

**Chung Hung Steel Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

Chung Hung Steel Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Chung Hung Steel Corporation (the Corporation) and its subsidiaries as of June 30, 2020 and 2019, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, and the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Corporation and its subsidiaries as of June 30, 2020 and 2019, and its consolidated financial performance for the six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC.

The engagement partners on the reviews resulting in this independent auditor's review report are Yu-Hsiang Liu and Jia-Ling Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 29, 2020

Notice to Readers

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

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019	
	(Reviewed)		(Audited)		(Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 729,929	2	\$ 67,028	-	\$ 430,953	1
Financial assets at fair value through profit or loss - current (Note 7)	159,739	1	181,351	1	205,483	1
Financial assets at fair value through other comprehensive income - current (Note 8)	685,361	2	791,311	3	826,075	2
Notes receivable (Note 9)	-	-	-	-	3	-
Accounts receivable (Notes 9 and 23)	1,192,378	4	466,017	1	1,549,314	5
Accounts receivable from related parties (Notes 9, 23 and 29)	21,643	-	45,733	-	48,595	-
Other receivables (Note 9)	5,553	-	6,031	-	9,765	-
Other receivables from related parties (Notes 9 and 29)	528,423	2	541,414	2	213,050	1
Current tax assets	477	-	661	-	417	-
Inventories (Note 10)	5,261,602	18	6,577,637	21	7,048,061	22
Prepayments (Note 11)	182,032	1	228,531	1	339,191	1
Other financial assets - current (Notes 12 and 30)	301,700	1	301,700	1	300,000	1
Other current assets	1,067	-	1,690	-	643	-
Total current assets	<u>9,069,904</u>	<u>31</u>	<u>9,209,104</u>	<u>30</u>	<u>10,971,550</u>	<u>34</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Note 8)	64,019	-	68,838	-	74,402	-
Investments accounted for using equity method (Note 13)	2,168,027	8	2,526,222	9	2,535,371	8
Property, plant and equipment (Notes 14 and 31)	12,166,795	41	12,552,287	41	12,868,845	40
Right-of-use assets (Note 15)	85,968	-	74,901	-	80,955	-
Investment properties (Note 16)	5,983,629	20	5,984,073	20	5,906,986	18
Prepayments for equipment (Note 31)	81,258	-	42,549	-	26,077	-
Refundable deposits	6,119	-	5,632	-	5,632	-
Total noncurrent assets	<u>20,555,815</u>	<u>69</u>	<u>21,254,502</u>	<u>70</u>	<u>21,498,268</u>	<u>66</u>
TOTAL	<u>\$ 29,625,719</u>	<u>100</u>	<u>\$ 30,463,606</u>	<u>100</u>	<u>\$ 32,469,818</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 17, 29 and 30)	\$ 5,405,553	18	\$ 5,154,867	17	\$ 5,604,051	17
Short-term bills payable (Note 17)	2,549,608	9	1,799,550	6	1,799,704	6
Contract liabilities – current (Note 23)	24,911	-	285,052	1	28,600	-
Accounts payable (Note 19)	22,309	-	29,672	-	63,382	-
Accounts payable to related parties (Notes 19 and 29)	98,532	-	65,597	-	876,951	3
Other payables (Note 20)	471,234	2	504,388	2	916,182	3
Current tax liabilities	-	-	-	-	8,859	-
Lease liabilities – current (Note 15)	15,130	-	13,273	-	13,200	-
Current portion of long-term borrowings (Note 17)	-	-	480,000	2	1,440,000	4
Refund liabilities	161,118	1	153,612	-	211,671	1
Other current liabilities	18,899	-	16,434	-	17,010	-
Total current liabilities	<u>8,767,294</u>	<u>30</u>	<u>8,502,445</u>	<u>28</u>	<u>10,979,610</u>	<u>34</u>
NONCURRENT LIABILITIES						
Bonds payable (Note 18)	1,996,865	7	-	-	-	-
Long-term borrowings (Note 17)	2,900,000	10	4,130,000	13	4,780,000	15
Long-term bills payable (Note 17)	1,709,859	6	2,609,138	9	959,773	3
Deferred tax liabilities	182,222	-	182,222	1	182,222	1
Lease liabilities - noncurrent (Note 15)	71,449	-	62,044	-	67,942	-
Net defined benefit liabilities (Notes 4 and 21)	348,841	1	373,860	1	388,042	1
Guarantee deposits received	35,000	-	35,000	-	35,120	-
Total noncurrent liabilities	<u>7,244,236</u>	<u>24</u>	<u>7,392,264</u>	<u>24</u>	<u>6,413,099</u>	<u>20</u>
Total liabilities	<u>16,011,530</u>	<u>54</u>	<u>15,894,709</u>	<u>52</u>	<u>17,392,709</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 22)						
Ordinary shares	14,355,444	48	14,355,444	47	14,355,444	44
Capital surplus	903	-	903	-	903	-
Retained earnings						
Legal reserve	90,450	-	90,450	-	90,450	-
Special reserve	549,578	2	497,607	2	497,607	1
Unappropriated earnings (Accumulated deficit)	(366,921)	(1)	174,071	1	530,950	2
Total retained earnings	<u>273,225</u>	<u>1</u>	<u>762,128</u>	<u>3</u>	<u>1,119,007</u>	<u>3</u>
Other equity	(1,015,383)	(3)	(549,578)	(2)	(398,245)	(1)
Total equity	<u>13,614,189</u>	<u>46</u>	<u>14,568,897</u>	<u>48</u>	<u>15,077,109</u>	<u>46</u>
TOTAL	<u>\$ 29,625,719</u>	<u>100</u>	<u>\$ 30,463,606</u>	<u>100</u>	<u>\$ 32,469,818</u>	<u>100</u>

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 23 and 29)								
Sales	\$ 7,753,740	99	\$ 11,493,019	99	\$ 17,721,203	99	\$ 23,341,517	99
Service revenue	83,094	1	108,399	1	198,655	1	226,116	1
Other operating revenue	13,578	-	14,309	-	29,447	-	32,044	-
Total operating revenue	7,850,412	100	11,615,727	100	17,949,305	100	23,599,677	100
OPERATING COSTS (Notes 10, 24 and 29)	7,944,494	101	10,867,946	94	17,760,990	99	22,344,386	94
GROSS PROFIT (LOSS)	(94,082)	(1)	747,781	6	188,315	1	1,255,291	6
OPERATING EXPENSES (Note 24)								
Selling and marketing expenses	195,819	3	374,612	3	502,281	3	719,112	3
General and administrative expenses	70,800	1	87,453	1	151,968	1	168,071	1
Total operating expenses	266,619	4	462,065	4	654,249	4	887,183	4
PROFIT (LOSS) FROM OPERATIONS	(360,701)	(5)	285,716	2	(465,934)	(3)	368,108	2
NON-OPERATING INCOME AND EXPENSES (Notes 16, 24 and 29)								
Interest income	372	-	529	-	478	-	1,232	-
Other income	26,873	-	23,260	-	63,534	-	54,630	-
Other gains and losses	(4,592)	-	11,687	-	(34,422)	-	10,467	-
Finance costs	(23,984)	-	(30,086)	-	(49,400)	-	(63,233)	-
Share of the loss of associates	(1,576)	-	(2,126)	-	(3,159)	-	(4,195)	-
Total non-operating income and expenses	(2,907)	-	3,264	-	(22,969)	-	(1,099)	-
PROFIT (LOSS) BEFORE INCOME TAX	(363,608)	(5)	288,980	2	(488,903)	(3)	367,009	2
INCOME TAX (Notes 4 and 25)	-	-	8,859	-	-	-	8,953	-
NET PROFIT (LOSS) FOR THE PERIOD	(363,608)	(5)	280,121	2	(488,903)	(3)	358,056	2
OTHER COMPREHENSIVE INCOME (Note 22)								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	50,294	1	(13,872)	-	(110,769)	-	22,013	-
Share of the other comprehensive income of associates	194,160	2	(38,674)	-	(355,036)	(2)	77,349	-
	244,454	3	(52,546)	-	(465,805)	(2)	99,362	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(\$ 119,154)	(2)	\$ 227,575	2	(\$ 954,708)	(5)	\$ 457,418	2

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Corporation	<u>(\$ 363,608)</u>	<u>(5)</u>	<u>\$ 280,121</u>	<u> 2</u>	<u>(\$ 488,903)</u>	<u>(3)</u>	<u>\$ 358,056</u>	<u> 2</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Corporation	<u>(\$ 119,154)</u>	<u>(2)</u>	<u>\$ 227,575</u>	<u> 2</u>	<u>(\$ 954,708)</u>	<u>(5)</u>	<u>\$ 457,418</u>	<u> 2</u>
EARNINGS (LOSS) PER SHARE (Note 26)								
Basic	<u>(\$ 0.25)</u>		<u>\$ 0.20</u>		<u>(\$ 0.34)</u>		<u>\$ 0.25</u>	
Diluted	<u>(\$ 0.25)</u>		<u>\$ 0.19</u>		<u>(\$ 0.34)</u>		<u>\$ 0.25</u>	

(Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings (Accumulated Deficit)	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2020	\$ 14,355,444	\$ 903	\$ 90,450	\$ 497,607	\$ 174,071	(\$ 549,578)	\$ 14,568,897
Appropriation of 2019 earnings (Note 22)							
Legal reserve	-	-	118	-	(118)	-	-
Special reserve	-	-	-	51,971	(51,971)	-	-
Net loss for the six months ended June 30, 2020	-	-	-	-	(488,903)	-	(488,903)
Other comprehensive income for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(465,805)	(465,805)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	(488,903)	(465,805)	(954,708)
BALANCE AT JUNE 30, 2020	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	(\$ 366,921)	(\$ 1,015,383)	\$ 13,614,189
BALANCE AT JANUARY 1, 2019	\$ 14,355,444	\$ 903	\$ -	\$ -	\$ 904,506	(\$ 497,607)	\$ 14,763,246
Appropriation of 2018 earnings (Note 22)							
Legal reserve	-	-	90,450	-	(90,450)	-	-
Special reserve	-	-	-	497,607	(497,607)	-	-
Cash dividends	-	-	-	-	(143,555)	-	(143,555)
Net profit for the six months ended June 30, 2019	-	-	-	-	358,056	-	358,056
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	99,362	99,362
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	358,056	99,362	457,418
BALANCE AT JUNE 30, 2019	\$ 14,355,444	\$ 903	\$ 90,450	\$ 497,607	\$ 530,950	(\$ 398,245)	\$ 15,077,109

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	(\$ 488,903)	\$ 367,009
Adjustments for:		
Depreciation expense	589,572	618,976
Net loss on financial assets and liabilities at fair value through profit or loss	21,612	10,926
Finance costs	49,400	63,233
Interest income	(478)	(1,232)
Dividends income	(8,771)	(3,471)
Share of the profit of associates	3,159	4,195
Loss on disposal of property, plant and equipment	11,545	8,491
Gain on disposal of non-current assets held for sale	-	(871)
Write-downs (reversal) of inventories	(115,187)	(93,990)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	872
Notes receivable	-	(3)
Accounts receivable	(726,361)	(600,382)
Accounts receivable from related parties	24,090	134,845
Other receivables	478	6,237
Other receivables from related parties	12,991	135,659
Inventories	1,431,222	1,286,080
Prepayments	46,499	33,692
Other current assets	623	5,947
Contract liabilities	(260,141)	(64,955)
Accounts payable	(7,363)	18,078
Accounts payable to related parties	32,935	281,187
Other payables	(42,015)	(232,735)
Other current liabilities	2,465	(13,964)
Net defined benefit liabilities	(25,019)	(42,677)
Refund liabilities	7,506	95,951
Cash generated from operations	559,859	2,017,098
Income taxes refund (paid)	184	(628)
Net cash generated from operating activities	<u>560,043</u>	<u>2,016,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets held for sale	-	20,506
Acquisition of property, plant and equipment	(239,195)	(218,662)
Proceeds from disposal of property, plant and equipment	-	123
Increase in refundable deposits	(487)	-
Decrease in other financial assets	-	2,897
Interest received	478	1,232
Dividends received from others	8,771	3,471
Net cash used in investing activities	<u>(230,433)</u>	<u>(190,433)</u>

(Continued)

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 55,886,938	\$ 38,661,391
Repayments of short-term borrowings	(55,636,252)	(39,439,113)
Proceeds from short-term bills payable	6,900,058	3,650,751
Repayments of short-term bills payable	(6,150,000)	(5,050,000)
Issuance of bonds payable	1,996,865	-
Proceeds from long-term borrowings	2,250,000	2,200,000
Repayments of long-term borrowings	(3,960,000)	(830,000)
Proceeds from long-term bills payable	200,721	400,215
Repayments of long-term bills payable	(1,100,000)	(1,120,000)
Repayments of principal of lease liabilities	(7,527)	(4,606)
Interest paid	(47,512)	(63,803)
Net cash generated from (used in) financing activities	<u>333,291</u>	<u>(1,595,165)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	662,901	230,872
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>67,028</u>	<u>200,081</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 729,929</u>	<u>\$ 430,953</u> (Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Chung Hung Steel Corporation (the “Corporation”) was incorporated in September 1983 and started operations in September 1985. It mainly manufactures and sells steel products, such as cold and hot rolled coils and steel pipes. Within these notes to the consolidated financial statement, the Corporation and its subsidiaries are hereto forth referred to as the “Group”.

The Corporation’s shares have been listed on the Taiwan Stock Exchange since February 1992.

As of June 30, 2020, and 2019, China Steel Corporation (“CSC”), the Corporation’s parent and major shareholder (41%), controls the Corporation’s management and operations.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation’s board of directors and approved for issue on July 29, 2020.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of 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’ (the Group) accounting policies:

Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial

Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

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

b. Basis of consolidation

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

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (Note)	Operation in progress	-	-	100
	Hung Kao Investment Corporation	General investment	100	100	100

Note: The board of directors of Taiwan Steel Corporation authorized the liquidation of the company; the date of liquidation was September 25, 2019; the settlement was completed on December 30, 2019.

c. Other significant accounting policies

Except for the following, refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

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

2) Taxation

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

income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 640	\$ 700	\$ 700
Checking accounts and demand deposits	729,289	66,328	426,563
Cash equivalents			
Time deposits with original maturities less than three months	-	-	3,690
	<u>\$ 729,929</u>	<u>\$ 67,028</u>	<u>\$ 430,953</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
Emerging market shares	<u>\$ 159,739</u>	<u>\$ 181,351</u>	<u>\$ 205,483</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
Current			
Domestic Listed shares	<u>\$ 685,361</u>	<u>\$ 791,311</u>	<u>\$ 826,075</u>
Noncurrent			
Domestic listed shares	\$ 20,782	\$ 23,995	\$ 25,049
Domestic unlisted shares	<u>43,237</u>	<u>44,843</u>	<u>49,353</u>
	<u>\$ 64,019</u>	<u>\$ 68,838</u>	<u>\$ 74,402</u>

RisLink Venture Capital Corp. conducted capital reduction and refunded NT\$4,605 thousand in August 2019.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Notes receivable</u>			
Notes receivable - non-operating	\$ -	\$ -	\$ 3
<u>Accounts receivable</u>			
Accounts receivable – non-related parties	\$ 1,192,378	\$ 466,017	\$ 1,549,314
Accounts receivable – related parties	\$ 21,643	\$ 45,733	\$ 48,595
<u>Other receivables (including related parties)</u>			
Discount receivable	\$ 505,173	\$ 508,256	\$ 173,002
Receivables from disposal of scrap	27,327	37,536	43,887
Others	1,476	1,653	5,926
	<u>\$ 533,976</u>	<u>\$ 547,445</u>	<u>\$ 222,815</u>

a. Accounts receivable

The Group allows an average credit period of 30 days (the aging of receivables from sales of goods is based upon the date of examination and acceptance of the goods settlement is monthly or 60 days after shipment date). Refer to Note 28 for credit risk management policies.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for accounts receivables. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

June 30, 2020

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 1,214,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,214,021
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,214,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,214,021</u>

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 511,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,750
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 511,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,750</u>

June 30, 2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	100	
Gross carrying amount	\$ 1,597,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,597,909
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,597,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,597,909</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
A company	\$ 305,625	\$ -	\$ 258,116
B company	203,520	27,527	293,433
C company	192,975	-	-
D company	46,953	67,712	58,122
E company	45,068	91,491	77,503
F company	<u>848</u>	<u>104,591</u>	<u>-</u>
	<u>\$ 794,989</u>	<u>\$ 291,321</u>	<u>\$ 687,174</u>

The Corporation entered into accounts receivable factoring contract (without recourse). Under the contract, the Corporation is authorized to sell accounts receivable to Bank upon the delivery of products to customers and is required to complete related formalities on the next banking day. Under this contract, the Corporation does not bear the risk of the uncollectability of the accounts receivable. The receivables sold and the related credit lines, which may be used on a revolving basis, were as follows:

Buyer of Accounts Receivable	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected	Advances Received at Period - End	Interest Rates on Advances Received (%)	Credit Line
For the Three Months Ended June 30, 2020						
Mega Bank	\$ 926,731	\$ 1,203,222	\$ 1,212,393	\$ 917,560	1.12	NT\$3 billion
Bank of Taiwan	-	102,030	37,221	64,809	1.12	NT\$200 million
Bank of Taiwan	124,214	148,556	127,351	145,419	2.61	USD20 million
	<u>\$ 1,050,945</u>	<u>\$ 1,453,808</u>	<u>\$ 1,376,965</u>	<u>\$ 1,127,788</u>		
For the Six Months Ended June 30, 2019						
Mega Bank	\$ 1,033,187	\$ 1,357,839	\$ 1,546,987	\$ 844,039	1.27	NT\$3 billion
Bank of Taiwan	199,960	273,405	203,066	270,299	3.93	USD20 million
	<u>\$ 1,233,147</u>	<u>\$ 1,631,244</u>	<u>\$ 1,750,053</u>	<u>\$ 1,114,338</u>		

b. Other receivables

The Group applies the approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for other receivable. The expected credit losses on other receivables are estimated using expected credit loss rate based on the other receivables overdue days. As of June 30, 2020, December 31, 2019 and June 30, 2019, there was no allowance for doubtful accounts.

10. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 3,099,187	\$ 2,804,063	\$ 3,436,591
Finished goods	1,392,315	2,704,337	2,504,433
Supplies	460,205	468,672	436,375
Work in progress	307,173	599,299	665,170
Others	2,665	887	5,113
Raw materials and supplies in transit	<u>57</u>	<u>379</u>	<u>379</u>
	<u>\$ 5,261,602</u>	<u>\$ 6,577,637</u>	<u>\$ 7,048,061</u>

The cost of inventories recognized as operating costs for the three months and six months ended June 30, 2020 and 2019 was NT\$7,851,255 thousand, NT\$10,750,719 thousand, NT\$17,549,096 thousand and NT\$22,115,980 thousand, respectively, including loss on inventory value decline of NT\$29,439 thousand, loss on inventory value decline of NT\$29,877 thousand, reversal of loss of NT\$115,187 thousand and reversal of loss of NT\$93,990 thousand, respectively.

11. PREPAYMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Input tax	\$ 90,620	\$ 99,167	\$ 289,165
Prepayments for purchases	42,957	70,532	36,132
Tax overpaid retained for offsetting future tax payable	39,622	52,332	168
Others	<u>8,833</u>	<u>6,500</u>	<u>13,726</u>
	<u>\$ 182,032</u>	<u>\$ 228,531</u>	<u>\$ 339,191</u>

12. OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Pledged time deposits (Note 30)	\$ 300,000	\$ 300,000	\$ 300,000
One-year time deposits	<u>1,700</u>	<u>1,700</u>	<u>-</u>
	<u>\$ 301,700</u>	<u>\$ 301,700</u>	<u>\$ 300,000</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2020	December 31, 2019	June 30, 2019
Transglory Investment Corp. (TIC)	\$ <u>2,168,027</u>	\$ <u>2,526,222</u>	\$ <u>2,535,371</u>

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
TIC	General investment	Taiwan	40.91	40.91	40.91

The investments accounted for by the equity method and the share of profit or loss and other comprehensive loss of those investments for the six months ended June 30, 2020 and 2019 were based on the associates' financial statements reviewed by auditors for the same periods.

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

TIC

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 13,393	\$ 1,304	\$ 10,781
Noncurrent assets	5,493,606	6,373,775	6,617,463
Current liabilities	(207,495)	(200,008)	(430,808)
Equity	\$ <u>5,299,504</u>	\$ <u>6,175,071</u>	\$ <u>6,197,436</u>
Proportion of the Group's ownership (%)	40.91	40.91	40.91
Equity attributable to the Group	\$ <u>2,168,027</u>	\$ <u>2,526,222</u>	\$ <u>2,535,371</u>
Carrying amount	\$ <u>2,168,027</u>	\$ <u>2,526,222</u>	\$ <u>2,535,371</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating revenue	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Net loss for the year	(\$ 3,853)	(\$ 5,196)	(\$ 7,722)	(\$ 10,255)
Other comprehensive income	<u>474,603</u>	<u>(94,536)</u>	<u>(867,846)</u>	<u>189,071</u>
Total comprehensive income for the year	\$ <u>470,750</u>	(\$ <u>99,732</u>)	(\$ <u>875,568</u>)	\$ <u>178,816</u>
Comprehensive income attributable to the Group	\$ <u>192,584</u>	(\$ <u>40,800</u>)	(\$ <u>358,195</u>)	\$ <u>73,154</u>

14. PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended June 30, 2020

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2020	\$ 3,988,983	\$ 4,993,389	\$ 22,734,037	\$ 4,419,879	\$ 1,428,295	\$ 116,329	\$ 37,680,912
Additions	-	1,633	86,690	24,530	39,336	55,270	207,459
Disposals	-	-	(13,377)	(5,251)	(118,276)	-	(136,904)
Balance at June 30, 2020	<u>\$ 3,988,983</u>	<u>\$ 4,995,022</u>	<u>\$ 22,807,350</u>	<u>\$ 4,439,158</u>	<u>\$ 1,349,355</u>	<u>\$ 171,599</u>	<u>\$ 37,751,467</u>
Accumulated depreciation							
Balance at January 1, 2020	\$ -	\$ 1,877,331	\$ 18,539,349	\$ 3,938,749	\$ 773,196	\$ -	\$ 25,128,625
Depreciation expense	-	65,735	349,186	63,097	103,388	-	581,406
Disposals	-	-	(1,832)	(5,251)	(118,276)	-	(125,359)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 1,943,066</u>	<u>\$ 18,886,703</u>	<u>\$ 3,996,595</u>	<u>\$ 758,308</u>	<u>\$ -</u>	<u>\$ 25,584,672</u>
Carrying amount at December 31, 2019	<u>\$ 3,988,983</u>	<u>\$ 3,116,058</u>	<u>\$ 4,194,688</u>	<u>\$ 481,130</u>	<u>\$ 655,099</u>	<u>\$ 116,329</u>	<u>\$ 12,552,287</u>
Carrying amount at June 30, 2020	<u>\$ 3,988,983</u>	<u>\$ 3,051,956</u>	<u>\$ 3,920,647</u>	<u>\$ 442,563</u>	<u>\$ 591,047</u>	<u>\$ 171,599</u>	<u>\$ 12,166,795</u>

For the Six Months Ended June 30, 2019

	Land	Buildings	Machinery and Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2019	\$ 3,985,675	\$ 4,985,220	\$ 22,511,085	\$ 4,415,341	\$ 1,448,523	\$ 78,900	\$ 37,424,744
Additions	3,320	4,330	23,155	23,073	49,597	138,158	241,633
Disposals	-	-	-	(35,466)	(96,601)	-	(132,067)
Reclassification	(12)	(395)	-	-	-	-	(407)
Balance at June 30, 2019	<u>\$ 3,988,983</u>	<u>\$ 4,989,155</u>	<u>\$ 22,534,240</u>	<u>\$ 4,402,948</u>	<u>\$ 1,401,519</u>	<u>\$ 217,058</u>	<u>\$ 37,533,903</u>
Accumulated depreciation							
Balance at January 1, 2019	\$ -	\$ 1,746,374	\$ 17,814,290	\$ 3,862,424	\$ 752,626	\$ -	\$ 24,175,714
Depreciation expense	-	65,404	365,574	68,689	113,130	-	612,797
Disposals	-	-	-	(26,852)	(96,601)	-	(123,453)
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 1,811,778</u>	<u>\$ 18,179,864</u>	<u>\$ 3,904,261</u>	<u>\$ 769,155</u>	<u>\$ -</u>	<u>\$ 24,665,058</u>
Carrying amount at June 30, 2019	<u>\$ 3,988,983</u>	<u>\$ 3,177,377</u>	<u>\$ 4,354,376</u>	<u>\$ 498,687</u>	<u>\$ 632,364</u>	<u>\$ 217,058</u>	<u>\$ 12,868,845</u>

Depreciation of the rollers that belong to the cold-rolling departments, the hot rolling department and the skin pass mill of the pickling & galvanizing mill department is calculated based on their level of wear; depreciation of other assets is recognized based on the following useful lives:

Buildings	
Facility	5-50 years
Main structure	31-60 years
Machinery and equipment	
Power equipment	3-30 years
High-temperature equipment	5-18 years
Other equipment	
Computer equipment	3-10 years
Office, air condition and extinguishment equipment	3-20 years
Transportation equipment	5-16 years
Others	3-18 years
Tank	10 years

The Group bought farmlands for warehouse at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit the Group from registering the title of these farmlands in the Group's name; thus, the registration was made in the name of an individual person. The individual person consented to fully cooperate with the Group in changing the land title in the future and pledged the land to the Group as collateral. As of June 30, 2020, December 31, 2019 and June 30, 2019, the book value of those remaining farmlands recognized as land were NT\$55,433 thousand,

respectively.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020		December 31, 2019		June 30, 2019	
<u>Carrying amounts</u>						
Land	\$ 74,356		\$ 61,775		\$ 65,413	
Transportation equipment	<u>11,612</u>		<u>13,126</u>		<u>15,542</u>	
	<u>\$ 85,968</u>		<u>\$ 74,901</u>		<u>\$ 80,955</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30			
	2020	2019	2020	2019		
Additions to right-of-use assets			<u>\$ 18,789</u>		<u>\$ 16,078</u>	
Depreciation charge for right-of-use assets						
Land	\$ 3,103	\$ 2,586	\$ 6,207		\$ 5,172	
Transportation equipment	<u>758</u>	<u>544</u>	<u>1,515</u>		<u>568</u>	
	<u>\$ 3,861</u>	<u>\$ 3,130</u>	<u>\$ 7,722</u>		<u>\$ 5,740</u>	

Except for the above-mentioned additions and depreciation expenses, there were no material subleases and impairment for the six months ended June 30, 2020 and 2019.

b. Lease liabilities

	June 30, 2020		December 31, 2019		June 30, 2019	
<u>Carrying amounts</u>						
Current	<u>\$ 15,130</u>		<u>\$ 13,273</u>		<u>\$ 13,200</u>	
Non-current	<u>\$ 71,449</u>		<u>\$ 62,044</u>		<u>\$ 67,942</u>	

Range of discount rate for lease liabilities was as follows:

