or more of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria. CSVC was in compliance with the syndicated credit facility agreement based on its 2018 and 2017 audited financial statements. As of December 31, 2018, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.
- 4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreements, the Corporation should hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. The syndicated credit facility agreement has been re-signed in November 2016. CSCI should meet some financial ratios and criteria required by the new syndicated credit facility agreement based on the Corporation's reviewed financial statements for the six months ended June 30 and audited annual financial statements as well as CSCI's unreviewed financial statements for the six months ended September 30 and audited annual financial statements. CSCI was in compliance with the syndicated credit facility agreement based on its financial statements for the six months ended September 30, 2018 and 2017 audited financial statements. As of December 31, 2018, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.
- 5) In May 2018, the subsidiary CSCC entered into a credit facility agreement with KGI Bank for a NT\$500,000 thousand credit line. Under the agreement, based on CSCC's quarterly reviewed consolidated financial statements and audited annual consolidated financial statements, which shall be verified quarterly, the consolidated profit from operations of CSCC shall not be negative for two consecutive quarters. Otherwise, the credit line shall be cancelled until the quarter profit from operations become positive. CSCC was in compliance with the agreement based on its financial statements for each quarter ended in 2018.
- 6) In July and August 2015, the Corporation entered into a syndicated credit facility agreement with Mizuho bank with 7 other banks and Bank of Taiwan with 14 other banks for a USD150,000 thousand and USD500,000 thousand unsecured non-revolving credit line, respectively. Loans from Bank of Taiwan had been repaid in May and February 2018, respectively; loans from Mizuho bank had been repaid in August 2018. Under the agreements, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately. The above syndicated credit facility agreements obtained by the Corporation are intended to hedge the

exchange rate fluctuations of the foreign currency equity investment of the subsidiary CSAPH. However, the subsidiary CSAPH carried out a capital reduction in shares in June 2018, which resulted in the change on its risk management strategy and the hedge relationship became ineffective. The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the six months ended June 30, 2018 and for the year ended December 31, 2017.

The above unsecured loans and syndicated credit facility agreements included those obtained by the Corporation in JPY and USD to hedge the exchange rate fluctuations on equity investments in EAUS, CSAPH, CSVC, Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. At the adoption of IFRS 9, long-term borrowings used to hedge exchange rate fluctuation risk were reclassified to financial liabilities for hedging (including current and noncurrent).

d. Long-term bills payable

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Commercial paper - interest at 0.51%-1.20% p.a. and 0.40%-1.00% p.a. as of December 31, 2018 and 2017, respectively	\$ 21,330,000	\$ 26,620,000
Secured commercial paper in syndicated bank loans - interest at 0.96% p.a. as of December 31, 2017	<u>-</u>	<u>1,000,000</u>
	21,330,000	27,620,000
Less: Unamortized discounts	<u>10,506</u>	<u>6,841</u>
	<u>\$ 21,319,494</u>	<u>\$ 27,613,159</u>

The Corporation and its subsidiaries entered into commercial paper contracts with bills finance corporations and banks. The duration of the contracts is three to five years and the cycles of issuance is fifteen to sixty days, during which the Corporation and its subsidiaries only have to pay service fees and interests. Therefore, the Corporation and its subsidiaries recorded those commercial papers issued as long-term bills payable.

The subsidiary DSC issued secured commercial paper in a syndicated bank loan with the duration of seven years. Refer to c. 2) for details.

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

22. BONDS PAYABLE

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
5-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2018 and June 2019; interest at 1.40% p.a., payable annually	\$ 3,500,000	\$ 7,000,000
June 2015; repayable in June 2019 and June 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000
June 2016; repayable in June 2020 and June 2021; interest at 0.89% p.a., payable annually	5,400,000	5,400,000
		(Continued)

	December 31	
	2018	2017
June 2018; repayable in June 2022 and June 2023; interest at 0.91% p.a., payable annually	\$ 4,500,000	\$ -
December 2018; repayable in December 2022 and December 2023; interest at 0.97% p.a., payable annually	3,250,000	-
7-year unsecured bonds - issued at par by the Corporation in:		
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	-	5,200,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	2,500,000	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
May 2018; repayable in May 2024 and May 2025; interest at 0.95% p.a., payable annually	6,000,000	-
October 2018; repayable 25% in October 2024 and 75% in October 2025; interest at 0.90% p.a., payable annually	4,150,000	-
7-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2020 and June 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000
June 2015; repayable in June 2021 and June 2022; interest at 1.72% p.a., payable annually	2,500,000	2,500,000
June 2018; repayable in June 2024 and June 2025; interest at 1.00% p.a., payable annually	2,250,000	-
10-year unsecured bonds - issued at par by the Corporation in:		
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
August 2018; repayable in August 2027 and August 2028; interest at 1.10% p.a., payable annually	5,600,000	-
October 2018; repayable in October 2027 and October 2028; interest at 1.05% p.a., payable annually	2,250,000	-
15-year unsecured bonds - issued at par by the Corporation in:		
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
	<u>111,900,000</u>	<u>95,100,000</u>
Less: Issuance cost of bonds payable	67,356	48,513
Current portion	<u>12,899,340</u>	<u>11,198,974</u>
	<u>\$ 98,933,304</u>	<u>\$ 83,852,513</u>
		(Concluded)

23. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Accounts payable includes advances received on construction contracts. Advances received on construction contracts bears no interests and are expected to be paid until the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within the normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 14 for details on construction contracts.

24. OTHER PAYABLES

	<u>December 31</u>	
	2018	2017
Salaries and incentive bonus	\$ 8,185,624	\$ 7,470,082
Purchase of equipment	3,446,049	2,568,395
Employee compensation and remuneration of directors and supervisors	2,424,866	1,690,094
Outsourced repair and construction	1,432,612	1,154,788
Interest payable	1,077,354	1,073,702
Sales returns and discounts	-	1,522,348
Others	<u>9,058,883</u>	<u>7,675,962</u>
	<u>\$ 25,625,388</u>	<u>\$ 23,155,371</u>

Under IFRS 15, sales returns and discounts are reclassified to refund liability - current.

25. PROVISIONS

	<u>December 31</u>	
	2018	2017
<u>Current</u>		
Onerous contracts (a)	\$ 6,880,915	\$ 3,573,465
Construction warranties (b)	292,043	309,472
Sale returns and discounts (c)	-	55,946
Others	<u>103,471</u>	<u>103,593</u>
	<u>\$ 7,276,429</u>	<u>\$ 4,042,476</u>
<u>Noncurrent</u>		
Provision for stabilization funds (d)	\$ 844,090	\$ 828,352
Others	<u>17,969</u>	<u>6,696</u>
	<u>\$ 862,059</u>	<u>\$ 835,048</u>

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2018	\$ 3,573,465	\$ 309,472	\$ 55,946	\$ 828,352	\$ 110,289	\$ 4,877,524
Adjustment on initial application of IFRS 15	1,291,026	-	(55,946)	-	-	1,235,080
Recognized (reversal)	2,008,757	(14,408)	-	16,344	26,733	2,037,426

(Continued)

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Paid	\$ -	\$ (3,021)	\$ -	\$ (606)	\$ (15,490)	\$ (19,117)
Effect of foreign currency exchange difference	<u>7,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92)</u>	<u>7,575</u>
Balance at December 31, 2018	<u>\$ 6,880,915</u>	<u>\$ 292,043</u>	<u>\$ -</u>	<u>\$ 844,090</u>	<u>\$ 121,440</u>	<u>\$ 8,138,488</u>
Balance at January 1, 2017	\$ 3,750,118	\$ 463,355	\$ 24,415	\$ 802,859	\$ 99,053	\$ 5,139,800
Recognized (reversal)	(176,653)	(152,673)	1,494,113	26,556	21,808	1,213,151
Paid	<u>-</u>	<u>(1,210)</u>	<u>(1,462,582)</u>	<u>(1,063)</u>	<u>(10,572)</u>	<u>(1,475,427)</u>
Balance at December 31, 2017	<u>\$ 3,573,465</u>	<u>\$ 309,472</u>	<u>\$ 55,946</u>	<u>\$ 828,352</u>	<u>\$ 110,289</u>	<u>\$ 4,877,524</u>

(Concluded)

- a. The provision for onerous contracts represents the present value of the future payments that the Corporation and its subsidiaries were presently obligated to make under non-cancellable onerous purchase and service contracts, less revenue expected to be earned on the contracts, and the difference between the estimated cost in the future to satisfy performance obligation and estimated revenue of the Corporation and its subsidiaries from non-cancellable construction contracts. Under IFRS 15, expected losses of construction contracts were reclassified to the provision for onerous contracts.
- b. The provision for construction warranties represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Corporation and its subsidiaries' obligations for warranties. The estimate had been made on the basis of historical warranty trends.
- c. The provision for sales returns and discounts, recognized as a reduction of operating revenues, represents the annual rewards estimated on the basis of historical experience, management's judgments and other known reasons. Under IFRS 15, the provision for sales returns and discounts were reclassified to refund liability - current.
- d. The provision for stabilization funds represents the provision recognized in accordance with the build-operate-transfer contract by the subsidiary KRTC. The provision was used for capital demand due to force majeure, exceptional events, operating deficits, etc. The provision for stabilization funds was recognized based on increase in stabilization funds.

26. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Corporation and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The foreign subsidiaries also make contribution in accordance with the local regulations, which is a defined contribution plan.

- b. Defined benefit plans

The Corporation and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and its domestic subsidiaries make contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation and its domestic subsidiaries assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation and its domestic is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds,

Ministry of Labor (“the Bureau”); the Corporation and its subsidiaries have no right to influence the investment policy and strategy. The Corporation and some of its subsidiaries also makes contributions, equal to a certain percentage of salaries of management personnel, to another pension fund, which are deposited and administered by the officers’ pension fund management committee. The Corporation and some of its subsidiaries, also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The amounts included in the consolidated balance sheets in respect of the Corporation and its subsidiaries’ defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 29,363,047	\$ 29,361,216
Fair value of plan assets	<u>(19,951,892)</u>	<u>(20,982,995)</u>
Deficit	9,411,155	8,378,221
Net defined benefit liabilities - recognized as other payables, other current assets or other noncurrent assets	<u>(49,434)</u>	<u>(56,441)</u>
Net defined benefit liabilities	<u>\$ 9,361,721</u>	<u>\$ 8,321,780</u>

Movements of net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	<u>\$ 29,361,216</u>	<u>\$ (20,982,995)</u>	<u>\$ 8,378,221</u>
Service cost			
Current service cost	738,233	-	738,233
Interest expense (income)	<u>275,445</u>	<u>(198,667)</u>	<u>76,778</u>
Recognized in profit or loss	<u>1,013,678</u>	<u>(198,667)</u>	<u>815,011</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(675,743)	(675,743)
Actuarial loss - changes in demographic assumptions	61,237	-	61,237
Actuarial loss - changes in financial assumptions	1,017,974	-	1,017,974
Actuarial loss - experience adjustments	<u>766,915</u>	<u>-</u>	<u>766,915</u>
Recognized in other comprehensive income	<u>1,846,126</u>	<u>(675,743)</u>	<u>1,170,383</u>
Contributions from the employer	-	(834,880)	(834,880)
Contributions of employee returning	(2,411)	(6,969)	(9,380)
Benefits paid	(2,848,359)	2,747,362	(100,997)
Others	<u>(7,203)</u>	<u>-</u>	<u>(7,203)</u>
	<u>(2,857,973)</u>	<u>1,905,513</u>	<u>(952,460)</u>
Balance at December 31, 2018	<u>\$ 29,363,047</u>	<u>\$ (19,951,892)</u>	<u>\$ 9,411,155</u>
Balance at January 1, 2017	<u>\$ 29,668,411</u>	<u>\$ (22,698,162)</u>	<u>\$ 6,970,249</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	\$ 758,757	\$ -	\$ 758,757
Past service cost and loss on settlements	9,202	-	9,202
Interest expense (income)	<u>279,223</u>	<u>(213,816)</u>	<u>65,407</u>
Recognized in profit or loss	<u>1,047,182</u>	<u>(213,816)</u>	<u>833,366</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,589)	(13,589)
Actuarial loss - changes in demographic assumptions	99,817	-	99,817
Actuarial loss - changes in financial assumptions	539,512	-	539,512
Actuarial loss - experience adjustments	<u>874,711</u>	<u>-</u>	<u>874,711</u>
Recognized in other comprehensive income	<u>1,514,040</u>	<u>(13,589)</u>	<u>1,500,451</u>
Contributions from the employer	-	(858,065)	(858,065)
Contributions of employee returning	(3,125)	(3,133)	(6,258)
Benefits paid	(2,865,195)	2,803,770	(61,425)
Others	<u>(97)</u>	<u>-</u>	<u>(97)</u>
	<u>(2,868,417)</u>	<u>1,942,572</u>	<u>(925,845)</u>
Balance at December 31, 2017	<u>\$ 29,361,216</u>	<u>\$ (20,982,995)</u>	<u>\$ 8,378,221</u> (Concluded)

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

	For the Year Ended December 31	
	2018	2017
Operating costs	\$ 569,283	\$ 588,066
Operating expenses	244,400	243,294
Others	<u>1,328</u>	<u>2,006</u>
	<u>\$ 815,011</u>	<u>\$ 833,366</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation and its subsidiaries are exposed to the following risks:

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	<u>December 31</u>	
	2018	2017
Discount rate (%)	0.875-1.625	0.875-1.625
Expected rate of salary increase (%)	2.000-3.000	1.875-3.250
Turnover rate (%)	0.000-30.500	0.000-21.500

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

	<u>December 31</u>	
	2018	2017
Discount rate		
0.25% increase	<u>\$ (641,866)</u>	<u>\$ (505,980)</u>
0.25% decrease	<u>\$ 668,261</u>	<u>\$ 522,501</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 651,643</u>	<u>\$ 507,811</u>
0.25% decrease	<u>\$ (628,632)</u>	<u>\$ (494,360)</u>

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

	<u>December 31</u>	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 719,052</u>	<u>\$ 767,131</u>
The average duration of the defined benefit obligation	2.5-19 years	4.1-18.2 years

27. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>17,000,000</u>	<u>17,000,000</u>
Shares authorized	<u>\$ 170,000,000</u>	<u>\$ 170,000,000</u>
Number of shares issued and fully paid (in thousands)		
Ordinary shares (in thousands)	15,734,861	15,734,861
Preference shares (in thousands)	<u>38,268</u>	<u>38,268</u>
	<u>15,773,129</u>	<u>15,773,129</u>
Shares issued		
Ordinary shares	\$ 157,348,610	\$ 157,348,610
Preference shares	<u>382,680</u>	<u>382,680</u>
	<u>\$ 157,731,290</u>	<u>\$ 157,731,290</u>

1) Ordinary shares

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

2) Preference shares

Preference shareholders have the following entitlements or rights:

- a) 14% annual dividends, with dividend payments ahead of those to ordinary shareholders;
- b) Preference over ordinary shares in future payment of dividends in arrears;
- c) The sequence and percentage of appropriation of residual property are the same with ordinary shares;
- d) The same rights as ordinary shareholders, except the right to vote for directors; and
- e) Redeemable by the Corporation and convertible to ordinary shares by preference shareholders with the ratio of 1:1.

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's ordinary shares and the issued GDRs account for the Corporation's ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of December 31, 2018 and 2017, the outstanding depositary receipts were 769,313 units and 1,019,241 units and equivalent to 15,386,570 ordinary shares (including 310 fractional shares) and 20,385,130 ordinary shares (including 310 fractional

shares), which represented 0.09% and 0.13% of the outstanding ordinary shares, respectively.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)		
Additional paid-in capital	\$ 31,154,766	\$ 31,154,766
Treasury share transactions	329,558	329,296
Others	<u>8,099</u>	<u>8,099</u>
	<u>31,492,423</u>	<u>31,492,161</u>
May be used to offset deficits only (see 2 below)		
Treasury share transactions	6,429,481	6,148,057
Share of change in equity of subsidiaries	507,077	467,953
Share of change in equity of associates	<u>116,903</u>	<u>102,911</u>
	<u>7,053,461</u>	<u>6,718,921</u>
	<u>\$ 38,545,884</u>	<u>\$ 38,211,082</u>

- 1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital).
- 2) The capital surplus included the share of change in equity of subsidiaries recognized without any actual acquisition or disposal of subsidiaries' share by the Corporation or the adjustments to capital surplus of subsidiaries under equity method.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated in the following order:

- 1) 10% as legal reserve;
- 2) Preference share dividends at 14% of par value;
- 3) Ordinary share dividends at no more than 14% of par value; and
- 4) The remainder, if any, as additional dividends divided equally between the holders of preference and ordinary shares.

The board of directors should propose the appropriation of earnings. If necessary, it may, after appropriating for preference shares dividends, propose to appropriate a special reserve or to retain certain earnings. These proposals should be submitted to the shareholders' meeting for approval.

The Corporation's steel business is in a phase of stable growth; thus, 75% or more of the appropriation for dividends should be in cash and 25% or less in shares.

Appropriation of earnings to legal reserve could be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Corporation should appropriate or reverse a special reserve. In addition, if the market price of the Corporation’s ordinary shares held by subsidiaries is lower than the carrying value of the Corporation’s shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders’ meeting on June 2018 and June 2017, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 1,690,558	\$ 1,603,837		
Reversal of special reserve	(5,992)	(2,130,614)		
Preference shares				
Cash dividends	53,575	53,575	<u>\$ 1.40</u>	<u>\$ 1.40</u>
Ordinary shares				
Cash dividends	13,846,677	13,374,632	<u>\$ 0.88</u>	<u>\$ 0.85</u>

The appropriations of earnings for 2018 had been proposed by the Corporation’s board of directors on March 25, 2019 as follows:

	Appropriations of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,445,415	
Special reserve	154,480	
Preference shares		
Cash dividends	53,575	<u>\$ 1.40</u>
Ordinary shares		
Cash dividends	15,734,861	<u>\$ 1.00</u>

The appropriations of earnings for 2018 are subject to the resolution of the shareholders’ meeting to be held in June 2019.

d. Special reserves

	For the Year Ended December 31	
	2018	2017
Balance, beginning of year	\$ 27,655,869	\$ 29,786,846
Reversal of special reserve		
The difference between carrying amount of the Corporation’s shares held by subsidiaries	(5,992)	(2,130,614)
Disposal of property, plant and equipment	<u>(389)</u>	<u>(363)</u>
Balance, end of year	<u>\$ 27,649,488</u>	<u>\$ 27,655,869</u>

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance, beginning of year (IAS 39)	\$ (2,110,593)	\$ (32,048)
Adjustment on initial application of IFRS 9	<u>(4,005,260)</u>	<u>-</u>
Balance, beginning of year (IFRS 9)	<u>(6,115,853)</u>	<u>(32,048)</u>
Effect of change in tax rate	3,113	-
Recognized during the year		
Exchange differences arising on translating foreign operations	(547,652)	(3,816,672)
Income tax relating to exchange differences arising on translating foreign operations	(4,902)	48,787
Share from associates accounted for using the equity method	745,670	(599,385)
Gains and losses on hedging instruments designated in hedges of the net investment in foreign operations	<u>-</u>	<u>2,288,725</u>
Other comprehensive income recognized in the year	<u>196,229</u>	<u>(2,078,545)</u>
Balance, end of year	<u>\$ (5,919,624)</u>	<u>\$ (2,110,593)</u>

2) Unrealized gains and losses on available-for-sale financial assets

	Amount
Balance at January 1, 2018 (IAS 39)	\$ 9,614,863
Adjustment on initial application of IFRS 9	<u>(9,614,863)</u>
Balance at January 1, 2018 (IFRS 9)	<u>\$ -</u>
Balance at January 1, 2017	<u>\$ 8,650,573</u>
Recognized during the year	
Unrealized gains and losses on available-for-sale financial assets	1,485,880
Income tax relating to unrealized gains and losses on available-for-sale financial assets	369
Share from associates accounted for using the equity method	(220,172)
Reclassification adjustment	
Reclassified to profit or loss on disposal of available-for-sale financial assets	(1,027,027)
Impairment on available-for-sale financial assets	<u>725,240</u>
Other comprehensive income recognized in the year	<u>964,290</u>
Balance at December 31, 2017	<u>\$ 9,614,863</u>

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>5,251,741</u>
Balance at January 1, 2018 (IFRS 9)	<u>5,251,741</u>
Effect of change in tax rate	(1,591)
Recognized during the year	
Unrealized gains and losses - equity instruments	(944,700)
Income tax relating to unrealized gains and losses	(65)
Share from associates accounted for using the equity method	<u>(4,555)</u>
Other comprehensive income recognized in the year	<u>(950,911)</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>110,083</u>
Balance at December 31, 2018	<u>\$ 4,410,913</u>

4) The effective portion of gains and losses on hedging instruments in a cash flow hedge

	Amount
Balance at January 1, 2018 (IAS 39)	\$ (131,335)
Adjustment on initial application of IFRS 9	<u>131,335</u>
Balance at January 1, 2018 (IFRS 9)	<u>\$ -</u>
Balance at January 1, 2017	\$ 62,181
Fair value changes of hedging instrument	(256,415)
Income tax relating to fair value changes	38,519
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	28,865
Income tax relating to amounts transferred to adjust carrying amount of hedged items	<u>(4,485)</u>
Balance at December 31, 2017	<u>\$ (131,335)</u>

5) Gains and losses on hedging instrument

	Cash Flow Hedges	Fair Value Hedges	Hedges of Net Investments in Foreign Operations	Total
Balance at January 1, 2018 (IAS 39)	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>(131,335)</u>	<u>98,851</u>	<u>4,005,260</u>	<u>3,972,776</u>
Balance at January 1, 2018 (IFRS 9)	(131,335)	98,851	4,005,260	3,972,776

(Continued)

	Cash Flow Hedges	Fair Value Hedges	Hedges of Net Investments in Foreign Operations	Total
Increase (decrease) in the year	\$ 422,186	\$ (83,296)	\$ (207,788)	\$ 131,102
Balance at December 31, 2018	<u>\$ 290,851</u>	<u>\$ 15,555</u>	<u>\$ 3,797,472</u>	<u>\$ 4,103,878</u> (Concluded)

a) Cash flow hedges

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>(131,335)</u>
Balance at January 1, 2018 (IFRS 9)	<u>(131,335)</u>
Effect of change in tax rate	5,552
Recognized during the year	
Foreign currency risk - foreign exchange forward contracts and hedging foreign - currency deposits	518,559
Interest rate risk - interest rate swap contracts	5,785
Tax effect	(105,916)
Reclassification adjustment	
Foreign currency risk - hedging foreign - currency deposits	(2,957)
Tax effect	<u>1,163</u>
Other comprehensive income recognized in the year	<u>422,186</u>
Balance at December 31, 2018	<u>\$ 290,851</u>

b) Fair value hedges

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>98,851</u>
Balance at January 1, 2018 (IFRS 9)	<u>98,851</u>
Recognized during the year	
Foreign currency risk - bank loans	<u>(83,296)</u>
Balance at December 31, 2018	<u>\$ 15,555</u>

c) Hedges of net investments in foreign operations

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>4,005,260</u>
Balance at January 1, 2018 (IFRS 9)	<u>4,005,260</u>
Recognized during the year	
Foreign currency risk - bank loans	<u>(207,788)</u>
Balance at December 31, 2018	<u>\$ 3,797,472</u>

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares			December 31	
	Beginning of Year	Addition	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2018					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>315,166</u>	<u>4,878</u>	<u>40</u>	<u>320,004</u>	<u>\$ 8,646,700</u>
For the year ended December 31, 2017					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>318,007</u>	<u>804</u>	<u>3,645</u>	<u>315,166</u>	<u>\$ 8,532,389</u>

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as financial assets at fair value through other comprehensive income - current and financial assets at fair value through other comprehensive income - noncurrent). The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other ordinary shareholders. The increase of treasury shares was due to acquisition of the Corporation's shares by subsidiaries in which the Corporation has less than 50% shareholding. The decrease of treasury shares was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

Refer to Table 3 for the Corporation's shares held by subsidiaries. For the year ended December 31, 2018, a total of 55 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT\$1,334 thousand. Calculated based on the percentage of shares held, the proceeds of treasury shares sold were NT\$640 thousand, and after deducting book values, the remainders amounted to NT\$262 thousand, recorded as addition to the capital surplus. As of December 31, 2018 and 2017, the market values of the treasury shares calculated by combined holding percentage were NT\$7,761,396 thousand and NT\$7,801,566 thousand, respectively.

g. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance, beginning of year (IAS 39)	\$ 27,941,924	\$ 27,019,807
Adjustment on initial application of IFRS 9	(14,538)	-
Balance, beginning of year (IFRS 9)	<u>27,927,386</u>	<u>27,019,807</u>
Attributable to non-controlling interests:		
Effect of change in tax rate	9,791	-
Share of net profit for the year	3,432,457	3,525,602
Other comprehensive income for the year		
Exchange difference on translating foreign operations	305,228	(545,625)
Income tax relating to exchange difference on translating foreign operations	(85)	4,682
Unrealized gains and losses on available-for-sale financial assets	-	(66,285)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	-	452
Impairment of available-for-sale financial assets	-	22,056
Reclassified to profit or loss on disposal of available-for-sale financial assets	-	(160,707)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	29,817	-
Income tax relating to unrealized gains and losses on financial assets at fair value through other comprehensive income	(80)	-
Fair value changes of cash flow hedges	-	26,454
Income tax relating to cash flow hedges	-	(844)
Gains and losses on hedging instrument	8,869	-
Income tax relating to gains and losses on hedging instrument	(643)	-
Fair value changes of hedging instruments transferred to adjust the carrying amount of hedged items	(585)	2,585
Remeasurement of defined benefit plans	(127,806)	(102,521)
Income tax relating to remeasurement on defined benefit plans	8,866	5,888
Share of other comprehensive income of associates accounted for using the equity method	(1,568)	(9,138)
Changes of non-controlling interest arising from obtaining subsidiaries	(384,142)	-
Capital reduction from subsidiaries	-	(180,040)
Non-controlling interest arising from acquisition of subsidiaries	-	(10,265)
Dividend distributed by subsidiaries	(1,519,907)	(1,762,037)
Others	<u>202,083</u>	<u>171,860</u>
Balance, end of year	<u>\$ 29,889,681</u>	<u>\$ 27,941,924</u>

28. OPERATING REVENUES

	For the Year Ended December 31	
	2018	2017
Revenue from sale of goods	\$ 371,074,344	\$ 319,717,226
Construction contracts revenue	19,944,606	17,496,736
Freight and service revenue	7,138,111	6,936,438
Other revenues	<u>2,507,996</u>	<u>2,861,602</u>
	<u>\$ 400,665,057</u>	<u>\$ 347,012,002</u>

a. Contract balances

	December 31, 2018
Notes and accounts receivable (Note 13)	<u>\$ 18,401,420</u>
Contract assets	
Construction contracts	\$ 9,667,413
Retentions receivable	1,744,344
Others	<u>124,632</u>
	<u>\$ 11,536,389</u>
Contract liabilities	
Construction contracts	\$ 4,993,926
Sale of goods	1,766,034
Sale of real estate	787,335
Others	<u>7,969</u>
	<u>\$ 7,555,264</u>

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing difference between the Corporation and its subsidiaries' performance, the respective customer's payment and changes in the measure of progress.

There were no significant changes in the Corporation's and its subsidiaries' contract assets and contract liabilities have no significant changes for the year ended December 31, 2018.

