China Steel Chemical Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Steel Chemical Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of China Steel Chemical Corporation (the Corporation) and its subsidiaries as of March 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and related notes, 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 March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended 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.

Emphasis of Matter

As disclosed in Note 3 to the consolidated financial statements, the Corporation and its subsidiaries are covered by the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC starting from 2019.

The engagement partners on the reviews result in this independent auditor’s review report are Jui Hsuan Hsu and Yu Hsiang Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 30, 2019

<u>Notice to Readers</u>

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.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,401,737	11	$ 1,277,256	11	$ 752,741	7
Financial assets at fair value through profit or loss - current (Note 7)	1,192,401	9	780,528	7	2,068,309	18
Financial assets at fair value through other comprehensive income - current (Note 8)	182,343	1	174,431	1	121,818	1
Notes receivable (Note 10)	13,147	-	20,567	-	11,528	-
Accounts receivable, net (Note 10)	399,870	3	523,834	4	503,410	4
Accounts receivable - related parties (Notes 10 and 28)	156,792	1	58,978	1	103,397	1
Other receivables (Note 28)	351,562	3	549,238	5	365,327	3
Inventories (Note 11)	575,447	5	615,349	5	580,367	5
Non-current assets held for sale (Note 17)	10,525	-	10,525	-	-	-
Other financial assets - current (Notes 12 and 17)	340,132	3	308,561	3	59,446	1
Other current assets	121,807	1	166,838	1	116,742	1
Total current assets	4,745,763	37	4,486,105	38	4,683,085	41
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Note 7)	72,288	-	71,135	1	68,965	1
Financial assets measured at cost - noncurrent (Note 9)	17,918	-	17,580	-	52,373	-
Investments accounted for using equity method (Note 14)	1,532,124	12	1,480,827	13	1,448,448	13
Property, plant and equipment (Notes 15, 28 and 29)	4,080,985	32	3,982,399	34	3,439,911	30
Right-of-use assets (Notes 4, 16 and 28)	732,023	6	-	-	-	-
Investment properties (Note 17)	552,988	4	552,988	5	563,513	5
Deferred tax assets	75,333	1	73,043	1	57,917	1
Prepaid equipment (Note 29)	420,496	3	397,889	3	421,799	4
Refundable deposits	8,321	-	8,321	-	4,630	-
Long-term prepayments for lease (Note 28)	-	-	24,484	-	26,714	-
Other noncurrent assets (Note 13)	622,328	5	621,975	5	599,775	5
Total noncurrent assets	8,114,804	63	7,230,641	62	6,684,045	59
TOTAL	$ 12,860,567	100	$ 11,716,746	100	$ 11,367,130	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	$ 1,896,582	15	$ 1,982,214	17	$ 1,867,000	16
Short-term bills payable (Note 18)	-	-	-	-	760,000	7
Contract liabilities - current (Notes 17 and 22)	20,432	-	69,817	1	90,870	1
Accounts payable	56,337	1	36,441	-	62,369	-
Accounts payable - related parties (Note 28)	232,237	2	235,905	2	219,606	2
Other payables (Notes 13, 19 and 28)	938,800	7	899,476	8	880,988	8
Current tax liabilities	385,073	3	302,514	2	152,121	1
Lease liabilities - current (Notes 4, 16 and 28)	36,759	-	-	-	-	-
Other current liabilities	4,398	-	7,577	-	4,147	-
Total current liabilities	3,570,618	28	3,533,944	30	4,037,101	35
NONCURRENT LIABILITIES						
Long-term borrowings (Note 18)	650,000	5	650,000	6	-	-
Deferred tax liabilities	10,627	-	6,256	-	19,136	-
Lease liabilities - noncurrent (Notes 4, 16 and 28)	668,092	5	-	-	-	-
Net defined benefit liabilities (Note 4)	165,325	1	168,601	1	164,170	2
Guarantee deposit received	3,480	-	2,403	-	2,296	-
Total noncurrent liabilities	1,497,524	11	827,260	7	185,602	2
Total liabilities	5,068,142	39	4,361,204	37	4,222,703	37
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)						
Ordinary shares capital	2,369,044	19	2,369,044	20	2,369,044	21
Capital surplus	820,648	6	820,648	7	769,715	7
Retained earnings						
Legal reserve	2,413,957	19	2,413,957	21	2,369,044	21
Special reserve	161,983	1	161,983	1	150,593	1
Unappropriated earnings	1,861,323	15	1,471,119	13	1,446,536	13
Total retained earnings	4,437,263	35	4,047,059	35	3,966,173	35
Other equity	(88,363)	(1)	(133,910)	(1)	(193,197)	(2)
Treasury shares	(117,638)	(1)	(117,638)	(1)	(123,082)	(1)
Total equity attributable to owners of the Corporation	7,420,954	58	6,985,203	60	6,788,653	60
NON-CONTROLLING INTERESTS (Note 21)	371,471	3	370,339	3	355,774	3
Total equity	7,792,425	61	7,355,542	63	7,144,427	63
TOTAL	$ 12,860,567	100	$ 11,716,746	100	$ 11,367,130	100