	June 30, 2020		December 31, 2019		June 30, 2019	
Land(%)	1.10-1.31		1.10-1.31		1.10-1.31	
Transportation equipment(%)	0.76		0.76		0.76	

c. Material lease activities and terms

The Corporation leases land for the use of steel products storing with lease terms of 5-10 years. The Corporation does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 5,722</u>	<u>\$ 5,432</u>	<u>\$ 11,451</u>	<u>\$ 9,970</u>
Expenses relating to low-value assets leases	<u>\$ 334</u>	<u>\$ 197</u>	<u>\$ 640</u>	<u>\$ 515</u>
Total cash outflow for leases	<u>(\$ 10,115)</u>	<u>(\$ 8,869)</u>	<u>(\$ 20,160)</u>	<u>(\$ 15,539)</u>

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

16. INVESTMENT PROPERTIES

For the six months ended June 30, 2020

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and June 30, 2020	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 16,068	\$ 16,068
Depreciation expense	<u>-</u>	<u>444</u>	<u>444</u>
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 16,512</u>	<u>\$ 16,512</u>
Carrying amount at December 31, 2019	<u>\$ 5,959,074</u>	<u>\$ 24,999</u>	<u>\$ 5,984,073</u>
Carrying amount at June 30, 2020	<u>\$ 5,959,074</u>	<u>\$ 24,555</u>	<u>\$ 5,983,629</u>

For the six months ended June 30, 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 5,959,062	\$ 40,672	\$ 5,999,734
Transfer from property, plant and equipment	<u>12</u>	<u>395</u>	<u>407</u>
Balance at June 30, 2019	<u>\$ 5,959,074</u>	<u>\$ 41,067</u>	<u>\$ 6,000,141</u>

(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 15,184	\$ 15,184
Depreciation expense	<u>-</u>	<u>439</u>	<u>439</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 15,623</u>	<u>\$ 15,623</u>
<u>Accumulated impairment</u>			
Balance at January 1 and June 30, 2019	<u>\$ 77,532</u>	<u>\$ -</u>	<u>\$ 77,532</u>
Carrying amount at June 30, 2019	<u>\$ 5,881,542</u>	<u>\$ 25,444</u>	<u>\$ 5,906,986</u>

(Concluded)

The Corporation signed a land lease contract of Long-Dong Block in Kaohsiung with non-related parties in June 30, 2010 and operating terms 20 years and according to the contract rent is charged monthly. The rent revenue recognized as other income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were NT\$20,330 thousand, NT\$19,933 thousand, NT\$40,659 thousand and NT\$39,865 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, according to the contract, the Corporation received guarantee from the lessee were all NT\$35,000 thousand.

As of June 30, 2020, December 31, 2019 and June 30, 2019, accounting to the abovementioned lease contract, the Corporation had received the amount of notes receivable and recognized as unearned rent revenue as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable received	\$ 7,085	\$ 49,595	\$ 6,946
Less: unearned rent revenue	<u>7,085</u>	<u>49,595</u>	<u>6,946</u>
Carrying amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The maturity analysis of lease payments receivable under operating leases of investment properties as of June 30, 2020 was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	\$ 91,224	\$ 91,251	\$ 89,608
Year 2	84,118	83,296	82,478
Year 3	85,802	84,956	84,118
Year 4	87,400	86,618	85,802
Year 5	89,108	88,232	87,400
Later than 5 years	<u>590,120</u>	<u>634,820</u>	<u>679,228</u>
	<u>\$ 1,027,772</u>	<u>\$ 1,069,173</u>	<u>\$ 1,108,634</u>

The land and buildings of investment properties are depreciated on a straight-line basis over 31-55 years useful lives.

The Group appointed real estate appraiser to reevaluate land at Guo An Section in Tainan in November 2019, and recognized gain on reversal of impairment loss NT\$77,532 thousand within the scope of

accumulated impairment recognized originally.

The fair value of the investment properties was arrived at on the basis of valuations carried out in March and December 2017 and November 2019 by real estate appraiser and on the basis of information at the Ministry of the Interior's real estate transaction database website. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, cost approach, income approach, and land development analysis approach. The important assumptions and fair value were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value	<u>\$ 9,979,847</u>	<u>\$ 9,980,290</u>	<u>\$ 8,952,120</u>
Expense rate (%)	25.14	25.14	19.61-25.61
Depreciation rate (%)	1.90-2.57	1.90-2.57	1.90-2.57

All investment properties are owned by the Group and had not been pledged to secure borrowings.

17. BORROWINGS

a. Short-term borrowings and bank overdrafts

	June 30, 2020	December 31, 2019	June 30, 2019
Loans from related parties (Note 29)	\$ 2,400,000	\$ 2,450,000	\$ 2,450,000
Unsecured loans	1,650,000	1,900,000	1,450,000
Letters of credit	1,128,101	646,187	1,486,669
Bank overdrafts (Note 30)	<u>227,452</u>	<u>158,680</u>	<u>217,382</u>
	<u>\$ 5,405,553</u>	<u>\$ 5,154,867</u>	<u>\$ 5,604,051</u>
Interest rate (%)	0.32-0.96	0-0.95	0.35-0.99

b. Short-term bills payable

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper	\$ 2,550,000	\$ 1,800,000	\$ 1,800,000
Less: Unamortized discounts	<u>392</u>	<u>450</u>	<u>296</u>
	<u>\$ 2,549,608</u>	<u>\$ 1,799,550</u>	<u>\$ 1,799,704</u>
Interest rate (%)	0.58-0.60	0.70-0.71	0.69-0.79

On June 30, 2020, December 31, 2019 and June 30, 2019, all commercial papers were non-guarantee commercial paper.

c. Long-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Credit bank loans			
Due on various dates through December 2024	\$ 2,900,000	\$ 4,610,000	\$ 6,220,000
Less: Current portion	<u>-</u>	<u>480,000</u>	<u>1,440,000</u>
	<u>\$ 2,900,000</u>	<u>\$ 4,130,000</u>	<u>\$ 4,780,000</u>
Interest rate (%)	0.75-0.81	0.87-1.29	0.80-1.29

d. Long-term bills payable

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial papers	\$ 1,710,000	\$ 2,610,000	\$ 960,000
Less: Unamortized discount	<u>141</u>	<u>862</u>	<u>227</u>
	<u>\$ 1,709,859</u>	<u>\$ 2,609,138</u>	<u>\$ 959,773</u>
Interest rate (%)	0.75-0.96	0.84-1.06	1.01-1.08

Commercial papers have revolving credit lines within the payment terms according to the contracts and need to be utilized to some extent. Bills Financial Corporation was secured by Bangkok Bank as of June 30, 2020, December 31, 2019 and June 30, 2019.

18. BONDS PAYABLE

	June 30, 2020
Unsecured domestic bonds	\$ 2,000,000
Less: Issuance cost of bonds payable	<u>3,135</u>
	<u>\$ 1,996,865</u>

The major terms of unsecured domestic bonds are as follows:

Issuance Period	Total Amount	Coupon Rate (%)	Repayment and Interest Payment
March 2020 to March 2025	\$ 2,000,000	0.78	Repayable in March 2025; interest payable annually.

19. ACCOUNTS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Accounts payable</u>			
Operating - non related parties	<u>\$ 22,309</u>	<u>\$ 29,672</u>	<u>\$ 63,382</u>
Operating - related parties	<u>\$ 98,532</u>	<u>\$ 65,597</u>	<u>\$ 876,951</u>

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

20. OTHER PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Salaries and incentive bonus	\$ 142,302	\$ 184,613	\$ 227,426
Utilities	69,357	65,964	70,863
Export fees	55,150	41,375	88,602
Outsourced repair and construction	31,527	40,107	85,464
Processing fee	29,364	26,859	15,922
Freight	24,897	29,247	31,325
Employees' compensation and remuneration of directors	1,811	1,211	54,895
Dividends	-	-	143,555
Others	<u>116,826</u>	<u>115,012</u>	<u>198,130</u>
	<u>\$ 471,234</u>	<u>\$ 504,388</u>	<u>\$ 916,182</u>

21. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, and the amounts were NT\$5,653 thousand, NT\$6,382 thousand, NT\$11,306 thousand and NT\$12,765 thousand for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, respectively.

22. EQUITY

a. Ordinary shares

	June 30, 2020	December 31, 2019	June 30, 2019
Numbers of shares authorized (in thousands)	<u>2,043,160</u>	<u>2,043,160</u>	<u>2,043,160</u>
Shares authorized	<u>\$ 20,431,600</u>	<u>\$ 20,431,600</u>	<u>\$ 20,431,600</u>

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Numbers of shares issued and fully paid (in thousands)	<u>1,435,544</u>	<u>1,435,544</u>	<u>1,435,544</u>
Shares issued	<u>\$ 14,355,444</u>	<u>\$ 14,355,444</u>	<u>\$ 14,355,444</u>
			(Concluded)

In June 2009, the Corporation revised the number of its authorized shares to 3,000,000 thousand shares upon obtaining the approval in the shareholders' meeting. The number of authorized shares remained unchanged.

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

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	<u>\$ 903</u>	<u>\$ 903</u>	<u>\$ 903</u>

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

Such capital surplus may be used only to offset deficits.

c. Retained earnings and dividend policy

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

The Corporation is in a mature steel industry. Thus, dividends will be appropriated in cash or in stock at an appropriate ratio, with cash dividends to be at least 50% of total dividends.