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Construction contracts	\$ 3,755,851
	(Continued)

	For the Year Ended December 31, 2018
Sale of goods	\$ 2,097,341
Others	<u>260,887</u>
	<u>\$ 6,114,079</u>
From performance obligations satisfied in previous periods	
Construction contracts	<u>\$ 119,740</u> (Concluded)

b. Disaggregation of revenue

For the year ended December 31, 2018

<u>Type of goods or services</u>	Steel Department	Others	Total
Sale of goods	\$ 316,570,997	\$ 54,503,347	\$ 371,074,344
Construction contracts	1,170,010	18,774,596	19,944,606
Freight and service revenue	1,065,814	6,072,297	7,138,111
Other revenues	<u>2,146,803</u>	<u>361,193</u>	<u>2,507,996</u>
	<u>\$ 320,953,624</u>	<u>\$ 79,711,433</u>	<u>\$ 400,665,057</u>

c. Partially completed contracts

The transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	December 31, 2018
Construction contracts	
In 2018	\$ 4,939,153
In 2019	14,987,940
In 2020 and the following years	<u>13,283,097</u>
	<u>33,210,190</u>
Service contracts	
In 2018	663
In 2019	518,578
In 2020 and the following years	<u>421,617</u>
	<u>940,858</u>
	<u>\$ 34,151,048</u>

29. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2018	2017
Dividends income	\$ 450,244	\$ 460,644
Interest income	369,947	290,218
Insurance claim income	231,054	246,601
Rental income	138,813	127,813
Others	<u>596,746</u>	<u>653,027</u>
	<u>\$ 1,786,804</u>	<u>\$ 1,778,303</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net foreign exchange gain	\$ 421,557	\$ 683,424
Gain (loss) on disposal of investments	(2,996)	1,098,751
Gain (loss) arising on financial assets at fair value through profit or loss	(48,486)	126,218
Loss on disposal of property, plant and equipment	(190,813)	(54,510)
Impairment loss	-	(621,291)
Other losses	<u>(482,340)</u>	<u>(487,019)</u>
	<u>\$ (303,078)</u>	<u>\$ 745,573</u>

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2018	2017
Foreign exchange gain	\$ 2,184,788	\$ 2,121,017
Foreign exchange loss	<u>(1,763,231)</u>	<u>(1,437,593)</u>
Net exchange gain	<u>\$ 421,557</u>	<u>\$ 683,424</u>

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Total interest expense	\$ 3,570,892	\$ 3,937,073
Less: Amounts included in the cost of qualifying assets	<u>243,665</u>	<u>219,180</u>
	<u>\$ 3,327,227</u>	<u>\$ 3,717,893</u>

Information about capitalized interest was as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Capitalized amounts	\$ 243,665	\$ 219,180
Capitalized annual rates (%)	0.32-1.49	0.40-1.60

d. Impairment loss recognized on (reversal of) financial assets (for the year ended December 31, 2017 only)

	<u>For the Year Ended December 31, 2017</u>
Available-for-sale financial assets	\$ 747,296
Held-to-maturity financial assets	86,737
Accounts receivable	(26,667)
Long-term receivable (recorded as other noncurrent assets)	<u>(23,220)</u>
	<u>\$ 784,146</u>
Analysis of impairment loss recognized on (reversal of) financial assets by function	
Operating costs	\$ 231,503
Operating expenses	(26,677)
Other income	(23,210)
Other gains and losses	<u>602,530</u>
	<u>\$ 784,146</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Property, plant and equipment	\$ 1,830,853	\$ 876,780
Investments accounted for using equity method	-	(103,000)
Investment properties	-	15,307
Goodwill	<u>-</u>	<u>40,311</u>
	<u>\$ 1,830,853</u>	<u>\$ 829,398</u>
Analysis of impairment loss recognized on (reversal of) non-financial assets by function		
Operating costs	\$ 1,830,853	\$ 792,260
Operating expenses	-	18,377
Other gains and losses	<u>-</u>	<u>18,761</u>
	<u>\$ 1,830,853</u>	<u>\$ 829,398</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 34,098,984	\$ 34,459,106
Investment properties	61,871	70,186
Intangible assets	203,477	262,994
Others	<u>76,825</u>	<u>83,652</u>
	<u>\$ 34,441,157</u>	<u>\$ 34,875,938</u>
 Analysis of depreciation by function		
Operating costs	\$ 32,422,008	\$ 32,849,676
Operating expenses	1,621,148	1,653,654
Others	<u>117,699</u>	<u>25,962</u>
	<u>\$ 34,160,855</u>	<u>\$ 34,529,292</u>
 Analysis of amortization by function		
Operating costs	\$ 180,530	\$ 190,640
Operating expenses	89,668	145,508
Others	<u>10,104</u>	<u>10,498</u>
	<u>\$ 280,302</u>	<u>\$ 346,646</u>

g. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses of investment properties that generated rental income	<u>\$ 148,459</u>	<u>\$ 161,976</u>

h. Employee benefits

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries	\$ 32,701,382	\$ 30,870,934
Labor and health insurance	2,047,824	1,973,203
Others	<u>1,622,509</u>	<u>1,374,425</u>
	<u>36,371,715</u>	<u>34,218,562</u>
 Post-employment benefits		
Defined contribution plans	825,803	756,725
Defined benefit plans (Note 26)	<u>815,011</u>	<u>833,366</u>
	<u>1,640,814</u>	<u>1,590,091</u>
 Termination benefits	<u>86,209</u>	<u>77,701</u>
	<u>\$ 38,098,738</u>	<u>\$ 35,886,354</u>

(Continued)

	<u>For the Year Ended December 31</u>	
	2018	2017
Analysis of employee benefits by function		
Operating costs	\$ 30,689,764	\$ 28,789,792
Operating expenses	6,942,397	6,619,529
Others	<u>466,577</u>	<u>477,033</u>
	<u>\$ 38,098,738</u>	<u>\$ 35,886,354</u>
		(Concluded)

The numbers of employees of the Corporation and its subsidiaries combined were 28,648 and 28,332 as of December 31, 2018 and 2017, respectively.

i. Employee's compensation and remuneration of directors

According to the Articles of Incorporation, the article stipulates the Corporation distributed employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 0.15%, respectively, of the pre-tax profit prior to deducting employees' compensation, and remuneration of directors.

The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Corporation's board of directors in March 2019 and 2018, respectively, were as follows:

Amount

	<u>For the Year Ended December 31</u>	
	2018	2017
Employees' compensation	\$ 1,744,054	\$ 1,213,396
Remuneration of directors	32,701	22,751

Accrual rate

	<u>For the Year Ended December 31</u>	
	2018	2017
Employees' compensation (%)	6.19	6.14
Remuneration of directors (%)	0.12	0.12

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

30. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 6,462,503	\$ 3,144,422
Income tax on unappropriated earnings	38,797	404,006
In respect of prior years	(563,962)	(28,238)
Deferred tax		
In respect of the current year	(1,234,294)	(223,652)
Changes in tax rates	(619,887)	-
In respect of prior years	<u>(48,021)</u>	<u>(324,431)</u>
	<u>\$ 4,035,136</u>	<u>\$ 2,972,107</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax	<u>\$ 31,921,745</u>	<u>\$ 23,403,297</u>
Income tax expense calculated at the statutory rate	\$ 6,637,874	\$ 4,381,933
Non-deductible expenses in determining taxable income	30,063	20,321
Tax-exempt income	(848,870)	(621,142)
Others	18,560	21,940
Changes in tax rates	(619,887)	-
Additional income tax under the Alternative Minimum Tax Act	13,639	9,693
Income tax on unappropriated earnings	38,797	404,006
Unrecognized deductible temporary differences	(56,740)	(219,645)
Unrecognized loss carryforwards	(554,480)	(294,660)
Unrecognized investment credits	(11,837)	(377,670)
In respect of prior years	<u>(611,983)</u>	<u>(352,669)</u>
	<u>\$ 4,035,136</u>	<u>\$ 2,972,107</u>

In 2017, the applicable corporate income tax rate used by the Corporation and its subsidiaries in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of appropriations of earnings for 2019 is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2018	2017
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	\$ 116	\$ 92
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	<u>(116)</u>	<u>(92)</u>
	<u>\$ -</u>	<u>\$ -</u>

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Changes in tax rates - remeasurement of defined benefit plans	\$ 16,222	\$ -
Changes in tax rates - fair value changes of cash flow hedges	6,039	-
Changes in tax rates - translation of foreign operations	5,277	-
Changes in tax rates - unrealized gains and losses on financial assets at fair value through other comprehensive income	(3,541)	-
Current - remeasurement of defined benefit plans	217,752	236,316
Current - translation of foreign operations	(4,987)	53,469
Current - unrealized gains and losses on available-for-sale financial assets	-	821
Current - unrealized gains and losses on financial assets at fair value through other comprehensive income	(145)	-
Current - fair value changes of cash flow hedges	(106,559)	37,675
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	<u>1,163</u>	<u>(4,485)</u>
	<u>\$ 131,221</u>	<u>\$ 323,796</u>

d. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	\$ 170,112	\$ 179,277
Prepaid income tax	<u>1,625</u>	<u>1,927</u>
	<u>\$ 171,737</u>	<u>\$ 181,204</u>
Current tax liabilities		
Income tax payable	<u>\$ 4,854,183</u>	<u>\$ 3,127,173</u>

e. Deferred tax assets and liabilities

The Corporation and its subsidiaries offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

Refer to Table 11 for information relating to changes of deferred tax assets and liabilities.

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

	December 31	
	2018	2017
Loss carryforwards	<u>\$ 10,561,650</u>	<u>\$ 13,502,694</u>
Deductible temporary differences	<u>\$ 809,878</u>	<u>\$ 803,693</u>

The unrecognized loss carryforwards will expire from 2019 to 2028.

- g. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised of:

Unused Amount	Expire Year
<u>\$ 12,494,824</u>	2019-2028

- h. Income tax assessments

The Corporation's income tax returns through 2016 and the subsidiaries' income tax returns through 2013 to 2017 have been assessed by the tax authorities.

31. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2018	2017
Net profit for the year attributable to owners of the Corporation	\$ 24,454,152	\$ 16,905,588
Less: Dividends on preference shares	<u>53,575</u>	<u>53,575</u>
Net profit used in computation of basic earnings per share	24,400,577	16,852,013
Add: Dividends on preference shares	<u>53,575</u>	<u>-</u>
Net profit used in computation of diluted earnings per share	<u>\$ 24,454,152</u>	<u>\$ 16,852,013</u>

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

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in computation of basic earnings per share	15,416,806	15,420,290
Effect of dilutive potential ordinary shares:		
Employees' compensation	84,201	60,344
Convertible preference shares	<u>38,268</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>15,539,275</u>	<u>15,480,634</u>

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2017 because of their anti-dilutive effect.

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

32. BUSINESS COMBINATION

a. Subsidiary acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Hsieh Sheng Development Corporation	Real estate leasing	June 20, 2018	100	<u>\$ 1,142,189</u>

The subsidiary CHC acquired 100% shareholding of unrelated party Hsieh Sheng Development Corporation whose main asset is land for NT\$1,142,189 thousand to meet its long-term needs for expansion of production line. Transfer of the equity was completed on June 20, 2018. The consideration transferred was negotiated with the seller based on the appraisal report made by independent appraiser.

b. Assets acquired and liabilities assumed at the date of acquisition

Current assets			
Cash			\$ 3,689
Noncurrent assets			
Property, plant and equipment			1,216,252
Current liabilities			
Other payables			(455)
Other liabilities - current			(34)
Noncurrent liabilities			
Other liabilities			(2,800)
Deferred tax liabilities			<u>(74,463)</u>
			<u>\$ 1,142,189</u>

c. Net cash outflow on acquisition of subsidiary

Consideration paid in cash	\$ 1,142,189
Less: Cash balance acquired	<u>3,689</u>
	<u>\$ 1,138,500</u>

d. Impact of business combination

Starting from the acquisition date, the results of operation from the subsidiary acquired is immaterial. Had the business combinations been in effect at the beginning of the annual reporting period, the operating revenue and profit of Hsieh Sheng Development Corporation would have no material effect on the financial performance of the Corporation and its subsidiaries for the year ended December 31, 2018.

33. CAPITAL MANAGEMENT

The management of the Corporation and its subsidiaries optimized the balances of working capital, debt and equity as well as the related cost through monitoring the Corporation and its subsidiaries' capital structure and capital demand by reviewing quantitative data and considering industry characteristics, domestic and international economic environment, interest rate fluctuation, strategies for development, etc.

Except for Note 21, the Corporation and its subsidiaries are not subject to any externally imposed capital requirements.

34. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the Corporation and its subsidiaries believe the carrying amounts of financial instruments, including cash and cash equivalents, receivables and payables recognized in the consolidated financial statements approximated their fair values.

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Held-to-maturity investments	\$ -	\$ -	\$ 129,750	\$ 108,683

The fair value of held-to-maturity investment, which was grouped into Level 2, was measured under valuation method. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for financial instrument.

The structured bonds were classified as held-to-maturity financial assets under IAS 39, but were classified as financial assets at fair value through profit of loss under IFRS 9 starting from 2018 and were all disposed of in January 2018.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2018</u>				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 1,902,173	\$ -	\$ -	\$ 1,902,173
Unlisted shares	-	-	1,834,226	1,834,226
Listed shares	423,640	-	-	423,640
Emerging market shares	-	-	262,127	262,127
Convertible bonds	46,440	-	-	46,440
Future contracts	-	4,951	-	4,951
	<u>\$ 2,372,253</u>	<u>\$ 4,951</u>	<u>\$ 2,096,353</u>	<u>\$ 4,473,557</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments				
Foreign unlisted shares and certificate of entitlement	\$ -	\$ -	\$ 41,952,341	\$ 41,952,341
Domestic emerging market shares and unlisted shares	-	-	1,873,286	1,873,286
Domestic listed shares	13,587,890	-	-	13,587,890
Foreign listed shares	2,188,927	-	-	2,188,927
Private-placement shares of listed companies	<u>-</u>	<u>147,368</u>	<u>-</u>	<u>147,368</u>
	<u>\$ 15,776,817</u>	<u>\$ 147,368</u>	<u>\$ 43,825,627</u>	<u>\$ 59,749,812</u>
Financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 338,648</u>	<u>\$ -</u>	<u>\$ 338,648</u>
Financial liabilities for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 28,290</u>	<u>\$ -</u>	<u>\$ 28,290</u>
<hr/> December 31, 2017 <hr/>				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 3,278,408	\$ -	\$ -	\$ 3,278,408
Listed shares	1,185,077	-	-	1,185,077
Convertible bonds	229,671	-	-	229,671
Emerging market shares	-	-	215,464	215,464
Foreign currency forward contracts	<u>-</u>	<u>2,024</u>	<u>-</u>	<u>2,024</u>
	<u>\$ 4,693,156</u>	<u>\$ 2,024</u>	<u>\$ 215,464</u>	<u>\$ 4,910,644</u>
Available-for-sale financial assets				
Foreign unlisted shares and certificate of entitlement	\$ -	\$ -	\$ 44,537,011	\$ 44,537,011
Domestic emerging market shares and unlisted shares	-	-	2,531,911	2,531,911
Domestic listed shares	11,043,748	-	-	11,043,748
Foreign listed shares	2,141,150	-	-	2,141,150
Mutual funds	143,539	-	-	143,539
Private-placement shares of listed companies	<u>-</u>	<u>172,785</u>	<u>-</u>	<u>172,785</u>
	<u>\$ 13,328,437</u>	<u>\$ 172,785</u>	<u>\$ 47,068,922</u>	<u>\$ 60,570,144</u>
Derivative financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 70,368</u>	<u>\$ -</u>	<u>\$ 70,368</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Future contracts	\$ -	\$ 247	\$ -	\$ 247
Derivative financial liabilities for hedging				
Interest rate swap contracts	\$ -	\$ 5,785	\$ -	\$ 5,785
Foreign exchange forward contracts	-	252,758	-	252,758
	<u>\$ -</u>	<u>\$ 258,543</u>	<u>\$ -</u>	<u>\$ 258,543</u>
				(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

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

For the year ended December 31, 2018

	<u>Equity Instruments</u>		
	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	Total
Balance, beginning of year (IAS 39)	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	2,149,775	46,690,678	48,840,453
Balance, beginning of year (IFRS 9)	2,149,775	46,690,678	48,840,453
Recognized in profit or loss	134,542	-	134,542
Recognized in other comprehensive income	-	(2,640,480)	(2,640,480)
Purchases	217	680,220	680,437
Transfer out of level 3	(58,820)	(472,087)	(530,907)
Disposal	(89,966)	(745,192)	(835,158)
Capital reduction	(39,395)	(129,035)	(168,430)
Effect of foreign currency exchange difference	-	441,523	441,523
Balance, end of 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>

For the year ended December 31, 2017

	Financial Assets at Fair Value Through Profit or Loss	Available-for- sale Financial Assets	Total
Balance, beginning of year	\$ 231,953	\$ 16,333,989	\$ 16,565,942
Recognized in profit or loss	7,195	(741,703)	(734,508)
Recognized in other comprehensive income (classified as unrealized gains and losses on available-for-sale financial assets)	-	742,273	742,273
Purchases	-	364,035	364,035
Reclassification	-	32,133,525	32,133,525
Transfer out of Level 3	-	(796,102)	(796,102)
Disposal	(23,684)	(135,154)	(158,838)
Capital reduction	-	(23,728)	(23,728)
Effect of foreign currency exchange difference	<u>-</u>	<u>(808,213)</u>	<u>(808,213)</u>
Balance, end of year	<u>\$ 215,464</u>	<u>\$ 47,068,922</u>	<u>\$ 47,284,386</u>

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

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Derivative instruments	A discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-option derivatives, and option pricing models for option derivatives. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for the financial instrument.
Private-placement shares of listed companies	Based on information from the Market Observation Post System, the Taipei Exchange, etc. and calculated by using the Black-Scholes Model.

- 4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement
- a) For emerging market shares, fair values were estimated on the basis of the closing price and liquidity.
 - b) For domestic unlisted shares, some foreign unlisted shares and certificate of entitlement, fair values were determined based on industry types, valuations of similar companies and operations.
 - c) For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected returns by using discounted cash flow model. Significant unobservable inputs were as follows; if the long-term pre-tax operating income rate

increased or discount rate decreased, the fair value of the investments would increase.

	December 31	
	2018	2017
Long-term pre-tax operating income rate (%)	9.79-58.59	11.08-52.06
Discount rate (%)	8.50-10.37	6.52-10.37

If the below input to the valuation model was changed to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the equity investment would increase (decrease) as follows:

	December 31	
	2018	2017
Long-term pre-tax operating income rate		
Increase 1%	<u>\$ 195,918</u>	<u>\$ 199,149</u>
Decrease 1%	<u>\$ (197,357)</u>	<u>\$ (200,299)</u>
Discount rate		
Increase 1%	<u>\$ (497,271)</u>	<u>\$ (579,987)</u>
Decrease 1%	<u>\$ 606,196</u>	<u>\$ 716,859</u>

- d) For the remaining few foreign unlisted shares, their fair values were measured under the market approach. In particular significant unobservable inputs included discount for lack of marketability and control premium. If discount for lack of marketability decreased or control premium increased, the fair values of the investments would increase.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
<hr/>		
Fair value through profit or loss		
Designated as at fair value through profit or loss	\$ -	\$ 2,702,850
Held for trading	-	2,207,794
Mandatorily at fair value through profit or loss	4,473,557	-
Derivative instruments in designated hedge accounting relationships	-	70,368
Financial assets for hedging	2,594,034	-
Available-for-sale financial assets	-	60,570,144
Held-to-maturity investments	-	129,750
Loans and receivables 1)	-	47,198,451
Financial assets at amortized cost 2)	51,346,174	-
Financial assets at fair value through other comprehensive income		
Equity instruments	59,749,812	-
<hr/>		
Financial liabilities		
<hr/>		
Fair value through profit or loss		
Held for trading	-	247
Derivative instruments in designated hedge accounting relationships	-	258,543
Financial liabilities for hedging	8,755,958	-
Measured at amortized cost 3)	278,359,303	296,392,387

- 1) The balances as of December 31, 2017 included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, debt investments with no active market, refundable deposits and other financial assets.
 - 2) The balances as of December 31, 2018 included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, financial assets at amortized cost-noncurrent, refundable deposits and other financial assets.
 - 3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings and bank overdraft, short-term bills payable, notes and accounts payable (including related parties), other payables, refund liabilities, bonds payable, long-term bank borrowings, long-term bills payable and deposits received.
- d. Financial risk management objectives and policies

The Corporation and its subsidiaries place great emphasis on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation and its subsidiaries were equipped with sufficient and cost-efficient working capital, which reduced financial uncertainty that may have adverse effects on the operations.

The significant financial activities of the Corporation and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Corporation for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Corporation and its subsidiaries were exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts, foreign deposits or foreign borrowings.

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 38.

The Corporation and its subsidiaries were mainly exposed to the currencies USD and RMB. The following table details the sensitivity to a 1% increase in the functional currencies against the relevant foreign currencies.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Pre-tax profit or loss	\$ 50,720	\$ 6,434 i	\$ (14,167)	\$(16,158) i
Equity	47,300	270,504 ii	(2,065)	(3,015) ii

- i. These were mainly attributable to the exposure of outstanding cash, receivables, payables and borrowings which were not hedged at the balance sheet date.

- ii. These were attributable to financial assets for hedging that were designated as hedging instruments in cash flow hedges, other financial assets, and financial liabilities for hedging that were designated as hedging instruments in foreign equity investments and net investments in foreign operations hedges.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the year.

Hedge accounting

The Corporation and its subsidiaries' hedging strategies were as follows:

- i. The Corporation and its subsidiaries' hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency capital expenditure and sales contracts. Those transactions are designated as cash flow hedges.
- ii. The Corporation has designated certain long-term foreign currency borrowing as a hedge to manage its foreign currency risk:
 - i) Currency risks on foreign equity investments are accounted for as fair value hedge. Changes in the fair value of hedging instruments are recognized, based on the nature of hedged items, either in other gains or losses or other comprehensive income. The Corporation performs assessment of hedging effectiveness and it expects that the value of long-term foreign currency borrowing and the value of the foreign equity investment will systematically change in opposite direction in response to movements in the underlying exchange rates.
 - ii) Foreign currency risk on investments in foreign operations is managed by using long-term foreign currency borrowing as a hedge instrument to hedge the investment in subsidiary CSVC, which has USD as their functional currency.

The following tables summarize the information relating to the hedges of foreign currency risk.

December 31, 2018

	Hedging Instruments/ Hedged Items	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge				
	Foreign exchange forward contracts/Forecast purchases, construction contracts and raw materials	Financial assets/liabilities for hedging	\$ 336,388	\$ 19,195
	Hedging foreign-currency deposits/Forecast purchases, construction contracts and raw materials	Financial assets for hedging	2,255,386	-
Fair value hedge				
	Foreign exchange forward contracts/Forecast purchases and raw materials	Financial assets/liabilities for hedging	2,260	9,095

(Continued)

Hedging Instruments/ Hedged Items	Line Item in Balance Sheet	Carrying Amount	
		Asset	Liability
Foreign currency bank borrowings/Financial assets at FVTOCI	Financial liabilities for hedging	\$ -	\$ 1,061,055
Foreign currency bank borrowings/Financial assets at FVTPL	Financial liabilities for hedging	-	1,826,939
Net investment hedge in foreign operations			
Foreign currency bank borrowings/Investment in foreign operations	Financial liabilities for hedging	-	5,637,677

(Concluded)

	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity		Fair Value Hedge - Hedged Items' Carrying Amount	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments
			Continuing Hedges	Discontinuing Hedges		
Cash flow hedge						
Foreign exchange forward contracts/Forecast purchases, construction contracts and raw materials	\$ 478,756	\$ (478,756)	\$ (332,286)	\$ -	NA	NA
Hedging foreign-currency deposits/Forecast purchases, construction contracts and raw materials	28,219	(28,219)	7,364	-	NA	NA
Fair value hedge						
Foreign exchange forward contracts/Forecast purchases and raw materials	15,647	(15,647)	NA	NA	\$ 2,961	\$ 2,961
Foreign currency bank borrowings/Financial assets at FVTOCI	(53,396)	53,377	15,555	-	2,171,073	(43,077)
Foreign currency bank borrowings/Financial assets at FVTPL	(91,938)	93,338	NA	NA	1,651,808	(182,134)
Net investment hedge in foreign operations						
Foreign currency bank borrowings/Investment in foreign operations	(160,066)	160,066	(169,190)	3,966,662	NA	NA

For the year ended December 31, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffec - tiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge	\$ 523,886	\$ -	-	\$ -	\$ -
Net investment hedge in foreign operations	\$ (207,788)	\$ -	-	\$ -	\$ -

The outstanding foreign exchange forward contracts of the Corporation and its subsidiaries at the balance sheet date were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2018</u>			
Buy	NTD/USD	January 2019-April 2020	NTD9,818,288/USD336,771
Buy	NTD/EUR	January 2019-December 2021	NTD1,411,081/EUR40,166
Buy	NTD/JPY	January 2019-October 2021	NTD248,726/JPY904,687
Buy	INR/USD	January 2019-February 2019	INR343,858/USD4,788

For the year ended December 31, 2017

The hedging policy for foreign currency risk is the same in 2018 and 2017 which used the hedging instruments described below.

The terms of the foreign exchange forward contracts are negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>			
Buy	NTD/USD	January 2018-April 2020	NTD8,078,352/USD272,936
Buy	NTD/EUR	January 2018-December 2021	NTD2,416,438/EUR69,571
Buy	NTD/JPY	January 2018-December 2019	NTD134,732/JPY482,808
Buy	NTD/CNY	January 2018-March 2018	NTD16,686/CNY3,750
Sell	USD/NTD	January 2018	USD78/NTD2,356

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line item in the consolidated statements of comprehensive income:

	For the Year Ended December 31, 2017
Other gains and losses	<u>\$ 6,317</u>

b) Interest rate risk

The Corporation and its subsidiaries were exposed to interest rate risk because the Corporation and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

The carrying amounts of the Corporation and its subsidiaries' financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	<u>December 31</u>	
	2018	2017
Fair value interest rate risk		
Financial liabilities	\$ 134,244,690	\$ 119,687,069
Cash flow interest rate risk		
Financial liabilities	102,324,569	138,536,148

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the years ended December 31, 2018 and 2017 would have been lower/higher by NT\$1,023,246 thousand and NT\$1,385,361 thousand, respectively.

Hedge accounting

The subsidiary entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow exposure related to its bank loans.

The following tables summarize the information relating to the hedges of interest rate risk.

December 31, 2018

Hedging Instruments/Hedged Items	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity Continuing Hedges	Fair Value Hedge - Hedged Items' Carrying Amount Asset	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments Asset
Interest rate swap contracts/Syndicated bank loans	\$ 5,785	\$ (5,785)	\$ -	\$ -	\$ -

As of December 31, 2018, all interest rate swap contracts have been expired.

For the year ended December 31, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Interest rate swap contracts	\$ 5,785	\$ -	-	\$ -	\$ -

For the year ended December 31, 2017

The hedging policy for interest rate risk is the same in 2018 and 2017 which used the hedging instruments described below.

The subsidiary entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow exposure related to its outstanding variable rate debt. The outstanding interest rate swap contracts at the end of the reporting period were as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
<u>December 31, 2017</u>			
NT\$ 3,584,000	January 2018-July 2018	1.077-1.140	90 days fixing TAIBOR rate provided by Thomson Reuters

c) Other price risk

The Corporation and its subsidiaries were exposed to equity price risk through their investments in mutual funds and listed shares.

If equity prices had been 1% lower/higher, the pre-tax profit for the years ended December 31, 2018 and 2017 would have been lower/higher by NT\$23,258 thousand and NT\$44,635 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the other comprehensive income for the year ended December 31, 2018 would have been lower/higher by NT\$157,768 thousand, as a result of the changes in fair value of financial assets at fair value through other comprehensive income, and the other comprehensive income for the year ended December 31, 2017 would have been lower/higher by NT\$133,284 thousand, as a result of the changes in fair value of available-for-sale financial assets.

Hedge accounting

For the year ended December 31, 2018

A subsidiary minimizes its fair value exposures to price fluctuations of precious metals by entering into precious metals borrowing contracts. The fair value of the precious metals borrowing transactions at the end of the reporting period is determined by the price of the precious metals.

The terms of the precious metals borrowing contracts matched the terms of financial liabilities. The subsidiary performs a qualitative assessment of effectiveness and it expects that the value of the precious metals borrowing contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying prices. The source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the subsidiary's own credit risk on the fair value of the precious metals borrowing contracts, which is not reflected in the fair value of the hedged item attributable to the change in prices. No other sources of ineffectiveness are expected to emerge from these hedging relationships.

The following tables summarize the information relating to the hedges of other price risk.

December 31, 2018

Hedging Instruments	Contract Amount	Maturity	Line Item in Balance Sheet	Carrying Amount Liability	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness
Fair value hedge					
Precious metals borrowing contracts	<u>\$ 203,782</u>	-	Financial liabilities for hedging	<u>\$ 201,997</u>	<u>\$ 1,785</u>

Hedged Items	<u>Carrying Amount 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>	\$ (1,785)	\$ (1,785)

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation and its subsidiaries. As of the balance sheet date, the Corporation and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation and its subsidiaries.

The Corporation and its subsidiaries do not expect significant credit risk because the counterparties are creditworthy financial institutions and companies.

Counterparties of accounts receivable consisted of a large number of different customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the customers' financial condition.

The Corporation and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Corporation and its subsidiaries define counterparties as having similar characteristics if they are related entities.

As of December 31, 2018 and 2017, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement compliance was NT\$29,300,309 thousand and NT\$23,518,898 thousand, respectively.

3) Liquidity risk

The management of the Corporation and its subsidiaries continuously monitors the movement of cash flows, net cash position, significant capital expenditures and the utilization of bank loan commitments to control proportion of the long-term and short-term bank loans or issue bonds payable, and ensures compliance with loan covenants.

The following table details the undiscounted cash flows of the Corporation and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities from the earliest date on which they can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time span regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

The table below summarizes the maturity profile of the Corporation and its subsidiaries' financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2018</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 45,158,801	\$ 596,263	\$ -	\$ 45,755,064
Variable interest rate liabilities	50,246,003	49,224,903	5,082,472	104,553,378
Fixed interest rate liabilities	37,667,979	66,635,850	37,891,700	142,195,529
Refund liabilities	2,868,815	-	-	2,868,815
Financial guarantee liabilities	<u>345,810</u>	<u>28,460,872</u>	<u>493,627</u>	<u>29,300,309</u>
	<u>\$ 136,287,408</u>	<u>\$ 144,917,888</u>	<u>\$ 43,467,799</u>	<u>\$ 324,673,095</u>
<u>December 31, 2017</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 36,072,502	\$ 496,183	\$ -	\$ 36,568,685
Variable interest rate liabilities	56,551,013	83,807,062	1,649,263	142,007,338
Fixed interest rate liabilities	34,546,614	66,824,023	25,881,204	127,251,841
Financial guarantee liabilities	<u>206,659</u>	<u>8,771,760</u>	<u>14,540,479</u>	<u>23,518,898</u>
	<u>\$ 127,376,788</u>	<u>\$ 159,899,028</u>	<u>\$ 42,070,946</u>	<u>\$ 329,346,762</u>

The amounts included above for financial guarantee liabilities were the maximum amounts the Corporation and its subsidiaries could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the balance sheet date, the Corporation and its subsidiaries considered that it is more likely than not that none of the amount will be payable under the arrangement.

