

HSIN KUANG STEEL CO., LTD.

2020 General Shareholders Meeting

Time : 9:00 AM, June 11 (Tuesday), 2020

Location : No. 120, Gongye 8th Road, Guanyin District, Taoyuan City

(The Company's Guanyin Plant Conference Office)

Attendance : Total outstanding Hsin Kuang shares : 310,417,699shares , Total shares represented by shareholders present in person or by proxy : 199,135,307 shares , Percentage of shares held by shareholders present in person or by proxy : 64.15% .

Chairman : Mr.Alexander M.T.Su, the Chairman of the Board of Directors

Recorder : Jessica P.H.Liu

Directors present : Alexander M.T.Su (Chairman of Han De Investment Co., Ltd.) 、 Trickle T.C.Chang (Chairman of Trickle Co., Ltd.) 、 Ming-shan,Jheng 、 Fisher C.H.Yu 、 Johnathon Y.J.Su 、 Shih-yang,Chen

Independent Directors present : Winston Won 、 Po-Yung Chu 、 Paul T.Y.Huang

Staff present : Deloitte & ToucheSheng-Hsiung Yao, CPA

Tung Wah Law Firm Ke-ming Liao, Lawyer

I 、 The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum.

The Chairman called the meeting to order

II 、 Chairman's Address (omitted)

III 、 Report Items :

Case 1 2019 Business Report.

Case 2 Audit Committee's Report.

Case 3 Report on the 2019 distribution of remuneration to employees, directors, and supervisors.

Case 4 Report on the Company's total amount for endorsement, guarantee and amount of loans to third parties.

Case 5 Other matters: Report on the Company executes buyback of the Company's shares

VI、Acceptance and Discussions：

Case 1： Ratification of the 2019 business report and final financial statements (proposed by the Board of Directors)

Description：(1) The Company's 2019 financial statements, including: the balance sheet, comprehensive income statement, statement of changes in equity and the cash flow statement, have been audited by Sheng-Hsiung Yao, CPA and Jui-Na Chang, CPA of Deloitte and recognized in the 19th meeting of the Company's 14th-term Board of Directors

(2) Please refer to and ratify Attachment 1 from page 12 to page 14 and Attachment 3 and 4 from page 16 to 36 of the Proceedings Manual for the Company's 2019 Business Report, CPA Auditing Report and the aforementioned financial statements.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results：

Shares represented at the time of voting：199,135,307

Voting Results*	% of the total represented share present
Votes in favor:：193,640,743 votes (37,377,233 votes)	97.241%
Votes against：2,082 votes (2,082 votes)	0.001%
Votes invalid：none	0.000%
Votes abstained：5,492,482 votes (5,312,474 votes)	2.758%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the 2019 Business Report and Financial Statements be and hereby were accepted as submitted.

Case 2： Approval of 2019 earnings distribution proposal. (proposed by the Board of Directors)

Description: (1) The Earnings Distribution Statement is for the distribution of distributable earnings of 2019 in cash dividend of NT\$0.80 per ordinary share. In the event that the total number of the Company's stocks in circulation is affected for any reason, please authorize the Chairman to adjust the distribution ratio based on the total amount of earnings to be distributed and the resolution in this shareholders meeting in accordance with the quantity of the Company's shares in external circulation on the record date.

(2) For this period's motion to distribute dividends to shareholders, the dividend will be calculated to the amount of one whole NTD, and any decimal point below one NTD will be rounded down. Shares below one NTD will be adjusted from the largest decimal place, until the total amount of dividend for shareholders has been distributed.

(3) The Company's 2019 Earnings Distribution Statement was approved in the 19th meeting of the Company's 14th-term Board of Directors and approved by Supervisors as the submitted proposal. Please refer to Attachment 5 on page 37 to page 38 of the Proceedings Manual and ratify.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 199,135,307

Voting Results*	% of the total represented share present
Votes in favor: : 193,638,175 votes (37,374,665 votes)	97.240%
Votes against : 56,082 votes (56,082 votes)	0.028%
Votes invalid : none	0.00%
Votes abstained : 5,441,050 votes (5,261,042votes)	2.732%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

V 、 Votes :

Case 1 : Election of 15th-term directors (proposed by the Board of Directors)

Description: (i) The term of the 14th-term directors shall expire on August 5, 2020.

(ii) To expedite the election, the Company's Board of Directors has resolved not to organize a separate extraordinary shareholders meeting forelections and shall hold elections for 9 directors (including 3 independent directors) in this general shareholders meeting.

(iii) The Company shall elect 9 directors (including 3 independent directors)in this election. The term of the elected directors shall be from August 6,2020 to August 5, 2023.

(iv) The election of the directors (including independent directors) of the Company is held by nomination in accordance with Article 192-1 of the Company Act and shareholders shall vote on the list of candidates. Please refer to Attachment 6 from page 39 to 40 of the Manual for the candidates' education, experience and other information.

Election Result: Nine directors(including 3 independent directors) were elected by the shareholders present. The term of office of the newly elected directors shall expire on the same date as the term of the existing directors, commencing from August 6, 2020 toAugust5, 2023. The list of the newly elected directors with votes received as below:

Directors			Independent Directors		
shareholder's No	Name	Votes Received	ID card No	Name	Votes Received
75058	HAN DE INVESTMENT CO., LTD., Chairman : Alexander M.T.Su	314,092,220	N1017*****	Winston Won	151,549,365
15	TRICKLE CO., LTD., Chairman : Trickle T.C.Chang	223,575,144	A1042*****	Po-Young, Chu	151,433,196
14	Ming-shan, Jheng	211,816,669	R1008*****	Paul T.Y.Huang	151,180,576
55	Fisher C.H.Yu	152,183,403			
18	Johnathon Y.J.Su	152,253,072			
87282	Shih-yang, Chen	150,289,925			

VI 、 Other Proposals :

Case 1 : Submit the proposal for the waiver of non-competition clauses for newly elected directors of the Company to the shareholders meeting. (proposed by the Board of Directors)

Description: (i) Article 209 of the Company Act stipulates that directors should explain the actions they are going to take within the scope of the Company's business operation for themselves or for others in the shareholders' meetings, and obtain approval.