Under the Company Law, legal reserve should be appropriated from retained earnings until its balance equals the Corporation's paid-in capital. Legal reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2018 and 2019 had been approved in the shareholders' meeting in June 2020 and 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 118	\$ 90,450		
Special reserve	51,971	497,607		
Cash dividends	-	143,555	<u>\$ -</u>	<u>\$ 0.1</u>

Information about the appropriation of earnings and offsetting deficits, proposed by the shareholders' meetings and the Corporation's board of directors, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

	For the Six Months Ended June 30	
	2020	2019
Balance, beginning of period	<u>(\$ 549,578)</u>	<u>(\$ 497,607)</u>
Recognized during the period		
Unrealized gains and losses - equity instruments	(110,769)	22,013
Share from associates accounted for using the equity method	<u>(355,036)</u>	<u>77,349</u>
Other comprehensive income recognized in the period	<u>(465,805)</u>	<u>99,362</u>
Balance, end of period	<u>(\$1,015,383)</u>	<u>(\$ 398,245)</u>

23. OPERATING REVENUES

- a. Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Accounts receivable	<u>\$ 1,214,021</u>	<u>\$ 511,750</u>	<u>\$ 1,597,909</u>	<u>\$ 1,132,372</u>
Contract liabilities - current				
Sale of goods	\$ 24,911	\$ 285,052	\$ 28,600	\$ 93,555
Advances received	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,890</u>
	<u>\$ 24,911</u>	<u>\$ 285,052</u>	<u>\$ 28,600</u>	<u>\$ 96,445</u>

- b. Disaggregation of revenue

For the Six Months Ended June 30, 2020

<u>Type of goods or services</u>	Reportable segments		
	Chung Hung	Others	Total
Sale of goods	\$ 17,721,203	\$ -	\$ 17,721,203

(Continued)

	Reportable segments		
	Chung Hung	Others	Total
Rendering of services	\$ 198,655	\$ -	\$ 198,655
Others	<u>29,447</u>	<u>-</u>	<u>29,447</u>
	<u>\$ 17,949,305</u>	<u>\$ -</u>	<u>\$ 17,949,305</u>

(Concluded)

For the Six Months Ended June 30, 2019

<u>Type of goods or services</u>	Reportable segments		
	Chung Hung	Others	Total
Sale of goods	\$ 23,341,517	\$ -	\$ 23,341,517
Rendering of services	224,362	1,754	226,116
Others	<u>32,044</u>	<u>-</u>	<u>32,044</u>
	<u>\$ 23,597,923</u>	<u>\$ 1,754</u>	<u>\$ 23,599,677</u>

24. PROFIT (LOSS) BEFORE INCOME TAX

Profit (Loss) before income tax consisted of following items:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Rental income	\$ 21,259	\$ 19,217	\$ 42,376	\$ 38,292
Dividend income	625	3,471	8,771	3,471
Others	<u>4,989</u>	<u>572</u>	<u>12,387</u>	<u>12,867</u>
	<u>\$ 26,873</u>	<u>\$ 23,260</u>	<u>\$ 63,534</u>	<u>\$ 54,630</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net foreign exchange gain	\$ 951	\$ 20,036	\$ 6,043	\$ 35,151
Gain on disposal of non-current assets held for sale	-	871	-	871
Loss on disposal of property, plant and equipment	-	-	(11,545)	(8,491)
Loss arising from financial assets at fair value through profit or loss	(1,566)	(6,796)	(21,612)	(10,926)
Fees	(2,875)	(2,460)	(6,069)	(5,810)
Others	<u>(1,102)</u>	<u>36</u>	<u>(1,239)</u>	<u>(328)</u>
	<u>(\$ 4,592)</u>	<u>\$ 11,687</u>	<u>(\$ 34,422)</u>	<u>\$ 10,467</u>

The components of net foreign exchange gain were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Foreign exchange gain	\$ 14,260	\$ 33,057	\$ 34,689	\$ 52,187
Foreign exchange loss	(13,309)	(13,021)	(28,646)	(17,036)
Net exchange gain	<u>\$ 951</u>	<u>\$ 20,036</u>	<u>\$ 6,043</u>	<u>\$ 35,151</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest on bank overdrafts and loans	\$ 20,363	\$ 26,989	\$ 41,564	\$ 56,525
Interest on loans from related parties (Note 29)	3,735	3,404	7,969	7,265
Interest on lease liabilities	<u>266</u>	<u>230</u>	<u>543</u>	<u>448</u>
Total interest expense financial liabilities measured at amortized cost	24,364	30,623	50,076	64,238
Less: Amounts included in the cost of qualifying assets	<u>380</u>	<u>537</u>	<u>676</u>	<u>1,005</u>
	<u>\$ 23,984</u>	<u>\$ 30,086</u>	<u>\$ 49,400</u>	<u>\$ 63,233</u>

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Capitalized amounts	\$ 380	\$ 537	\$ 676	\$ 1,005
Capitalized annual rates (%)	0.71-0.76	0.90-0.92	0.71-0.83	0.90-0.94

d. Depreciation

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 284,585	\$ 304,872	\$ 581,406	\$ 612,797
Investment properties	222	222	444	439
Right-of-use assets	<u>3,861</u>	<u>3,130</u>	<u>7,722</u>	<u>5,740</u>
	<u>\$ 288,668</u>	<u>\$ 308,224</u>	<u>\$ 589,572</u>	<u>\$ 618,976</u>

Analysis of depreciation by function

Operating costs	\$ 267,237	\$ 286,561	\$ 547,128	\$ 575,109
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(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating expenses	\$ 21,209	\$ 21,441	\$ 42,000	\$ 43,428
Deduction of other income	<u>222</u>	<u>222</u>	<u>444</u>	<u>439</u>
	<u>\$ 288,668</u>	<u>\$ 308,224</u>	<u>\$ 589,572</u>	<u>\$ 618,976</u>

(Concluded)

e. Operating expenses directly related to investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Direct operating expenses of investment properties that generated rental income	\$ 2,726	\$ 4,025	\$ 5,544	\$ 8,420
Direct operating expenses of investment properties that did not generate rental income	<u>1,715</u>	<u>440</u>	<u>3,430</u>	<u>880</u>
	<u>\$ 4,441</u>	<u>\$ 4,465</u>	<u>\$ 8,974</u>	<u>\$ 9,300</u>

f. Employee benefits

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits				
Salaries	\$ 205,523	\$ 299,254	\$ 458,958	\$ 573,520
Labor and health insurance	20,994	23,829	42,118	45,481
Others	<u>26,540</u>	<u>42,140</u>	<u>61,250</u>	<u>85,213</u>
	<u>253,057</u>	<u>365,223</u>	<u>562,326</u>	<u>704,214</u>
Post-employment benefits				
Defined contribution plans	6,398	6,360	12,787	12,694
Defined benefit plans (Note 21)	<u>5,653</u>	<u>6,382</u>	<u>11,306</u>	<u>12,765</u>
	<u>12,051</u>	<u>12,742</u>	<u>24,093</u>	<u>25,459</u>
	<u>\$ 265,108</u>	<u>\$ 377,965</u>	<u>\$ 586,419</u>	<u>\$ 729,673</u>
Analysis of employee benefits expense by function				
Operating costs	\$ 221,625	\$ 313,000	\$ 490,882	\$ 606,940
Operating expenses	<u>43,483</u>	<u>64,965</u>	<u>95,537</u>	<u>122,733</u>
	<u>\$ 265,108</u>	<u>\$ 377,965</u>	<u>\$ 586,419</u>	<u>\$ 729,673</u>

g. Employees' compensation and remuneration of directors

In accordance with the Corporation's Articles of Incorporation, the Corporation distributes employees' compensation and remuneration of directors at rates no less than 1% and no higher than 1%, respectively, of the pre-tax profit to deducting, employees' compensation, and remuneration of directors less any deficit. There was no bonus to employees and remuneration to directors on June 30, 2020 because the Corporation had accumulated deficits.

For the three months ended June 30, 2019 and for the six months ended June 30, 2019, the employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Employees' compensation	\$ 18,887	\$ 22,448
Remuneration of directors	3,225	3,932

The appropriations of employees' compensation and remuneration of directors for the year ended December 31, 2018 and 2019, which were approved by the board of directors in February 2020 and March 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
<u>Amount</u>		
Employees' compensation	\$ 11	\$ 22,262
Remuneration of directors	-	4,452
<u>Accrual rate</u>		
Employees' compensation (%)	0.10	2.10
Remuneration of directors (%)	-	0.42

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018.

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

25. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ -	\$ 214	\$ -	\$ 308
Income tax on unappropriated earnings	<u>-</u>	<u>8,645</u>	<u>-</u>	<u>8,645</u>
	<u>\$ -</u>	<u>\$ 8,859</u>	<u>\$ -</u>	<u>\$ 8,953</u>

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

b. No income tax was recognized in equity or other comprehensive loss.

c. Income tax assessments

The Group's income tax returns through 2018 have been assessed by the tax authorities.