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not in this note. Details of transactions between the Corporation and its subsidiaries and other related parties were disclosed below:

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

<u>Company</u>	<u>Relationship</u>
TaiAn Technologies Corporation	Associates
Fukuta Electric & Machinery Co., Ltd.	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
Nikken & CSSC Metal Products Co., Ltd.	Associates
Eminent II Venture Capital Corporation	Associates
iPASS Corporation	Associates
Honley Auto. Parts Co., Ltd. (HAPC)	Associates
Majestic Solid Light Corporation	Associates

(Continued)

Company	Relationship
Ascentek Venture Capital Corporation.	Associates
Taiwan Rolling Stock Co., Ltd.	Associates
CHUNGKANG STEEL STRUCTURE (CAMBODIA) CO., LTD.	Associates
Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd.	Associates
HC&C Auto Parts Co., Ltd.	Associates
SINO VIETNAM HI-TECH MATERIAL CO., LTD.	Associates
Tatt Giap Steel Centre Sdn. Bhd.	Associates
TSK Steel Co., Ltd.	Associates
Wuhan WISCO YUTEK Environment Technology CO., Ltd.	Associates (Disposed of in June 2018)
Dyna Rechi Co., Ltd.	Associates
DYNA RECHI (JIUJIANG) CO., LTD	Associates
Changchun CECK Auto. Parts Co., Ltd. (CCCA)	Associates
Eminent III Venture Capital Corporation	Associates
Kaohsiung Arena Development Corporation	Associates
Mahindra Auto Steel Private Limited	Associates
Chateau International Development Co., Ltd.	Associates
Overseas Investment & Development Corporation	Associates (Reclassified as the Corporation as key management personnel of other related parties before September 2017)
Formosa Ha Tinh Steel Corporation	Other related parties (Associates before July 2017)
Formosa Ha Tinh (Cayman) Limited (FHC)	Other related parties (Associates before July 2017)
CDIB BioScience Ventures I, Inc.	The Corporation as key management personnel of other related parties
CSBC Corporation, Taiwan	The Corporation as key management personnel of other related parties
Taiwan High Speed Rail Corporation	The Corporation as key management personnel of other related parties
RECHI PRECISION CO., LTD.	The Corporation as key management personnel of other related parties
East Asia United Steel Corporation	The Corporation as key management personnel of other related parties
Sakura Ferroalloys Sdn. Bhd.	The Corporation as key management personnel of other related parties
TANG ENG IRON WORKS CO., LTD.	The Corporation as key management personnel of other related parties
Ministry of Economic Affairs, R.O.C.	Director of the Corporation
CSC Labor Union	Director of the Corporation
CSC Educational Foundation	Other related parties

(Concluded)

b. Operating revenues

Account Items	Related Parties Types	For the Year Ended December 31	
		2018	2017
Revenue from sale of goods	The Corporation as key management personnel of other related parties	\$ 2,107,530	\$ 961,962
	Associates	1,335,176	1,642,273
	Others	<u>1,526,763</u>	<u>1,822,334</u>
		<u>\$ 4,969,469</u>	<u>\$ 4,426,569</u>
Construction contracts revenue	Other related parties	\$ 1,618,945	\$ 589,311
	Associates	10,730	440,251
	Others	<u>6,082</u>	<u>111</u>
		<u>\$ 1,635,757</u>	<u>\$ 1,029,673</u>

Sales to related parties were made at arm's length. The construction contracts undertaken by the Corporation and its subsidiaries with related parties were different from those with unrelated parties; therefore, the prices were not comparable while the collection terms have no material differences.

c. Purchase of goods

Related Parties Types	For the Year Ended December 31	
	2018	2017
Other related parties	\$ 12,468,996	\$ 2,371,206
Associates	284,424	1,718,906
Others	<u>199,178</u>	<u>-</u>
	<u>\$ 12,952,598</u>	<u>\$ 4,090,112</u>

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

d. Receivables from related parties

Account Items	Related Parties Types	December 31	
		2018	2017
Notes and accounts receivable	The Corporation as key management personnel of other related parties	\$ 492,051	\$ 223,217
	Other related parties	482,390	219,246
	Associates	141,172	48,668
	Others	<u>162,099</u>	<u>173,533</u>
		<u>\$ 1,277,712</u>	<u>\$ 664,664</u>
Other receivables	Other related parties		
	FHC	\$ 215,005	\$ 208,320
	Others	3,572	7,970
	Associates	21,243	29,357
	Others	<u>65</u>	<u>27</u>
	<u>\$ 239,885</u>	<u>\$ 245,674</u>	

The subsidiary China Ecotek Corporation reversed the allowance for doubtful accounts in the amount of NT\$2,837 thousand for the year ended December 31, 2017. As of December 31, 2017, the allowance for doubtful accounts amounted to NT\$151 thousand.

e. Payables to related parties

Account Items	Related Parties Types	December 31	
		2018	2017
Accounts payable	Associates	\$ 47,083	\$ 37,377
	Others related parties	<u>19,088</u>	<u>-</u>
		<u>\$ 66,171</u>	<u>\$ 37,377</u>
Other payables	Other related parties	\$ 568,924	\$ 551,072
	The Corporation as key management personnel of other related parties	-	121,442
	Associates	-	12,662
	Others	<u>16,595</u>	<u>11,261</u>
		<u>\$ 585,519</u>	<u>\$ 696,437</u>

The outstanding payables to related parties were unsecured.

f. Others

Account Items	Related Parties Types	For the Year Ended December 31	
		2018	2017
Service and other revenues	Other related parties	\$ 363,653	\$ 160,174
	The Corporation as key management personnel of other related parties	313,403	7,391
	Associates	59,807	325,884
	Others	<u>167</u>	<u>164</u>
		<u>\$ 737,030</u>	<u>\$ 493,613</u>

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

Related Parties Types/Names	December 31	
	2018	2017
Other related parties - FHC		
Amount endorsed	\$ 37,885,002	\$ 30,332,880
Amount utilized	<u>(28,460,872)</u>	<u>(22,833,360)</u>
	<u>\$ 9,424,130</u>	<u>\$ 7,499,520</u>

(Continued)

Related Parties Types/Names	December 31	
	2018	2017
The Corporation as key management personnel of others related parties		
Amount endorsed	\$ 938,807	\$ 927,582
Amount utilized	<u>(813,714)</u>	<u>(670,777)</u>
	<u>\$ 125,093</u>	<u>\$ 256,805</u>
Associates		
Amount endorsed	\$ 59,034	\$ 18,451
Amount utilized	<u>(25,723)</u>	<u>(14,761)</u>
	<u>\$ 33,311</u>	<u>\$ 3,690</u>

(Concluded)

Endorsements and guarantees above are provided to investee by the percentage of shareholdings under joint venture agreements.

h. Compensation of key management personnel

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

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 114,076	\$ 92,973
Post-employment benefits	<u>542</u>	<u>758</u>
	<u>\$ 114,618</u>	<u>\$ 93,731</u>

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Corporation and its subsidiaries' assets mortgaged or pledged as collateral for long-term borrowings, short-term borrowings and bank overdraft, performance guarantees and bankers' acceptance bills, etc. were as follows (listed based on their carrying amounts):

	December 31	
	2018	2017
Net property, plant and equipment	\$ 29,752,437	\$ 116,024,557
Time deposits (Note 18)	6,686,058	6,844,856
Shares (a)	5,720,575	5,838,525
Net investment properties	2,108,788	1,464,627
Pledged receivables (Note 18) (b)	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 46,267,858</u>	<u>\$ 132,172,565</u>

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.

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 21, significant commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2018 were as follows:

- a. The Corporation and its subsidiaries provided letters of credits for NT\$7.7 billion guaranteed by financial institutions for several constructions, lease contracts and payment. Guarantee notes for NT\$69.7 billion were provided to banks and owners for loans, purchase agreements and warranties.
- b. Unused letters of credit for importation of materials and machinery amounted to NT\$9 billion.
- c. Property purchase and construction contracts for NT\$5.9 billion were signed but not yet recorded.
- d. Construction contracts for NT\$28.3 billion were not yet being completed.
- e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, China, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 5 years. Contracted annual purchases of 12,070,000 metric tons of coal, 24,000,000 metric tons of iron ore, and 3,360,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2018 were USD5 billion (including 9,010,000 metric tons of coal, 42,940,000 metric tons of iron ore, and 780,000 metric tons of limestone).
- f. Starting from August 2014, the associate CCCA entered into several credit facility agreements with CTBC Bank and other banks for USD11,000 thousand (or the equal amount in EUR, the credit line remained unchanged) and USD14,000 thousand short and medium term credit lines. Under the agreements, the Corporation and its associates should collectively hold at least 38% or 30% of CCCA's issued shares and one seat in the board of directors. As of December 31, 2018, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.
- g. Starting from November 2014, the associate HAPC entered into a construction financing agreement for a NT\$295,000 thousand factory building loan commitment which had been transferred to long-term credit line since March 2016, NT\$150,000 thousand credit line and NT\$100,000 thousand financing commercial paper with Shanghai Commercial and Savings Bank and several financial institutions. Under the agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of December 31, 2018, the Corporation held 38% equity of HAPC and two seats in the board of directors.
- h. Refer to Table 2 for information relating to endorsements/guarantees provided.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2018</u>				
Monetary foreign currency assets				
USD	\$ 255,559	30.7150	(USD:NTD)	\$ 7,849,493
USD	18,125	6.8683	(USD:RMB)	556,706
USD	17,302	1.4177	(USD:AUD)	531,427
USD	6,051	4.3188	(USD:MYR)	185,868
USD	5,479	70.0616	(USD:INR)	168,277
USD	5,040	25,595.8333	(USD:VND)	154,814
JPY	8,269,682	0.2782	(JPY:NTD)	2,300,626
RMB	378,145	4.4720	(RMB:NTD)	1,691,064
EUR	2,967	1.1460	(EUR:USD)	104,450
EUR	26,320	35.2000	(EUR:NTD)	926,449
VND	108,673,427	0.00004	(VND:USD)	130,408
Non-monetary foreign currency assets				
Financial assets at fair value through other comprehensive income				
USD	1,042,619	30.7150	(USD:NTD)	32,024,040
JPY	7,804,000	0.2782	(JPY:NTD)	2,171,073
MYR	225,504	7.1120	(MYR:NTD)	1,603,732
Associates accounted for using equity method				
USD	376,199	30.7150	(USD:NTD)	11,443,985
AUD	738,989	21.6650	(AUD:NTD)	16,010,187
INR	3,852,103	0.4384	(INR:NTD)	1,688,762
Monetary foreign currency liabilities				
JPY	12,190,078	0.2782	(JPY:NTD)	3,391,280
USD	425,642	30.7150	(USD:NTD)	13,073,581
USD	145,676	70.0616	(USD:INR)	4,474,438
USD	25,219	25,595.8333	(USD:VND)	774,607
USD	20,143	6.8683	(USD:RMB)	618,701
USD	10,737	4.3188	(USD:MYR)	329,784
<u>December 31, 2017</u>				
Monetary foreign currency assets				
USD	262,256	29.7600	(USD:NTD)	7,804,749
USD	19,305	6.5192	(USD:RMB)	574,530
USD	10,565	1.2836	(USD:AUD)	314,416
USD	8,429	4.2081	(USD:MYR)	250,859
JPY	8,067,470	0.2642	(JPY:NTD)	2,131,426
RMB	418,269	4.5650	(RMB:NTD)	1,909,400
VND	836,695,307	0.00004	(VND:USD)	995,667
EUR	15,628	35.5700	(EUR:NTD)	555,886
Non-monetary foreign currency assets				
Available-for-sale financial assets				
USD	1,190,666	29.7600	(USD:NTD)	35,434,212
JPY	7,996,000	0.2642	(JPY:NTD)	2,112,543

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
MYR	\$ 280,223	7.0720	(MYR:NTD)	\$ 1,981,737
RMB	30,899	4.5650	(RMB:NTD)	141,054
Associates accounted for using equity method				
USD	1,445,806	29.7600	(USD:NTD)	43,023,074
AUD	679,476	23.1850	(AUD:NTD)	15,753,650
INR	4,793,299	0.4649	(INR:NTD)	2,228,405
Monetary foreign currency liabilities				
USD	1,084,227	29.7600	(USD:NTD)	32,266,606
USD	110,000	64.0138	(USD:INR)	3,273,600
USD	17,589	6.5192	(USD:RMB)	523,441
USD	24,398	24,800.0000	(USD:VND)	726,085
JPY	11,421,430	0.2642	(JPY:NTD)	3,017,542
				(Concluded)

The total realized and unrealized foreign exchange gains were NT\$421,557 thousand and NT\$683,424 thousand for the years ended December 31, 2018 and 2017, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
- 9) Trading in derivative instruments (Note 34)
- 10) Intercompany relationships and significant intercompany transactions (Table 8)

11) Information on investees (Table 9)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 10)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices and payment terms:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance and the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. As a result, those whose nature of the products and production processes are similar have been considered single operation segments. Reported segments of the Corporation and its subsidiaries were as follows:

- Steel department - manufacture and sell steel products, including the Corporation, DSC, CHS, CSCM, CSVC, CSCI, HLSC and TSC.

a. Segment revenues and operating results

The following is an analysis of the Corporation and its subsidiaries' revenues and results of operations by reportable segment.

	Steel Department	Others	Adjustment and Elimination	Total
<u>For the year ended December 31, 2018</u>				
Revenues from external customers	\$ 320,953,624	\$ 79,711,433	\$ -	\$ 400,665,057
Inter-segment revenues	<u>97,055,990</u>	<u>55,513,806</u>	<u>(152,569,796)</u>	<u>-</u>
Segment revenues	<u>\$ 418,009,614</u>	<u>\$ 135,225,239</u>	<u>\$(152,569,796)</u>	<u>\$ 400,665,057</u>

(Continued)

	Steel Department	Others	Adjustment and Elimination	Total
Segment profit	\$ 26,566,133	\$ 7,247,876	\$ (234,998)	\$ 33,579,011
Interest income	232,942	211,411	(74,406)	369,947
Financial costs	(2,781,137)	(599,087)	52,997	(3,327,227)
Share of the profit of associates	10,367,283	1,208,746	(11,389,794)	186,235
Other non-operating income and expenses	<u>1,420,846</u>	<u>479,359</u>	<u>(786,426)</u>	<u>1,113,779</u>
Profit before income tax	35,806,067	8,548,305	(12,432,627)	31,921,745
Income tax	<u>(2,786,827)</u>	<u>(1,269,853)</u>	<u>21,544</u>	<u>(4,035,136)</u>
Net profit for the year	<u>\$ 33,019,240</u>	<u>\$ 7,278,452</u>	<u>\$ (12,411,083)</u>	<u>\$ 27,886,609</u>

For the year ended December 31, 2017

Revenues from external customers	\$ 280,433,594	\$ 66,578,408	\$ -	\$ 347,012,002
Inter-segment revenues	<u>83,222,397</u>	<u>49,759,201</u>	<u>(132,981,598)</u>	<u>-</u>
Segment revenues	<u>\$ 363,655,991</u>	<u>\$ 116,337,609</u>	<u>\$(132,981,598)</u>	<u>\$ 347,012,002</u>
Segment profit	\$ 17,909,851	\$ 7,304,089	\$ (292,311)	\$ 24,921,629
Interest income	179,938	181,117	(70,837)	290,218
Financial costs	(3,141,382)	(620,430)	43,919	(3,717,893)
Share of the profit (loss) of associates	7,438,653	1,947,849	(9,710,817)	(324,315)
Other non-operating income and expenses	<u>2,394,578</u>	<u>558,787</u>	<u>(719,707)</u>	<u>2,233,658</u>
Profit before income tax	24,781,638	9,371,412	(10,749,753)	23,403,297
Income tax	<u>(1,984,831)</u>	<u>(997,609)</u>	<u>10,333</u>	<u>(2,972,107)</u>
Net profit for the year	<u>\$ 22,796,807</u>	<u>\$ 8,373,803</u>	<u>\$ (10,739,420)</u>	<u>\$ 20,431,190</u> (Concluded)

Inter-segment revenues were accounted for according to market price or cost-plus pricing.

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2018	2017
<u>Segment assets</u>		
Steel department	\$ 725,164,836	\$ 722,336,406
Others	214,711,859	237,018,165
Adjustment and elimination	<u>(265,350,099)</u>	<u>(291,638,692)</u>
Consolidated total assets	<u>\$ 674,526,596</u>	<u>\$ 667,715,879</u>
<u>Segment liabilities</u>		
Steel department	\$ 272,586,581	\$ 281,461,836
Others	86,655,523	76,873,211
Adjustment and Elimination	<u>(27,513,226)</u>	<u>(22,571,155)</u>
Consolidated total liabilities	<u>\$ 331,728,878</u>	<u>\$ 335,763,892</u>

c. Revenues from major products and services

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

	For the Year Ended December 31	
	2018	2017
Steel products	\$ 332,216,772	\$ 287,137,194
Non-ferrous materials	38,470,811	32,255,497
Construction contracts revenue	19,944,606	17,496,736
Freight and service revenue	7,138,111	6,936,438
Others	<u>2,894,757</u>	<u>3,186,137</u>
	<u>\$ 400,665,057</u>	<u>\$ 347,012,002</u>

d. Geographical information

The Corporation and its subsidiaries operate in five principal geographical areas - Taiwan, Malaysia, China, Vietnam and India.

The Corporation and its subsidiaries' revenues from continuing operations from external customers and information about its non-current assets by geographical location were detailed below:

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Taiwan	\$ 351,782,506	\$ 303,319,159	\$ 384,039,265	\$ 393,562,138
Vietnam	24,564,187	20,361,997	15,084,025	15,556,015
Malaysia	9,954,126	8,922,984	1,804,758	1,885,363
China	7,264,931	7,791,599	3,291,373	3,634,948
India	4,263,523	3,711,027	4,894,091	5,455,860
Others	<u>2,835,784</u>	<u>2,905,236</u>	<u>6,345,814</u>	<u>12,009,842</u>
	<u>\$ 400,665,057</u>	<u>\$ 347,012,002</u>	<u>\$ 415,459,326</u>	<u>\$ 432,104,166</u>

Non-current assets excluded those classified as financial instruments, deferred tax assets and retirement benefit assets.

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Corporation and its subsidiaries' total revenues for the years ended December 31, 2018 and 2017.

TABLE 1

CHINA STEEL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount	Note
													Item	Value			
0	China Steel Corporation	Dragon Steel Corporation	Other receivables	Yes	\$ 3,550,000	\$ 2,150,000	\$ -	0.52%-0.54%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 31,290,803	\$ 62,581,607	Note 2
0	China Steel Corporation	CSC Precision Metal Industrial Corporation	Other receivables	Yes	200,000	-	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Sing Da Marine Structure Corporation	Other receivables	Yes	200,000	200,000	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Global Trading Corporation	Other receivables	Yes	250,000	150,000	150,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Gains Investment Corporation	Other receivables	Yes	600,000	300,000	300,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Prosperity Development Corporation	Other receivables	Yes	1,500,000	900,000	600,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Express Corporation	Other receivables	Yes	800,000	600,000	600,000	0.50%-0.55%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Resources Corporation	Other receivables	Yes	1,260,000	910,000	870,000	0.50%-0.55%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	C.S.Aluminium Corporation	Other receivables	Yes	7,200,000	5,200,000	3,600,000	0.50%-0.55%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Other receivables	Yes	441,470	287,735	134,160	3.80%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Steel Machinery Corporation	Other receivables	Yes	830,000	430,000	430,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Changzhou China Steel Precision Materials Co., Ltd.	Other receivables	Yes	309,550	307,150	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	CSC Solar Corporation	Other receivables	Yes	150,000	-	-	-	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	China Ecotek Corporation	Other receivables	Yes	470,000	310,000	310,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Kaohsiung Rapid Transit Corporation	Other receivables	Yes	550,000	350,000	350,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	Chung Hung Steel Corporation	Other receivables	Yes	5,300,000	3,950,000	2,450,000	0.51%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Other receivables	Yes	1,300,000	700,000	700,000	0.50%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
0	China Steel Corporation	CHC RESOURCES CORPORATION	Other receivables	Yes	450,000	400,000	300,000	0.52%-0.54%	2	-	Operating capital	-	-	-	31,290,803	62,581,607	Note 2
1	China Steel Security Corporation	China Steel Corporation	Other receivables	Yes	50,000	50,000	-	0.51%-0.52%	2	-	Operating capital	-	-	-	160,419	213,892	Note 3

(Continued)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
2	UNITED STEEL INVESTMENT PTE. LTD.	Chungkang Steel Structure (Cambodia) Co., Ltd.	Other receivables	Yes	\$ 45,152	\$ 19,043	\$ 19,043	5.8%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 50,000	\$ 111,267	Note 4
3	Ever Wealthy International Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Other receivables	Yes	37,146	36,858	-	3%	2	-	Operating capital	-	-	-	378,616	567,924	Note 5
4	Group Steel Corporation (M) Sdn. Bhd.	CSC Steel Sdn. Bhd.	Other receivables	Yes	338,400	284,480	284,480	4%	2	-	Operating capital	-	-	-	18,413	18,413	Note 6
5	Thintech Materials Technology Co., Ltd.	Taicang Thintech Materials Co., Ltd.	Other receivables	Yes	143,149	143,149	67,080	1.76%-3.25%	2	-	Operating capital	-	-	-	330,892	441,189	Note 7
5	Thintech Materials Technology Co., Ltd.	Thintech United Metal Resources (Taicang) Co., Ltd.	Other receivables	Yes	119,454	105,852	93,912	1.76%-5%	2	-	Operating capital	-	-	-	330,892	441,189	Note 7
6	CSC Precision Metal Industrial Corporation	China Steel Corporation	Other receivables	Yes	300,000	-	-	0.52%-0.54%	2	-	Operating capital	-	-	-	101,268	115,735	Note 8
7	CHC RESOURCES CORPORATION	CHC RESOURCES VIETNAM CO., LTD.	Other receivables	Yes	29,950	-	-	-	2	-	Operating capital	-	-	-	490,039	980,078	Note 9
8	Mentor Consulting Corporation	Gains Investment Corporation	Other receivables	Yes	18,000	-	-	-	2	-	Operating capital	-	-	-	10,427	10,427	Note 10
9	Gains Investment Corporation	Gainsplus Asset Management Inc.	Other receivables	Yes	174,780	-	-	1.83%	2	-	Operating capital	-	-	-	662,732	1,325,465	Note 11
9	Gains Investment Corporation	Mentor Consulting Corporation	Other receivables	Yes	6,000	-	-	-	2	-	Operating capital	-	-	-	662,732	1,325,465	Note 11
9	Gains Investment Corporation	Eminence Investment Corporation	Other receivables	Yes	200,000	-	-	-	2	-	Operating capital	-	-	-	662,732	1,325,465	Note 11
10	C.S.Aluminium Corporation	Ningbo Huayang Aluminium-Tech Co., Ltd.	Other receivables	Yes	185,730	184,290	-	-	2	-	Operating capital	-	-	-	3,307,307	3,307,307	Note 12

Note 1: The nature for financing is as follows:

- 1) Business relationship
- 2) The need for short-term financing

Note 2: According to "The Process of Financing Others" established by the Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 20% and 10% of the net worth of the Corporation, respectively.

Note 3: According to "The Process of Financing Others" established by China Steel Security Corporation (CSSC), the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 30% of the net worth of the CSSC, respectively.

Note 4: According to "The Process of Financing Others" established by UNITED STEEL INVESTMENT PTE. LTD., the total available amount for lending to others shall not exceed 40% of the net worth of the company; for short-term financing needs, the total amount for lending to a company shall not exceed NT\$50,000 thousand; however, its wholly-owned subsidiary is free from these limits. Except for the aforementioned, the total available amount for lending to others shall not exceed 40% of the net worth of UNITED STEEL INVESTMENT PTE. LTD.

Note 5: According to "The Process of Financing Others" established by Ever Wealthy International Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 30% and 20% of the net worth of Ever Wealthy International Corporation, respectively; the financing limit amount for parent company shall not exceed 30% of the net worth of the company.

(Continued)

- Note 6: According to “The Process of Financing Others” established by Group Steel Corporation (M) Sdn. Bhd., the total available amount for lending to others and the total amount for lending to a company both shall not exceed 40% of the net worth of Group Steel Corporation (M) Sdn. Bhd.
- Note 7: According to “The Process of Financing Others” established by Thintech Materials Technology Co., Ltd., the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 30% of the net worth of Thintech Materials Technology Co., Ltd, respectively.
- Note 8: According to “The Process of Financing Others” established by CSC Precision Metal Industrial Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 40% and 35% of the net worth of CSC Precision Metal Industrial Corporation, respectively.
- Note 9: According to “The Process of Financing Others” established by CHC RESOURCES CORPORATION, the total available amount for lending to others and the total amount for lending to a company shall not exceed 20% and 10% of the net worth of CHC RESOURCES CORPORATION, respectively.
- Note 10: According to “The Process of Financing Others” established by Mentor Consulting Corporation, the total available amount for lending to others and the total amount for lending to a company both shall not exceed 40% of the net worth of Mentor Consulting Corporation.
- Note 11: According to “The Process of Financing Others” established by Gains Investment Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 20% and 10% of the net worth of Gains Investment Corporation, respectively..
- Note 12: According to “The Process of Financing Others” established by C.S.Aluminium Corporation, the total available amount for lending to others and the total amount for lending to a company both shall not exceed 40% of the net worth of C.S.Aluminium Corporation.

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NO.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
0	China Steel Corporation	CSC Steel Australia Holdings Pty Ltd	2	\$ 93,872,411	\$ 3,649,375	\$ -	\$ -	\$ -	-	\$ 125,163,214	Y	N	N	Notes 2 and 5
0	China Steel Corporation	China Steel Power Holding Corporation	2	93,872,411	3,000,000	3,000,000	-	-	1	125,163,214	Y	N	N	Notes 2 and 5
0	China Steel Corporation	Formosa Ha Tinh (Cayman) Limited	6	93,872,411	37,885,002	37,885,002	28,460,872	-	12	125,163,214	N	N	N	Note 5
0	China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	6	93,872,411	952,143	938,807	813,714	-	-	125,163,214	N	N	N	Note 5
1	CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	2	8,027,221	167,500	-	-	-	-	8,027,221	N	N	N	Notes 3 and 6
1	CHINA STEEL STRUCTURE CO., LTD.	United Steel Construction (Vietnam) Co., Ltd.	2	1,408,284	245,720	184,290	-	-	4	8,027,221	N	N	N	Note 6
1	CHINA STEEL STRUCTURE CO., LTD.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	2	1,408,284	800,435	789,567	267,126	-	19	8,027,221	N	N	Y	Note 6
1	CHINA STEEL STRUCTURE CO., LTD.	Chungkang Steel Structure (Cambodia) Co., Ltd.	6	1,408,284	59,496	59,034	25,723	-	1	8,027,221	N	N	N	Note 6
2	United Steel Engineering & Construction Corporation	CHINA STEEL STRUCTURE CO., LTD.	3	19,933,590	2,387,811	1,567,675	1,567,675	-	118	19,933,590	N	N	N	Notes 3 and 7
3	Thintech Materials Technology Co., Ltd.	Thintech United Metal Resources (Taicang) Co., Ltd.	2	441,189	123,820	122,860	-	-	11	441,189	N	N	Y	Note 8
3	Thintech Materials Technology Co., Ltd.	Taicang Thintech Materials Co., Ltd.	2	441,189	185,730	184,290	140,982	-	17	441,189	N	N	Y	Note 8
4	Chung Hung Steel Corporation	Chung Hung Steel Corporation	1	4,428,974	10,000	10,000	10,000	-	-	7,381,623	N	N	N	Notes 4 and 9
5	INFOCHAMP SYSTEMS CORPORATION	Wuhan InfoChamp I.T. Co., Ltd.	2	238,168	95,726	93,994	63,994	-	12	396,947	N	N	Y	Note 10

Note 1: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- 1) A company that the Corporation has business relationship with.
- 2) The Corporation owns directly or indirectly over 50% ownership of the investee company.
- 3) The company that owns directly or indirectly hold over 50% ownership of the Corporation.
- 4) In between companies that were held over 90% of voting shares directly or indirectly by an entity.
- 5) The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.
- 6) Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.
- 7) According to Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.

(Continued)

Note 2: Endorsements and guarantees provided by the Corporation to its subsidiaries.

Note 3: Performance guarantee regarding the construction contract.

Note 4: For import of goods, letters of credits were provided to Customs Administration, Ministry of Finance Kaohsiung Customs and guaranteed by banks.

Note 5: According to “The Process of making endorsements/quadrants” established by the Corporation, the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 30% and 40% of the net worth of the Corporation, respectively.

Note 6: According to “The Process of making endorsements/quadrants” established by CHINA STEEL STRUCTURE CO., LTD., the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed one third and 190% of the net worth of CHINA STEEL STRUCTURE CO., LTD. However, the ceilings on the amounts to United Steel Engineering & Consumption Corporation shall not exceed 190% of the net worth of CHINA STEEL STRUCTURE CO., LTD.