(ii) To make use of the expertise and related experience of the Company's directors and their proxies, if, following reelection, new directors are engaged in the investment or operation of a business entity whose scope of business is similar to that of the Company and acts as a director thereof, we request that the non-competition clauses applicable to the director be waived in order to allow him or her to act as a director or the representative of said business entity, provided that such waiver will not infringe upon the interests of the Company. Submit the proposal for the waiver of non-competition clauses for the following candidates for Directors to the shareholders meeting.

Category	Candidate Name	Approved of other companies
Director	Representative of Han De Investment Co., Ltd.: Alexander M.T.Su.	Chairman of Hsin Ho Fa Metal Co., Ltd. Chairman of APEX Wind Power Equipment Manufacturing Co., Ltd. Director of Century Iron and Steel Industrial Co., Ltd. Director of Mason Metal Industry Co., Ltd. Chairman of Hsin Ching International Co., Ltd. Chairman of Hsin Cheng Logistics Development Co., Ltd. Director of Century Wine Power Co., Ltd.
Director	Representative of Trickle Co., Ltd.: Tian-Cheng, Chang	Chairman of Trickle Co., Ltd. Chairman of Shin Fa Steel Mfg. Co., Ltd. Director of Taiwan Steel Tower Co., Ltd. Director of An Gang Metal Co., Ltd.
	Ming-shan, Jheng	Chairman of Hsin Hua Steel Industry Co., Ltd.
	Fisher C.H. Yu	Director of Hsin Ho Fa Metal Co., Ltd.
	Johnathon Y.J. Su	Director of Mason Metal Industry Co., Ltd.
	Shih-Yang, Chen	Independent Director of Yung Tay Engineering Co., Ltd.
Independent Director	Winston Won	Independent Director of Taiwan Name Plate Co., Ltd. Chairman of Shao Rui Development Co., Ltd. Chairman of Ofuna Technology Co., Ltd. Chairman of Ofuna Develop Technology Co., Ltd. Chairman of Ofuna Property Management Co., Limited

Voting Results :

Shares represented at the time of voting : 199,135,307

Voting Results*	% of the total represented share present
Votes in favor: : 190,880,808 votes (34,617,298 votes)	95.855%
Votes against : 93,783 votes (93,783 votes)	0.047%
Votes invalid : none	0.00%
Votes abstained : 8,160,716 votes (7,980,708 votes)	4.098%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

VII 、Extempore Motions :

(Questions raised by the shareholders and the management's responses were omitted)

There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.

VIII 、Meeting adjourned 9:50AM

Hsin Kuang Steel Co., Ltd. Business Report

The domestic and international economy and steel market were positive in the first half of 2019 but both suffered significant and rapid declines in the second half of the year. It began with the impact of Section 232 Trade Remedies on Aluminum and Steel in the United States which culminated in the trade and tariff disputes between China and the United States. Prices fell and trading volume declined across the entire steel market. With the hard work of all employees, we enhanced adjustments and response in the procurement, production, sales, and other operating procedures and the Company was able to maintain normal operations and a small amount of earnings.

Financial Performance

The Company's combined revenue for 2019 totaled NT\$8.48 billion, which was a NT\$210 million and 2.4% decrease from the NT\$8.69 billion in the previous year. The net operating loss totaled NT\$98 million, which was a NT\$527 million decrease from the NT\$429 million from the previous year. The EPS was NT\$0.39, which was a decrease of NT\$2.78 from the NT\$3.17 in the previous year. The Company has suffered declines in both revenue and profitability.

In products sales, the Company's operating goal in 2019 was the sale of 370,000 metric tons of steel products and the combined sales of the year reached 340,000 metric tons. The achievement rate was 91.9%.

In income and expenditure, cash flow in 2019 from business activities amounted to NT\$411.22 million, which mainly consisted of the bills receivable and accounts receivable generated in sales as well as inventories in response to supply and demand operations etc. Cash outflow for investment activities amounted to NT\$157.64 million mainly due to the purchase of properties and investment in plants and equipment. Cash outflow for financing activities amounted to NT\$712.32 million mainly due to long-term and short-term loans necessary for adjustments in operations. The closing cash and cash equivalents of the period was NT\$1,099.16 million.

Annual Corporate Development

The 2020 business strategies include five main areas:

1. Procurement of materials: Strengthen supplier relationships and management;
2. Business and sales: Adopt complex management styles for sales of multiple categories of steel;
3. Customer relationship management: Focus on the value curve and develop new customers;
4. Construction projects: Adopt concerted cooperation and accept new purchase orders;
5. Strategic integration and mid to long-term plans: Implement supply chain integration, work with joint ventures and world-class steel plants, supply and manufacture steel parts for underwater foundations for offshore wind power projects, develop solar photovoltaic materials, and expand overseas investments.

Based on the guidance of the aforementioned strategies, we shall implement four plans:

1. Blue Ocean strategy: Cultivate talents, optimize the inventory structure, integrate value chains, and expand overseas markets;
2. Strengthen business management: Cultivate regional talents, adopt value-oriented strategies for profit centers, intensify development of direct customers and those with whom we have not conducted transactions in a long time, assess and strengthen the capacity of the steel coil cutting centers, and integrate supply chains;
3. Strengthen manufacturing management system: Improve production efficiency, utilization rates, improve labor safety management, improve production quality, reduce the outflow of mixed materials, improve environmental management, and implement production and management resources of joint ventures;
4. Simplify corporate procedures: Introduce tags into the production system, assess improvements of the CRM database system with the aim of increasing efficiency and reducing lead time, improve procedures, and update the entire

ERP computer system.