26. EARNINGS (LOSS) PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic earnings (loss) per share	(\$0.25)	<u>\$ 0.20</u>	(\$0.34)	<u>\$ 0.25</u>
Diluted earnings (loss) per share	(\$0.25)	<u>\$ 0.19</u>	(\$0.34)	<u>\$ 0.25</u>

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

Net profit (loss) for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Attributable to owners of the Corporation	(\$ <u>363,608</u>)	<u>\$ 280,121</u>	(\$ <u>488,903</u>)	<u>\$ 358,056</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	1,435,544	1,435,544	1,435,544	1,435,544
Effect of dilutive potential ordinary shares:				
Employees' compensation	-	2,138	-	2,938
Weighted average number of ordinary shares used in computation of diluted earnings (loss) per share	1,435,544	1,437,682	1,435,544	1,438,482

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.

Net loss for the three months ended June 30, 2020 was not included in the calculation of diluted earnings per share because of the anti-dilutive effect.

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue their operations while maximizing the return to shareholders through the optimization of the debt and equity balance.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management of the Group considers the carrying amount of financial assets and liabilities not carried at fair value approximates fair value.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
June 30, 2020				
Financial assets at fair value through profit or loss				
Emerging market shares	\$ -	\$ -	\$ 159,739	\$ 159,739
Financial assets at FVOCI				
Domestic listed shares	\$ 706,143	\$ -	\$ -	\$ 706,143
Domestic unlisted shares	-	-	43,237	43,237
	\$ 706,143	\$ -	\$ 43,237	\$ 749,380

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Financial assets at fair value through profit or loss				
Emerging market shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u>181,351</u>	\$ <u>181,351</u>
Financial assets at FVOCI				
Domestic listed shares	\$ 815,306	\$ -	\$ -	\$ 815,306
Domestic unlisted shares	<u> -</u>	<u> -</u>	<u>44,843</u>	<u>44,843</u>
	<u>\$ 815,306</u>	<u>\$ -</u>	<u>\$ 44,843</u>	<u>\$ 860,149</u>
<u>June 30, 2019</u>				
Financial assets at fair value through profit or loss				
Emerging market shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u>205,483</u>	\$ <u>205,483</u>
Financial assets at FVOCI				
Domestic listed shares	\$ 851,124	\$ -	\$ -	\$ 851,124
Domestic unlisted shares	<u> -</u>	<u> -</u>	<u>49,353</u>	<u>49,353</u>
	<u>\$ 851,124</u>	<u>\$ -</u>	<u>\$ 49,353</u>	<u>\$ 900,477</u>

There was no transfer between Level 1 and Level 2 for the six months ended June 30, 2020 and 2019.

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

	Financial Assets at Fair Value Through Profit or Loss - Equity Instruments	Financial Assets at Fair value through Other Comprehensive Income - Equity Instruments	Total
<u>For the six months ended June 30, 2020</u>			
Balance, beginning of period	\$ 181,351	\$ 44,843	\$ 226,194
Total profit or loss			
Recognized in profit or loss	(21,612)	-	(21,612)
Recognized in other comprehensive income	<u> -</u>	<u>(1,606)</u>	<u>(1,606)</u>
Balance, end of period	<u>\$ 159,739</u>	<u>\$ 43,237</u>	<u>\$ 202,976</u>
Unrealized gains and losses recognized in other profit or loss	<u>(\$ 21,612)</u>	<u>\$ -</u>	<u>(\$ 21,612)</u>
<u>For the six months ended June 30, 2019</u>			
Balance, beginning of period	\$ 217,281	\$ 51,219	\$ 268,500

(Continued)

	Financial Assets at Fair Value Through Profit or Loss - Equity Instruments	Financial Assets at Fair value through Other Comprehensive Income - Equity Instruments	Total
Total profit or loss			
Recognized in profit or loss	(\$ 10,926)	\$ -	(\$ 10,926)
Recognized in other comprehensive income	-	(1,866)	(1,866)
Disposal	(872)	-	(872)
Balance, end of period	<u>\$ 205,483</u>	<u>\$ 49,353</u>	<u>\$ 254,836</u>
Unrealized gains and losses recognized in other profit or loss	<u>(\$ 11,018)</u>	<u>\$ -</u>	<u>(\$ 11,018)</u> (Concluded)

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

- a) The fair value of emerging stocks was based on the closing price adjusted for liquidity risk premium.
- b) The fair value of unlisted stocks was based on the current net value.

c. Categories of financial instruments

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
Fair value through profit or loss			
Mandatorily at fair value through profit or loss	\$ 159,739	\$ 181,351	\$ 205,483
Measured at amortized cost (see 1 below)	2,785,745	1,433,387	2,557,312
Financial assets at fair value through other comprehensive income			
Equity instruments	749,380	860,149	900,477
<u>Financial liabilities</u>			
Measured at amortized cost (see 2 below)	15,350,078	14,961,824	16,686,834

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties but not tax refund receivable), other financial assets and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables, refund liability, bonds payable, long-term borrowings (including current portion), long-term bills payable, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, investments accounted for using equity method, other financial assets, accounts payable, short-term borrowings, short-term bills payable, bonds payable, long-term borrowings (including current portion of long-term bank borrowings) and long-term bills payable. The Group's financial management department provides service to the business units, coordinates domestic and international financial operations, prepares and analyzes internal risk reports to monitor and manage financial risks related to the operation of the Group. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The main financial risks arising from operating activities are to the risk of change in foreign exchange rates (see (a) below), the risk of changes in interest rates (see (b) below) and the risk of other price (see (c) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group was exposed to foreign currency risk due to sales and purchases, denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing the same currency for accounts receivable and payable.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD. The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only the outstanding foreign currency denominated monetary items, refer to Note 32. A positive number below indicates an increase in profit or loss when the New Taiwan dollars strengthens by 1% against the relevant currency.

	USD Impact (Note)	
	For the six months ended	
	June 30	
	2020	2019
Profit before income tax	\$ 15,696	\$ 16,615

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

b) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value interest rate risk			
Financial liabilities	\$ 4,633,052	\$ 1,874,867	\$ 1,880,846
Cash flow interest rate risk			
Financial assets	1,027,268	366,068	722,752
Financial liabilities	10,015,412	12,374,005	12,783,824

If interest rates had been 0.25% higher/lower all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2020 and 2019 would have been lower/higher by NT\$11,235 thousand and lower/higher by NT\$15,077 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through their investments in domestic listed shares.

The equity price of the group was evaluated by the closing price of the equity securities on a monthly basis.

Sensitivity analysis

If equity price of fair value through other comprehensive income financial assets had been lower by one dollar, the pre-tax-other comprehensive income, for the six months ended June 30, 2020 and 2019 would have both been lower by NT\$34,113 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the balance sheet date, the Group's maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

The Group made transactions only with the parties with good credit. The goods were delivered after the cash or L/C was received, and the Group did not provide financial guarantee to any company. Accounts receivable were due to time differences of L/C negotiation and there was no bad debt in the recent years; therefore, the credit risk is very low.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of June 30, 2020, the unutilized credit facility of the Group was NT\$35.1 billion; therefore, there is no liquidity risk or incapacity of financing capital to meet contractual obligations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

June 30, 2020	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Short-term borrowings	\$ 5,440,148	\$ -	\$ -	\$ 5,440,148
Short-term bills payable	2,550,000	-	-	2,550,000
Accounts payable (including related parties)	120,841	-	-	120,841
Other payables	471,234	-	-	471,234
Refund liabilities	161,118	-	-	161,118
Lease liabilities	16,086	50,439	23,788	90,313
Bonds payables	15,600	2,062,400	-	2,078,000
Long-term bank borrowings	10,208	2,926,630	-	2,936,838
Long-term bills payable	-	1,710,000	-	1,710,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,785,235</u>	<u>\$ 6,749,469</u>	<u>\$ 58,788</u>	<u>\$ 15,593,492</u>
<u>December 31, 2019</u>				
Short-term borrowings	\$ 5,188,373	\$ -	\$ -	\$ 5,188,373
Short-term bills payable	1,800,000	-	-	1,800,000
Accounts payable (including related parties)	95,269	-	-	95,269
Other payables	504,388	-	-	504,388
Refund liabilities	153,612	-	-	153,612
Lease liabilities	14,082	47,037	17,228	78,347
Long-term bank borrowings	499,363	4,173,943	-	4,673,306
Long-term bills payable	-	2,610,000	-	2,610,000
Guarantee deposits received	-	-	35,000	35,000
	<u>\$ 8,255,087</u>	<u>\$ 6,830,980</u>	<u>\$ 52,228</u>	<u>\$ 15,138,295</u>
<u>June 30, 2019</u>				
Short-term borrowings	\$ 5,641,542	\$ -	\$ -	\$ 5,641,542
Short-term bills payable	1,800,000	-	-	1,800,000
Accounts payable (including related parties)	940,333	-	-	940,333
Other payables	916,182	-	-	916,182
Refund liabilities	211,671	-	-	211,671
Lease liabilities	14,069	50,733	19,749	84,551
Long-term bank borrowings	1,481,268	4,794,146	-	6,275,414
Long-term bills payable	-	960,000	-	960,000
Guarantee deposits received	-	120	35,000	35,120
	<u>\$ 11,005,065</u>	<u>\$ 5,804,999</u>	<u>\$ 54,749</u>	<u>\$ 16,864,813</u>