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

(With Deloitte & Touche review report dated April 30, 2019)

CHINA STEEL CHEMICAL 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 March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 28)				
Revenue from sales of goods	$ 1,972,923	98	$ 1,964,280	98
Other operating revenues	46,204	2	48,237	2
Total operating revenues	2,019,127	100	2,012,517	100
OPERATING COSTS (Notes 11, 23 and 28)	1,489,447	74	1,501,644	75
GROSS PROFIT	529,680	26	510,873	25
OPERATING EXPENSES (Notes 10, 23 and 28)				
Selling and marketing expenses	35,437	2	34,756	2
General and administrative expenses	34,291	2	31,961	1
Research and development expenses	29,439	1	22,636	1
Expected credit loss	120	-	-	-
Total operating expenses	99,287	5	89,353	4
PROFIT FROM OPERATIONS	430,393	21	421,520	21
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	16,764	1	53,427	3
Other gains and losses (Notes 23 and 28)	19,550	1	(61,663)	(3)
Share of the profit of associates	16,003	1	10,045	-
Interest expense (Notes 23 and 28)	(5,231)	-	(4,425)	-
Total non-operating income and expenses	47,086	3	(2,616)	-
PROFIT BEFORE INCOME TAX	477,479	24	418,904	21
INCOME TAX (Notes 4 and 24)	87,069	4	82,015	4
NET PROFIT FOR THE PERIOD	390,410	20	336,889	17
OTHER COMPREHENSIVE INCOME (Note 21)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	7,912	-	(6,286)	-

(Continued)

CHINA STEEL CHEMICAL 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 March 31			
	2019		2018	
	Amount	%	Amount	%
Shares of the other comprehensive income of associates	$ 30,498	2	$ (36,234)	(2)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	-	-	2,035	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	7,988	-	(21,246)	(1)
Share of the other comprehensive income of associates	75	-	707	-
Other comprehensive income (loss) for the period, net of income tax	46,473	2	(61,024)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 436,883	22	$ 275,865	14
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 390,544		$ 324,946	
Non-controlling interests	(134)		11,943	
	$ 390,410		$ 336,889	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 435,751		$ 271,744	
Non-controlling interests	1,132		4,121	
	$ 436,883		$ 275,865	
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.68		$ 1.40	
Diluted	$ 1.68		$ 1.40	