The total annual sales goal of 2020 is set at 437,000 metric tons of steel. Although COVID-19 has struck countries across the world and caused significant impact on the global economy, industrial manufacturing, finance, and commerce, the epidemic would ultimately end and In a completely free steel market, we shall gain full control over the quantity, price, and delivery schedule of the supply chain and pay close attention to the domestic midstream and downstream demand. With the reputation we have accumulated in the industry throughout the years and the updated and expanded plants, equipment, manpower logistics, and cutting and processing capabilities, all our employees are confident of reaching the operation target of 437,000 metric tons this year.

Future Outlook

The government has published policies for the continuous promotion of solar power, offshore wind power, Forward-looking Infrastructure Development, and expansion of domestic demand. The return of Taiwanese businesses will promote optimism and stable advancement in the domestic steel industry with massive amounts of business opportunities in steel structure construction, deck steel plates, colored steel plates, C-shaped steel, and fire safety door panels. We shall continue to implement expansion policies, intensify task-based assignments for the departments, cultivate talent and recruit outstanding talent. We shall advance tasks while implementing effective management, develop existing customers and production lines, and work hard to develop new customers, solar power, wind power, and new products to embrace the new year.

Legal Representative:
Alexander M.T.Su

Managerial Officer:
Alexander M.T.Su

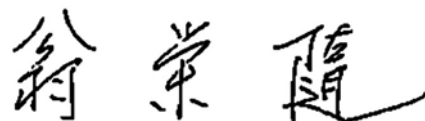
Chief Accounting Officer:
Jessica P.H. Liu

Audit Committee's Report

The Board of Directors has prepared and submitted the 2019 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying the Company's business activities. In accordance with the Securities and Exchange Act and the Company Act, this report is submitted for shareholder's examination.

Hsin Kuang Steel Company Limited

Audit Committee Convener

Handwritten signature in black ink, consisting of three characters: 翁, 榮, 隨.

March 17, 2020

Independent Auditor's Report and the 2019 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Hsin Kuang Steel Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in the consolidated financial statements of the Group for the year ended December 31, 2019 are as follows:

Write-down of Inventories

As of December 31, 2019, inventories in the Group's consolidated financial statements amounted to NT\$3,435,128 thousand, representing 21% of total assets. The Group mainly engages in the sale, cutting, slitting, steel structure processing and logistics of various steel products. Under this business model, the Group must reserve various steel products to respond to market and customer demands. Because steel industry is highly affected by fluctuations of international steel prices, changes in the value of inventory can affect the calculation of net realizable value of inventories. The amount of inventories is significant to the consolidated financial statements as a whole and the valuation of net realizable value of inventory involves management's judgment; in particular, management based its estimation of net realizable value of inventory on past selling prices and actual transactions. Therefore, we identified write-down of inventories as a key audit matter.

Refer to Notes 4, 5 and 11 to the consolidated financial statements for the accounting policies and related disclosures on the write-down of inventories.

We performed the following audit procedures in respect of write-down of inventories:

1. We understood and tested the design and operating effectiveness of key controls over the estimation of inventory write-downs.
2. We took into consideration the steel price charts of China Steel Corporation and the market price trend of nickel metal, which was the main material of stainless steel, in assessing the reasonableness of management's estimate for the inventory write-downs.
3. We obtained the data used by management in calculating the allowance for inventory write-downs and recalculated the sales price used for estimation. We evaluated the reasonableness of management's estimation, by selecting samples with their relating invoices to verify the authenticity of the data.

Other Matters

We have also audited the parent company only financial statements of Hsin Kuang Steel Company Limited as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Sheng-Hsiung Yao and Jui-Na Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2020

Notice to Readers

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

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,099,161	7	\$ 1,558,960	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,349,571	8	1,349,097	8
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	-	-	80,115	1
Financial assets at amortized cost - current (Notes 9 and 31)	61,113	-	206,918	1
Notes receivable from related parties (Notes 4, 5, 10 and 30)	44,465	-	56,772	-
Notes receivable from unrelated parties (Notes 4, 5, 10 and 31)	1,044,987	7	1,263,870	7
Trade receivables from related parties (Notes 4, 5, 10 and 30)	13,847	-	22,375	-
Trade receivables from unrelated parties (Notes 4, 5 and 10)	1,353,763	9	1,243,271	7
Inventories (Notes 4, 5 and 11)	3,435,128	21	4,057,033	24
Prepayments	147,754	1	158,227	1
Other current assets (Note 16)	47,827	-	9,181	-
Total current assets	8,597,616	53	10,005,819	58
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	1,767,897	11	1,990,369	12
Investments accounted for using the equity method (Notes 4 and 13)	575,743	4	572,812	3
Property, plant and equipment (Notes 4, 14 and 31)	3,887,599	24	3,498,574	20
Investment properties (Notes 4, 15 and 31)	984,659	6	1,002,688	6
Deferred tax assets (Notes 4 and 25)	47,405	-	32,256	-
Other non-current assets (Notes 5, 10 and 16)	226,972	2	180,603	1
Total non-current assets	7,490,275	47	7,277,302	42
TOTAL	\$ 16,087,891	100	\$ 17,283,121	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	\$ 4,743,264	29	\$ 6,961,865	40
Short-term bills payable (Notes 4 and 17)	469,737	3	429,734	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	41,855	-	8,748	-
Contract liabilities - current (Note 23)	149,488	1	143,030	1
Notes payable to unrelated parties (Notes 4 and 19)	263,903	2	647,129	4
Notes payable to related parties (Notes 4, 19 and 30)	608	-	3,134	-
Trade payables to unrelated parties (Notes 4 and 19)	48,280	-	177,805	1
Trade payables to related parties (Notes 4, 19 and 30)	-	-	1,482	-
Other payables (Notes 20 and 31)	110,636	1	188,852	1
Current tax liabilities (Notes 4 and 25)	11,182	-	90,949	1
Current portion of long - term borrowings and bonds payable (Notes 4 and 17)	420,532	3	796,026	5
Other current liabilities	4,999	-	3,298	-
Total current liabilities	6,264,484	39	9,452,052	55
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	-	-	400,337	2
Long-term borrowings (Notes 4 and 17)	1,057,603	7	128,948	1
Long-term bills payable (Note 17)	1,898,531	12	-	-
Provisions - non-current (Notes 4 and 13)	3,570	-	3,570	-
Deferred tax liabilities (Notes 4 and 25)	12,201	-	21,673	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	27,048	-	27,744	-
Other non-current liabilities	13,668	-	13,668	-
Total non-current liabilities	3,012,621	19	595,940	3
Total liabilities	9,277,105	58	10,047,992	58
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Share capital	3,106,877	19	3,106,877	18
Capital surplus	817,716	5	818,309	5
Retained earnings				
Legal reserve	858,883	6	761,010	4
Special reserve	43,567	-	-	-
Unappropriated earnings	1,565,297	10	2,067,794	12
Total retained earnings	2,467,747	16	2,828,804	16
Other equity	(108,260)	(1)	(43,568)	-
Total equity attributable to owners of the Company	6,284,080	39	6,710,422	39
NON-CONTROLLING INTERESTS	526,706	3	524,707	3
Total equity	6,810,786	42	7,235,129	42
TOTAL	\$ 16,087,891	100	\$ 17,283,121	100