29. 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 disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

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

Company	Relationship
China Steel Corporation	Parent entity
Dragon Steel Corporation (DSC)	Fellow subsidiaries
CHC Resources Corporation (CHC)	Fellow subsidiaries
Info Champ Systems Corporation (ICSC)	Fellow subsidiaries
CSC Steel SDN. BHD. (CSSB)	Fellow subsidiaries
Himag Magnetic Corporation (HMC)	Fellow subsidiaries
China Steel Machinery Corporation	Fellow subsidiaries
China Steel Global Trading Corporation	Fellow subsidiaries
China Ecotek Corporation	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
China Steel Express Corporation	Fellow subsidiaries
China Steel Structure Co., Ltd	Fellow subsidiaries
Universal Exchange Inc.	Fellow subsidiaries
China Steel Management Consulting Corp.	Fellow subsidiaries
China Steel Chemical Corporation	Fellow subsidiaries
Yu Cheng Lime Corporation	Fellow subsidiaries
Wabo Global Trading Corporation	Fellow subsidiaries
CSC SOLAR CORP.	Fellow subsidiaries
Kaohsiung Rapid Transit Corporation	Fellow subsidiaries
CGST Metals Vietnam Joint Stock Company	Fellow subsidiaries
CSGT Japan Co., Ltd.	Fellow subsidiaries
Transglory Investment Corporation	Associates
Formosa Ha Tinh Steel Corporation	Other related parties
Pacific Harbour Stevedoring Corporation	Other related parties as supervisors of the Corporation

b. Sale of goods

Account Items	Related Parties Types	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2020	2019	2020	2019
Sales	Fellow subsidiaries related to others	\$ 108,971	\$ 357,126	\$ 549,113	\$ 611,398
	Parent entity	<u>3,055</u>	<u>-</u>	<u>7,524</u>	<u>1,310</u>
		<u>\$ 112,026</u>	<u>\$ 357,126</u>	<u>\$ 556,637</u>	<u>\$ 612,708</u>
Service Revenue	Parent entity	\$ 82,067	\$ 107,231	\$ 196,503	\$ 222,840
	Fellow subsidiaries related to others	<u>11</u>	<u>-</u>	<u>11</u>	<u>18</u>
		<u>\$ 82,078</u>	<u>\$ 107,231</u>	<u>\$ 196,514</u>	<u>\$ 222,858</u>

The parent entity and some fellow subsidiaries related to others paid by telegraphic transfers (T/T) within 7 days from product shipment, T/T within 60 days from product shipment, monthly billing by T/T after acceptance sale of, steel pipe products collected at the beginning of next month; these payment terms differed from those for third parties, from whom payments were negotiated to be on Tuesday and Friday. The price of iron oxide that the Corporation sells to fellow subsidiaries related to

others does not have comparable price because the Corporation does not sell iron oxide to third parties and the collection term for selling iron oxide is negotiated to be on Tuesday and Friday.

The abovementioned service revenue is from the agreements that the Corporation entered into with parent entity in which the Corporation has to do certain processing work and charged based on the formula stated in the agreements. The Corporation bills the parent entity within one month after approval of delivery.

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

Account Items	Related Parties/Name Types	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2020	2019	2020	2019
Other operating revenue	Fellow subsidiaries related to others				
	DSC	\$ 9,996	\$ 10,264	\$ 21,347	\$ 23,484
	HMC	<u>2,384</u>	<u>2,662</u>	<u>5,477</u>	<u>5,846</u>
		<u>\$ 12,380</u>	<u>\$ 12,926</u>	<u>\$ 26,824</u>	<u>\$ 29,330</u>

There is no significant profit or loss from the sale of the materials of the Company to fellow subsidiaries.

c. Purchase of goods

Related Parties Types/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Parent entity	<u>\$ 2,571,298</u>	<u>\$ 5,796,898</u>	<u>\$ 9,573,865</u>	<u>\$ 10,724,396</u>
Fellow subsidiaries related to others				
DSC	2,408,507	2,767,804	3,954,559	5,574,881
Others	<u>76,801</u>	<u>111,422</u>	<u>212,686</u>	<u>210,412</u>
	<u>2,485,308</u>	<u>2,879,226</u>	<u>4,167,245</u>	<u>5,785,293</u>
Other related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,810</u>
	<u>\$ 5,056,606</u>	<u>\$ 8,676,124</u>	<u>\$ 13,741,110</u>	<u>\$ 16,632,499</u>

Purchases from related parties, mainly slabs and hot rolling coil, were made under normal terms.

d. Accounts receivable from related parties

Account Items	Related Parties Types/Name	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable from related parties	Parent entity	\$ 15,390	\$ 43,118	\$ 25,590
	Fellow subsidiaries related to others	<u>6,253</u>	<u>2,615</u>	<u>23,005</u>
		<u>\$ 21,643</u>	<u>\$ 45,733</u>	<u>\$ 48,595</u>

(Continued)

Account Items	Related Parties Types/Name	June 30, 2020	December 31, 2019	June 30, 2019
Other receivables from related parties	Parent entity	\$ 506,260	\$ 509,734	\$ 178,905
	Fellow subsidiaries related to others			
	CHC	\$ 22,113	\$ 31,578	\$ 33,971
	Others	50	102	174
		<u>22,163</u>	<u>31,680</u>	<u>34,145</u>
		<u>\$ 528,423</u>	<u>\$ 541,414</u>	<u>\$ 213,050</u>

(Concluded)

No guarantee had been received for accounts receivable and other receivable from related parties. No expense had been recognized for the six months ended June 30, 2020 and 2019 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

e. Accounts payable to related parties (excluding loans from related parties)

Account Items	Related Parties Types	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable	Parent entity	\$ 87,652	\$ 56,343	\$ 859,537
	Others	5,483	7,924	6,895
	Fellow subsidiaries related to others	<u>5,397</u>	<u>1,330</u>	<u>10,519</u>
		<u>\$ 98,532</u>	<u>\$ 65,597</u>	<u>\$ 876,951</u>

The outstanding accounts payable to related parties were unsecured.

f. Loans from related parties

Related Parties Types	June 30, 2020	December 31, 2019	June 30, 2019
Parent entity	<u>\$ 2,400,000</u>	<u>\$ 2,450,000</u>	<u>\$ 2,450,000</u>

The Corporation borrowed money from the parent entity because of the need for short-term fund. The interest rate of the loan was based on average daily short-term interest the parent entity financed for the same currency from financial institutions in the last 30 days and adjusted monthly.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the loans from the parent entity were unsecured loans with interest expense of NT\$3,735 thousand, NT\$3,404 thousand, NT\$7,969 thousand and NT\$7,265 thousand for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, respectively.

g. Other transactions with related parties

1) Authorization fees

In May 2003, CSC, Sumitomo Metal Industries, Ltd. (SMI, renamed to Nippon Steel Corporation in April, 2019) and Sumitomo Corporation (SC) entered into a joint venture agreement and established a holding company named East Asia United Steel Corporation (EAUS) in July 2003. CSC will have a stable supply of good quality slab through this joint venture. CSC then signed a contract with the Corporation, transferring to the Corporation the right to buy slab from EAUS. The Corporation should pay authorization fees to CSC under the contract. These fees (included in the purchase cost of materials) were NT\$11,013 thousand, NT\$25,789 thousand, NT\$49,400 thousand and NT\$48,434 thousand for the three months ended June 30, 2020 and 2019 and for the six months

ended June 30, 2020 and 2019, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, authorization fees payable (included in payables to related parties) were NT\$11,655 thousand, NT\$21,550 thousand and NT\$26,921 thousand, respectively. The calculation of slab purchase prices was based on the formula stated in the agreement.

2) Leases

- a) The Corporation entered into a contract with fellow subsidiaries related to others on the lease of the Corporation's part of the land and warehouse. The rental revenue for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were NT\$1,035 thousand, NT\$964 thousand, NT\$2,019 thousand and NT\$1,876 thousand, respectively.
- b) The Corporation entered into a contract with parent entity on the lease of the Corporation's part of the land. The rental revenue for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were NT\$1,327 thousand, NT\$1,327 thousand, NT\$2,655 thousand and NT\$2,655 thousand, respectively.