Note 7: According to “The Process of making endorsements/quadrants” established by United Steel Engineering & Construction Corporation, both the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 1500% of the net worth of United Steel Engineering & Construction Corporation.

Note 8: According to “The Process of making endorsements/quadrants” established by Thintech Materials Technology Co., Ltd., both the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 40% of the net worth of Thintech Materials Technology Co., Ltd.

Note 9: According to “The Process of making endorsements/quadrants” established by Chung Hung Steel Corporation, the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 30% and 50% of the net worth of Chung Hung Steel Corporation, respectively

Note 10: According to “The Process of making endorsements/quadrants” established by INFOCHAMP SYSTEMS CORPORATION, the ceilings on the amounts for any single entity or the aggregate amounts to the entities shall not exceed 30% and 50% of the net worth of INFOCHAMP SYSTEMS CORPORATION, respectively.

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Corporation	Common Stock	ADIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - current	5,524,896	\$ 112,155	2	\$ 112,155	
China Steel Corporation	Common Stock	Taiwan High Speed Rail Corporation	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	242,148,000	7,397,621	4	7,397,621	
China Steel Corporation	Common Stock	Maruichi Steel Tube Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	2,000,000	1,927,926	2	1,927,926	
China Steel Corporation	Common Stock	TANG ENG IRON WORKS CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	29,860,691	1,373,592	9	1,373,592	
China Steel Corporation	Common Stock	O-Bank Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	103,847,695	830,782	4	830,782	
China Steel Corporation	Common Stock	RECHI PRECISION CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	23,002,022	557,799	5	557,799	
China Steel Corporation	Common Stock	Yodogawa Steel Works, Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	400,000	243,147	1	243,147	
China Steel Corporation	Common Stock	CSBC Corporation, Taiwan	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	7,751,346	196,884	2	196,884	
China Steel Corporation	Common Stock	Formosa Ha Tinh (Cayman) Limited		Financial assets at fair value through other comprehensive income - noncurrent	1,111,418,177	29,358,000	20	29,358,000	
China Steel Corporation	Common Stock	CSN Mineracao S.A.		Financial assets at fair value through other comprehensive income - noncurrent	745,562	2,533,532	-	2,533,532	
China Steel Corporation	Common Stock	Sakura Ferroalloys Sdn. Bhd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	207,290,000	1,281,120	19	1,281,120	
China Steel Corporation	Common Stock	CDIB & Partners Investment Holding Corporation		Financial assets at fair value through other comprehensive income - noncurrent	54,000,000	816,826	5	816,826	
China Steel Corporation	Common Stock	Taiwan International Windpower Training Corporation	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,500,000	13,740	15	13,740	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Corporation	Common Stock	CDIB BioScience Ventures I, Inc.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,063,534	\$ 10,172	5	\$ 10,172	
China Steel Corporation	Common Stock	PHALANX BIOTECH GROUP, INC.		Financial assets at fair value through other comprehensive income - noncurrent	1,073,812	3,199	2	3,199	
China Steel Corporation	Common Stock	Mega I Venture Capital Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	978,750	1,549	3	1,549	
China Steel Corporation	Common Stock	DB Metal Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	1,500,000	-	4	-	
China Steel Corporation	Preferred Stock	East Asia United Steel Corporation (A)	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	6,667	1,651,808	19	1,651,808	
China Steel Corporation	Preferred Stock	Sakura Ferroalloys Sdn. Bhd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	52,199,745	322,612	19	322,612	
Chung Hung Steel Corporation	Common Stock	Shouh Hwang Enterprise Co., Ltd.		Financial assets at fair value through profit or loss - current	730,000	-	15	-	
Chung Hung Steel Corporation	Common Stock	YIEH UNITED STEEL CORPORATION		Financial assets at fair value through profit or loss - current	39,707,800	217,281	2	217,281	
Chung Hung Steel Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	33,109,239	802,899	-	802,899	
Chung Hung Steel Corporation	Common Stock	TAIWAN VES-POWER CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	958,333	37,662	2	37,662	
Chung Hung Steel Corporation	Common Stock	RiselinK Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	657,936	7,764	3	7,764	
Chung Hung Steel Corporation	Common Stock	PACIFIC HARBOUR STEVEDORING CORP.	The held company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	5,793	5	5,793	
Hung Kao Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	24,346	-	24,346	
China Steel Chemical Corporation	Common Stock	ADIMMUNE CORPORATION		Financial assets at fair value through profit or loss - current	105,747	2,147	-	2,147	
China Steel Chemical Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,556,915	62,005	-	62,005	
China Steel Chemical Corporation	Preferred Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	229,000	9,939	-	9,939	
China Steel Chemical Corporation	Fund	Prudential Financial India Opportunity Bond Fund Acc USD		Financial assets at fair value through profit or loss - current	10,000	3,207	-	3,207	
China Steel Chemical Corporation	Fund	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	3,706,367	50,064	-	50,064	
China Steel Chemical Corporation	Fund	KGI Victory Money Market Fund		Financial assets at fair value through profit or loss - current	4,328,255	50,044	-	50,044	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Common Stock	TAISHIN FINANCIAL HOLDING CO., LTD.		Financial assets at fair value through profit or loss - current	5,691,783	\$ 74,277	-	\$ 74,277	
Ever Wealthy International Corporation	Common Stock	Mega Financial Holding Co., Ltd.		Financial assets at fair value through profit or loss - current	1,849,000	47,982	-	47,982	
Ever Wealthy International Corporation	Common Stock	International CSRC Investment Holdings Co., LTD.		Financial assets at fair value through profit or loss - current	1,041,454	40,565	-	40,565	
Ever Wealthy International Corporation	Common Stock	TAICHUNG COMMERCIAL BANK CO., LTD.		Financial assets at fair value through profit or loss - current	2,255,990	23,011	-	23,011	
Ever Wealthy International Corporation	Common Stock	TAIWAN BUSINESS BANK,LTD.		Financial assets at fair value through profit or loss - current	1,750,899	18,122	-	18,122	
Ever Wealthy International Corporation	Common Stock	HUA NAN FINANCIAL HOLDINGS CO.,LTD.		Financial assets at fair value through profit or loss - current	1,013,040	17,728	-	17,728	
Ever Wealthy International Corporation	Common Stock	CATHAY FINANCIAL HOLDING CO., LTD.		Financial assets at fair value through profit or loss - current	300,000	14,100	-	14,100	
Ever Wealthy International Corporation	Common Stock	CHINA DEVELOPMENT FINANCIAL HOLDING CORP.		Financial assets at fair value through profit or loss - current	1,179,000	11,460	-	11,460	
Ever Wealthy International Corporation	Common Stock	TA CHEN STAINLESS PIPE CO., LTD.		Financial assets at fair value through profit or loss - current	152,047	6,394	-	6,394	
Ever Wealthy International Corporation	Common Stock	Bank of Kaohsiung, CO., LTD.		Financial assets at fair value through profit or loss - current	513,869	4,686	-	4,686	
Ever Wealthy International Corporation	Common Stock	Nishoku Technology Inc.		Financial assets at fair value through profit or loss - current	30,400	1,745	-	1,745	
Ever Wealthy International Corporation	Common Stock	China Steel Chemical Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	4,753,537	651,235	-	651,235	
Ever Wealthy International Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	4,226,265	102,487	-	102,487	
Ever Wealthy International Corporation	Common Stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	1,540,000	42,372	4	42,372	
Ever Wealthy International Corporation	Common Stock	Riselink Venture Capital Corp.		Financial assets at fair value through profit or loss - noncurrent	438,624	5,174	2	5,174	
Ever Wealthy International Corporation	Common Stock	National Kaohsiung First University of Science and Technology Investment Corporation		Financial assets at fair value through profit or loss - noncurrent	300,000	2,601	9	2,601	
Ever Wealthy International Corporation	Common Stock	Harbinger Venture III Capital Corp.		Financial assets at fair value through profit or loss - noncurrent	1,000	1,130	1	1,130	
Ever Wealthy International Corporation	Common Stock	E-ONE MOLI ENERGY CORP.		Financial assets at fair value through profit or loss - noncurrent	46,097	453	-	453	
Ever Wealthy International Corporation	Common Stock	Asia Hepato Gene CO.		Financial assets at fair value through profit or loss - noncurrent	133,300	-	2	-	
Ever Wealthy International Corporation	Common Stock	JU-KAO ENGINEERING CO., LTD		Financial assets at fair value through profit or loss - noncurrent	1,774,483	19,406	7	19,406	
Ever Wealthy International Corporation	Preferred Stock	Cathay Financial Holding Co., Ltd.(B)		Financial assets at fair value through profit or loss - current	12,540	776	-	776	
Ever Wealthy International Corporation	Fund	Yuanta De-Li Money Market Fund		Financial assets at fair value through profit or loss - current	1,842,718	29,999	-	29,999	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Fund	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	7,494,756	\$ 101,254	-	\$ 101,254	
Ever Wealthy International Corporation	Fund	SinoPac TWD Money Market Fund		Financial assets at fair value through profit or loss - current	5,675,551	78,890	-	78,890	
Ever Wealthy International Corporation	Fund	Prudential Financial Money Market Fund		Financial assets at fair value through profit or loss - current	1,899,528	29,994	-	29,994	
Ever Glory International Co., Ltd.	Common Stock	Sharp Corporation		Financial assets at fair value through profit or loss - current	20,000	6,132	-	6,132	
Ever Glory International Co., Ltd.	Fund	Neuberger Berman Global Senior Floating Rate Income Fund-A		Financial assets at fair value through profit or loss - current	89,445	30,248	-	30,248	
Ever Glory International Co., Ltd.	Fund	Neuberger Berman Global Senior Floating Rate Income Fund		Financial assets at fair value through profit or loss - current	29,500	10,239	-	10,239	
Ever Glory International Co., Ltd.	Fund	JPMorgan Funds - USD Money Market VNAV Fund - JPM USD Money Market VNAV A (acc) - USD		Financial assets at fair value through profit or loss - current	9,626	30,416	-	30,416	
Ever Glory International Co., Ltd.	Fund	China Southern Dragon Dynamic Fund Sicav-FIS - China New Balance Opportunity Fund-A USD		Financial assets at fair value through profit or loss - current	3,787	16,687	-	16,687	
Ever Glory International Co., Ltd.	Fund	Invesco US Senior Loan Fund		Financial assets at fair value through profit or loss - current	10,925	54,708	-	54,708	
Ever Glory International Co., Ltd.	Fund	Hutchison Port Holdings Trust		Financial assets at fair value through profit or loss - current	3,480,000	25,653	-	25,653	
Ever Glory International Co., Ltd.	Subordinated Financial Bonds	Floating Rate Notes Offering by Australia and New Zealand Banking Group Limited		Financial assets at amortized cost-noncurrent	2,000	4,144	-	4,144	
Ever Glory International Co., Ltd.	Corporate Bond	Gazprombank OJSC Via GBP Eurobond		Financial assets at amortized cost-noncurrent	-	-	-	-	
Ever Glory International Co., Ltd.	Corporate Bond	Gazprombank OJSC Via GBP Eurobond		Financial assets at amortized cost-noncurrent	-	-	-	-	
Ever Glory International Co., Ltd.	Corporate Bond	CNH Bond Offering by ITNL Offshore Pte Limited		Financial assets at amortized cost-noncurrent	30,000	13,436	-	13,436	
China Ecotek Corporation	Common Stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	440,000	12,106	1	12,106	
China Ecotek Corporation	Common Stock	JDV CONTROL VALVES CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	500,000	8,641	2	8,641	
China Ecotek Corporation	Common Stock	ECOTEK INDUSTRIAL AQUACULTURE CORP.	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	489,375	-	17	-	
China Ecotek Corporation	Common Stock	HSIN YU ENERGY DEVELOPMENT CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	391,249	-	-	-	
China Ecotek Corporation	Common Stock	FLEXUP TECHNOLOGIES CORPORATION		Financial assets at fair value through profit or loss - noncurrent	650,000	-	4	-	
China Ecotek Corporation	Common Stock	Asia Pacific Energy Development Co., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	2,212,590	132,507	11	132,507	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
CHINA STEEL STRUCTURE CO., LTD.	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	6,936,878	\$ 168,219	-	\$ 168,219	
United Steel Engineering & Construction Corporation	Common Stock	CHINA STEEL STRUCTURE CO., LTD.	Parent company	Financial assets at fair value through other comprehensive income - current	6,804,767	179,306	-	179,306	
United Steel Engineering & Construction Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	3,745,446	90,827	-	90,827	
CHC RESOURCES CORPORATION	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	9,201,806	223,144	-	223,144	
CHC RESOURCES CORPORATION	Common Stock	FENG SHEHG ENTERPRISE COMPANY		Financial assets at fair value through other comprehensive income - noncurrent	932,053	11,892	2	11,892	
CHC RESOURCES CORPORATION	Fund	Taishin 1699 Money Market Fund		Financial assets at fair value through profit or loss - current	2,965,729	40,060	-	40,060	
UNION STEEL DEVELOPMENT CORPORATION	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	423,849	10,278	-	10,278	
UNION STEEL DEVELOPMENT CORPORATION	Fund	Capital Money Market Fund		Financial assets at fair value through profit or loss - current	1,873,009	30,175	-	30,175	
UNION STEEL DEVELOPMENT CORPORATION	Foreign Certificate of Entitlement	Shanghai Baoshunlian Steel Products Co.,Ltd	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	-	17,167	19	17,167	
China Steel Security Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,349,975	56,987	-	56,987	
China Steel Security Corporation	Common Stock	Taiwan Secom Corporation		Financial assets at fair value through other comprehensive income - current	2,223	197	-	197	
China Steel Security Corporation	Common Stock	Taiwan Shin Kong Security Corporation		Financial assets at fair value through other comprehensive income - current	3,579	137	-	137	
Steel Castle Technology Corporation	Fund	Yuanta De-Li Money Market Fund		Financial assets at fair value through profit or loss - current	2,457,939	40,017	-	40,017	
Steel Castle Technology Corporation	Fund	Mega Diamond Money Market Fund		Financial assets at fair value through profit or loss - current	4,014,480	50,269	-	50,269	
Steel Castle Technology Corporation	Fund	Capital Money Market Fund		Financial assets at fair value through profit or loss - current	1,246,036	20,075	-	20,075	
Steel Castle Technology Corporation	Fund	Union Money Market Fund		Financial assets at fair value through profit or loss - current	1,139,471	15,022	-	15,022	
ChinaSteel Management Consulting Corporaion	Fund	Capital Money Market Fund		Financial assets at fair value through profit or loss - current	348,056	5,607	-	5,607	
China Prosperity Development Corporation	Common Stock	HUA NAN FINANCIAL HOLDINGS CO.,LTD.		Financial assets at fair value through other comprehensive income - current	4,286,955	75,022	-	75,022	
China Prosperity Development Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	952,979	23,110	-	23,110	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Prosperity Development Corporation	Common Stock	Mega Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income - current	463,457	\$ 12,027	-	\$ 12,027	
China Prosperity Development Corporation	Common Stock	Taiwan Cooperative Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income - current	222,789	3,932	-	3,932	
China Prosperity Development Corporation	Common Stock	QUN XIN PROPERITES CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - current	6,000,000	48,000	-	48,000	
China Prosperity Development Corporation	Common Stock	HI SCENE WORLD ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	386,535	4,086	-	4,086	
China Prosperity Development Corporation	Fund	Taishin Ta-Chong Money Market Fund		Financial assets at fair value through profit or loss - current	8,460,058	120,002	-	120,002	
China Prosperity Development Corporation	Fund	FSITC MONEY MARKET FUND		Financial assets at fair value through profit or loss - current	561,416	100,003	-	100,003	
HIMAG Magnetic Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - noncurrent	325,505	7,893	-	7,893	
HIMAG Magnetic Corporation	Common Stock	Superrite Electronics Co., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	600,000	8,016	2	8,016	
Eminent Venture Capital Corporation	Common Stock	Bionime Corporation		Financial assets at fair value through profit or loss - current	995,990	47,608	2	47,608	
Eminent Venture Capital Corporation	Common Stock	TAIWAN LIPOSOME CO., LTD.		Financial assets at fair value through profit or loss - current	248,220	22,265	-	22,265	
Eminent Venture Capital Corporation	Common Stock	Savior Lifetec Corporation		Financial assets at fair value through profit or loss - current	1,000,000	16,700	-	16,700	
Eminent Venture Capital Corporation	Common Stock	SynCore Biotechnology Co., Ltd		Financial assets at fair value through profit or loss - current	628,000	15,480	1	15,480	
Eminent Venture Capital Corporation	Common Stock	INTECH BIOPHARM LTD.		Financial assets at fair value through profit or loss - current	510,000	9,716	1	9,716	
Eminent Venture Capital Corporation	Common Stock	Asia Best Healthcare Co., Ltd.		Financial assets at fair value through profit or loss - noncurrent	4,530	18,186	1	18,186	
Eminent Venture Capital Corporation	Common Stock	StemCyte International, Ltd.		Financial assets at fair value through profit or loss - noncurrent	1,080,647	16,267	1	16,267	
Eminent Venture Capital Corporation	Common Stock	Magqu Co. Ltd.	The held company as its supervisor	Financial assets at fair value through profit or loss - noncurrent	1,301,000	14,288	7	14,288	
Eminent Venture Capital Corporation	Common Stock	U-Liang Pharmaceutical Co., Ltd.		Financial assets at fair value through profit or loss - noncurrent	557,000	6,075	1	6,075	
Eminent Venture Capital Corporation	Common Stock	Dance Biopharm Holdings, Inc.		Financial assets at fair value through profit or loss - noncurrent	166,394	1,329	1	1,329	
Eminent Venture Capital Corporation	Common Stock	Cellerant Therapeutics, Inc.		Financial assets at fair value through profit or loss - noncurrent	43,900	-	-	-	
Eminent Venture Capital Corporation	Common Stock	New Medical Imaging Co., LTD		Financial assets at fair value through profit or loss - noncurrent	160,368	-	3	-	
Eminent Venture Capital Corporation	Common Stock	INNOPHARMAX, Inc.		Financial assets at fair value through profit or loss - noncurrent	2,567,519	15,076	4	15,076	
Eminent Venture Capital Corporation	Common Stock	HOLY STONE HEALTHCARE CO.,LTD.		Financial assets at fair value through profit or loss - noncurrent	500,000	5,316	1	5,316	
Eminent Venture Capital Corporation	Common Stock	Tekho Marine Biotech Co., Ltd.		Financial assets at fair value through profit or loss - noncurrent	788,824	5,048	4	5,048	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Eminent Venture Capital Corporation	Preferred Stock	BioResource International, Inc.		Financial assets at fair value through profit or loss - noncurrent	815,486	\$ 14,941	3	\$ 14,941	
Eminent Venture Capital Corporation	Preferred Stock	Nereus Pharmaceuticals, Inc.		Financial assets at fair value through profit or loss - noncurrent	1,895,531	7,510	2	7,510	
Eminent Venture Capital Corporation	Preferred Stock	BioKey, Inc.		Financial assets at fair value through profit or loss - noncurrent	600,000	608	3	608	
Eminent Venture Capital Corporation	Preferred Stock	Cardiva Medical, Inc.		Financial assets at fair value through profit or loss - noncurrent	612,648	-	1	-	
Eminent Venture Capital Corporation	Preferred Stock	AndroScience Corp.		Financial assets at fair value through profit or loss - noncurrent	2,111,111	-	7	-	
Eminent Venture Capital Corporation	Preferred Stock	Bayhill Therapeutics, Inc.		Financial assets at fair value through profit or loss - noncurrent	1,404,494	-	2	-	
Eminent Venture Capital Corporation	Fund	Franklin Templeton Sinoam Money Market Fund		Financial assets at fair value through profit or loss - current	4,133,629	42,663	-	42,663	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - noncurrent	3,834,338	92,983	-	92,983	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	Lion Corporation Berhad		Financial assets at fair value through other comprehensive income - noncurrent	58	-	-	-	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	TRICORNTECH CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	726,885	5,790	2	5,790	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	RiselinK Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	438,624	5,174	2	5,174	
INFOCHAMP SYSTEMS CORPORATION	Common Stock	GEMINI OPEN CLOUD COMPUTING INC.		Financial assets at fair value through other comprehensive income - noncurrent	889,571	-	5	-	
Dragon Steel Corporation	Common Stock	Union Optronics Corp.		Financial assets at fair value through other comprehensive income - noncurrent	103,895	-	-	-	
Dragon Steel Corporation	Common Stock	Kuei Hung Industrial CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	5,602,000	-	-	-	
C.S.Aluminium Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	4,431,944	107,475	-	107,475	
China Steel Express Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	8,801,555	213,438	-	213,438	
China Steel Express Corporation	Common Stock	CSBC Corporation,Taiwan		Financial assets at fair value through other comprehensive income - current	4,698	119	-	119	
China Steel Express Corporation	Common Stock	CDIB & Partners Investment Holding Corporation		Financial assets at fair value through other comprehensive income - noncurrent	3,240,000	49,009	-	49,009	
China Steel Express Corporation	Common Stock	RiselinK Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	657,936	7,761	3	7,761	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Express Corporation	Common Stock	Huiyang Private Equity Fund Co., Ltd.	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	35,000	\$ 4,456	1	\$ 4,456	Note 1
Transglory Investment Corporation	Common Stock	China Steel Corporation		Financial assets at fair value through other comprehensive income - noncurrent	255,665,331	6,199,884	2	6,199,884	
Gains Investment Corporation	Common Stock	BRIGHTON-BEST INTERNATIONAL (TAIWAN) INC.		Financial assets at fair value through other comprehensive income - current	23,129,242	777,142	-	777,142	
Gains Investment Corporation	Common Stock	Cayman Engley Industrial Co., Ltd.		Financial assets at fair value through other comprehensive income - current	1,467,723	165,119	-	165,119	
Gains Investment Corporation	Common Stock	QST INTERNATIONAL CORP.		Financial assets at fair value through other comprehensive income - current	1,349,257	107,940	-	107,940	
Gains Investment Corporation	Common Stock	GLOBAL TEK FABRICATION CO., LTD.		Financial assets at fair value through other comprehensive income - current	2,043,620	89,102	-	89,102	
Gains Investment Corporation	Common Stock	FUSHENG PRECISION CO., LTD.		Financial assets at fair value through other comprehensive income - current	500,000	79,750	-	79,750	
Gains Investment Corporation	Common Stock	FARCENT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	930,032	59,708	-	59,708	
Gains Investment Corporation	Common Stock	Capital Futures Corporation		Financial assets at fair value through other comprehensive income - current	1,120,000	50,568	-	50,568	
Gains Investment Corporation	Common Stock	SYMTEK AUTOMATION ASIA CO., LTD.		Financial assets at fair value through other comprehensive income - current	579,593	35,297	-	35,297	
Gains Investment Corporation	Common Stock	RAFAEL MICROELECTRONICS, INC.		Financial assets at fair value through other comprehensive income - current	222,000	31,302	-	31,302	
Gains Investment Corporation	Common Stock	SHINY CHEMICAL INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	373,000	31,146	-	31,146	
Gains Investment Corporation	Common Stock	San Neng Group Holdings Co., Ltd.		Financial assets at fair value through other comprehensive income - current	700,000	30,450	-	30,450	
Gains Investment Corporation	Common Stock	ADIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - current	1,440,000	29,232	-	29,232	
Gains Investment Corporation	Common Stock	T-MAC TECHVEST PCB CO., LTD.		Financial assets at fair value through other comprehensive income - current	1,893,436	28,970	-	28,970	
Gains Investment Corporation	Common Stock	NAN LIU ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	159,000	24,804	-	24,804	
Gains Investment Corporation	Common Stock	CHINA FINEBLANKING TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	670,661	24,043	-	24,043	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	TAIWAN CHELIC CO., LTD.		Financial assets at fair value through other comprehensive income - current	407,000	\$ 23,280	-	\$ 23,280	
Gains Investment Corporation	Common Stock	QUALIPOLY CHEMICAL CORPORATION		Financial assets at fair value through other comprehensive income - current	885,300	23,106	-	23,106	
Gains Investment Corporation	Common Stock	I JANG INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	574,000	22,931	-	22,931	
Gains Investment Corporation	Common Stock	BIONIME CORPORATION		Financial assets at fair value through other comprehensive income - current	421,036	20,126	-	20,126	
Gains Investment Corporation	Common Stock	AMAZING MICROELECTRONIC CORP.		Financial assets at fair value through other comprehensive income - current	273,080	19,116	-	19,116	
Gains Investment Corporation	Common Stock	CHING CHAN OPTICAL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	528,000	19,061	-	19,061	
Gains Investment Corporation	Common Stock	C.T.I. TRAFFIC INDUSTRIES CO., LTD.		Financial assets at fair value through other comprehensive income - current	1,501,917	17,497	-	17,497	
Gains Investment Corporation	Common Stock	Enterex International Limited		Financial assets at fair value through other comprehensive income - current	642,000	16,692	-	16,692	
Gains Investment Corporation	Common Stock	APAQ TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	505,149	15,508	-	15,508	
Gains Investment Corporation	Common Stock	CHIEN SHING HARBOUR SERVICE CO., LTD.		Financial assets at fair value through other comprehensive income - current	614,000	14,061	-	14,061	
Gains Investment Corporation	Common Stock	SHIN FOONG SPECIALTY AND APPLIED MATERIALS CO., LTD.		Financial assets at fair value through other comprehensive income - current	264,000	12,778	-	12,778	
Gains Investment Corporation	Common Stock	AAEON TECHNOLOGY INC.		Financial assets at fair value through other comprehensive income - current	174,000	12,632	-	12,632	
Gains Investment Corporation	Common Stock	ZENG HSING INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	91,000	12,285	-	12,285	
Gains Investment Corporation	Common Stock	AIR ASIA COMPANY LIMITED.		Financial assets at fair value through other comprehensive income - current	400,000	10,100	-	10,100	
Gains Investment Corporation	Common Stock	WISECHIP SEMICONDUCTOR INC.		Financial assets at fair value through other comprehensive income - current	210,000	9,660	-	9,660	
Gains Investment Corporation	Common Stock	EXCELSIOR BIOPHARMA INCORPORATION		Financial assets at fair value through other comprehensive income - current	174,000	7,073	-	7,073	
Gains Investment Corporation	Common Stock	TAI-SAW TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	266,000	5,214	-	5,214	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	CRYOMAX COOLING SYSTEM CORP.		Financial assets at fair value through other comprehensive income - current	218,625	\$ 4,023	-	\$ 4,023	
Gains Investment Corporation	Common Stock	TAIWAN ENVIRONMENT SCIENTIFIC CO., LTD.		Financial assets at fair value through other comprehensive income - current	203,341	3,660	1	3,660	
Gains Investment Corporation	Common Stock	CHIEF TELECOM INC.		Financial assets at fair value through other comprehensive income - current	15,000	2,258	-	2,258	
Gains Investment Corporation	Common Stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income - current	3,600	671	-	671	
Gains Investment Corporation	Common Stock	Rentian Technology Holdings Ltd.		Financial assets at fair value through profit or loss - noncurrent	18,350	-	-	-	
Gains Investment Corporation	Common Stock	TD HITECH ENERGY INC.	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	2,296,000	30,737	8	30,737	
Gains Investment Corporation	Common Stock	TAIWAN IMPLANT TECHNOLOGY CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	1,678,788	-	10	-	
Gains Investment Corporation	Common Stock	Gloria Solar International Holding, Inc.		Financial assets at fair value through profit or loss - noncurrent	880,000	-	1	-	
Gains Investment Corporation	Common Stock	EPOCH ELECTRONICS CORPORATION		Financial assets at fair value through profit or loss - noncurrent	199,511	-	3	-	
Gains Investment Corporation	Common Stock	GATETECH TECHNOLOGY INC.		Financial assets at fair value through profit or loss - noncurrent	266,398	-	1	-	
Gains Investment Corporation	Common Stock	GEMINI OPEN CLOUD COMPUTING INC.		Financial assets at fair value through profit or loss - noncurrent	889,571	-	5	-	
Gains Investment Corporation	Common Stock	FLEXUP TECHNOLOGIES CORPORATION	The held company as its supervisor	Financial assets at fair value through profit or loss - noncurrent	1,315,000	-	8	-	
Gains Investment Corporation	Common Stock	ASUS CLOUD CORPORATION		Financial assets at fair value through profit or loss - noncurrent	64,553	-	-	-	
Gains Investment Corporation	Common Stock	AbGenomics Holding Ltd.		Financial assets at fair value through profit or loss - noncurrent	900,000	-	1	-	
Gains Investment Corporation	Common Stock	Tech alliance Corporation	The held company as its director	Financial assets at fair value through profit or loss - noncurrent	1,433,250	-	5	-	
Gains Investment Corporation	Common Stock	SUN WELL SOLAR CORPORATION		Financial assets at fair value through profit or loss - noncurrent	120,000	-	-	-	
Gains Investment Corporation	Common Stock	TBI MOTION TECHNOLOGY CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,975,000	116,525	3	116,525	
Gains Investment Corporation	Common Stock	LUXNET CORPORATION	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	3,193,731	69,464	-	69,464	
Gains Investment Corporation	Common Stock	ULTRA CHIP, INC.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	984,147	34,593	-	34,593	
Gains Investment Corporation	Common Stock	KING POINT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	90,000	8	90,000	
Gains Investment Corporation	Common Stock	Poju International Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	2,127,000	77,931	-	77,931	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	GREENWAY ENVIRONMENTAL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	3,750,000	\$ 60,000	10	\$ 60,000	
Gains Investment Corporation	Common Stock	SUNNY PHARMTECH INC.		Financial assets at fair value through other comprehensive income - noncurrent	1,780,000	56,960	2	56,960	
Gains Investment Corporation	Common Stock	YEONG LONG TECHNOLOGIES CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	1,980,000	54,478	5	54,478	
Gains Investment Corporation	Common Stock	CHEN NAN IRON WIRE CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	2,000,000	47,600	5	47,600	
Gains Investment Corporation	Common Stock	MITAGRI CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	3,500,000	35,000	15	35,000	
Gains Investment Corporation	Common Stock	CDIB & Partners Investment Holding Corporation	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	2,160,000	32,673	-	32,673	
Gains Investment Corporation	Common Stock	FEMCO STEEL TECHNOLOGY CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,248,000	32,448	3	32,448	
Gains Investment Corporation	Common Stock	CYBERSOFT DIGITAL SERVICES CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,000,000	30,000	3	30,000	
Gains Investment Corporation	Common Stock	Yonggu Group Inc.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	543,750	29,585	1	29,585	
Gains Investment Corporation	Common Stock	JUFAN INDUSTRIAL CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,200,000	27,540	6	27,540	
Gains Investment Corporation	Common Stock	T-Car Inc.		Financial assets at fair value through other comprehensive income - noncurrent	500,000	17,500	2	17,500	
Gains Investment Corporation	Common Stock	JDV CONTROL VALVES CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,000,000	17,282	4	17,282	
Gains Investment Corporation	Common Stock	Riselink Venture Capital Corp.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,096,560	12,935	4	12,935	
Gains Investment Corporation	Common Stock	Ping Ho Environmental Technology Company Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	200,000	10,000	1	10,000	
Gains Investment Corporation	Common Stock	JUMP MEDIA INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	549,122	9,203	2	9,203	
Gains Investment Corporation	Common Stock	MORTECH CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	464,794	5,472	1	5,472	
Gains Investment Corporation	Common Stock	Huiyang Private Equity Fund Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	35,000	4,456	1	4,456	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Gains Investment Corporation	Common Stock	Mega I Venture Capital Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	675,000	\$ 1,068	2	\$ 1,068	
Gains Investment Corporation	Common Stock	ENIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	2,001,000	41,829	5	41,829	
Gains Investment Corporation	Common Stock	MEDICAL IMAGING CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,080,000	35,528	6	35,528	
Gains Investment Corporation	Common Stock	LINTES TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	498,000	35,039	1	35,039	
Gains Investment Corporation	Common Stock	TRANSCOM, INC.		Financial assets at fair value through other comprehensive income - noncurrent	215,000	13,410	1	13,410	
Gains Investment Corporation	Common Stock	HERAN CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	68,000	6,932	-	6,932	
Gains Investment Corporation	Common Stock	UNITED PERFORMANCE MATERIALS CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	142,000	2,836	-	2,836	
Gains Investment Corporation	Private Placement of Stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income - noncurrent	658,480	122,806	-	122,806	
Gains Investment Corporation	Convertible Bond	Tong Ming Enterprise Co., Ltd. Convertible Bond I		Financial assets at fair value through profit or loss - current	130,000	12,350	-	12,350	
Winning Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	160,406,339	3,889,854	-	3,889,854	Note 2
Betacera Inc.	Common Stock	TAIWAN IMPLANT TECHNOLOGY CO., LTD.		Financial assets at fair value through profit or loss - noncurrent	74,149	-	-	-	
Betacera Inc.	Common Stock	HCT REGENERATIVE CO., LTD		Financial assets at fair value through other comprehensive income - noncurrent	994,153	4,259	17	4,259	
Shanghai Xike Ceramic Electronic Co., Ltd.	Common Stock	Shanghai Join Buy Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	71,820	1,930	-	1,930	
Universal eXchange Inc.	Fund	Union Money Market Fund		Financial assets at fair value through profit or loss - current	618,651	8,156	-	8,156	
Mentor Consulting Corporation	Fund	Union Money Market Fund		Financial assets at fair value through profit or loss - current	1,030,161	13,581	-	13,581	
Eminence Investment Corporation	Common Stock	Capital Futures Corporation		Financial assets at fair value through profit or loss - current	268,401	12,118	-	12,118	
Eminence Investment Corporation	Common Stock	TBI MOTION TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	3,516,000	207,444	-	207,444	
Eminence Investment Corporation	Common Stock	TANG ENG IRON WORKS CO., LTD.		Financial assets at fair value through other comprehensive income - current	3,718,000	171,028	-	171,028	
Eminence Investment Corporation	Common Stock	FARCENT ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	1,352,564	86,835	-	86,835	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Eminence Investment Corporation	Common Stock	BIONIME CORPORATION		Financial assets at fair value through other comprehensive income - current	722,200	\$ 34,521	-	\$ 34,521	
Eminence Investment Corporation	Common Stock	TAIWAN CHELIC CO., LTD.		Financial assets at fair value through other comprehensive income - current	487,000	27,856	-	27,856	
Eminence Investment Corporation	Common Stock	Cayman Engley Industrial Co., Ltd.		Financial assets at fair value through other comprehensive income - current	230,000	25,875	-	25,875	
Eminence Investment Corporation	Common Stock	TAIWAN PRINTED CIRCUIT BOARD TECHVEST CO., LTD.		Financial assets at fair value through other comprehensive income - current	914,000	25,363	-	25,363	
Eminence Investment Corporation	Common Stock	QUALIPOLY CHEMICAL CORPORATION		Financial assets at fair value through other comprehensive income - current	912,450	23,815	-	23,815	
Eminence Investment Corporation	Common Stock	Capital Futures Corporation		Financial assets at fair value through other comprehensive income - current	502,000	22,665	-	22,665	
Eminence Investment Corporation	Common Stock	LUXNET CORPORATION		Financial assets at fair value through other comprehensive income - current	890,470	19,368	-	19,368	
Eminence Investment Corporation	Common Stock	QUANG VIET ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - current	163,000	17,115	-	17,115	
Eminence Investment Corporation	Common Stock	TAISUN INT'L (HOLDING) CORP., TAIWAN BRANCH(CAYMAN)		Financial assets at fair value through other comprehensive income - current	134,400	17,002	-	17,002	
Eminence Investment Corporation	Common Stock	CTBC Financial Holding Co., Ltd.		Financial assets at fair value through other comprehensive income - current	800,000	16,160	-	16,160	
Eminence Investment Corporation	Common Stock	CHING CHAN OPTICAL TECHNOLOGY CO., LTD.		Financial assets at fair value through other comprehensive income - current	440,000	15,884	-	15,884	
Eminence Investment Corporation	Common Stock	MICRO-STAR INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	180,000	13,752	-	13,752	
Eminence Investment Corporation	Common Stock	Yulon Finance Corporation		Financial assets at fair value through other comprehensive income - current	150,000	13,590	-	13,590	
Eminence Investment Corporation	Common Stock	PROMATE SOLUTIONS CORPORATION		Financial assets at fair value through other comprehensive income - current	179,000	10,525	-	10,525	
Eminence Investment Corporation	Common Stock	ATEN INTERNATIONAL CO., LTD.		Financial assets at fair value through other comprehensive income - current	100,000	8,700	-	8,700	
Eminence Investment Corporation	Common Stock	SHENG YU STEEL CO., LTD.		Financial assets at fair value through other comprehensive income - current	377,000	7,201	-	7,201	
Eminence Investment Corporation	Common Stock	ANPEC ELECTRONICS CORPORATION		Financial assets at fair value through other comprehensive income - current	67,899	4,101	-	4,101	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Eminence Investment Corporation	Common Stock	GLOBAL TEK FABRICATION CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	1,720,943	\$ 75,033	-	\$ 75,033	
Eminence Investment Corporation	Common Stock	TAI-SAW TECHNOLOGY CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	951,323	18,646	-	18,646	
Eminence Investment Corporation	Common Stock	Yonggu Group Inc.		Financial assets at fair value through other comprehensive income - noncurrent	1,081,750	59,552	2	59,552	
Eminence Investment Corporation	Common Stock	SUNNY PHARMTECH INC.		Financial assets at fair value through other comprehensive income - noncurrent	970,000	31,040	1	31,040	
Eminence Investment Corporation	Common Stock	JUFAN INDUSTRIAL CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	1,200,000	27,539	6	27,539	
Eminence Investment Corporation	Common Stock	JDV CONTROL VALVES CO., LTD.		Financial assets at fair value through other comprehensive income - noncurrent	1,000,000	17,282	4	17,282	
Eminence Investment Corporation	Common Stock	ENIMMUNE CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,749,000	36,561	4	36,561	
Eminence Investment Corporation	Common Stock	MEDICAL IMAGING CORPORATION		Financial assets at fair value through other comprehensive income - noncurrent	1,080,000	35,528	6	35,528	
Eminence Investment Corporation	Preferred Stock	Fubon Financial Holding Co., Ltd.(B)		Financial assets at fair value through profit or loss - current	494,000	30,628	-	30,628	
Eminence Investment Corporation	Preferred Stock	Cathay Financial Holding Co., Ltd.(B)		Financial assets at fair value through other comprehensive income - current	833,000	51,563	-	51,563	
Eminence Investment Corporation	Preferred Stock	Yulon Finance Corporation(A)		Financial assets at fair value through other comprehensive income - current	600,000	30,840	-	30,840	
Eminence Investment Corporation	Preferred Stock	TAISHIN FINANCIAL HOLDING CO., LTD.(E)		Financial assets at fair value through other comprehensive income - current	486,000	25,855	-	25,855	
Eminence Investment Corporation	Private Placement of Stock	BROGENT TECHNOLOGIES INC.		Financial assets at fair value through other comprehensive income - noncurrent	131,695	24,561	-	24,561	
Eminence Investment Corporation	Convertible Bond	HY ELECTRONIC (CAYMAN) LIMITED, LTD Convertible Bond I		Financial assets at fair value through profit or loss - current	230,000	17,940	-	17,940	
Eminence Investment Corporation	Convertible Bond	Tong Ming Enterprise Co., Ltd. Convertible Bond I		Financial assets at fair value through profit or loss - current	170,000	16,150	-	16,150	
Shin Mau Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,433,749	34,768	-	34,768	
Hung-Chuan Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,605,875	38,942	-	38,942	
Chi-Yi Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,616,723	39,206	-	39,206	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ding Da Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,525,494	\$ 36,993	-	\$ 36,993	
Jiing-Cherng-Fa Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,461,875	35,450	-	35,450	
Gau Ruei Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,493,318	36,213	-	36,213	
Li-Ching-Long Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,605,441	38,932	-	38,932	
Sheng Lih Dar Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,542,138	37,397	-	37,397	
Chiun Yu Investment Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	1,623,289	39,365	-	39,365	
China Steel Global Trading Corporation	Common Stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	4,349,507	105,476	-	105,476	
China Steel Global Trading Corporation	Common Stock	Thai Sumilox Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	1,110	58,065	15	58,065	
China Steel Global Trading Corporation	Preferred Stock	Thai Sumilox Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	15	48,821	15	48,821	
Wabo Global Trading Corporation	Common Stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - current	487,367	11,819	-	11,819	
Wabo Global Trading Corporation	Fund	Shin Kong Chi-Shin Money-market Fund		Financial assets at fair value through profit or loss - current	1,624,752	25,129	-	25,129	
Wabo Global Trading Corporation	Fund	Franklin Templeton Sinoam Money Market Fund		Financial assets at fair value through profit or loss - current	4,883,724	50,405	-	50,405	
Wabo Global Trading Corporation	Fund	Mega Diamond Money Market Fund		Financial assets at fair value through profit or loss - current	2,978,326	37,294	-	37,294	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	Maruichi Metal Product (Foshan) Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	274,285	15	274,285	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	PCMI Metal Products (Chongqing) Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	121,576	8	121,576	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	Xiamen Chun Yuan Precision Mechatronic Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	34,891	19	34,891	
Chung Mao Trading (Samoa) Corporation	Foreign Certificate of Entitlement	Changshu Baoshunchang Steel Processing Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	1,395	10	1,395	
CSGT International Corporation	Common Stock	NSSB Coil Center (Thailand) Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	3,001	72,401	13	72,401	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
CSGT International Corporation	Foreign Certificate of Entitlement	Hanoi Steel Center Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	-	\$ 175,307	19	\$ 175,307	
CSC Steel Australia Holdings Pty Ltd	Common Stock	KJTC Pty Ltd	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	2,623,595	7,187,646	13	7,187,646	
China Steel Asia Pacific Holdings Pte. Ltd.	Foreign Certificate of Entitlement	Wuxi TECO Electric & Machinery Co., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	-	111,247	6	111,247	
China Steel Asia Pacific Holdings Pte. Ltd.	Foreign Certificate of Entitlement	QINGDAO TECO PRECISION MECHATRONICS CO., Ltd.	The held company as its director	Financial assets at fair value through other comprehensive income - noncurrent	-	54,700	12	54,700	
CSC Steel Holdings Berhad	Common Stock	Astino Berhad		Financial assets at fair value through other comprehensive income - noncurrent	3,574,472	15,924	-	15,924	
CSC Steel Holdings Berhad	Fund	OSK-UOB Cash Management Fund		Financial assets at fair value through profit or loss - current	3,887,608	37,669	-	37,669	
CSC Steel Holdings Berhad	Fund	Affin Hwang Select Cash Fund		Financial assets at fair value through profit or loss - current	957,752	7,145	20	7,145	
Group Steel Corporation (M) Sdn. Bhd.	Fund	Hwang-DBS		Financial assets at fair value through profit or loss - current	99,948,029	745,648	-	745,648	
Constant Mode Sdn. Bhd.	Fund	OSK-UOB Cash Management Fund		Financial assets at fair value through profit or loss - current	190,890	1,850	-	1,850	