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 30)				
Sales	\$ 8,331,608	101	\$ 8,617,077	108
Other operating revenue	<u>146,177</u>	<u>2</u>	<u>77,086</u>	<u>1</u>
Total operating revenue	<u>8,477,785</u>	<u>103</u>	<u>8,694,163</u>	<u>109</u>
OPERATING COSTS				
Cost of goods sold (Notes 11, 24 and 30)	(8,253,950)	(100)	(7,955,101)	(100)
Other operating costs	<u>(47,274)</u>	<u>(1)</u>	<u>(9,497)</u>	<u>-</u>
Total operating costs	<u>(8,301,224)</u>	<u>(101)</u>	<u>(7,964,598)</u>	<u>(100)</u>
GROSS PROFIT	<u>176,561</u>	<u>2</u>	<u>729,565</u>	<u>9</u>
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(682)	-	(900)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>900</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>176,779</u>	<u>2</u>	<u>728,665</u>	<u>9</u>
OPERATING EXPENSES (Notes 4 and 30)				
Selling and marketing expenses	(159,341)	(2)	(178,446)	(2)
General and administrative expenses	(80,309)	(1)	(132,412)	(1)
Expected credit (loss) gain	<u>(35,029)</u>	<u>-</u>	<u>10,823</u>	<u>-</u>
Total operating expenses	<u>(274,679)</u>	<u>(3)</u>	<u>(300,035)</u>	<u>(3)</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(97,900)</u>	<u>(1)</u>	<u>428,630</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES (Notes 24 and 30)				
Other income	81,944	1	85,819	1
Other gains	301,719	4	754,451	10
Finance costs	(167,484)	(2)	(142,185)	(2)
Share of profit of associates and joint ventures	<u>6,178</u>	<u>-</u>	<u>15,512</u>	<u>-</u>
Total non-operating income and expenses	<u>222,357</u>	<u>3</u>	<u>713,597</u>	<u>9</u>

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 124,457	2	\$ 1,142,227	15
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(6,341)</u>	<u>-</u>	<u>(142,215)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>118,116</u>	<u>2</u>	<u>1,000,012</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	(631)	-	(3,125)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	<u>(62,108)</u>	<u>(1)</u>	<u>(75,941)</u>	<u>(1)</u>
	<u>(62,739)</u>	<u>(1)</u>	<u>(79,066)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(2,591)</u>	<u>-</u>	<u>3,563</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(65,330)</u>	<u>(1)</u>	<u>(75,503)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 52,786</u>	<u>1</u>	<u>\$ 924,509</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 120,674	1	\$ 978,725	13
Non-controlling interests	<u>(2,558)</u>	<u>-</u>	<u>21,287</u>	<u>-</u>
	<u>\$ 118,116</u>	<u>1</u>	<u>\$ 1,000,012</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 55,351	1	\$ 903,212	12
Non-controlling interests	<u>(2,565)</u>	<u>-</u>	<u>21,297</u>	<u>-</u>
	<u>\$ 52,786</u>	<u>1</u>	<u>\$ 924,509</u>	<u>12</u>

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 26)				
From continuing operations				
Basic	<u>\$ 0.39</u>		<u>\$ 3.17</u>	
Diluted	<u>\$ 0.39</u>		<u>\$ 3.06</u>	