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

(With Deloitte & Touche review report dated April 30, 2019)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation															
			Retained Earnings				Other Equity									
	Ordinary Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedge	Gain (Loss) on Hedging Instruments	Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	$ 2,369,044	$ 820,648	$ 2,413,957	$ 161,983	$ 1,471,119	$ 4,047,059	$ (44,737)	$ -	$ (89,173)	$ -	$ -	$ (133,910)	$ (117,638)	$ 6,985,203	$ 370,339	$ 7,355,542
Net profit (loss) for the three months ended March 31, 2019	-	-	-	-	390,544	390,544	-	-	-	-	-	-	-	390,544	(134)	390,410
Other comprehensive income for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	6,797	-	38,410	-	-	45,207	-	45,207	1,266	46,473
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	390,544	390,544	6,797	-	38,410	-	-	45,207	-	435,751	1,132	436,883
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(340)	(340)	-	-	340	-	-	340	-	-	-	-
BALANCE AT MARCH 31, 2019	$ 2,369,044	$ 820,648	$ 2,413,957	$ 161,983	$ 1,861,323	$ 4,437,263	$ (37,940)	$ -	$ (50,423)	$ -	$ -	$ (88,363)	$ (117,638)	$ 7,420,954	$ 371,471	$ 7,792,425
BALANCE AT JANUARY 1, 2018	$ 2,369,044	$ 755,849	$ 2,369,044	$ 150,593	$ 1,164,646	$ 3,684,283	$ (62,873)	$ (98,937)	$ -	$ (173)	$ -	$ (161,983)	$ (125,656)	$ 6,521,537	$ 351,653	$ 6,873,190
Effect of retrospective application and retrospective restatement	-	-	-	-	(45,689)	(45,689)	-	98,937	(74,316)	173	(173)	24,621	-	(21,068)	-	(21,068)
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,369,044	755,849	2,369,044	150,593	1,118,957	3,638,594	(62,873)	-	(74,316)	-	(173)	(137,362)	(125,656)	6,500,469	351,653	6,852,122
Net profit for the three months ended March 31, 2018	-	-	-	-	324,946	324,946	-	-	-	-	-	-	-	324,946	11,943	336,889
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	2,222	2,222	(12,719)	-	(42,707)	-	2	(55,424)	-	(53,202)	(7,822)	(61,024)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	327,168	327,168	(12,719)	-	(42,707)	-	2	(55,424)	-	271,744	4,121	275,865
Disposal of the Corporation's shares held by subsidiaries	-	13,865	-	-	-	-	-	-	-	-	-	-	2,574	16,439	-	16,439
Changes in capital surplus from investments in associates accounted for using equity method	-	1	-	-	-	-	-	-	-	-	-	-	-	1	-	1
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	411	411	-	-	(411)	-	-	(411)	-	-	-	-
BALANCE AT MARCH 31, 2018	$ 2,369,044	$ 769,715	$ 2,369,044	$ 150,593	$ 1,446,536	$ 3,966,173	$ (75,592)	$ -	$ (117,434)	$ -	$ (171)	$ (193,197)	$ (123,082)	$ 6,788,653	$ 355,774	$ 7,144,427

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

(With Deloitte & Touche review report dated April 30, 2019)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 477,479	$ 418,904
Adjustments for:		
Depreciation expense	83,949	67,832
Amortization expense	2,421	2,150
Expected credit loss	120	-
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	(27,774)	32,829
Interest expense	5,231	4,425
Interest income	(9,190)	(3,597)
Dividend income	-	(1,444)
Share of the profit of associates	(20,725)	(12,235)
Loss on disposal of property, plant and equipment	506	-
Gain on disposal of associates	-	(3,304)
Write-down of inventories	5,612	4,217
Changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	(189,213)	39,832
Notes receivable	7,420	36,338
Accounts receivable	123,844	(76,088)
Accounts receivable - related parties	(97,814)	293
Other receivables	198,030	(35,402)
Inventories	34,126	(28,721)
Other current assets	44,516	(34,373)
Contract liabilities	(49,385)	(3,757)
Accounts payable	19,896	17,857
Accounts payable - related parties	(3,668)	(9,205)
Other payables	39,092	34,228
Other current liabilities	(3,179)	(2,488)
Net defined benefit liabilities	(3,276)	(2,592)
Cash generated from operations	638,018	445,699
Income taxes paid	(2,429)	(171)
Net cash generated from operating activities	635,589	445,528
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(221,301)	(856,795)
Proceeds from disposal of financial assets at fair value through profit or loss	25,857	1,024,586
Proceeds from disposal of financial assets at amortized cost	-	41,589
Proceeds from the capital reduction on financial assets mandatorily classified as at fair value through profit or loss	-	1,600
Proceeds from the capital reduction on investments accounted for using equity method	-	7,500

(Continued)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
Acquisition of property, plant and equipment	$ (194,096)	$ (305,684)
Decrease in refundable deposits	-	2,370
Increase in other financial assets	(31,571)	(58,334)
Increase in other noncurrent assets	(581)	(10,666)
Interest received	8,836	3,523
Dividends received from others	-	1,444
Net cash used in investing activities	(412,856)	(148,867)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	882,077	2,047,856
Repayments of short-term borrowings	(967,709)	(2,166,193)
Increase in short-term bills payable	-	210,000
Decrease in short-term bills payable	-	(370,000)
Increase (Decrease) in guarantee deposit received	1,077	(12)
Repayment of principal of lease liabilities	(9,635)	-
Proceeds from disposal of treasury shares	-	16,439
Interest paid	(7,576)	(5,063)
Net cash used in financing activities	(101,766)	(266,973)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	3,514	(10,667)
NET INCREASE IN CASH AND CASH EQUIVALENTS	124,481	19,021
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,277,256	733,720
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,401,737	$ 752,741