(Concluded)

Note 1: Parent company's stocks pledged as collateral amounted to 120,100 thousand shares and NT\$2,912,425 thousand.

Note 2: Parent company's stocks pledged as collateral amounted to 115,800 thousand shares and NT\$2,808,150 thousand.

CHINA STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company	Type of Marketable Securities	Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition (Note)		Disposal (Note)				Ending Balance	
						Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
China Steel Corporation	Common Stock	Sing Da Marine Structure Corporation	Investments accounted for using equity method	Subsidiary	Subsidiary	-	\$ -	82,100,000	\$ 754,140	-	\$ -	\$ -	\$ -	82,100,000	\$ 754,140
CHC RESOURCES CORPORATION	Common Stock	Hsieh Sheng Development Corporation	Investments accounted for using equity method	-	-	-	-	68,493	1,147,317	-	-	-	-	68,493	1,147,317
CHC RESOURCES CORPORATION	Fund	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,822,152	71,018	32,861,319	484,984	37,683,471	556,239	556,002	237	-	-

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Dragon Steel Corporation	Joyful Apartment Complex	2014.08.08	\$ 1,536,968	According to the contract and the construction progress	United Steel Engineering & Construction Corporation	Fellow Company	-	-	-	\$ -	Price negotiation	The construction would be sold to employees	The relevant contracts were signed in August 2014, and the construction was completed in June 2018 and recognized as non-current assets held for sale.
Dragon Steel Corporation	Lohas center	2014.08.08	426,734	According to the contract and the construction progress	United Steel Engineering & Construction Corporation	Fellow Company	-	-	-	-	Price negotiation	Construction for own use	The relevant contracts were signed in August 2014, and the construction was completed in April 2018 and recognized as property, plant and equipment-buildings.
China Steel Chemical Corporation	Carbon material production factory buildings	2014.12.26	261,746	According to the contract and the construction progress	Yusheng steel works co. Ltd	Non-related party	-	-	-	-	Price negotiation	Construction for own use	The relevant contracts were signed in 2015, and the construction was completed in December 2018 and recognized as property, plant and equipment-buildings.
China Steel Chemical Corporation	Carbon material production factory buildings	2014.12.26	127,860	According to the contract and the construction progress	CHINA STEEL STRUCTURE CO., LTD.	Fellow Company	-	-	-	-	Price negotiation	Construction for own use	The relevant contracts were signed in 2015, and the construction was completed in December 2018 and recognized as property, plant and equipment-buildings.

(Continued)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
China Steel Chemical Corporation	Carbon material production factory buildings	2014.12.26	\$ 48,096	According to the contract and the construction progress	United Steel Engineering & Construction Corporation	Fellow Company	-	-	-	\$ -	Price negotiation	Construction for own use	The relevant contracts were signed in 2015, and the construction was completed in December 2018 and recognized as property, plant and equipment-buildings.

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
China Steel Corporation	Chung Hung Steel Corporation	Subsidiaries	Revenue from sale of goods	\$ (25,132,836)	(11)	Letter of credit/Receivables were collected after final acceptance	-	-	\$ 447,912	8
China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Subsidiaries	Revenue from sale of goods	(4,331,704)	(2)	Letter of credit/Accounts received in advance before shipment date	-	-	7,094	-
China Steel Corporation	China Steel Corporation India Pvt. Ltd.	Subsidiaries	Revenue from sale of goods	(3,143,818)	(1)	Accounts receivable factoring agreements	-	-	-	-
China Steel Corporation	China Steel Chemical Corporation	Subsidiaries	Revenue from sale of goods	(2,508,707)	(1)	Letter of credit	-	-	190,928	3
China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Subsidiaries	Revenue from sale of goods	(2,254,087)	(1)	Accounts receivable factoring agreements/ Receivables were collected within 14 days after shipment date	-	-	214,633	4
China Steel Corporation	CSBC Corporation, Taiwan	The held company as its director	Revenue from sale of goods	(2,107,441)	(1)	Accounts received in advance before shipment date	-	-	428,768	7
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	Revenue from sale of goods	(1,523,041)	(1)	Receivables were collected within 5 days after shipment date	-	-	88,169	1
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	Service and other operating revenue	(1,323,336)	(1)	By contract terms	-	-	71,956	1
China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	Subsidiaries	Revenue from sale of goods	(1,313,935)	(1)	Receivables were collected within 10 days after shipment date	-	-	102,329	2
China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	Subsidiaries	Revenue from sale of goods	(1,105,020)	-	Receivables were collected within 60 days after shipment date	-	-	180,106	3
China Steel Corporation	China Steel Global Trading Corporation	Subsidiaries	Revenue from sale of goods	(964,175)	-	Receivables were collected within 10 days after shipment date	-	-	4,922	-
China Steel Corporation	TSK Steel Company Limited	Associates	Revenue from sale of goods	(626,362)	-	Letter of credit/Accounts received in advance before shipment date	-	-	-	-
China Steel Corporation	CSC Steel Sdn. Bhd.	Subsidiaries	Revenue from sale of goods	(623,379)	-	Receivables were collected within 14 days after shipment date	-	-	21,148	-
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiaries	Revenue from sale of goods	(574,429)	-	Receivables were collected within 85 days after shipment date	-	-	201,479	3
China Steel Corporation	Rechi Refrigeration Dongguan Co, Ltd.	The Corporation as key management personnel of other related parties	Revenue from sale of goods	(493,443)	-	Accounts received in advance before shipment date	-	-	-	-
China Steel Corporation	CHC RESOURCES CORPORATION	Subsidiaries	Revenue from sale of goods	(461,459)	-	Letter of credit	-	-	11,561	-
China Steel Corporation	China Steel Chemical Corporation	Subsidiaries	Service and other operating revenue	(412,610)	-	By contract terms	-	-	41,367	1

(Continued)

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Steel Corporation	Fukuta Electric & Machinery Co., Ltd.	Associates	Revenue from sale of goods	\$ (400,214)	-	Letter of credit	-	-	\$ 27	-	
China Steel Corporation	China Steel Machinery Corporation	Subsidiaries	Revenue from sale of goods	(281,140)	-	Receivables were collected within 10 days after shipment date	-	-	669	-	
China Steel Corporation	TANG ENG IRON WORKS CO., LTD.	The held company as its director	Service and other operating revenue	(232,746)	-	By contract terms	-	-	4,203	-	
China Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Service and other operating revenue	(160,404)	-	By contract terms	-	-	118,409	2	
China Steel Corporation	HIMAG Magnetic Corporation	Subsidiaries	Revenue from sale of goods	(141,135)	-	Letter of credit	-	-	1,215	-	
China Steel Corporation	C.S.Aluminium Corporation	Subsidiaries	Service and other operating revenue	(131,783)	-	By contract terms	-	-	10,982	-	
China Steel Corporation	CHANG-CHUN CECK AUTO.PARTS CO., LTD.	Associates	Revenue from sale of goods	(110,653)	-	Receivables were collected within 85 days after shipment date	-	-	69,147	1	
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	Purchase of goods	21,796,702	14	Payment within 5 days after shipment date/Payment after final acceptance	-	-	(690,286)	(7)	
China Steel Corporation	China Steel Express Corporation	Subsidiaries	Purchase of goods	9,629,593	6	Payment after shipment date	-	-	(1,215,959)	(13)	
China Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	2,931,799	2	Letter of credit	-	-	-	-	
China Steel Corporation	C.S.Aluminium Corporation	Subsidiaries	Purchase of goods	2,655,026	2	Payment after final acceptance	-	-	(181,470)	(2)	
China Steel Corporation	China Steel Global Trading Corporation	Subsidiaries	Purchase of goods	503,157	-	Payment after final acceptance	-	-	(24,776)	-	
China Steel Corporation	CSE Transport Corporation	Subsidiaries	Purchase of goods	426,466	-	Payment after finishing packing and lading	-	-	(70,925)	(1)	
China Steel Corporation	HIMAG Magnetic Corporation	Subsidiaries	Purchase of goods	368,979	-	Payment after final acceptance	-	-	(7,319)	-	
China Steel Corporation	Hsin Hsin Cement Enterprise Corporation	Associates	Purchase of goods	203,177	-	Payment after final acceptance	-	-	(34,488)	-	
China Steel Corporation	Changzhou China Steel Precision Materials Co., Ltd.	Subsidiaries	Purchase of goods	121,513	-	Payment after final acceptance	-	-	(4,446)	-	
Dragon Steel Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(21,398,214)	(22)	Receivables were collected within 5 days after shipment date/Receivables were collected after final acceptance	-	-	609,749	16	
Dragon Steel Corporation	Chung Hung Steel Corporation	Fellow subsidiary	Revenue from sale of goods	(10,262,102)	(10)	Letter of credit/Receivables were collected within 5 days after shipment date	-	-	399,223	10	
Dragon Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Fellow subsidiary	Revenue from sale of goods	(7,685,822)	(8)	Receivables were collected within 5 days after shipment date	-	-	477,924	12	
Dragon Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(4,526,997)	(5)	Receivables were collected within 5 days after shipment date	-	-	214,660	5	
Dragon Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Fellow subsidiary	Revenue from sale of goods	(1,496,220)	(2)	Letter of credit	-	-	65,928	2	
Dragon Steel Corporation	China Steel Chemical Corporation	Fellow subsidiary	Revenue from sale of goods	(981,747)	(1)	Receivables were collected within 5 days after shipment date	-	-	47,828	1	
Dragon Steel Corporation	China Steel Corporation	Parent company	Other operating revenue	(398,488)	-	Receivables were collected after final acceptance	-	-	53,880	1	
Dragon Steel Corporation	China Steel Corporation	Parent company	Service revenue	(327,580)	-	Receivables were collected within 5 days after shipment date	-	-	26,657	1	
Dragon Steel Corporation	CHC RESOURCES CORPORATION	Fellow subsidiary	Revenue from sale of goods	(279,480)	-	Letter of credit	-	-	15,414	-	
Dragon Steel Corporation	CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary	Revenue from sale of goods	(265,824)	-	Receivables were collected within 5 days after shipment date	-	-	12,899	-	

(Continued)

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Dragon Steel Corporation	China Steel Global Trading Corporation	Fellow subsidiary	Revenue from sale of goods	\$ (131,914)	-	Receivables were collected within 5 days after shipment date	-	-	\$ 4,466	-	
Dragon Steel Corporation	China Steel Express Corporation	Fellow subsidiary	Purchase of goods	5,109,303	8	Payment after finishing packing and lading	-	-	(594,237)	(28)	
Dragon Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	2,009,899	3	Payment within 5 days after shipment date	-	-	(92,451)	(4)	
Dragon Steel Corporation	C.S.Aluminium Corporation	Fellow subsidiary	Purchase of goods	789,500	1	Prepayment/Payment within 30 days after final acceptance	-	-	(72,589)	(3)	
Dragon Steel Corporation	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	220,989	-	Prepayment/Payment within 30 days after final acceptance	-	-	(47,844)	(2)	
Dragon Steel Corporation	UNION STEEL DEVELOPMENT CORPORATION	Fellow subsidiary	Purchase of goods	109,750	-	Payment after final acceptance	-	-	(14,292)	(1)	
Dragon Steel Corporation	CSE Transport Corporation	Fellow subsidiary	Purchase of goods	105,942	-	Payment after finishing packing and lading	-	-	(3,973)	-	
Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	Revenue from sale of goods	(248,397)	(48)	Net 90 days from the end of the month of when invoice is issued	-	-	126,518	84	
Betacera Inc.	Lefkara Ltd.	Subsidiaries	Service revenue	(126,286)	(24)	T/T as the end of the month of when invoice is issued	-	-	-	-	
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	Revenue from sale of goods	(310,662)	(15)	Net 90 days from the end of the month of when invoice is issued	-	-	156,779	34	
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	Purchase of goods	1,258,997	40	Net 90 days from the end of the month of when invoice is issued	-	-	(212,538)	(44)	
Lefkara Ltd.	Suzhou Betacera Technology Co., Ltd.	Subsidiaries	Purchase of goods	576,630	20	Net 90 days from the end of the month of when invoice is issued	-	-	(161,343)	(33)	
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	Revenue from sale of goods	(1,259,381)	(90)	Net 90 days from the end of the month of when invoice is issued	-	-	212,380	85	
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	Purchase of goods	310,912	36	Net 90 days from the end of the month of when invoice is issued	-	-	(156,663)	(44)	
Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	Parent company	Purchase of goods	248,892	29	Net 90 days from the end of the month of when invoice is issued	-	-	(126,424)	(36)	
Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	Parent company	Revenue from sale of goods	(576,728)	(100)	Net 90 days from the end of the month of when invoice is issued	-	-	161,223	100	
China Steel Express Corporation	China Steel Corporation	Parent company	Service revenue	(10,221,003)	(62)	Receivables were collected after finishing packing and lading	-	-	1,308,749	68	
China Steel Express Corporation	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(5,420,017)	(33)	Receivables were collected after finishing packing and lading	-	-	609,903	32	
CSEI Transport (Panama) Corporation	China Steel Express Corporation	Parent company	Service revenue	(429,989)	(76)	Receivables were collected after finishing packing and lading	-	-	119,488	70	
CSE Transport Corporation	China Steel Express Corporation	Parent company	Service revenue	(634,452)	(34)	Receivables were collected after finishing packing and lading	-	-	435,706	67	
CSE Transport Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(428,478)	(23)	Receivables were collected after finishing packing and lading	-	-	70,933	10	
CSE Transport Corporation	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(103,976)	(6)	Receivables were collected after finishing packing and lading	-	-	3,973	-	
Kaohsiung Port Cargo Handling Services Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(207,663)	(85)	Receivables were collected after finishing packing and lading	-	-	7,690	74	
C.S.Aluminium Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(2,655,026)	(13)	Receivables were collected after final acceptance	-	-	181,470	22	

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
C.S.Aluminium Corporation	Dragon Steel Corporation	Fellow subsidiary	Revenue from sale of goods	\$ (789,500)	(4)	Receivables were collected after final acceptance	-	-	\$ 72,589	9	
CSC Steel Sdn. Bhd.	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	4,636,607	53	Payment within 14 business days after lading date	-	-	(196,399)	(47)	
CSC Steel Sdn. Bhd.	Chung Hung Steel Corporation	Fellow subsidiary	Purchase of goods	1,624,079	19	Payment within 7 business days after lading date	-	-	(34,835)	(8)	
CSC Steel Sdn. Bhd.	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	731,705	8	Payment within 7 business days after lading date	-	-	(61,966)	(15)	
CSC Steel Sdn. Bhd.	China Steel Corporation	The ultimate parent company	Purchase of goods	609,097	7	Payment within 14 business days after lading date	-	-	(22,796)	(5)	
Changzhou China Steel Precision Materials Co., Ltd.	China Steel Corporation	The ultimate parent company	Revenue from sale of goods	(120,515)	(5)	Receivables were collected within 14 days after lading date	-	-	4,446	2	
China Steel Precision Metals Qingdao Co., Ltd.	Rechi Precision (Qingdao) Electric Machinery Limited	The Corporation as key management personnel of other related parties	Revenue from sale of goods	(945,347)	(73)	Receivables were collected after shipment date	-	-	162,085	65	
China Steel Precision Metals Qingdao Co., Ltd.	China Steel Corporation	The ultimate parent company	Purchase of goods	1,113,900	100	Payment within 60 days after shipment date	-	-	(180,106)	(97)	
Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(1,662,350)	(3)	T/T within 7 business days after lading date(not included)	-	-	121,361	11	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Service revenue	(349,717)	(1)	T/T as the end of the month of when invoice is issued after final acceptance	NO THIRD-PARTY COULD BE COMPARED	NO THIRD-PARTY COULD BE COMPARED	36,256	3	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	25,257,677	61	Letter of credit at sight/Payment after final acceptance	-	-	(582,549)	(91)	
Chung Hung Steel Corporation	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	10,349,774	25	Letter of credit at sight/Payment after final acceptance	-	-	-	-	
Chung Hung Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	1,584,678	4	Letter of credit at sight/Payment after final acceptance	-	-	-	-	
Chung Hung Steel Corporation	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	416,442	1	Letter of credit at sight/Payment after final acceptance	-	-	-	-	
Hung Li Steel Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(244,292)	(39)	T/T as the end of the month of when invoice is issued	NO THIRD-PARTY COULD BE COMPARED	NO THIRD-PARTY COULD BE COMPARED	-	-	
Hung Li Steel Corporation	Chung Hung Steel Corporation	Parent company	Service revenue	(157,170)	(25)	T/T within a week after final acceptance/T/T as the end of the month of when invoice is issued	NO THIRD-PARTY COULD BE COMPARED	NO THIRD-PARTY COULD BE COMPARED	-	-	
China Steel Chemical Corporation	International CSRC Investment Holdings Co., LTD.	Other related parties as directors of the Corporation	Revenue from sale of goods	(892,054)	(11)	Receivables were collected as the end of every month of when invoice is issued	-	-	-	-	
China Steel Chemical Corporation	Linyuan Advanced Materials Technology Co., Ltd.	Other related parties as directors of the Corporation	Revenue from sale of goods	(369,814)	(5)	Receivables were collected as the end of every month of when invoice is issued	-	-	45,543	6	
China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Subsidiaries	Revenue from sale of goods	(305,716)	(3)	Net 270 days from the end of the month of when invoice is issued	-	-	249,794	34	Note 1
China Steel Chemical Corporation	China Steel Corporation	Parent company	Purchase of goods	2,509,963	54	Letter of credit at sight	-	-	(234,541)	(67)	
China Steel Chemical Corporation	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	980,628	21	Letter of credit at sight	-	-	-	-	
China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Subsidiaries	Purchase of goods	915,512	20	Payment after final acceptance	-	-	(70,942)	(20)	
Changzhou China Steel New Materials Technology Co., Ltd.	China Steel Chemical Corporation	Parent company	Purchase of goods	305,716	53	Net 270 days from the end of the month of when invoice is issued	-	-	(249,794)	(100)	