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

(Concluded)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Share Capital			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2018	306,194	\$ 3,061,937	\$ 867,689	\$ 654,386	\$ 19,407	\$ 1,638,702	\$ (1,339)	\$ -	\$ 30,159	\$ 6,478,332
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	30,159	(30,159)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	306,194	3,061,937	867,689	654,386	19,407	1,638,702	(1,339)	30,159	-	6,478,332
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	(19,407)	19,407	-	-	-	-
Appropriation of 2017 earnings	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	(459,291)	-	-	-	(888)
Cash dividends distributed by the Company	-	-	-	-	-	(106,624)	-	-	-	(459,291)
Legal reserve	-	-	-	106,624	-	-	-	-	-	-
Other changes in capital surplus:										
Changes in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	66	-	-	-	-	-	-	66
Cash dividends distributed from capital surplus	-	-	(153,097)	-	-	-	-	-	-	(153,097)
Convertible bonds converted to ordinary shares	4,494	44,940	103,654	-	-	-	-	-	-	148,594
Net profit for the year ended December 31, 2018	-	-	-	-	-	978,725	-	-	-	21,287
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(3,125)	3,553	(75,941)	-	10
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	975,600	3,553	(75,941)	-	21,297
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	296,973
BALANCE AT DECEMBER 31, 2018	310,688	3,106,877	818,312	761,010	-	2,067,794	2,214	(45,782)	-	6,710,425
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	97,873	-	(97,873)	-	-	-	-
Special reserve	-	-	-	-	43,567	(43,567)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(466,032)	-	-	-	(466,032)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(16,296)
Changes in percentage of ownership interests in subsidiaries	-	-	(593)	-	-	(1,302)	-	-	-	1,895
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(13,766)	-	-	-	(13,766)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	120,674	-	-	-	(2,558)
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(631)	(2,584)	(62,108)	-	(7)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	120,043	(2,584)	(62,108)	-	(2,565)
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	18,965
BALANCE AT DECEMBER 31, 2019	310,688	\$ 3,106,877	\$ 817,719	\$ 858,883	\$ 43,567	\$ 1,565,297	\$ (370)	\$ (107,890)	\$ -	\$ 6,810,789

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 124,457	\$ 1,142,227
Adjustments for:		
Depreciation expenses	108,256	84,761
Amortization expenses	2,931	1,469
Expected credit loss recognized (reversed) on trade receivables	35,029	(10,823)
Net gain on fair value changes of financial assets at fair value through profit or loss	(224,960)	(747,018)
Net loss (gain) on fair value changes of financial liabilities at fair value through profit or loss	136,294	(24,432)
Finance costs	167,484	142,185
Interest income	(1,008)	(1,290)
Dividend income	(78,136)	(78,545)
Loss on disposal of property, plant and equipment	811	708
Share of profit of associates	(6,178)	(15,512)
(Reversal of) write-downs of inventories	(14,415)	108,793
Unrealized gain on transactions with associates	682	900
Realized gain on transactions with associates	(900)	-
Net gain on foreign currency exchange	(66,025)	(39,506)
Net defined benefit liabilities	(1,486)	(3,161)
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	121,299	441,562
Decrease (increase) in notes receivable	231,191	(302,332)
Increase in trade receivables	(134,093)	(3,049)
Decrease (increase) in inventories	636,321	(1,416,883)
Decrease (increase) in prepayments	10,473	(63,618)
(Increase) decrease in other current assets	(27,743)	8,557
(Decrease) increase in notes payable	(385,751)	225,659
(Decrease) increase in trade payables	(132,316)	179,406
(Decrease) increase in other payables	(57,475)	8,089
Increase in other current liabilities	1,701	17,571
Increase in contract liabilities	6,457	24,398
Cash generated from (used in) operations	452,900	(319,884)
Interest received	1,008	1,290
Dividends received	78,136	78,545
Income tax paid	(120,826)	(187,157)
Net cash generated from (used in) operating activities	411,218	(427,206)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(12,000)	(129,450)

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 228,386	\$ -
Proceeds from capital reduction and return of shares from financial assets at fair value through other comprehensive income	8,121	2,222
Purchase of financial assets at amortized cost	-	(116,672)
Proceeds from sale of financial assets at amortized cost	145,805	-
Acquisition of associates and joint ventures	-	(25,600)
Payments for property, plant and equipment	(206,400)	(454,638)
Proceeds from disposal of property, plant and equipment	7,043	6,024
Payments for investment properties	(3,513)	-
Proceeds from disposal of investment properties	1,400	-
Increase in other non-current assets	(6,769)	(6,192)
Increase in prepayments for equipment	(334,784)	(126,065)
Dividends received from associates	3,204	798
Decrease in refundable deposits	<u>11,870</u>	<u>117</u>
Net cash used in investing activities	<u>(157,637)</u>	<u>(849,456)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15,039,975	13,353,678
Repayments of short-term borrowings	(17,192,060)	(10,650,104)
Increase (decrease) in short-term bills payable	40,000	(40,000)
Proceeds from long-term borrowings	936,243	-
Repayments of long-term borrowings	(796,026)	(229,726)
Proceeds from long-term bills payable	1,900,000	-
Proceeds from guarantee deposits received	-	13,368
Interest paid	(177,084)	(106,719)
Dividends paid to owners of the Company	(466,032)	(612,388)
Dividends paid to non-controlling interests	(16,296)	(888)
Increase in non-controlling interests	<u>18,965</u>	<u>296,973</u>
Net cash (used in) generated from financing activities	<u>(712,315)</u>	<u>2,024,194</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,065)</u>	<u>1,250</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(459,799)</u>	<u>748,782</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,558,960</u>	<u>810,178</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,099,161</u>	<u>\$ 1,558,960</u>

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

(Concluded)

Independent Auditor's Report and the 2019 Individual Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying financial statements of Hsin Kuang Steel Company Limited (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are as follows:

Write-down of Inventories

As of December 31, 2019, inventories in the Company's financial statements amounted to NT\$3,337,743 thousand, representing 21% of total assets. The Company mainly engages in the sale, cutting, slitting, steel structure processing and logistics of various steel products. Under this business model, the Company must reserve various steel products to respond to market and customer demands. Because steel industry is highly affected by fluctuations of international steel prices, changes in the value of inventory can affect the calculation of net realizable value of

inventories. The amount of inventories is significant to the financial statements as a whole and the valuation of net realizable value of inventory involves management's judgment; in particular, management based its estimation of the net realizable value of inventory on past selling prices and actual transactions. Therefore, we identified write-down of inventories as a key audit matter.