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

(With Deloitte & Touche review report dated April 30, 2019)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

China Steel Chemical Corporation (the Corporation) was incorporated by China Steel Corporation (CSC) and other shareholders in February 1989. The Corporation started operations in May 1993, and CSC is the parent company that has substantive control over the Corporation. As of March 31, 2019 and 2018, CSC owned 29.04% of the Corporation's voting shares. The Corporation mainly engages in the production, processing and sales of coal tar distillation products, Naphtha products and coke products; in addition, it also trades related upstream and downstream products.

The shares of the Corporation have been listed and traded on the Taiwan Stock Exchange since November 1998.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation's board of directors and approved for issue on April 30, 2019.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

   <u>IFRS 16 "Leases"</u>

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   1) Definition of a lease

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

2) The Corporation and its subsidiaries as lessee

The Corporation and its subsidiaries recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contract were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

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

Lease agreements previously classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Corporation and its subsidiaries apply IAS 36 to all right-of-use assets.

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

a) The Corporation and its subsidiaries apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Corporation and its subsidiaries account for those leases which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Corporation and its subsidiaries exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Corporation and its subsidiaries use hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.56%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 879,941
Less: Recognition exemption for short-term leases	6,285
Undiscounted amounts on January 1, 2019	$ 873,656
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 713,730
Less: Prepaid rent expense on December 31, 2018	515
Lease liabilities recognized on January 1, 2019	$ 713,215

3) The Corporation and its subsidiaries as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Other current assets	$ 166,838	$ (515)	$ 166,323
Right-of-use assets	-	738,214	738,214
Other noncurrent assets	621,975	(24,484)	597,491
Total effect on assets	$ 788,813	$ 713,215	$ 1,502,028
Lease liabilities - current	$ -	$ 37,242	$ 37,242
Lease liabilities - noncurrent	-	675,973	675,973
Total effect on liabilities	$ -	$ 713,215	$ 713,215

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

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

Note 2: The Corporation and its subsidiaries shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 preparation

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

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

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

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

Refer to Note 13 for the detail information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, refer to the summary of significant accounting policy and basis of preparation in the consolidated financial statements for the year ended December 31, 2018.

1) Leases (applied in 2019)

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

a) The Corporation and its subsidiaries as lessor

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

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

b) The Corporation and its subsidiaries as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2) 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.

3) 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.

The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

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, 2018.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 500	$ 500	$ 400
Checking accounts and demand deposits	536,119	509,177	437,171
Cash equivalents (investment with original maturities less than three months)			
Time deposits	680,198	705,969	315,170
Short-term bills	184,920	61,610	-
	$ 1,401,737	$ 1,277,256	$ 752,741

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL - current

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	$ 989,069	$ 511,403	$ 1,490,246
Domestic listed shares	199,942	262,993	543,223
Foreign listed shares	3,390	6,132	34,840
	$ 1,192,401	$ 780,528	$ 2,068,309

Financial assets at FVTPL - noncurrent

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Emerging market shares	$ 19,406	$ 19,406	$ 16,857
Unquoted ordinary shares	52,882	51,729	52,108
	$ 72,288	$ 71,135	$ 68,965

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

	March 31, 2019	December 31, 2018	March 31, 2018
Domestic investments			
Ordinary shares	$ 171,615	$ 164,492	$ 112,166
Preference shares	10,728	9,939	9,652
	$ 182,343	$ 174,431	$ 121,818

These investments in equity instruments held by the Corporation and its subsidiaries' are not for the purposes of trading and short-term profit. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST - NONCURRENT