(Continued)

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Formosa Ha Tinh CSCC (Cayman) International Limited	China Steel Chemical Corporation	Parent company	Revenue from sale of goods	\$ (915,512)	(79)	Receivables were collected after final acceptance	-	-	\$ 54,324	100	
Formosa Ha Tinh CSCC (Cayman) International Limited	Formosa Ha Tinh Steel Corporation	Other related parties as directors of the Corporation	Purchase of goods	1,128,324	100	T/T before shipment date/Letter credit at sight	-	-	(1,100)	-	
China Steel Global Trading Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(788,132)	(7)	Receivables were collected after shipment date	-	-	64,722	11	
China Steel Global Trading Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(516,245)	(5)	Receivables were collected after final acceptance	-	-	24,776	4	
China Steel Global Trading Corporation	Chung Hung Steel Corporation	Fellow subsidiary	Revenue from sale of goods	(416,442)	(4)	Receivables were collected after shipment date	-	-	-	-	
China Steel Global Trading Corporation	China Steel Corporation	Parent company	Service revenue	(411,873)	(77)	By contract terms	-	-	30,911	92	
China Steel Global Trading Corporation	Dragon Steel Corporation	Fellow subsidiary	Revenue from sale of goods	(220,989)	(2)	Receivables were collected after shipment date	-	-	47,844	8	
China Steel Global Trading Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	5,845,406	56	Payment from counter-party notice after lading date	-	-	(3,941)	(4)	
China Steel Global Trading Corporation	China Steel Corporation	Parent company	Purchase of goods	1,098,442	10	Payment after shipment date	-	-	(4,922)	(5)	Note 2
China Steel Global Trading Corporation	TANG ENG IRON WORKS CO., LTD.	The held company as its director	Purchase of goods	125,436	1	Prepayment before shipment date	-	-	-	-	
CSGT (Shanghai) Co., Ltd.	China Steel Precision Metals Kunshan Co., Ltd.	Fellow subsidiary	Purchase of goods	290,029	100	Payment after invoice	-	-	(26,034)	(100)	
CSGT Metals Vietnam Joint Stock Company	China Steel Sumikin Vietnam Joint Stock Company	Fellow subsidiary	Purchase of goods	172,906	10	Accounts payable, 30 days term	-	-	(22,657)	(17)	
CSGT Metals Vietnam Joint Stock Company	China Steel Corporation	The ultimate parent company	Purchase of goods	1,588,740	81	Payment from counter-party notice after lading date	-	-	(115,149)	(80)	Note 2
CHC RESOURCES CORPORATION	China Steel Corporation	Parent company	Service revenue	(1,817,983)	(21)	Receivables were collected next month as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	201,097	19	
CHC RESOURCES CORPORATION	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(1,314,070)	(15)	Receivables were collected within 30-70 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	144,025	14	
CHC RESOURCES CORPORATION	Taiwan Cement Corporation	Other related parties as directors of the Corporation	Revenue from sale of goods	(440,957)	(5)	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	159,911	15	
CHC RESOURCES CORPORATION	China Steel Resources Corporation	Fellow subsidiary	Service revenue	(436,023)	(5)	By contract terms	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	41,602	4	

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
CHC RESOURCES CORPORATION	YA TUNG READY-MIXED CONCRETE CORP.	Other related parties as directors of the Corporation	Revenue from sale of goods	\$ (376,136)	(4)	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	\$ 57,079	5
CHC RESOURCES CORPORATION	Universal Cement Corporation	Other related parties as directors of the Corporation	Revenue from sale of goods	(202,900)	(2)	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	62,444	6
CHC RESOURCES CORPORATION	China Steel Corporation	Parent company	Purchase of goods	502,012	20	Letter of credit	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(11,561)	(3)
CHC RESOURCES CORPORATION	Chung Hung Steel Corporation	Fellow subsidiary	Purchase of goods	474,583	19	Letter of credit	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(41,513)	(12)
CHC RESOURCES CORPORATION	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	310,072	12	Prepayment before shipment date	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	-	-
CHC RESOURCES CORPORATION	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	279,224	11	Letter of credit	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(6,584)	(2)
CHC RESOURCES CORPORATION	Taiwan Cement Corporation	Other related parties as directors of the Corporation	Purchase of goods	137,215	5	Payment after 45 days from bill of lading date	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	(10,737)	(3)
UNION STEEL DEVELOPMENT CORPORATION	CHC RESOURCES CORPORATION	Parent company	Service revenue	(274,713)	(54)	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	49,447	65

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
UNION STEEL DEVELOPMENT CORPORATION	Dragon Steel Corporation	Fellow subsidiary	Revenue from sale of goods	\$ (109,750)	(21)	Receivables were collected after 60 days as the end of the month of when invoice is issued	-	Credit policy for sales to non-related parties starts from bill of lading date, and the payment term has no significant difference from the term of related parties.	\$ 14,291	19
INFOCHAMP SYSTEMS CORPORATION	China Steel Corporation	Parent company	Service revenue	(911,326)	(51)	Receivables were collected within 30 days after shipment date	-	-	34,863	37
CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	(644,204)	(6)	Contractual period	-	-	44,119	2
CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	Subsidiaries	Construction contracts revenue	(461,551)	(4)	Contractual period	-	-	68,784	-
CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	Parent company	Service revenue	(394,496)	(3)	Contractual period	-	-	37,051	2
CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	Parent company	Construction contracts revenue	(124,353)	(1)	Contractual period	-	-	2,632	-
CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(118,302)	(1)	Contractual period	-	-	18,076	1
CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	Parent company	Purchase of goods	4,331,704	62	Letter of credit/Prepayment before shipment date	-	Payment term for non-related parties is 7 days end of month.	(8,363)	(1)
CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	1,499,200	22	Letter of credit	-	Payment term for non-related parties is 7 days end of month.	(54,868)	(4)
United Steel Engineering & Construction Corporation	China Prosperity Development Corporation	Fellow subsidiary	Construction contracts revenue	(1,292,603)	(15)	Contractual period	-	-	-	-
United Steel Engineering & Construction Corporation	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	(924,784)	(11)	Contractual period	-	-	-	-
United Steel Engineering & Construction Corporation	Sing Da Marine Structure Corporation	Fellow subsidiary	Construction contracts revenue	(538,608)	(6)	Contractual period	-	-	-	-
United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	Fellow subsidiary	Construction contracts revenue	(414,898)	(5)	Contractual period	-	-	12,682	2
United Steel Engineering & Construction Corporation	China Steel Corporation	The ultimate parent company	Construction contracts revenue	(395,735)	(5)	Contractual period	-	-	46,480	9
United Steel Engineering & Construction Corporation	Kaohsiung Rapid Transit Corporation	Fellow subsidiary	Construction contracts revenue	(256,802)	(3)	Contractual period	-	-	9,247	2
United Steel Engineering & Construction Corporation	Steel Castle Technology Corporation	Fellow subsidiary	Construction contracts outsourcing	433,435	7	Contractual period	-	-	(135,907)	(7)
United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	Fellow subsidiary	Purchase of goods	100,821	7	Contractual period	-	-	(8,321)	(1)
China Ecotek Corporation	China Steel Corporation	Parent company	Construction contracts revenue	(3,476,587)	(37)	Contractual period	-	-	336,491	19
China Ecotek Corporation	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	(1,369,799)	(15)	Contractual period	-	-	161,102	9
China Ecotek Corporation	CSC Solar Corporation	Fellow subsidiary	Construction contracts revenue	(1,248,788)	(13)	Contractual period	-	-	523,905	30
China Ecotek Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Construction contracts revenue	(964,522)	(10)	Contractual period	-	-	242,003	14
China Ecotek Corporation	China Steel Machinery Corporation	Fellow subsidiary	Construction contracts revenue	(106,635)	(1)	Contractual period	-	-	19	-
China Ecotek Corporation	China Steel Machinery Corporation	Fellow subsidiary	Purchase of goods	448,045	5	Contractual period	-	-	-	-
China Ecotek Vietnam Company Limited	Formosa Ha Tinh Steel Corporation	Other related parties	Construction contracts revenue	(654,423)	(41)	Contractual period	-	-	114,400	42
China Steel Security Corporation	China Steel Corporation	Parent company	Service revenue	(297,401)	(23)	By contract terms	-	-	40,007	26
Steel Castle Technology Corporation	China Steel Corporation	The ultimate parent company	Service revenue	(524,698)	(42)	By contract terms	-	-	42,973	34
Steel Castle Technology Corporation	United Steel Engineering & Construction Corporation	Fellow subsidiary	Service revenue	(330,322)	(27)	By contract terms	-	-	55,804	44
Steel Castle Technology Corporation	Dragon Steel Corporation	Fellow subsidiary	Service revenue	(158,206)	(13)	By contract terms	-	-	18,326	14
HIMAG Magnetic Corporation	China Steel Corporation	Parent company	Revenue from sale of goods	(373,274)	(39)	Receivables were collected within 10 days after shipment date	-	-	7,426	8
HIMAG Magnetic Corporation	China Steel Corporation	Parent company	Purchase of goods	140,923	23	Letter of credit	-	-	(1,215)	2
China Steel Machinery Corporation	China Steel Corporation	Parent company	Construction contracts revenue	(2,904,871)	(43)	Receivables were collected after final acceptance	-	-	204,853	42

(Continued)

Buyer	Related Party	Relationship	Relationship			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
China Steel Machinery Corporation	Dragon Steel Corporation	Fellow subsidiary	Construction contracts revenue	\$ (551,299)	(8)	Receivables were collected after final acceptance	-	-	\$ 75,855	15	
China Steel Machinery Corporation	Sing Da Marine Structure Corporation	Fellow subsidiary	Construction contracts revenue	(465,890)	(7)	Receivables were collected after final acceptance	-	-	1,391	-	
China Steel Machinery Corporation	China Ecotek Corporation	Fellow subsidiary	Construction contracts revenue	(428,438)	(6)	Receivables were collected after final acceptance	-	-	-	-	
China Steel Machinery Corporation	China Steel Corporation	Parent company	Purchase of goods	287,903	18	Payment were collected after final acceptance	-	-	(669)	-	
China Steel Machinery Corporation	INFOCHAMP SYSTEMS CORPORATION	Fellow subsidiary	Construction contracts outsourcing	168,004	11	Payment were collected after final acceptance	-	-	(1,568)	-	
China Steel Sumikin Vietnam Joint Stock Company	NIPPON STEEL & SUMIKIN SALES VIETNAM COMPANY LIMITED	Other related parties	Revenue from sale of goods	(3,929,675)	(19)	Accounts receivable, 30 days term	-	-	54,325	3	
China Steel Sumikin Vietnam Joint Stock Company	NS BlueScope (Vietnam) Limited	Other related parties	Revenue from sale of goods	(678,698)	(3)	Accounts receivable, 30 days term	-	-	144,443	8	
China Steel Sumikin Vietnam Joint Stock Company	Nippon Steel & Sumikin Bussan Vietnam Co., Ltd.	Other related parties	Revenue from sale of goods	(225,215)	(1)	Accounts receivable, 30 days term	-	-	(4,913)	-	Note 3
China Steel Sumikin Vietnam Joint Stock Company	CSGT Metals Vietnam Joint Stock Company	Fellow subsidiary	Revenue from sale of goods	(190,349)	(1)	Accounts receivable, 30 days term	-	-	24,898	1	
China Steel Sumikin Vietnam Joint Stock Company	SINO VIETNAM HI-TECH MATERIAL CO., LTD.	Associates	Revenue from sale of goods	(174,291)	(1)	Accounts receivable, 30 days term	-	-	45,684	2	
China Steel Sumikin Vietnam Joint Stock Company	China Steel Corporation	Parent company	Purchase of goods	10,282,973	58	Payment to the bank after the Corporation's shipment date	-	-	(214,737)	(6)	Note 2
China Steel Sumikin Vietnam Joint Stock Company	NIPPON STEEL & SUMIKIN BUSSAN CORPORATION	Other related parties as supervisors of the Corporation	Purchase of goods	6,931,240	39	Payment within 60 days after shipment date	-	-	-	-	
China Steel Sumikin Vietnam Joint Stock Company	Formosa Ha Tinh Steel Corporation	Other related parties	Purchase of goods	668,717	4	Payment as the end of every month of when invoice is issued	-	-	(14,047)	-	
China Steel Corporation India Pvt. Ltd.	China Steel Corporation	Parent company	Purchase of goods	3,150,084	99	Payment to the bank after the Corporation's shipment date	-	-	-	-	
Kaohsiung Rapid Transit Corporation	China Steel Corporation	Parent company	Service revenue	(137,395)	(5)	Receivables were collected within 15 days when invoice is issued	-	-	12,035	3	
China Steel Resources Corporation	China Steel Corporation	Parent company	Service revenue	(581,368)	(100)	Receivables were collected next month as the end of the month of when invoice is issued	-	-	54,180	100	
CSC Precision Metal Industrial Corporation	China Steel Corporation	Parent company	Service revenue	(170,355)	(100)	Receivables were collected next month as the end of the month of when invoice is issued	-	-	30,866	100	
China Steel Precision Metals Kunshan Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Fellow subsidiary	Revenue from sale of goods	(285,155)	(40)	Receivables were collected within 45 days when invoice is issued	-	-	26,034	9	
China Steel Precision Metals Kunshan Co., Ltd.	China Steel Corporation	The ultimate parent company	Purchase of goods	580,142	94	Payment within 85 days after shipment date	-	-	(201,479)	(35)	

(Concluded)

Note 1: Income from sales of trial products was included and amounted to NT\$63,112 thousand. The company recorded the amount as deduction of construction in progress.

Note 2: Purchase amount includes the Corporation's sales commitment to Dragon Steel Corporation.

Note 3: Balance of accounts payable is accounts received in advance.

CHINA STEEL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
China Steel Corporation	C.S.Aluminium Corporation	Subsidiaries	\$ 3,614,454	-	\$ -		\$ 2,001,169	\$ -	Note 1
China Steel Corporation	Chung Hung Steel Corporation	Subsidiaries	2,590,128	-	-		2,558,632	-	Note 1
China Steel Corporation	China Steel Resources Corporation	Subsidiaries	870,487	-	-		710,420	-	Note 1
China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Subsidiaries	702,114	-	-		701,704	-	Note 1
China Steel Corporation	China Prosperity Development Corporation	Subsidiaries	600,415	-	-		600,415	-	Note 1
China Steel Corporation	China Steel Express Corporation	Subsidiaries	600,390	-	-		550,364	-	Note 1
China Steel Corporation	Chung Hung Steel Corporation	Subsidiaries	452,156	32	-		452,156	-	
China Steel Corporation	China Steel Machinery Corporation	Subsidiaries	431,801	-	-		430,279	-	Note 1
China Steel Corporation	CSBC Corporation, Taiwan	The held company as its director	428,768	6	-		428,768	-	
China Steel Corporation	Kaohsiung Rapid Transit Corporation	Subsidiaries	350,253	-	-		350,229	-	Note 1
China Steel Corporation	China Ecotek Corporation	Subsidiaries	310,544	-	-		310,209	-	Note 1
China Steel Corporation	CHC RESOURCES CORPORATION	Subsidiaries	309,287	-	-		306,723	-	Note 1
China Steel Corporation	Gains Investment Corporation	Subsidiaries	300,191	-	-		300,191	-	Note 1
China Steel Corporation	China Steel Chemical Corporation	Subsidiaries	232,295	12	-		227,890	-	
China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Subsidiaries	232,070	7	-		225,488	-	
China Steel Corporation	CSC Steel Sdn. Bhd.	Subsidiaries	204,084	-	-		204,084	-	Note 1
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiaries	202,632	3	-		150,377	-	
China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	Subsidiaries	181,286	5	-		181,286	-	
China Steel Corporation	Dragon Steel Corporation	Subsidiaries	160,125	24	-		91,416	-	
China Steel Corporation	China Steel Global Trading Corporation	Subsidiaries	150,084	-	-		100,062	-	Note 1
China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	Subsidiaries	134,443	-	-		-	-	Note 1
China Steel Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	118,409	1	-		51,796	-	
China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	Subsidiaries	102,329	17	-		102,329	-	
Dragon Steel Corporation	China Steel Corporation	Parent company	690,286	35	-		690,286	-	
Dragon Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Fellow subsidiary	477,924	22	-		477,924	-	
Dragon Steel Corporation	Chung Hung Steel Corporation	Fellow subsidiary	399,223	40	-		399,223	-	
Dragon Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	214,660	29	-		214,660	-	
Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	126,518	2	-		45,683	-	
Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	Subsidiaries	156,779	2	-		54,666	-	
Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	Parent company	212,380	6	-		212,380	-	
Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	Parent company	161,223	3	-		67,665	-	
China Steel Express Corporation	China Steel Corporation	Parent company	1,308,749	9	-		1,308,749	-	
China Steel Express Corporation	Dragon Steel Corporation	Fellow subsidiary	609,903	13	-		521,454	-	
CSEI Transport (Panama) Corporation	China Steel Express Corporation	Parent company	119,488	4	-		-	-	
CSE Transport Corporation	China Steel Express Corporation	Parent company	435,706	1	-		91,376	-	
C.S.Aluminium Corporation	China Steel Corporation	Parent company	181,470	14	-		148,056	-	
CSC Steel Holdings Berhad	Group Steel Corporation (M) Sdn. Bhd.	Parent company	988,568	-	-		988,568	-	Note 2
Group Steel Corporation (M) Sdn. Bhd.	CSC Steel Sdn. Bhd.	Fellow subsidiary	284,480	-	-		284,480	-	Note 1
China Steel Precision Metals Qingdao Co., Ltd.	Rechi Precision (Qingdao) Electric Machinery Limited	The Corporation as key management personnel of other related parties	162,085	6	-		40,551	-	

(Continued)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 302,696	-	\$ -		\$ -	\$ -	Note 1
Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	Fellow subsidiary	121,361	21	-		121,361	-	
China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Subsidiaries	249,794	2	-		43,275	-	
China Steel Chemical Corporation	China Steel Corporation	Parent company	134,205	-	-		35,483	-	
Formosa Ha Tinh CSCC (Cayman) International Limited	Formosa Ha Tinh Steel Corporation	Other related parties	215,005	-	-		-	-	Note 2
Formosa Ha Tinh CSCC (Cayman) International Limited	China Steel Chemical Corporation	Parent company	215,005	-	-		-	-	Note 2
CHC RESOURCES CORPORATION	China Steel Corporation	Parent company	201,097	7	86,703	Subsequent collection	201,097	-	
CHC RESOURCES CORPORATION	Taiwan Cement Corporation	Other related parties as directors of the Corporation	159,911	4	25,476	Subsequent collection	103,937	-	
CHC RESOURCES CORPORATION	Dragon Steel Corporation	Fellow subsidiary	144,025	11	10,954	Receivable on demand	130,368	-	
China Ecotek Corporation	CSC Solar Corporation	Fellow subsidiary	523,905	2	-		365,929	-	
China Ecotek Corporation	China Steel Corporation	Parent company	336,491	11	-		335,216	-	
China Ecotek Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	242,003	7	-		224,297	-	
China Ecotek Corporation	Dragon Steel Corporation	Fellow subsidiary	161,102	9	-		101,653	-	
China Ecotek Vietnam Company Limited	Formosa Ha Tinh Steel Corporation	Other related parties	114,400	9	-		98,210	-	
China Steel Machinery Corporation	China Steel Corporation	Parent company	204,853	13	-		184,836	-	
China Steel Sumikin Vietnam Joint Stock Company	NS BlueScope (Vietnam) Limited	Other related parties	144,443	7	-		144,443	-	

(Concluded)

Note 1: Other receivables.

Note 2: Dividends receivables.