Refer to Notes 4, 5 and 11 to the financial statements for the accounting policies and related disclosures on the write-down of inventories.

We performed the following audit procedures in respect of write-down of inventories:

1. We understood and tested the design and operating effectiveness of key controls over the estimation of inventory write-downs.
2. We took into consideration the steel price charts of China Steel Corporation and the market price trend of nickel metal, which was the main material of stainless steel, in assessing the reasonableness of management's estimate for the inventory write-downs.
3. We obtained the data used by management in calculating the allowance for inventory write-downs and recalculated the sales price used for estimation. We evaluated the reasonableness of management's estimation by selecting samples with their relating invoices to verify the authenticity of the data.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Sheng-Hsiung Yao and Jui-Na Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2020

Notice to Readers

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

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

HSIN KUANG STEEL COMPANY LIMITED

BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 906,531	6	\$ 978,699	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	728,466	5	889,644	5
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	-	-	80,115	1
Financial assets at amortized cost - current (Notes 9 and 30)	55,684	-	116,677	1
Notes receivable from related parties (Notes 4, 5, 10 and 29)	44,465	-	56,772	-
Notes receivable from unrelated parties (Notes 4, 5, 10 and 30)	1,040,374	7	1,252,277	7
Trade receivables from related parties (Notes 4, 5, 10 and 29)	54,753	-	39,488	-
Trade receivables from unrelated parties (Notes 4, 5 and 10)	1,313,690	9	1,228,738	7
Inventories (Notes 4, 5 and 11)	3,337,743	21	4,027,175	24
Prepayments	109,809	1	144,639	1
Other current assets (Note 15)	41,372	-	2,301	-
Total current assets	7,632,887	49	8,816,525	52
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30)	1,677,957	11	1,898,224	11
Investments accounted for using the equity method (Notes 4 and 12)	2,073,493	13	2,024,422	12
Property, plant and equipment (Notes 4, 13, 29 and 30)	3,276,213	21	3,165,177	19
Investment properties (Notes 4, 14 and 30)	947,208	6	958,879	6
Deferred tax assets (Notes 4 and 24)	41,571	-	32,240	-
Other non-current assets (Notes 10 and 15)	56,030	-	46,612	-
Total non-current assets	8,072,472	51	8,125,554	48
TOTAL	\$ 15,705,359	100	\$ 16,942,079	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 16)	\$ 4,688,264	30	\$ 6,875,405	41
Short-term bills payable (Notes 4 and 16)	469,737	3	429,734	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	41,755	-	8,659	-
Contract liabilities - current (Note 22)	141,910	1	143,030	1
Notes payable to unrelated parties (Notes 4 and 18)	254,763	2	647,007	4
Notes payable to related parties (Notes 4, 18 and 29)	608	-	3,156	-
Trade payables to unrelated parties (Notes 4 and 18)	45,499	-	177,687	1
Trade payables to related parties (Notes 4, 18 and 29)	1,299	-	1,482	-
Other payables (Notes 19 and 29)	91,511	-	165,288	1
Current tax liabilities (Notes 4 and 24)	-	-	71,573	-
Current portion of long - term borrowings and bonds payable (Notes 4, 16 and 17)	420,532	3	610,526	4
Other current liabilities	2,066	-	1,524	-
Total current liabilities	6,157,944	39	9,135,071	54
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	-	-	400,337	2
Long-term borrowings (Notes 4 and 16)	807,603	5	128,948	1
Long-term bills payable (Note 16)	1,898,531	12	-	-
Provisions - non-current (Notes 4 and 12)	3,570	-	3,570	-
Deferred tax liabilities (Notes 4 and 24)	12,201	-	21,605	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	27,048	-	27,744	-
Other non-current liabilities	514,382	4	514,382	3
Total non-current liabilities	3,263,335	21	1,096,586	6
Total liabilities	9,421,279	60	10,231,657	60
EQUITY (Notes 4 and 21)				
Share capital	3,106,877	20	3,106,877	18
Capital surplus	817,716	5	818,309	5
Retained earnings				
Legal reserve	858,883	6	761,010	5
Special reserve	43,567	-	-	-
Unappropriated earnings	1,565,297	10	2,067,794	12
Total retained earnings	2,467,747	16	2,828,804	17
Other equity	(108,260)	(1)	(43,568)	-
Total equity	6,284,080	40	6,710,422	40
TOTAL	\$ 15,705,359	100	\$ 16,942,079	100

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 29)				
Sales	\$ 8,335,222	99	\$ 8,591,658	99
Other operating revenue	<u>78,443</u>	<u>1</u>	<u>57,121</u>	<u>1</u>
Total operating revenue	<u>8,413,665</u>	<u>100</u>	<u>8,648,779</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 11, 23 and 29)	(8,210,795)	(98)	(7,925,662)	(92)
Other operating costs	<u>(27,340)</u>	<u>-</u>	<u>(6,731)</u>	<u>-</u>
Total operating costs	<u>(8,238,135)</u>	<u>(98)</u>	<u>(7,932,393)</u>	<u>(92)</u>
GROSS PROFIT	<u>175,530</u>	<u>2</u>	<u>716,386</u>	<u>8</u>
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(682)	-	(3,803)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>3,798</u>	<u>-</u>	<u>5</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>178,646</u>	<u>2</u>	<u>712,588</u>	<u>8</u>
OPERATING EXPENSES				
Selling and marketing expenses (Note 23)	(151,295)	(2)	(168,585)	(2)
General and administrative expenses (Notes 23 and 29)	(68,506)	(1)	(114,273)	(1)
Expected credit (loss) gain	<u>(35,029)</u>	<u>-</u>	<u>10,823</u>	<u>-</u>
Total operating expenses	<u>(254,830)</u>	<u>(3)</u>	<u>(272,035)</u>	<u>(3)</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(76,184)</u>	<u>(1)</u>	<u>440,553</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)				
Other income	74,648	1	75,366	1
Other gains	228,335	3	487,604	6
Finance costs	(161,553)	(2)	(138,896)	(2)
Share of profit of associates and joint ventures	<u>66,314</u>	<u>1</u>	<u>236,611</u>	<u>3</u>
Total non-operating income and expenses	<u>207,744</u>	<u>3</u>	<u>660,685</u>	<u>8</u>