3) Construction in progress and other expenditures

Other expenditures paid to related parties, which pertained to construction or maintenance, purchased supplies, waste acid and security fee, etc., were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
a) Other expenditures				
Others	\$ 34,944	\$ 56,356	\$ 74,632	\$ 100,577
Parent entity	20,207	41,669	46,119	74,252
Fellow subsidiaries related to others	<u>31,418</u>	<u>19,312</u>	<u>55,137</u>	<u>39,185</u>
	<u>\$ 86,569</u>	<u>\$ 117,337</u>	<u>\$ 175,888</u>	<u>\$ 214,014</u>
b) Capital expenditure				
Fellow subsidiaries related to others				
ICSC	\$ 95,085	\$ 740	\$ 101,825	\$ 18,043
Others	<u>379</u>	<u>1,010</u>	<u>379</u>	<u>10,736</u>
	<u>95,464</u>	<u>1,750</u>	<u>102,204</u>	<u>28,779</u>
Parent entity	<u>-</u>	<u>2,723</u>	<u>7,600</u>	<u>2,723</u>
	<u>\$ 95,464</u>	<u>\$ 4,473</u>	<u>\$ 109,804</u>	<u>\$ 31,502</u>

4) Income from supplies and scrap

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiaries related to others				
CHC	\$ 57,074	\$ 109,172	\$ 134,306	\$ 218,247
Others	<u>3,148</u>	<u>3,619</u>	<u>6,766</u>	<u>7,651</u>
	<u>\$ 60,222</u>	<u>\$ 112,791</u>	<u>\$ 141,072</u>	<u>\$ 225,898</u>

h. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 6,682	\$ 9,434	\$ 11,655	\$ 15,416
Post-employment benefits	<u>545</u>	<u>444</u>	<u>1,090</u>	<u>888</u>
	<u>\$ 7,227</u>	<u>\$ 9,878</u>	<u>\$ 12,745</u>	<u>\$ 16,304</u>

30. ASSETS PLEDGED AS COLLATERAL OR SECURITY

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

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits (included in other financial assets - current)	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2020 were as follows:

- a. Unused letters of credit for purchases of raw materials and machinery and equipment amounted to about NT\$2,376,452 thousand
- b. The Group had signed agreements to buy equipment for NT\$459,076 thousand, of which NT\$248,360 thousand had been paid (included in construction-in-progress and prepayments for equipment).

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>June 30, 2020</u>				
Monetary financial assets				
USD	\$ 54,360	29.630	(USD:NTD)	\$ 1,610,687
Monetary financial liabilities				
USD	1,388	29.630	(USD:NTD)	41,132
JPY	2,459	0.275	(JPY:NTD)	677
<u>December 31, 2019</u>				
Monetary financial assets				
USD	4,321	29.98	(USD:NTD)	129,550
Monetary financial liabilities				
USD	1,515	29.98	(USD:NTD)	45,416
JPY	49,145	0.276	(JPY:NTD)	13,564
<u>June 30, 2019</u>				
Monetary financial assets				
USD	54,847	31.06	(USD:NTD)	1,703,550
Monetary financial liabilities				
USD	1,354	31.06	(USD:NTD)	42,051

For the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, realized and unrealized net foreign exchange gains were NT\$951 thousand, NT\$20,036 thousand, NT\$6,043 thousand and NT\$35,151 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

33. SEPARATELY DISCLOSED ITEMS

- a. For the six months ended June 30, 2020, information about significant transactions and b. investees:
- 1) Financing provided to others (None)
 - 2) Endorsements/guarantees provided (None)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital

(None)

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

34. SEGMENT INFORMATION

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

- The Corporation - manufacture, process and sell steel products.
- Other corporations - Hung Kao Investment Corporation engaged in general investment, and Taiwan Steel Corporation which has not yet started in operation and had become end of settlement on December 30, 2019.

Segment revenues and operating results

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

	The Corporation	Others	Adjustment and Elimination	Total
For the six months ended June 30, 2020				
Revenues from external customers	\$ 17,949,305	\$ -	\$ -	\$ 17,949,305
Segment loss	(\$ 465,314)	(\$ 680)	\$ 60	(\$ 465,934)
Interest income	469	9	-	478
Other income	63,594	-	(60)	63,534
Other income and expenses	(34,422)	-	-	(34,422)
Finance costs	(49,400)	-	-	(49,400)
Share of the profit of associates	(3,830)	-	671	(3,159)
Net profit for the period	(\$ 488,903)	(\$ 671)	\$ 671	(\$ 488,903)

(Continued)

	The Corporation	Others	Adjustment and Elimination	Total
<u>For the six months ended June 30, 2020</u>				
Identifiable assets	\$ 27,432,602	\$ 25,090	\$ -	\$ 27,457,692
Investments accounted for using equity method	<u>2,191,317</u>	<u>-</u>	<u>(23,290)</u>	<u>2,168,027</u>
Total assets	<u>\$ 29,623,919</u>	<u>\$ 25,090</u>	<u>(\$ 23,290)</u>	<u>\$ 29,625,719</u>
Total liabilities	<u>\$ 16,009,730</u>	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ 16,011,530</u>
<u>For the six months ended June 30, 2019</u>				
Revenues from external customers	<u>\$ 23,597,923</u>	<u>\$ 1,754</u>	<u>\$ -</u>	<u>\$ 23,599,677</u>
Segment profit	\$ 366,976	\$ 1,072	\$ 60	\$ 368,108
Interest income	1,231	1	-	1,232
Other income	54,690	-	(60)	54,630
Other income and expenses	10,467	-	-	10,467
Finance costs	(63,233)	-	-	(63,233)
Share of the profit of associates	<u>(3,337)</u>	<u>-</u>	<u>(858)</u>	<u>(4,195)</u>
Profit before income tax for the period	366,794	1,073	(858)	367,009
Income tax expense	<u>8,738</u>	<u>215</u>	<u>-</u>	<u>8,953</u>
Net profit for the period	<u>\$ 358,056</u>	<u>\$ 858</u>	<u>(\$ 858)</u>	<u>\$ 358,056</u>
Identifiable assets	\$ 29,902,340	\$ 34,936	(\$ 2,829)	\$ 29,934,447
Investments accounted for using equity method	<u>2,565,463</u>	<u>-</u>	<u>(30,092)</u>	<u>2,535,371</u>
Total assets	<u>\$ 32,467,803</u>	<u>\$ 34,936</u>	<u>(\$ 32,921)</u>	<u>\$ 32,469,818</u>
Total liabilities	<u>\$ 17,390,694</u>	<u>\$ 4,844</u>	<u>(\$ 2,829)</u>	<u>\$ 17,392,709</u>

(Concluded)

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

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2020

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	JUNE 30, 2020				Note	
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value		
Chung Hung Steel Corporation	Common Stock Yieh United Steel Corp.	Parent company	Financial assets at fair value through profit or loss - current	39,151,800	\$ 159,739	1	\$ 159,739	Note1	
	Shouh Hwang Enterprise Co., Ltd.		Financial assets at fair value through profit or loss - current	730,000	-	15	-	Note2	
						<u>\$ 159,739</u>	<u>\$ 159,739</u>		
	Common Stock China Steel Corporation		Financial assets at fair value through other comprehensive income - current	33,109,239	<u>\$ 685,361</u>	-	<u>\$ 685,361</u>		
	Common Stock Taiwan Ves-Power Co., Ltd.		Financial assets at fair value through other comprehensive income - noncurrent	958,333	\$ 34,078	2	\$ 34,078	2020.5.31 net value	
	Riselink Venture Capital Corp.		Financial assets at fair value through other comprehensive income - noncurrent	197,381	3,046	3	3,046	2020.5.31 net value	
Chung Hung Steel Corporation	Pacific Harbour Stevedoring Corp.	The company as its supervisor	Financial assets at fair value through other comprehensive income - noncurrent	250,000	6,113	5	6,113	2020.4.30 net value	
						<u>\$ 43,237</u>	<u>\$ 43,237</u>		
Hung Kao Investment Corporation	Common Stock China Steel Corporation	The ultimate parent of the Company	Financial assets at fair value through other comprehensive income - noncurrent	1,003,980	<u>\$ 20,782</u>	-	<u>\$ 20,782</u>		

Note 1: The fair value of emerging stock was based on the closing price adjusted for liquidity risk premium on June 30, 2020.

Note 2: The impairment loss has been recognized that resulted in zero book value.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE PERIOD ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Chung Hung Steel Corporation	China Steel Corporation	Parent company	Purchase of goods	\$ 9,573,865	68	Letter of credit at sight/Payment after final acceptance	\$-	NO THIRD-PARTY COULD BE COMPARED (Note)	(\$ 87,652)	(73)	
	Dragon Steel Corporation	Fellow subsidiary	Purchase of goods	3,954,559	28	Letter of credit at sight	-	NO THIRD-PARTY COULD BE COMPARED (Note)	-	-	
	China Steel Global Trading Corporation	Fellow subsidiary	Purchase of goods	177,856	1	Letter of credit at sight/Payment after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED (Note)	(4,742)	(4)	
	CSC Steel Sdn. Bhd.	Fellow subsidiary	Revenue from sale of goods	(535,254)	(3)	T/T within 7 business days after lading date(not included)	-	NO THIRD-PARTY COULD BE COMPARED (Note)	-	-	
	China Steel Corporation	Parent company	Service revenue	(196,503)	(1)	T/T as the end of the month of after final acceptance	-	NO THIRD-PARTY COULD BE COMPARED (Note)	15,390	1	

Note: Refer to Note 29.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hung Steel Corporation	China Steel Corporation	Parent company	\$ 504,785 (Note1)	-	\$ -	-	\$ -	\$ -

Note 1: Discount receivable.

Note 2: At the report date, amounts were received.

CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE PERIOD ENDED JUNE 30, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
				Chung Hung Steel Corporation	Hung Kao Investment Corporation	Republic of China	General investment	\$ 26,000			
Chung Hung Steel Corporation	Transglory Investment Corporation	Republic of China	General investment	2,001,152	2,001,152	297,619,989	40.91	2,168,027	(7,722)	(3,159)	Associates

Note: Amount was eliminated in the consolidated financial statements.

CHUNG HUNG STEEL CORPORATION

**INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2020**

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