CHINA STEEL CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	China Steel Corporation	Chung Hung Steel Corporation	1	Revenue from sale of goods	\$ 25,132,836	Letter of credit/Receivables were collected after final acceptance	6
0	China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	1	Revenue from sale of goods	4,331,704	Letter of credit/Accounts received in advance before shipment date	1
0	China Steel Corporation	China Steel Corporation India Pvt. Ltd.	1	Revenue from sale of goods	3,143,818	Accounts receivable factoring agreements	1
0	China Steel Corporation	China Steel Chemical Corporation	1	Revenue from sale of goods	2,508,707	Letter of credit	1
0	China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	1	Revenue from sale of goods	2,254,087	Accounts receivable factoring agreements/Receivables were collected within 14 days after shipment date	1
0	China Steel Corporation	Dragon Steel Corporation	1	Revenue from sale of goods	1,523,041	Receivables were collected within 5 days after shipment date	-
0	China Steel Corporation	Dragon Steel Corporation	1	Service and other operating revenue	1,323,336	By contract terms	-
0	China Steel Corporation	CSGT Metals Vietnam Joint Stock Company	1	Revenue from sale of goods	1,313,935	Receivables were collected within 10 days after shipment date	-
0	China Steel Corporation	China Steel Precision Metals Qingdao Co., Ltd.	1	Revenue from sale of goods	1,105,020	Receivables were collected within 60 days after shipment date	-
0	China Steel Corporation	China Steel Global Trading Corporation	1	Revenue from sale of goods	964,175	Receivables were collected within 10 days after shipment date	-
0	China Steel Corporation	CSC Steel Sdn. Bhd.	1	Revenue from sale of goods	623,379	Receivables were collected within 14 days after shipment date	-
0	China Steel Corporation	China Steel Precision Metals Kunshan Co., Ltd.	1	Revenue from sale of goods	574,429	Receivables were collected within 85 days after shipment date	-
0	China Steel Corporation	CHC RESOURCES CORPORATION	1	Revenue from sale of goods	461,459	Letter of credit	-
0	China Steel Corporation	China Steel Chemical Corporation	1	Service and other operating revenue	412,610	By contract terms	-
0	China Steel Corporation	China Steel Machinery Corporation	1	Revenue from sale of goods	281,140	Receivables were collected within 10 days after shipment date	-
0	China Steel Corporation	HIMAG Magnetic Corporation	1	Revenue from sale of goods	141,135	Letter of credit	-
0	China Steel Corporation	C.S.Aluminium Corporation	1	Service and other operating revenue	131,783	By contract terms	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	China Steel Corporation	Dragon Steel Corporation	1	Purchase of goods	\$ 21,796,702	Payment within 5 days after shipment date/Payment after final acceptance	5
0	China Steel Corporation	China Steel Express Corporation	1	Purchase of goods	9,629,593	Payment after shipment date	2
0	China Steel Corporation	C.S.Aluminium Corporation	1	Purchase of goods	2,655,026	Payment after final acceptance	1
0	China Steel Corporation	China Steel Global Trading Corporation	1	Purchase of goods	503,157	Payment after final acceptance	-
0	China Steel Corporation	CSE Transport Corporation	1	Purchase of goods	426,466	Payment after finishing packing and lading	-
0	China Steel Corporation	HIMAG Magnetic Corporation	1	Purchase of goods	368,979	Payment after final acceptance	-
0	China Steel Corporation	Changzhou China Steel Precision Materials Co., Ltd.	1	Purchase of goods	121,513	Payment after final acceptance	-
1	Dragon Steel Corporation	China Steel Corporation	2	Revenue from sale of goods	21,398,214	Receivables were collected within 5 days after shipment date/Receivables were collected after final acceptance	5
1	Dragon Steel Corporation	Chung Hung Steel Corporation	3	Revenue from sale of goods	10,262,102	Letter of credit/Receivables were collected within 5 days after shipment date	3
1	Dragon Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	3	Revenue from sale of goods	7,685,822	Receivables were collected within 5 days after shipment date	2
1	Dragon Steel Corporation	CSC Steel Sdn. Bhd.	3	Revenue from sale of goods	4,526,997	Receivables were collected within 5 days after shipment date	1
1	Dragon Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	3	Revenue from sale of goods	1,496,220	Letter of credit	-
1	Dragon Steel Corporation	China Steel Chemical Corporation	3	Revenue from sale of goods	981,747	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	China Steel Corporation	2	Other operating revenue	398,488	Receivables were collected after final acceptance	-
1	Dragon Steel Corporation	China Steel Corporation	2	Service revenue	327,580	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	CHC RESOURCES CORPORATION	3	Revenue from sale of goods	279,480	Letter of credit	-
1	Dragon Steel Corporation	CSGT Metals Vietnam Joint Stock Company	3	Revenue from sale of goods	265,824	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	China Steel Global Trading Corporation	3	Revenue from sale of goods	131,914	Receivables were collected within 5 days after shipment date	-
1	Dragon Steel Corporation	China Steel Express Corporation	3	Purchase of goods	5,109,303	Payment after finishing packing and lading	1
1	Dragon Steel Corporation	China Steel Corporation	2	Purchase of goods	2,009,899	Payment within 5 days after shipment date	1
1	Dragon Steel Corporation	C.S.Aluminium Corporation	3	Purchase of goods	789,500	Prepayment/Payment within 30 days after final acceptance	-
1	Dragon Steel Corporation	China Steel Global Trading Corporation	3	Purchase of goods	220,989	Prepayment/Payment within 30 days after final acceptance	-
1	Dragon Steel Corporation	UNION STEEL DEVELOPMENT CORPORATION	3	Purchase of goods	109,750	Payment after final acceptance	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
1	Dragon Steel Corporation	CSE Transport Corporation	3	Purchase of goods	\$ 105,942	Payment after finishing packing and lading	-
2	Betacera Inc.	Betacera (Su Zhou) Co., Ltd.	1	Revenue from sale of goods	248,397	Net 90 days from the end of the month of when invoice is issued	-
2	Betacera Inc.	Lefkara Ltd.	1	Service revenue	126,286	T/T as the end of the month of when invoice is issued	-
3	Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	1	Revenue from sale of goods	310,662	Net 90 days from the end of the month of when invoice is issued	-
3	Lefkara Ltd.	Betacera (Su Zhou) Co., Ltd.	1	Purchase of goods	1,258,997	Net 90 days from the end of the month of when invoice is issued	-
3	Lefkara Ltd.	Suzhou Betacera Technology Co., Ltd.	1	Purchase of goods	576,630	Net 90 days from the end of the month of when invoice is issued	-
4	Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	2	Revenue from sale of goods	1,259,381	Net 90 days from the end of the month of when invoice is issued	-
4	Betacera (Su Zhou) Co., Ltd.	Lefkara Ltd.	2	Purchase of goods	310,912	Net 90 days from the end of the month of when invoice is issued	-
4	Betacera (Su Zhou) Co., Ltd.	Betacera Inc.	2	Purchase of goods	248,892	Net 90 days from the end of the month of when invoice is issued	-
5	Suzhou Betacera Technology Co., Ltd.	Lefkara Ltd.	2	Revenue from sale of goods	576,728	Net 90 days from the end of the month of when invoice is issued	-
6	China Steel Express Corporation	China Steel Corporation	2	Service revenue	10,221,003	Receivables were collected after finishing packing and lading	3
6	China Steel Express Corporation	Dragon Steel Corporation	3	Service revenue	5,420,017	Receivables were collected after finishing packing and lading	1
7	CSEI Transport (Panama) Corporation	China Steel Express Corporation	2	Service revenue	429,989	Receivables were collected after finishing packing and lading	-
8	CSE Transport Corporation	China Steel Express Corporation	2	Service revenue	634,452	Receivables were collected after finishing packing and lading	-
8	CSE Transport Corporation	China Steel Corporation	2	Service revenue	428,478	Receivables were collected after finishing packing and lading	-
8	CSE Transport Corporation	Dragon Steel Corporation	3	Service revenue	103,976	Receivables were collected after finishing packing and lading	-
9	Kaohsiung Port Cargo Handling Services Corporation	China Steel Corporation	2	Service revenue	207,663	Receivables were collected after finishing packing and lading	-
10	C.S.Aluminium Corporation	China Steel Corporation	2	Revenue from sale of goods	2,655,026	Receivables were collected after final acceptance	1
10	C.S.Aluminium Corporation	Dragon Steel Corporation	3	Revenue from sale of goods	789,500	Receivables were collected after final acceptance	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
11	CSC Steel Sdn. Bhd.	Dragon Steel Corporation	3	Purchase of goods	\$ 4,636,607	Payment within 14 business days after lading date	1
11	CSC Steel Sdn. Bhd.	Chung Hung Steel Corporation	3	Purchase of goods	1,624,079	Payment within 7 business days after lading date	-
11	CSC Steel Sdn. Bhd.	China Steel Global Trading Corporation	3	Purchase of goods	731,705	Payment within 7 business days after lading date	-
11	CSC Steel Sdn. Bhd.	China Steel Corporation	2	Purchase of goods	609,097	Payment within 14 business days after lading date	-
12	Changzhou China Steel Precision Materials Co., Ltd.	China Steel Corporation	2	Revenue from sale of goods	120,515	Receivables were collected within 14 days after lading date	-
13	China Steel Precision Metals Qingdao Co., Ltd.	China Steel Corporation	2	Purchase of goods	1,113,900	Payment within 60 days after shipment date	-
14	Chung Hung Steel Corporation	CSC Steel Sdn. Bhd.	3	Revenue from sale of goods	1,662,350	T/T within 7 business days after lading date(not included)	-
14	Chung Hung Steel Corporation	China Steel Corporation	2	Service revenue	349,717	T/T as the end of the month of when invoice is issued after final acceptance	-
14	Chung Hung Steel Corporation	China Steel Corporation	2	Purchase of goods	25,257,677	Letter of credit at sight/Payment after final acceptance	6
14	Chung Hung Steel Corporation	Dragon Steel Corporation	3	Purchase of goods	10,349,774	Letter of credit at sight/Payment after final acceptance	3
14	Chung Hung Steel Corporation	China Steel Global Trading Corporation	3	Purchase of goods	416,442	Letter of credit at sight/Payment after final acceptance	-
15	Hung Li Steel Corporation	China Steel Corporation	2	Service revenue	244,292	T/T as the end of the month of when invoice is issued	-
15	Hung Li Steel Corporation	Chung Hung Steel Corporation	2	Service revenue	157,170	T/T within a week after final acceptance/T/T as the end of the month of when invoice is issued	-
16	China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	1	Revenue from sale of goods	241,421	Net 270 days from the end of the month of when invoice is issued	-
16	China Steel Chemical Corporation	China Steel Corporation	2	Purchase of goods	2,509,963	Letter of credit at sight	1
16	China Steel Chemical Corporation	Dragon Steel Corporation	3	Purchase of goods	980,628	Letter of credit at sight	-
16	China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	1	Purchase of goods	915,512	Payment after final acceptance	-
17	Changzhou China Steel New Materials Technology Co., Ltd.	China Steel Chemical Corporation	2	Purchase of goods	241,421	Net 270 days from the end of the month of when invoice is issued	-
18	Formosa Ha Tinh CSCC (Cayman) International Limited	China Steel Chemical Corporation	2	Revenue from sale of goods	915,512	Receivables were collected after final acceptance	-
19	China Steel Global Trading Corporation	CSC Steel Sdn. Bhd.	3	Revenue from sale of goods	788,132	Receivables were collected after shipment date	-
19	China Steel Global Trading Corporation	China Steel Corporation	2	Revenue from sale of goods	516,245	Receivables were collected after final acceptance	-
19	China Steel Global Trading Corporation	Chung Hung Steel Corporation	3	Revenue from sale of goods	416,442	Receivables were collected after shipment date	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
19	China Steel Global Trading Corporation	China Steel Corporation	2	Service revenue	\$ 411,873	By contract terms	-
19	China Steel Global Trading Corporation	Dragon Steel Corporation	3	Revenue from sale of goods	220,989	Receivables were collected after shipment date	-
19	China Steel Global Trading Corporation	China Steel Corporation	2	Purchase of goods (Note 2)	1,098,442	Payment after shipment date	-
20	CSGT (Shanghai) Co., Ltd.	China Steel Precision Metals Kunshan Co., Ltd.	3	Purchase of goods	290,029	Payment after invoice	-
21	CSGT Metals Vietnam Joint Stock Company	China Steel Sumikin Vietnam Joint Stock Company	3	Purchase of goods	172,906	Accounts payable, 30 days term	-
21	CSGT Metals Vietnam Joint Stock Company	China Steel Corporation	2	Purchase of goods (Note 2)	1,588,740	Payment from counter-party notice after lading date	-
22	CHC RESOURCES CORPORATION	China Steel Corporation	2	Service revenue	1,817,983	Receivables were collected next month as the end of the month of when invoice is issued	-
22	CHC RESOURCES CORPORATION	Dragon Steel Corporation	3	Service revenue	1,314,070	Receivables were collected within 30-70 days as the end of the month of when invoice is issued	-
22	CHC RESOURCES CORPORATION	China Steel Resources Corporation	3	Service revenue	436,023	By contract terms	-
22	CHC RESOURCES CORPORATION	China Steel Corporation	2	Purchase of goods	502,012	Letter of credit	-
22	CHC RESOURCES CORPORATION	Chung Hung Steel Corporation	3	Purchase of goods	474,583	Letter of credit	-
22	CHC RESOURCES CORPORATION	Dragon Steel Corporation	3	Purchase of goods	279,224	Letter of credit	-
23	UNION STEEL DEVELOPMENT CORPORATION	CHC RESOURCES CORPORATION	2	Service revenue	274,713	Receivables were collected after 60 days as the end of the month of when invoice is issued	-
23	UNION STEEL DEVELOPMENT CORPORATION	Dragon Steel Corporation	3	Revenue from sale of goods	109,750	Receivables were collected after 60 days as the end of the month of when invoice is issued	-
24	INFOCHAMP SYSTEMS CORPORATION	China Steel Corporation	2	Service revenue	911,326	Receivables were collected within 30 days after shipment date	-
25	CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	3	Construction contracts revenue	644,204	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	1	Construction contracts revenue	461,551	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	2	Service revenue	394,496	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	2	Construction contracts revenue	124,353	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	3	Service revenue	118,302	Contractual period	-
25	CHINA STEEL STRUCTURE CO., LTD.	China Steel Corporation	2	Purchase of goods	4,331,704	Letter of credit/Prepayment before shipment date	1
25	CHINA STEEL STRUCTURE CO., LTD.	Dragon Steel Corporation	3	Purchase of goods	1,499,200	Letter of credit	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
26	United Steel Engineering & Construction Corporation	China Prosperity Development Corporation	3	Construction contracts revenue	\$ 1,292,603	Contractual period	-
26	United Steel Engineering & Construction Corporation	Dragon Steel Corporation	3	Construction contracts revenue	924,784	Contractual period	-
26	United Steel Engineering & Construction Corporation	Sing Da Marine Structure Corporation	3	Construction contracts revenue	538,608	Contractual period	-
26	United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	3	Construction contracts revenue	414,898	Contractual period	-
26	United Steel Engineering & Construction Corporation	China Steel Corporation	2	Construction contracts revenue	395,735	Contractual period	-
26	United Steel Engineering & Construction Corporation	Kaohsiung Rapid Transit Corporation	3	Construction contracts revenue	256,802	Contractual period	-
26	United Steel Engineering & Construction Corporation	Steel Castle Technology Corporation	3	Construction contracts outsourcing	433,435	Contractual period	-
26	United Steel Engineering & Construction Corporation	CHC RESOURCES CORPORATION	3	Purchase of goods	100,821	Contractual period	-
27	China Ecotek Corporation	China Steel Corporation	2	Construction contracts revenue	3,476,587	Contractual period	1
27	China Ecotek Corporation	Dragon Steel Corporation	3	Construction contracts revenue	1,369,799	Contractual period	-
27	China Ecotek Corporation	CSC Solar Corporation	3	Construction contracts revenue	1,248,788	Contractual period	-
27	China Ecotek Corporation	China Steel Machinery Corporation	3	Construction contracts revenue	106,635	Contractual period	-
27	China Ecotek Corporation	China Steel Machinery Corporation	3	Purchase of goods	448,045	Contractual period	-
28	China Steel Security Corporation	China Steel Corporation	2	Service revenue	297,401	By contract terms	-
29	Steel Castle Technology Corporation	China Steel Corporation	2	Service revenue	524,698	By contract terms	-
29	Steel Castle Technology Corporation	United Steel Engineering & Construction Corporation	3	Service revenue	330,322	By contract terms	-
29	Steel Castle Technology Corporation	Dragon Steel Corporation	3	Service revenue	158,206	By contract terms	-
30	HIMAG Magnetic Corporation	China Steel Corporation	2	Revenue from sale of goods	373,274	Receivables were collected within 10 days after shipment date	-
30	HIMAG Magnetic Corporation	China Steel Corporation	2	Purchase of goods	140,923	Letter of credit	-
31	China Steel Machinery Corporation	China Steel Corporation	2	Construction contracts revenue	2,904,871	Receivables were collected after final acceptance	1
31	China Steel Machinery Corporation	Dragon Steel Corporation	3	Construction contracts revenue	551,299	Receivables were collected after final acceptance	-
31	China Steel Machinery Corporation	Sing Da Marine Structure Corporation	3	Construction contracts revenue	465,890	Receivables were collected after final acceptance	-
31	China Steel Machinery Corporation	China Ecotek Corporation	3	Construction contracts revenue	428,438	Receivables were collected after final acceptance	-
31	China Steel Machinery Corporation	China Steel Corporation	2	Purchase of goods	287,903	Payment were collected after final acceptance	-
31	China Steel Machinery Corporation	INFOCHAMP SYSTEMS CORPORATION	3	Construction contracts outsourcing	168,004	Payment were collected after final acceptance	-
32	China Steel Sumikin Vietnam Joint Stock Company	CSGT Metals Vietnam Joint Stock Company	3	Revenue from sale of goods	190,349	Accounts receivable, 30 days term	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
32	China Steel Sumikin Vietnam Joint Stock Company	China Steel Corporation	2	Purchase of goods (Note 2)	\$ 10,282,973	Payment to the bank after the Corporation's shipment date	3
33	China Steel Corporation India Pvt. Ltd.	China Steel Corporation	2	Purchase of goods	3,150,084	Payment to the bank after the Corporation's shipment date	1
34	Kaohsiung Rapid Transit Corporation	China Steel Corporation	2	Service revenue	137,395	Receivables were collected within 15 days when invoice is issued	-
35	China Steel Resources Corporation	China Steel Corporation	2	Service revenue	581,368	Receivables were collected next month as the end of the month of when invoice is issued	-
36	CSC Precision Metal Industrial Corporation	China Steel Corporation	2	Service revenue	170,355	Receivables were collected next month as the end of the month of when invoice is issued	-
37	China Steel Precision Metals Kunshan Co., Ltd.	CSGT (Shanghai) Co., Ltd.	3	Revenue from sale of goods	285,155	Receivables were collected within 45 days when invoice is issued	-
37	China Steel Precision Metals Kunshan Co., Ltd.	China Steel Corporation	2	Purchase of goods	580,142	Payment within 85 days after shipment date	-

(Concluded)

Note 1: The relationships with counterparties are as follows:

- 1) Parent to subsidiaries
- 2) Subsidiaries to parent
- 3) Subsidiaries to subsidiaries

Note 2: Purchase amount includes the Corporation's sales commitment to Dragon Steel Corporation.

CHINA STEEL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
China Steel Corporation	Chung Hung Steel Corporation	Republic of China	Manufacture and sale of steel products	\$ 5,539,872	\$ 5,539,872	582,673,153	41	\$ 6,083,601	\$ 3,033,223	\$ 1,180,608	Subsidiaries
China Steel Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	334,285	334,285	68,787,183	29	2,094,831	1,508,446	431,255	Subsidiaries
China Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	1,024,194	1,024,194	66,487,844	33	1,270,135	117,581	(55,710)	Subsidiaries
China Steel Corporation	China Ecotek Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	554,268	554,268	55,393,138	45	1,161,560	97,864	31,485	Subsidiaries
China Steel Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	261,677	261,677	49,289,597	20	896,440	834,880	163,339	Subsidiaries
China Steel Corporation	Dragon Steel Corporation	Republic of China	Hot-rolled coils, H beams, billets, flat steels	95,779,069	95,779,069	8,612,586,123	100	105,260,525	5,905,680	6,140,934	Subsidiaries
China Steel Corporation	CSC Steel Australia Holdings Pty Ltd	Australia	General investment	17,359,623	17,359,623	594,638	100	16,010,187	280,704	280,704	Subsidiaries
China Steel Corporation	China Steel Express Corporation	Republic of China	Shipping services for raw materials	2,504,071	2,504,071	422,545,250	100	11,840,131	1,797,301	1,663,394	Subsidiaries
China Steel Corporation	C.S.Aluminium Corporation	Republic of China	Production and sale of aluminum and non-ferrous metal products	3,922,801	3,922,801	840,122,049	100	8,151,379	(521,995)	(521,696)	Subsidiaries
China Steel Corporation	China Steel Sumikin Vietnam Joint Stock Company	Vietnam	Manufacture and sale of steel products	9,651,239	9,651,239	514,304,000	56	7,034,874	(144,447)	(80,890)	Subsidiaries
China Steel Corporation	Gains Investment Corporation	Republic of China	General investment	4,999,940	4,999,940	559,375,112	100	7,016,034	372,128	299,840	Subsidiaries
China Steel Corporation	China Steel Asia Pacific Holdings Pte. Ltd.	Singapore	General investment	6,625,316	38,902,967	195,914,332	100	4,142,730	152,311	152,311	Subsidiaries
China Steel Corporation	China Prosperity Development Corporation	Republic of China	Real estate development	4,749,938	4,749,938	509,802,912	100	3,706,884	190,215	189,374	Subsidiaries
China Steel Corporation	China Steel Global Trading Corporation	Republic of China	Buy and sell, and act as an agency for steel products	309,502	309,502	78,827,362	100	2,189,379	545,096	541,065	Subsidiaries
China Steel Corporation	China Steel Corporation India Pvt. Ltd.	India	Electrical steel	3,795,159	3,795,159	728,690,559	100	1,688,762	(415,444)	(415,444)	Subsidiaries
China Steel Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	1,303,873	1,303,873	120,799,811	43	1,334,447	71,681	31,081	Subsidiaries
China Steel Corporation	China Steel Machinery Corporation	Republic of China	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	591,748	591,748	86,338,564	74	1,070,002	209,694	115,571	Subsidiaries
China Steel Corporation	China Steel Resources Corporation	Republic of China	Other non metallic mineral products manufacturing	981,120	981,120	98,112,000	100	994,965	11,286	11,286	Subsidiaries
China Steel Corporation	Sing Da Marine Structure Corporation	Republic of China	Foundation of offshore wind power	821,000	-	82,100,000	100	754,140	(66,860)	(66,860)	Subsidiaries
China Steel Corporation	INFOCHAMP SYSTEMS CORPORATION	Republic of China	Enterprise information system integration services	357,602	357,602	41,465,634	100	742,119	170,293	173,936	Subsidiaries
China Steel Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	660,000	660,000	66,000,000	55	692,176	62,150	34,182	Subsidiaries
China Steel Corporation	China Steel Security Corporation	Republic of China	On-site security, systematic security	149,940	149,940	25,036,986	100	530,435	110,952	108,840	Subsidiaries
China Steel Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	389,497	389,497	19,183,286	69	386,104	29,560	20,342	Subsidiaries
China Steel Corporation	CSC Precision Metal Industrial Corporation	Republic of China	Other non-ferrous metal basic industries	872,500	872,500	32,250,000	100	289,338	(2,990)	(2,990)	Subsidiaries
China Steel Corporation	United Steel International Co., Ltd.	Samoa	General investment	269,141	-	12,000,000	80	266,381	(6,476)	10,263	Subsidiaries
China Steel Corporation	White BioTech Corporation	Republic of China	Biotechnology introduction and development	130,594	827,000	13,059,360	87	19,220	(8,048)	(7,000)	Subsidiaries
China Steel Corporation	ChinaSteel Management Consulting Corporaion	Republic of China	Business management and management consulting services	15,144	15,144	999,993	100	16,957	2,892	2,892	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
China Steel Corporation	China Steel Power Holding Corporation	Republic of China	General investment	\$ 5,000	\$ -	500,000	100	\$ 4,928	\$ (72)	\$ (72)	Subsidiaries
China Steel Corporation	Taiwan Rolling Stock Co., Ltd.	Republic of China	Manufacture of railway vehicles	985,625	985,625	95,527,811	48	1,007,233	(394,877)	(188,593)	Associates
China Steel Corporation	Honley Auto.Parts Co., Ltd.	Republic of China	Manufacture of automotive components	825,000	825,000	82,500,000	38	569,839	(202,573)	(77,727)	Associates
China Steel Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	450,000	450,000	45,000,000	18	510,552	158,114	28,460	Associates
China Steel Corporation	Eminent II Venture Capital Corporation	Republic of China	General investment	500,000	500,000	50,000,000	46	394,784	(4,517)	(2,088)	Associates
China Steel Corporation	Hsin Hsin Cement Enterprise Corporation	Republic of China	Cement manufacturing, nonmetallic mining, cement and concrete mixing manufacturing	320,929	320,929	28,658,729	31	370,263	27,670	10,948	Associates
China Steel Corporation	Dyna Rechi Co., Ltd.	Republic of China	Production and marketing of Brushless DC Motor (BLDCM)	400,000	400,000	40,000,000	25	296,830	(24,543)	(6,136)	Associates
China Steel Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	50,000	50,000	5,000,000	6	58,761	129,598	7,206	Associates
China Steel Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	7,629	7,629	833,350	17	13,307	15,726	2,621	Associates
Chung Hung Steel Corporation	Transglory Investment Corporation	Republic of China	General investment	2,001,152	2,001,152	289,620,871	41	2,462,217	217,245	-	Subsidiaries
Chung Hung Steel Corporation	Hung Kao Investment Corporation	Republic of China	General investment	26,000	26,000	2,600,000	100	30,427	3,143	-	Subsidiaries
Chung Hung Steel Corporation	Taiwan Steel Corporation	Republic of China	Iron and steel industry chain industry	1,000	1,000	100,000	100	933	(6)	-	Subsidiaries
China Steel Chemical Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	91,338	91,338	15,019,341	6	295,984	834,880	-	Subsidiaries
China Steel Chemical Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	13,675	13,675	600,069	-	12,675	117,581	-	Subsidiaries
China Steel Chemical Corporation	Ever Wealthy International Corporation	Republic of China	General investment	300,083	300,083	104,574,982	100	1,241,844	108,069	-	Subsidiaries
China Steel Chemical Corporation	Transglory Investment Corporation	Republic of China	General investment	450,000	450,000	65,132,128	9	553,713	217,245	-	Subsidiaries
China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Cayman Island	International trade and investment	100,320	100,320	10,000,000	50	370,339	14,527	-	Subsidiaries
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	Cayman Island	International trade and investment	39,920	39,920	1,300,000	100	345,637	(54,773)	-	Subsidiaries
China Steel Chemical Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	180,000	180,000	18,000,000	15	188,775	62,150	-	Subsidiaries
China Steel Chemical Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	68,839	68,839	2,450,000	5	52,028	(306,812)	-	Subsidiaries
China Steel Chemical Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	47,950	47,950	2,161,203	8	43,722	29,560	-	Subsidiaries
China Steel Chemical Corporation	Gau Ruei Investment Corporation	Republic of China	General investment	15,070	15,070	1,196,000	40	25,320	6,061	-	Subsidiaries
China Steel Chemical Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	7,000	7,000	700,000	35	13,855	1,376	-	Subsidiaries
China Steel Chemical Corporation	Eminent Venture Capital Corporation	Republic of China	General investment	22,500	30,000	2,250,000	5	12,096	(13,836)	-	Subsidiaries
China Steel Chemical Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	80,000	80,000	8,000,000	9	77,529	(24,772)	-	Associates
China Steel Chemical Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	21,168	23,520	2,116,800	6	26,330	9,605	-	Associates
China Steel Chemical Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	2,295	2,295	249,999	5	3,991	15,726	-	Associates
Ever Wealthy International Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	-	56,667	-	-	-	117,581	-	Subsidiaries
Ever Wealthy International Corporation	Thintech Materials Technology Co., Ltd.	Republic of China	Sputtering target manufacturing and sales	45,987	45,987	6,119,748	8	91,878	43,481	-	Subsidiaries
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd.	Samoa	General investment	196,859	196,859	6,506,000	100	177,046	24,071	-	Subsidiaries
Ever Wealthy International Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	33,015	33,015	1,584,731	6	32,052	29,560	-	Subsidiaries
Ever Wealthy International Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	9,000	9,000	900,000	45	17,768	1,392	-	Subsidiaries
Ever Wealthy International Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	8,400	8,400	840,000	35	16,751	3,137	-	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Ever Wealthy International Corporation	Ding Da Investment Corporation	Republic of China	General investment	\$ 10,495	\$ 10,495	897,000	30	\$ 16,360	\$ 4,558	\$ -	Subsidiaries
China Ecotek Corporation	CEC Development Corporation	USA	General investment	494,146	494,146	489	100	1,161,617	41,382	-	Subsidiaries
China Ecotek Corporation	China Steel Machinery Corporation	Republic of China	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	329,174	329,174	30,374,606	26	427,477	209,694	-	Subsidiaries
China Ecotek Corporation	CEC Holding Company Limited	Samoa	General investment	339,339	339,339	14,860,000	100	201,593	(11,198)	-	Subsidiaries
China Ecotek Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	240,000	240,000	24,000,000	20	198,426	62,150	-	Subsidiaries
China Ecotek Corporation	CEC Holding Company Limited	Samoa	General investment	30,642	30,642	10,000,000	100	45,863	2,049	-	Subsidiaries
China Ecotek Corporation	China Ecotek Construction Corporation	Republic of China	Engineering service industry	25,000	25,000	2,500,000	100	26,546	(735)	-	Subsidiaries
China Ecotek Corporation	Econova Technology Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	25,000	-	2,500,000	100	24,508	(492)	-	Subsidiaries
China Ecotek Corporation	Chiun Yu Investment Corporation	Republic of China	General investment	14,233	14,233	1,196,000	40	23,593	3,812	-	Subsidiaries
China Ecotek Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	8,000	8,000	800,000	40	15,897	1,404	-	Subsidiaries
China Ecotek Corporation	Jiing-Cherng-Fa Investment Corporation	Republic of China	General investment	8,050	8,050	805,000	35	15,118	1,655	-	Subsidiaries
China Ecotek Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,846	1,392	-	Subsidiaries
China Ecotek Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	8,262	8,262	300,000	1	6,346	(306,813)	-	Subsidiaries
China Ecotek Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	50,000	50,000	5,000,000	6	48,456	(24,772)	-	Associates
China Ecotek Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	3,528	3,920	352,800	1	4,392	9,605	-	Associates
CEC International Corporation	China Ecotek India Private Limited	India	Projects designs, construction and related services	27,070	27,070	4,995,000	100	41,562	815	-	Subsidiaries
CEC Development Corporation	China Ecotek Vietnam Company Limited	Vietnam	Projects designs, construction and related services	302,065	302,065	-	100	915,279	68,877	-	Subsidiaries
CEC Development Corporation	China Ecotek India Private Limited	India	Projects designs, construction and related services	27	27	5,000	-	42	815	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	132,715	132,715	23,182,738	9	457,207	834,880	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	United Steel Engineering & Construction Corporation	Republic of China	Construction and management of buildings, roads and railways, and other civil engineering projects	410,000	410,000	65,000,000	100	1,285,762	95,578	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	CHINA STEEL STRUCTURE INVESTMENT PTE. LTD.	Singapore	Holding and investment	134,578	134,578	4,100,000	100	229,930	(23,824)	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	China Steel Structure Holding Co., Ltd. (SAMOA)	Samoa	Holding and investment	148,264	148,264	4,400,000	37	133,127	(37,619)	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Chiun Yu Investment Corporation	Republic of China	General investment	12,453	12,453	1,046,500	35	20,644	3,812	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	17,080	17,080	769,829	3	15,579	29,560	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Chi-Yi Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,923	1,404	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Li-Ching-Long Investment Corporation	Republic of China	General investment	6,000	6,000	600,000	30	11,875	1,376	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Wabo Global Trading Corporation	Republic of China	Buy and sell, and act as an agency for steel products	1,500	1,500	714,000	6	11,031	43,520	-	Subsidiaries
CHINA STEEL STRUCTURE CO., LTD.	Ascentek Venture Capital Corporation	Republic of China	General investment	15,876	17,640	1,587,600	5	19,727	9,605	-	Associates
CHINA STEEL STRUCTURE CO., LTD.	Nikken & CSSC Metal Products Co., Ltd.	Republic of China	Building materials wholesale industry, pollution prevention equipment wholesale industry, etc.	6,750	6,750	675,000	45	4,547	1,007	-	Associates
United Steel Engineering & Construction Corporation	UNITED STEEL INVESTMENT PTE. LTD.	Singapore	Holding and investment	126,806	126,806	4,180,000	100	278,169	12,089	-	Subsidiaries
United Steel Engineering & Construction Corporation	United Steel Development Co., Ltd.	Republic of China	Residential and building development and rental industry	53,550	53,550	5,355,000	100	60,453	389	-	Subsidiaries
United Steel Engineering & Construction Corporation	United Steel Construction (Vietnam) Co., Ltd.	Vietnam	Construction and management of buildings, roads and railways, and other civil engineering projects	33,129	33,129	-	100	57,001	2,063	-	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
United Steel Engineering & Construction Corporation	Shin Mau Investment Corporation	Republic of China	General investment	\$ 13,754	\$ 13,754	1,196,000	40	\$ 22,717	\$ 3,379	\$ -	Subsidiaries
United Steel Engineering & Construction Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	15,433	15,433	1,543,276	1	16,927	71,681	-	Subsidiaries
United Steel Engineering & Construction Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	100,000	100,000	10,000,000	4	113,456	158,114	-	Associates
United Steel Engineering & Construction Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	44,100	44,100	4,410,000	5	51,786	129,598	-	Associates
United Steel Engineering & Construction Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	5,292	5,880	529,200	2	6,562	9,605	-	Associates
UNITED STEEL INVESTMENT PTE. LTD.	Chungkang Steel Structure (Cambodia) Co., Ltd.	Cambodia	Building materials manufacturing, construction engineering	96,283	96,283	310	31	98,047	14,026	-	Associates
China Steel Structure Holding Co., Ltd. (SAMOA)	CHINA STEEL STRUCTURE INVESTMENT CO., LTD.	Samoa	Holding and investment	397,075	397,075	12,000,000	100	363,012	(37,620)	-	Subsidiaries
CHINA STEEL STRUCTURE INVESTMENT PTE. LTD.	China Steel Structure Holding Co., Ltd. (SAMOA)	Samoa	Holding and investment	248,811	248,811	7,600,000	63	229,914	(37,619)	-	Subsidiaries
CHC RESOURCES CORPORATION	Hsieh Sheng Development Corporation	Republic of China	Real estate sales and lease	1,142,189	-	68,493	100	1,147,317	5,127	-	Subsidiaries
CHC RESOURCES CORPORATION	Yu Cheng Lime Corporation	Republic of China	Real estate sales and lease, management of raw materials	126,010	126,010	108,000	90	141,317	1,903	-	Subsidiaries
CHC RESOURCES CORPORATION	CHC RESOURCES VIETNAM CO., LTD.	Vietnam	GBFS and GGBFS (slag powder) sales	129,922	55,191	-	85	134,265	25,056	-	Subsidiaries
CHC RESOURCES CORPORATION	UNION STEEL DEVELOPMENT CORPORATION	Republic of China	Manufacture and sale of iron powder, OEM and sales of refractory, trading, human dispatch	53,345	53,345	4,668,333	93	119,012	24,949	-	Subsidiaries
CHC RESOURCES CORPORATION	PAO GOOD INDUSTRIAL CO., LTD.	Republic of China	Sales of fly ash, manufacture and sales of dry-mix mortar, trading	50,937	50,937	5,408,550	51	99,091	22,435	-	Subsidiaries
CHC RESOURCES CORPORATION	Gau Ruei Investment Corporation	Republic of China	General investment	12,306	12,306	1,046,500	35	22,155	6,062	-	Subsidiaries
CHC RESOURCES CORPORATION	Ding Da Investment Corporation	Republic of China	General investment	12,516	12,516	1,196,000	40	21,813	4,558	-	Subsidiaries
CHC RESOURCES CORPORATION	Sheng Lih Dar Investment Corporation	Republic of China	General investment	9,600	9,600	960,000	40	19,145	3,137	-	Subsidiaries
CHC RESOURCES CORPORATION	Jiing-Cheng-Fa Investment Corporation	Republic of China	General investment	9,200	9,200	920,000	40	17,278	1,655	-	Subsidiaries
CHC RESOURCES CORPORATION	Shin Mau Investment Corporation	Republic of China	General investment	10,316	10,316	897,000	30	17,038	3,379	-	Subsidiaries
CHC RESOURCES CORPORATION	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	10,970	10,970	494,440	2	9,994	29,560	-	Subsidiaries
CHC RESOURCES CORPORATION	United Steel International Development Corporation	British Virgin Islands	General investment	8,254	8,254	300,000	1	6,347	(306,813)	-	Subsidiaries
CHC RESOURCES CORPORATION	Hsin Hsin Cement Enterprise Corporation	Republic of China	Cement manufacturing, nonmetallic mining, cement and concrete mixing manufacturing	73,269	73,269	9,298,583	10	108,773	27,670	-	Associates
CHC RESOURCES CORPORATION	Eminent III Venture Capital Corporation	Republic of China	General investment	15,000	15,000	1,500,000	2	14,537	(24,772)	-	Associates
CHC RESOURCES CORPORATION	Ascentek Venture Capital Corporation	Republic of China	General investment	10,584	11,760	1,058,400	3	13,165	9,605	-	Associates
UNION STEEL DEVELOPMENT CORPORATION	Chung Hung Steel Corporation	Republic of China	Manufacture and sale of steel products	1,522	1,522	106,445	-	1,479	3,033,223	-	Subsidiaries
China Steel Security Corporation	Steel Castle Technology Corporation	Republic of China	Firefighting engineering and mechatronic engineering	31,257	31,257	13,000,000	100	318,413	59,797	-	Subsidiaries
China Steel Security Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	17,000	17,000	1,700,000	1	18,773	71,681	-	Subsidiaries
China Steel Security Corporation	China Steel Management And Maintenance For Buildings Corporation	Republic of China	Management and maintenance for buildings	10,000	10,000	1,000,000	100	12,601	1,046	-	Subsidiaries
China Steel Security Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	5,000	5,000	500,000	1	4,846	(24,772)	-	Associates
China Steel Security Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	3,528	3,920	352,800	1	4,388	9,605	-	Associates
China Prosperity Development Corporation	Chateau International Development Co., Ltd.	Republic of China	Development of leisure business	131,921	131,921	22,491,623	20	343,977	20,560	-	Associates
China Prosperity Development Corporation	CK Japan Co., Ltd.	Japan	Real estate development	151,526	151,526	3,840	80	162,900	12,716	-	Subsidiaries
China Prosperity Development Corporation	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	130,000	130,000	13,000,000	5	143,724	71,681	-	Subsidiaries
China Prosperity Development Corporation	Kaohsiung Arena Development Corporation	Republic of China	Development of competitive and leisure sports	175,000	175,000	17,500,000	7	198,548	158,114	-	Associates