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 131,560	2	\$ 1,101,238	13
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(10,886)</u>	<u>-</u>	<u>(122,513)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>120,674</u>	<u>2</u>	<u>978,725</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	(631)	-	(3,125)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	<u>(62,108)</u>	<u>(1)</u>	<u>(75,941)</u>	<u>(1)</u>
	<u>(62,739)</u>	<u>(1)</u>	<u>(79,066)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(2,584)</u>	<u>-</u>	<u>3,553</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(65,323)</u>	<u>(1)</u>	<u>(75,513)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 55,351</u>	<u>1</u>	<u>\$ 903,212</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 0.39</u>		<u>\$ 3.17</u>	
Diluted	<u>\$ 0.39</u>		<u>\$ 3.06</u>	

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

(Concluded)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations		Other Equity		Total Equity
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2018	306,194	\$ 3,061,937	\$ 867,686	\$ 654,386	\$ 19,407	\$ 1,638,702	\$ (1,339)	\$ -	\$ 30,159	\$ 6,270,938
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	30,159	(30,159)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	306,194	3,061,937	867,686	654,386	19,407	1,638,702	(1,339)	30,159	-	6,270,938
Special reserve reversed under Rule No. 101/0012865 issued by the FSC	-	-	-	-	(19,407)	19,407	-	-	-	-
Appropriation of 2017 earnings	-	-	-	106,624	-	(106,624)	-	-	-	-
Legal reserve	-	-	-	-	-	(459,291)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	(459,291)
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in subsidiaries, associates, and joint ventures accounted for using the equity method	-	-	66	-	-	-	-	-	-	66
Cash dividends distributed from capital surplus	-	-	(153,097)	-	-	-	-	-	-	(153,097)
Convertible bonds converted to ordinary shares	4,494	44,940	103,654	-	-	-	-	-	-	148,594
Net profit for the year ended December 31, 2018	-	-	-	-	-	978,725	-	-	-	978,725
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(3,125)	3,553	(75,941)	-	(75,513)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	975,600	3,553	(75,941)	-	903,212
BALANCE AT DECEMBER 31, 2018	310,688	3,106,877	818,309	761,010	-	2,067,794	2,214	(45,782)	-	6,710,422
Appropriation of 2018 earnings	-	-	-	97,873	-	(97,873)	-	-	-	-
Legal reserve	-	-	-	-	43,567	(43,567)	-	-	-	-
Special reserve	-	-	-	-	-	(466,032)	-	-	-	(466,032)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	(593)	-	-	(1,302)	-	-	-	(1,895)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(13,766)	-	-	-	(13,766)
Net profit for the year ended December 31, 2019	-	-	-	-	-	120,674	-	-	-	120,674
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(631)	(2,584)	(62,108)	-	(65,323)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	120,043	(2,584)	(62,108)	-	55,351
BALANCE AT DECEMBER 31, 2019	310,688	\$ 3,106,877	\$ 817,716	\$ 858,883	\$ 43,567	\$ 1,565,297	\$ (370)	\$ (107,890)	\$ -	\$ 6,284,080

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 131,560	\$ 1,101,238
Adjustments for:		
Depreciation expenses	83,354	81,071
Amortization expenses	1,826	1,387
Expected credit loss recognized (reversed) on trade receivables	35,029	(10,823)
Net gain on fair value changes of financial assets at fair value through profit or loss	(151,126)	(467,995)
Net loss (gain) on fair value changes of financial liabilities at fair value through profit or loss	136,294	(24,521)
Finance costs	161,553	138,896
Interest income	(798)	(1,071)
Dividend income	(70,688)	(68,281)
Loss on disposal of property, plant and equipment	518	708
Share of profit of associates	(66,314)	(236,611)
(Reversal of) write-downs of inventories	(12,056)	108,793
Unrealized gain on transactions with associates	682	3,803
Realized gain on transactions with associates	(3,798)	(5)
Net gain on foreign currency exchange	(66,420)	(39,113)
Net defined benefit liabilities	(1,486)	(3,161)
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	209,106	87,175
Decrease (increase) in notes receivable	224,211	(281,490)
Increase in trade receivables	(132,346)	(21,474)
Decrease (increase) in inventories	701,488	(1,392,680)
Decrease (increase) in prepayments	34,830	(63,743)
Increase in other current assets	(28,171)	(1,593)
(Decrease) increase in notes payable	(394,791)	225,892
(Decrease) increase in trade payables	(133,680)	174,771
Decrease in other payables	(53,188)	(3,428)
(Decrease) increase in contract liabilities	(1,120)	24,398
Increase in other current liabilities	542	15,831
Cash generated from (used in) operations	605,011	(652,026)
Interest received	798	1,071
Dividends received	70,688	68,281
Income tax paid	(111,291)	(185,226)
Net cash generated from (used in) operating activities	565,206	(767,900)