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
China Prosperity Development Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	\$ 7,056	\$ 7,840	705,600	2	\$ 8,778	\$ 9,605	\$ -	Associates
HIMAG Magnetic Corporation	MagnPower Corporation	Republic of China	Powder metallurgy	218,000	218,000	21,800,000	55	170,703	(47,200)	-	Subsidiaries
White BioTech Corporation	Renegy Biotech Corporation	Republic of China	Ethanol manufacturing	9,990	9,990	-	-	-	(67)	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	Universal eXchange Inc.	Republic of China	Wholesale of computer software, software design services, digital information supply services	60,784	60,784	5,825,030	35	64,601	12,391	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	Kaohsiung Rapid Transit Corporation	Republic of China	Mass Rapid Transit service	40,265	40,265	5,200,319	2	57,551	71,681	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	INFO-CHAMP SYSTEM (B.V.I.) CORPORATION	British Virgin Islands	General investment	6,816	6,816	201,000	100	13,598	1,825	-	Subsidiaries
INFOCHAMP SYSTEMS CORPORATION	iPASS Corporation	Republic of China	Electronic stored value cards, electronic payment	40,000	40,000	4,000,000	4	36,136	(5,250)	-	Associates
INFOCHAMP SYSTEMS CORPORATION	Majestic Solid Light Corporation	Republic of China	Manufacture and sale of UV LED	4,500	4,500	450,000	45	2,314	968	-	Associates
Kaohsiung Rapid Transit Corporation	Taiwan Intelligent Transportation Co., Ltd.	Republic of China	Technical service	26,000	-	2,600,000	100	27,286	1,286	-	Subsidiaries
Kaohsiung Rapid Transit Corporation	iPASS Corporation	Republic of China	Electronic stored value cards, electronic payment	130,000	130,000	13,000,000	11	112,868	1,355	-	Associates
China Steel Machinery Corporation	CHINA STEEL MACHINERY VIETNAM CO., LTD.	Vietnam	Machines manufacturing	9,215	8,928	-	100	22,459	4,510	-	Subsidiaries
China Steel Machinery Corporation	China Steel Machinery Corporation India Private Limited	India	Machines manufacturing	9,122	8,839	1,966,424	99	-	(1,796)	-	Subsidiaries
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	Samoa	General investment.	9,307	9,017	303,000	100	-	171	-	Subsidiaries
China Steel Machinery Corporation	Overseas Investment & Development Corporation	Republic of China	General investment	95,900	95,900	9,590,000	11	112,661	129,598	-	Associates
China Steel Machinery Corporation	Senergy Wind Power Co., Ltd.	Republic of China	Wind power energy generation	249,990	249,990	24,999,000	50	-	12,862	-	Associates
China Steel Machinery Holding Corporation	China Steel Machinery Corporation India Private Limited	India	Machines manufacturing	92	89	19,836	1	-	(1,796)	-	Subsidiaries
Dragon Steel Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	98,266	98,266	3,500,000	2	81,190	117,581	-	Subsidiaries
Dragon Steel Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	120,000	120,000	12,000,000	10	125,850	62,150	-	Subsidiaries
C.S.Aluminium Corporation	ALU Investment Offshore Corporation	British Virgin Islands	Holding and investment	1,063,593	1,063,593	1	100	672,107	(198,170)	-	Subsidiaries
C.S.Aluminium Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	21,168	23,520	2,116,800	6	26,330	9,605	-	Associates
ALU Investment Offshore Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	1,063,593	1,063,593	31,650,000	65	672,098	(306,813)	-	Subsidiaries
United Steel International Development Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	7,056	7,840	705,600	2	8,777	9,605	-	Associates
China Steel Express Corporation	Transglory Investment Corporation	Republic of China	General investment	2,440,000	2,440,000	353,160,881	50	3,002,690	217,245	-	Subsidiaries
China Steel Express Corporation	CSE Transport Corporation	Panama	Shipping services for raw materials	316	316	10	100	2,836,374	129,610	-	Subsidiaries
China Steel Express Corporation	CSEI Transport (Panama) Corporation	Panama	Shipping services for raw materials	316	316	10	100	475,772	(47,377)	-	Subsidiaries
China Steel Express Corporation	Kaohsiung Port Cargo Handling Services Corporation	Republic of China	Ship cargo loading and unloading industry	35,013	35,013	3,275,000	66	42,914	7,743	-	Subsidiaries
China Steel Express Corporation	Transyang Shipping Pte Ltd	Singapore	Shipping services for raw materials	-	39,134	-	-	-	(728)	-	Subsidiaries
China Steel Express Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	21,168	23,520	2,116,800	6	26,330	9,605	-	Associates
China Steel Express Corporation	Senergy Wind Power Co., Ltd.	Republic of China	Wind power energy generation	-	7	-	-	-	12,862	-	Associates
Transglory Investment Corporation	Winning Investment Corporation	Republic of China	General investment	321,331	321,331	20,700,000	9	239,694	128,368	-	Subsidiaries
Gains Investment Corporation	Thintech Materials Technology Co., Ltd.	Republic of China	Sputtering target manufacturing and sales	212,912	212,912	23,423,016	32	351,517	43,481	-	Subsidiaries
Gains Investment Corporation	Eminence Investment Corporation	Republic of China	General investment	1,600,000	1,600,000	150,000,000	100	1,668,534	74,258	-	Subsidiaries
Gains Investment Corporation	Winning Investment Corporation	Republic of China	General investment	989,664	989,664	112,700,000	49	1,305,002	128,368	-	Subsidiaries
Gains Investment Corporation	Betacera Inc.	Republic of China	Manufacturing and trading of electronic ceramics	150,165	150,165	20,555,253	48	725,990	332,020	-	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Gains Investment Corporation	Eminent Venture Capital Corporation	Republic of China	General investment	\$ 225,000	\$ 300,000	22,500,000	50	\$ 120,955	\$ (13,836)	\$ -	Subsidiaries
Gains Investment Corporation	Universal eXchange Inc.	Republic of China	Wholesale of computer software, software design services, digital information supply services	170,432	170,432	10,533,713	64	116,818	12,391	-	Subsidiaries
Gains Investment Corporation	Gainsplus Asset Management Inc.	British Virgin Islands	General investment	3,072	2,976	100,000	100	55,193	(5,374)	-	Subsidiaries
Gains Investment Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	58,784	58,784	1,850,000	4	39,333	(306,813)	-	Subsidiaries
Gains Investment Corporation	Mentor Consulting Corporation	Republic of China	Management consulting services	25,909	25,909	1,000,000	100	26,068	7,202	-	Subsidiaries
Gains Investment Corporation	Fukuta Electric & Machinery Co., Ltd.	Republic of China	Motor manufacturing and selling	544,748	407,558	8,090,395	20	688,718	223,785	-	Associates
Gains Investment Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	200,000	200,000	20,000,000	22	193,822	(24,772)	-	Associates
Thintech Materials Technology Co., Ltd.	Thintech Global Limited	Samoa	International trade and investment	205,435	205,435	6,800,000	100	28,530	(10,243)	-	Subsidiaries
Thintech Materials Technology Co., Ltd.	Thintech United Limited	Samoa	International trade and investment	277,173	262,191	9,308,598	100	4,792	(14,971)	-	Subsidiaries
Betacera Inc.	Lefkara Ltd.	British Virgin Islands	Trading of electronic ceramics and life saving products	418,430	405,420	13,623,000	100	1,397,667	231,088	-	Subsidiaries
Betacera Inc.	Eminent III Venture Capital Corporation	Republic of China	General investment	25,000	25,000	2,500,000	3	24,228	(24,772)	-	Associates
Mentor Consulting Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	3,528	3,920	352,800	1	4,388	9,605	-	Associates
Eminence Investment Corporation	Shin Mau Investment Corporation	Republic of China	General investment	9,513	9,513	896,999	30	17,038	3,379	-	Subsidiaries
Eminence Investment Corporation	Ding Da Investment Corporation	Republic of China	General investment	8,970	8,970	897,000	30	16,360	4,558	-	Subsidiaries
Eminence Investment Corporation	Gau Ruei Investment Corporation	Republic of China	General investment	8,805	8,805	747,499	25	15,825	6,062	-	Subsidiaries
Eminence Investment Corporation	Chiun Yu Investment Corporation	Republic of China	General investment	7,475	7,475	747,500	25	14,746	3,812	-	Subsidiaries
Eminence Investment Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	6,262	6,262	600,000	30	11,875	1,376	-	Subsidiaries
Eminence Investment Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	5,317	5,317	500,000	21	9,970	3,137	-	Subsidiaries
Eminence Investment Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	5,222	5,222	501,000	25	9,956	1,404	-	Subsidiaries
Eminence Investment Corporation	Jiing-Cherng-Fa Investment Corporation	Republic of China	General investment	4,762	4,762	476,000	21	8,941	1,655	-	Subsidiaries
Eminence Investment Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	4,173	4,173	400,000	20	7,897	1,392	-	Subsidiaries
Eminence Investment Corporation	Fukuta Electric & Machinery Co., Ltd.	Republic of China	Motor manufacturing and selling	27,900	28,500	142,171	-	21,074	223,785	-	Associates
Shin Mau Investment Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	5,454	5,454	512,685	-	10,352	834,880	-	Subsidiaries
Shin Mau Investment Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	5,619	5,619	341,896	-	7,654	117,581	-	Subsidiaries
Shin Mau Investment Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	1,000	1,000	100,000	5	1,974	1,392	-	Subsidiaries
Shin Mau Investment Corporation	Chi-Yi Investment Corporation	Republic of China	General investment	990	990	99,000	5	1,967	1,404	-	Subsidiaries
Ding Da Investment Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	17,404	17,404	474,220	-	14,739	1,508,446	-	Subsidiaries
Ding Da Investment Corporation	Jiing-Cherng-Fa Investment Corporation	Republic of China	General investment	990	990	99,000	4	1,857	1,655	-	Subsidiaries
Ding Da Investment Corporation	Betacera Inc.	Republic of China	Manufacturing and trading of electronic ceramics	25	25	1,000	-	35	332,020	-	Subsidiaries
Ding Da Investment Corporation	Universal eXchange Inc.	Republic of China	Wholesale of computer software, software design services, digital information supply services	17	17	1,600	-	17	12,391	-	Subsidiaries
Jiing-Cherng-Fa Investment Corporation	China Ecotek Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	7,874	7,874	302,052	-	7,257	97,864	-	Subsidiaries
Gau Ruei Investment Corporation	China Steel Chemical Corporation	Republic of China	Manufacture of coal chemistry and speciality chemical	17,584	17,584	474,220	-	14,739	1,508,446	-	Subsidiaries

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Gau Ruei Investment Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	\$ 1,000	\$ 1,000	100,000	4	\$ 1,996	\$ 3,137	\$ -	Subsidiaries
Gau Ruei Investment Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	1,000	1,000	100,000	5	1,979	1,376	-	Subsidiaries
Sheng Lih Dar Investment Corporation	CHC RESOURCES CORPORATION	Republic of China	Manufacture and sale of GBFS powder, surveys and remediation of soil and groundwater, BOFS and air-cooled BFS, intermediate solidification, reutilization of resources	5,678	5,678	512,535	-	10,352	834,880	-	Subsidiaries
Chiun Yu Investment Corporation	CHINA STEEL STRUCTURE CO., LTD.	Republic of China	Manufacture and sale of products of steel structure	4,204	4,204	325,896	-	7,228	117,581	-	Subsidiaries
Chiun Yu Investment Corporation	China Ecotek Corporation	Republic of China	Environmental engineering, M&E engineering, and O&M engineering	5,764	5,764	275,469	-	6,652	97,864	-	Subsidiaries
China Steel Global Trading Corporation	CSGT International Corporation	Samoa	Investment, buy and sell	631,983	631,983	20,740,000	100	940,936	63,784	-	Subsidiaries
China Steel Global Trading Corporation	Chung Mao Trading (Samoa) Corporation	Samoa	Investment, buy and sell	212,822	212,822	11,800,000	100	658,959	21,844	-	Subsidiaries
China Steel Global Trading Corporation	CSGT (Singapore) Pte. Ltd.	Singapore	Buy and sell, and act as an agency for steel products	22,600	22,600	6,100,000	100	388,499	122,643	-	Subsidiaries
China Steel Global Trading Corporation	Wabo Global Trading Corporation	Republic of China	Buy and sell, and act as an agency for steel products	11,000	11,000	5,236,000	44	80,891	43,520	-	Subsidiaries
China Steel Global Trading Corporation	Chung Mao Trading (BVI) Corporation	British Virgin Islands	Buy and sell, and act as an agency for steel products	32,591	32,591	1,301,300	65	58,815	7,312	-	Subsidiaries
China Steel Global Trading Corporation	United Steel International Development Corporation	British Virgin Islands	General investment	69,232	69,232	2,220,000	5	47,144	(306,813)	-	Subsidiaries
China Steel Global Trading Corporation	CSGT Trading India Private Limited	India	Buy and sell, and act as an agency for steel products	240	240	48,000	1	172	2,531	-	Subsidiaries
China Steel Global Trading Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	7,056	7,840	705,600	2	8,773	9,605	-	Associates
Wabo Global Trading Corporation	CK Japan Co., Ltd.	Japan	Real estate development	37,488	37,488	960	20	40,618	12,716	-	Subsidiaries
Wabo Global Trading Corporation	CSGT JAPAN Co., Ltd.	Japan	Buy and sell, and act as an agency for steel products	10,160	10,160	800	100	19,967	931	-	Subsidiaries
Chung Mao Trading (Samoa) Corporation	United Steel International Co., Ltd.	Samoa	General investment	86,140	83,462	3,000,000	20	66,595	(6,476)	-	Subsidiaries
Chung Mao Trading (BVI) Corporation	CSGT Hong Kong Limited	Hong Kong	Buy and sell, and act as an agency for steel products	3,944	3,822	1,000,000	100	25,361	11,717	-	Subsidiaries
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Vietnam	Cutting and processing of steel products	228,972	221,852	11,950,830	54	282,370	79,059	-	Subsidiaries
CSGT International Corporation	CSGT Trading India Private Limited	India	Buy and sell, and act as an agency for steel products	23,884	23,142	4,752,000	99	17,045	2,531	-	Subsidiaries
CSGT International Corporation	TSK Steel Company Limited	Thailand	Steel coil processing and distributing	88,708	85,950	408,000	34	195,569	10,024	-	Associates
CSGT International Corporation	Mahindra Auto Steel Private Limited	India	Cutting and processing of steel products	84,712	82,078	16,782,500	25	98,384	46,467	-	Associates
CSGT International Corporation	Tatt Giap Steel Centre Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	57,942	56,141	5,600,000	14	4,086	(51,748)	-	Associates
CSGT (Singapore) Pte. Ltd.	CSCD Limited	Cyprus	International trade and investment	114,695	59,280	1,876,795	49	309,162	168,660	-	Associates
CSC Steel Australia Holdings Pty Ltd	CSC Sonoma Pty Ltd	Australia	Investments in mining industry	356,173	381,161	16,440,001	100	131,480	(28,476)	-	Subsidiaries
CSC Steel Australia Holdings Pty Ltd	7623704 Canada Inc.	Canada	Investments in mining industry	5,720,076	6,121,392	270,122,727	25	8,306,551	1,214,366	-	Associates
China Steel Asia Pacific Holdings Pte. Ltd.	CSC Steel Holdings Berhad	Malaysia	General investment	1,113,002	1,078,396	171,000,000	46	2,642,517	154,535	-	Subsidiaries
China Steel Asia Pacific Holdings Pte. Ltd.	United Steel International Co., Ltd.	Samoa	General investment	-	382,356	-	-	-	(6,476)	-	Subsidiaries
China Steel Asia Pacific Holdings Pte. Ltd.	SINO VIETNAM HI-TECH MATERIAL CO., LTD.	Vietnam	Color coated steel coil	61,430	59,520	-	20	41,384	5,037	-	Associates
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	2,117,904	2,105,992	220,000,000	100	4,559,344	124,245	-	Subsidiaries
CSC Steel Holdings Berhad	Group Steel Corporation (M) Sdn. Bhd.	Malaysia	General investment	528,657	1,508,691	1,000,000	100	46,022	35,930	-	Subsidiaries
CSC Steel Holdings Berhad	CSGT Metals Vietnam Joint Stock Company	Vietnam	Cutting and processing of steel products	19,700	19,590	1,328,940	6	31,561	79,059	-	Subsidiaries
CSC Steel Holdings Berhad	Tatt Giap Steel Centre Sdn. Bhd.	Malaysia	Manufacture and sale of steel products	58,486	58,157	8,000,000	20	5,838	(51,748)	-	Associates
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	Malaysia	General investment	5,334	5,304	750,000	100	6,490	195	-	Subsidiaries

(Concluded)

TABLE 10

CHINA STEEL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017(Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017(Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shanghai Xike Ceramic Electronic Co., Ltd.	Manufacturing and trading of electronic ceramics	\$ 36,858	2	\$ 36,674	\$ -	\$ -	\$ 36,674	\$ 7,792	100	\$ 7,753	\$ 106,708	\$ -	Note 3 (1)
CSGT (Shanghai) Co., Ltd.	Buy and sell, and act as an agency for steel products	22,209	2	18,429	-	-	18,429	3,991	100	3,991	32,794	30,684	Note 3 (1)
CSMC (Shanghai) Global Trading Co., Ltd.	Wholesale and retail trade	-	2	9,214	-	9,214	-	1,673	100	1,673	-	3,679	Note 3 (1)
Wuhan InfoChamp I.T. Co., Ltd.	Enterprise information system integration services	6,143	2	6,143	-	-	6,143	1,957	100	1,957	13,153	55,453	Note 3 (1)
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Manufacture and sale of products of steel structure	368,580	2	368,580	-	-	368,580	(37,620)	100	(37,620)	362,985	-	Note 3 (1)
Taicang Thintech Materials Co., Ltd.	Sputtering target manufacturing and sales	208,862	2	208,862	-	-	208,862	(10,243)	100	(10,243)	28,530	-	Note 3 (1)
Wuhan WISCO YUTEK Environment Technology Co., Ltd.	Environmental protection mechanical and electrical engineering and generation of operations	-	2	340,580	-	-	340,580	-	-	-	-	-	Note 3 (1), Note 6
Wuhan HUADET Environmental Protection Engineering & Technology Co., Ltd.	Consulting services of construction technology	122,860	2	13,822	-	-	13,822	(95,092)	30	(28,528)	63,049	-	Note 3 (1), Note 4
China Steel Precision Metals Qingdao Co., Ltd.	Cutting and processing of steel products	614,300	2	430,010	-	-	430,010	33,891	70	23,725	436,063	-	Note 3 (1)
HC&C Auto Parts Co., Ltd.	Manufacture of automotive components	1,075,025	2	30,715	76,788	-	107,502	320	10	32	103,230	-	Note 3 (1)
Changzhou China Steel New Materials Technology Co., Ltd.	Mesophase sales and trading	199,832	2	199,832	-	-	199,832	24,070	100	24,070	177,046	-	Note 3 (1)
Changzhou China Steel Precision Materials Co., Ltd.	Production and sale of titanium and titanium alloys, nickel and nickel alloys	1,339,174	2	937,422	-	-	937,422	94,686	70	66,280	821,313	-	Note 3 (1)
Xiamen Ecotek PRC Company Limited	Sales agency for import and export of equipment and materials	184,290	2	184,290	-	-	184,290	1,456	100	1,456	174,584	-	Note 3 (1)
Ningbo Huayang Aluminium-Tech Co., Ltd.	Production of aluminum products	1,505,035	2	1,190,820	-	-	1,190,820	(306,827)	79	(242,393)	815,542	15,796	Note 3 (1)
China Steel Precision Metals Kunshan Co., Ltd.	Manufacturing and trading of aeronautical or marine life saving products	460,725	2	493,283	-	-	493,283	(6,476)	100	(6,476)	48,476	-	Note 3 (1)
Betacera (Su Zhou) Co., Ltd.	Manufacturing and trading of electronic ceramics	135,146	2	135,146	-	-	135,146	60,132	100	60,132	396,830	-	Note 3 (1)
Suzhou Betacera Technology Co., Ltd.	Manufacturing and trading of aeronautical or marine life saving products	460,725	2	460,725	-	-	460,725	21,327	100	21,327	558,441	-	Note 3 (1)
Thintech United Metal Resources (Taicang) Co., Ltd.	Precious metal refining and sales	322,508	2	270,906	15,008	-	285,914	(16,666)	100	(14,971)	4,792	-	Note 3 (1)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 5)
China Steel Corporation	\$ 1,808,130	\$ 1,808,130	\$ -
China Steel Chemical Corporation	275,084	275,084	4,191,122
CHINA STEEL STRUCTURE CO., LTD.	368,580	368,580	2,534,912
China Ecotek Corporation	547,906	679,296	1,798,690
C.S.Aluminium Corporation	972,130	972,130	4,960,961
Gains Investment Corporation	56,823	56,823	3,976,397

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 5)
Thintech Materials Technology Co., Ltd.	\$ 494,776	\$ 494,776	\$ 661,783
Betacera Inc.	632,545	632,545	906,543
China Steel Global Trading Corporation	246,703	246,703	1,342,470
China Steel Machinery Corporation	-	-	985,900
INFOCHAMP SYSTEMS CORPORATION	6,143	6,143	476,337
CHC RESOURCES CORPORATION	9,214	9,214	2,940,236

(Concluded)

Note 1: The amounts were calculated based on the foreign exchange rate as of December 31, 2018.

Note 2: Methods of investment are classified as below:

- 1) Direct Investment.
- 2) Investments through a holding company registered in a third region.

Note 3: The basis for recognition of investment income (loss) is based on the following:

- 1) From the financial statements reviewed and attested by R.O.C. parent company's CPA.
- 2) From the investee company, which had not been audited and attested by independent accountants.

Note 4: Capital increase of USD750 thousand was derived from retained earnings in the third quarter of 2013.

Note 5: As the Corporation has obtained the certificate of qualified for operating headquarters issued by the Industrial Development Bureau, MOEA, the limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" is not applicable, while other companies, investments shall not exceed 60% of their net worth.

Note 6: The process of disposal and equity transfer were completed in June 2018. As of December 31, 2018, NT\$201,582 thousand has not been collected yet.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CHANGES OF DEFERRED TAX ASSETS AND LIABILITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

For the Year Ended December 31, 2018

	Balance, Beginning of Year	Adjustment on Initial Application of IFRS 9	Changes in Tax Rates	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Acquisitions Through Business Combinations	Exchange Differences	Others	Balance, End of Year
<u>Deferred tax assets</u>										
Temporary differences										
Defined benefit plan and estimated preferential severance pay	\$ 1,345,190	\$ -	\$ 225,045	\$ (10,980)	\$ 220,156	\$ -	\$ -	\$ -	\$ (1,462)	\$ 1,777,949
Unrealized loss on inventories	923,090	-	161,926	105,256	-	-	(193)	-	-	1,190,079
Provisions	673,576	-	118,866	78,098	-	-	-	-	-	870,540
Impairment loss on financial assets	217,276	(216,935)	(6,793)	8,880	-	-	-	-	-	2,428
Unrealized loss on construction	288,613	-	50,932	621,296	-	-	-	-	-	960,841
Difference between tax reporting and financial reporting - revenue recognition	118,794	-	20,964	11,816	-	-	-	68	-	151,642
Unrealized gain on the transactions with subsidiaries and associates	175,754	-	31,016	17,828	-	-	-	-	-	224,598
Unrealized settlement loss on foreign exchange forward for hedging	71,719	-	12,656	(9,892)	-	-	-	-	-	74,483
Foreign investment loss	614,181	(35,767)	101,601	55,541	-	-	-	-	(515)	735,041
Others	1,326,606	34,909	159,988	474,200	(52,189)	-	-	763	4,856	1,949,133
	5,754,799	(217,793)	876,201	1,352,043	167,967	-	-	638	2,879	7,936,734
Loss carryforwards	435,604	-	65,989	(104,594)	-	-	-	(1,061)	(10)	395,928
Investment credits	2,377	-	-	(2,377)	-	-	-	-	-	-
	<u>\$ 6,192,780</u>	<u>\$ (217,793)</u>	<u>\$ 942,190</u>	<u>\$ 1,245,072</u>	<u>\$ 167,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (423)</u>	<u>\$ 2,869</u>	<u>\$ 8,332,662</u>
<u>Deferred tax liabilities</u>										
Temporary differences										
Land value increment tax	\$ 10,240,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,463	\$ -	\$ -	\$ 10,314,586
Difference between tax reporting and financial reporting - depreciation methods	717,936	-	103,289	(108,798)	-	-	-	802	-	713,229
Foreign investment income	1,093,323	2,956	165,254	35,788	-	-	-	11,275	3,791	1,312,387
Others	154,393	(407)	29,763	35,767	60,743	(116)	-	100,172	(12,398)	367,917
	<u>\$ 12,205,775</u>	<u>\$ 2,549</u>	<u>\$ 298,306</u>	<u>\$ (37,243)</u>	<u>\$ 60,743</u>	<u>\$ (116)</u>	<u>\$ 74,463</u>	<u>\$ 112,249</u>	<u>\$ (8,607)</u>	<u>\$ 12,708,119</u>

(Continued)

For the Year Ended December 31, 2017

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>						
Temporary differences						
Defined benefit plan and estimated preferential severance pay	\$ 1,118,088	\$ (7,358)	\$ 234,460	\$ -	\$ -	\$ 1,345,190
Unrealized loss on inventories	1,038,741	(115,588)	-	-	(63)	923,090
Provisions	729,422	(55,846)	-	-	-	673,576
Impairment loss on financial assets	126,361	90,915	-	-	-	217,276
Unrealized loss on construction	55,633	232,980	-	-	-	288,613
Difference between tax reporting and financial reporting - revenue recognition	163,449	(44,655)	-	-	-	118,794
Unrealized gain on the transactions with subsidiaries and associates	194,359	(18,605)	-	-	-	175,754
Unrealized settlement loss on foreign exchange forward for hedging	85,239	(13,520)	-	-	-	71,719
Foreign investment loss	519,409	94,772	-	-	-	614,181
Others	<u>947,835</u>	<u>293,434</u>	<u>77,387</u>	<u>-</u>	<u>7,950</u>	<u>1,326,606</u>
	4,978,536	456,529	311,847	-	7,887	5,754,799
Loss carryforwards	384,781	51,525	-	-	(702)	435,604
Investment credits	<u>9,664</u>	<u>(7,287)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,377</u>
	<u>\$ 5,372,981</u>	<u>\$ 500,767</u>	<u>\$ 311,847</u>	<u>\$ -</u>	<u>\$ 7,185</u>	<u>\$ 6,192,780</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Land value increment tax	\$ 10,240,123	\$ -	\$ -	\$ -	\$ -	\$ 10,240,123
Difference between tax reporting and financial reporting - depreciation methods	808,075	(93,121)	-	-	2,982	717,936
Foreign investment income	972,942	119,520	-	-	861	1,093,323
Others	<u>240,149</u>	<u>(73,715)</u>	<u>(11,949)</u>	<u>(92)</u>	<u>-</u>	<u>154,393</u>
	<u>\$ 12,261,289</u>	<u>\$ (47,316)</u>	<u>\$ (11,949)</u>	<u>(\$ 92)</u>	<u>\$ 3,843</u>	<u>\$ 12,205,775</u> (Concluded)