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (12,000)	\$ (129,451)
Proceeds from sale of financial assets at fair value through other comprehensive income	228,386	-
Proceeds from capital reduction and return of shares from financial assets at fair value through other comprehensive income	8,121	2,222
Proceeds from disposal (purchase) of financial assets at amortized cost	60,992	(28,971)
Acquisition of associates and joint ventures	(17,675)	(441,152)
Payments for property, plant and equipment	(171,098)	(314,068)
Proceeds from disposal of property, plant and equipment	7,043	6,024
Acquisition of investment properties	(3,000)	-
Proceeds from disposal of investment properties	1,400	-
Increase in other non-current assets	(1,837)	(5,006)
Increase in prepayments for equipment	(17,212)	(17,254)
Dividends received from subsidiaries and associates	32,908	5,248
(Increase) decrease in refundable deposits	<u>(11,858)</u>	<u>73</u>
Net cash generated from (used in) investing activities	<u>104,170</u>	<u>(922,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	14,842,199	13,228,755
Repayments of short-term borrowings	(16,962,430)	(10,565,104)
Increase (decrease) in short-term bills payable	40,000	(40,000)
Proceeds from long-term borrowings	689,182	-
Repayments of long-term borrowings	(610,526)	(210,527)
Proceeds from long-term bills payable	1,900,000	-
Proceeds from guarantee deposits received	-	264,082
Interest paid	(173,937)	(103,579)
Dividends paid	<u>(466,032)</u>	<u>(612,388)</u>
Net cash (used in) generated from financing activities	<u>(741,544)</u>	<u>1,961,239</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(72,168)	271,004
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>978,699</u>	<u>707,695</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 906,531</u>	<u>\$ 978,699</u>

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

(Concluded)

Hsin Kuang Steel Co., Ltd.
Earnings distribution statement
2019

Unit: NT\$

Item	Amount	
	Subtotal	Total
Retained undistributed earnings carried over from the previous year		1,460,322,680
Minus: Actuarial losses on defined benefit plan (2019)	(631,977)	
Minus: Changes in equity of ownership of subsidiaries	(1,301,992)	
Minus: Disposal of investments in equity instruments in other comprehensive income measured at fair value through profit and loss	(13,766,275)	
Plus: Net profit after tax of current year	120,673,737	104,973,493
Appropriated items		
Statutory surplus reserve (10%)	(10,497,349)	
Special surplus reserve	(64,692,237)	(75,189,586)
Distributable earnings of the current year		1,490,106,587
Distribution items		
Shareholder cash dividends - NT\$0.80 per share	(248,550,159)	
	0	(248,550,159)
Retained undistributed earnings in this year		1,241,556,428

- (1). The Company shall distribute shareholder dividends totaling NT\$248,550,159 this year with cash dividends of NT\$0.80 per share. After the approval of the shareholders' cash and stock dividends proposal by the general shareholders meeting, the Board of Directors shall be authorized to decide the record date for distribution.
- (2). For this period's motion to distribute dividends to shareholders, the dividend will be calculated to the amount of one whole NTD, and any decimal point below one NTD will be rounded down. Shares below one NTD will be adjusted from the largest decimal place, until the total amount of dividend for shareholders has been distributed.
- (3). In the event that the number of shares outstanding are affected by changes in the Company's share capital, making it necessary to revise the shareholder's cash dividend rate as a result, the shareholders' meeting is requested to authorize the Board of

Directors or individuals authorized by the Board of Directors to handle such revision at its full discretion.

- (4). The 2019 earnings shall be prioritized for the Company's earnings distribution.

[Attachment 6]

**The Company's Directors and Independent Directors Candidates
Lis for 15th-term**

Candidate Category	Candidate Name	Education	Experience	Job Title	Number of Shares Held
Director	Representative of Han De Investment Co., Ltd.: Alexander M.T.Su	Business Administration Program, National Chengchi University	Chairman of Hsin Kuang Steel Co., Ltd.	Chairman of Hsin Kuang Steel Co., Ltd.	21,055,276
Director	Representative of Trickle Co., Ltd.: Tian-Cheng, Chang	Primary Agricultural School	Chairman of Trickle Co., Ltd.	Chairman of Trickle Co., Ltd.	14,662,469
Director	Ming-shan, Jheng	Junior high school	Director and Vice General Manager of 2nd Operations Department of Hsin Kuang Steel Co., Ltd.	Director and Vice General Manager of 2nd Operations Department of Hsin Kuang Steel Co., Ltd.	1,812,999
Director	Fisher C.H.Yu	EMBA, College of Management, National Chung Hsing University	Director and Vice General Manager of Special Steels Department of Hsin Kuang Steel Co., Ltd.	Director and Vice General Manager of Special Steels Department of Hsin Kuang Steel Co., Ltd.	186,242
Director	Johnathon Y.J.Su	Master of Science (MSC), Birkbeck, University of London	Director and Assistant Vice General Manager of Operations Department of Hsin Kuang Steel Co., Ltd.	Director and Assistant Vice General Manager of Operations Department of Hsin Kuang Steel Co., Ltd.	7,704,930
Director	Shih-yang, Chen	Graduated from Dept. of Accounting, Soochow University	Vice Chairman, Taipei CPA Association	Director of Hsin Kuang Steel Co., Ltd. CPA, Chung Sun Certified Public Accountants Taipei Office	10,193
Independent Director	Winston Won	EMBA, College of Management, National Taiwan University	CPA and Director at Deloitte & Touche	Independent Director of Hsin Kuang Steel Co., Ltd. Chairman of Ofuna Technology Co., Ltd.	-

Candidate Category	Candidate Name	Education	Experience	Job Title	Number of Shares Held
Independent Director	Po-Young, Chu	Ph.D. in Business Administration, Purdue University	Professor, Department of Management Science, National Chiao Tung University	Independent Director of Hsin Kuang Steel Co., Ltd. Professor, Department of Management Science, National Chiao Tung University	-
Independent Director	Paul T.Y.Huang	BA in Business Administration, National Chengchi University	Chairman of Chung Hung Steel Corporation	Independent Director of Hsin Kuang Steel Co., Ltd.	-