	March 31, 2019	December 31, 2018	March 31, 2018
Corporate Bonds			
IL & FS Transportation Networks limited	$ 13,760	$ 13,437	$ -
Haikou Meilan International Airport	-	-	13,930
Ping An Insurance Company of China Ltd.	-	-	9,124
ICBCIL Finance Company Ltd.	-	-	9,737
Industrial & Commercial Ltd.	-	-	9,718
GAZPROM BANK	-	-	5,938
Subordinated financial Bonds - Australia and New Zealand Bank	4,158	4,143	3,926
	$ 17,918	$ 17,580	$ 52,373

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

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable			
Operating	$ 13,147	$ 20,567	$ 11,528
Accounts receivable (including related parties)			
At amortized cost			
Gross carrying amount	$ 556,782	$ 582,812	$ 609,847
Less: Allowance for impairment loss	120	-	3,040
	$ 556,662	$ 582,812	$ 606,807

The average credit period of sales of goods was 30-90 days. No interest was charged on accounts receivables. The Corporation and its subsidiaries adopted a policy of only dealing with entities that are rated equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, management of the Corporation and its subsidiaries has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation and its subsidiaries reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation and its subsidiaries' credit risk was significantly reduced.

The Corporation and its subsidiaries applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and 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, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Corporation and its subsidiaries' 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 Corporation and its subsidiaries' different customer base.

The following table details the loss allowance of notes and accounts receivables based on the Corporation and its subsidiaries' provision matrix.

March 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	$ 544,307	$ 13,343	$ 9,490	$ 2,669	$ 120	$ -	$ 569,929
Loss allowance (Lifetime ECL)	-	-	-	-	(120)	-	(120)
Amortized cost	$ 544,307	$ 13,343	$ 9,490	$ 2,669	$ -	$ -	$ 569,809

December 31, 2018

	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 (%)	-	-	-	-	-	-	
Gross carrying amount	$ 576,215	$ 27,047	$ -	$ 117	$ -	$ -	$ 603,379
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-
Amortized cost	$ 576,215	$ 27,047	$ -	$ 117	$ -	$ -	$ 603,379

March 31, 2018

	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 (%)	-	-	-	-	-	47	
Gross carrying amount	$ 612,092	$ 696	$ -	$ 2,162	$ -	$ 6,425	$ 621,375
Loss allowance (Lifetime ECL)	-	-	-	-	-	(3,040)	(3,040)
Amortized cost	$ 612,092	$ 696	$ -	$ 2,162	$ -	$ 3,385	$ 618,335

The movements of the loss allowance of notes and accounts receivable were as follow:

	For the Three Months Ended March 31, 2019
Balance, beginning of period	$ -
Recognition in the current period	120
Balance, end of period	$ 120

11. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Finished goods	$ 302,616	$ 327,149	$ 359,624
Work in progress	112,083	117,827	66,682
Raw materials	60,768	62,340	63,533
Supplies	98,344	108,033	90,470
Merchandise	1,636	-	58
	$ 575,447	$ 615,349	$ 580,367

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 was NT$1,471,293 thousand and NT$1,484,339 thousand, respectively. The cost of goods sold included inventory write-downs of NT$5,612 thousand and NT$4,217 thousand, respectively.

12. OTHER FINANCIAL ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Time deposits with original maturities more than three months	$ 339,020	$ 307,449	$ 58,334
Deposits for projects (Note 17)	1,112	1,112	1,112
	$ 340,132	$ 308,561	$ 59,446

13. SUBSIDIARIES

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) March 31, 2019	December 31, 2018	March 31, 2018	Description
China Steel Chemical Corporation (CSCC)	Ever Wealthy International Corporation (EWI)	General investment	100	100	100	
	Ever Glory International Co., Ltd. (EGI)	International trading	100	100	100	
	Formosa Ha Tinh CSCC (Cayman) International Limited (CSCCC)	International trading	50	50	50	
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd. (CSCM)	General investment	-	-	100	End of settlement in December 2018
	Changzhou China Steel New Materials Technology Co., Ltd. (CCSNM)	Processing and trading of asphalt mesocarbon microbeads product sorting	100	100	-	Reorganization to EWI in December 2018
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Materials Technology Co., Ltd. (CCSNM)	Processing and trading of asphalt mesocarbon microbeads product sorting	-	-	100	Reorganization to EWI in December 2018

In October 2015, the Corporation entered into a joint venture and collaboration agreement with Formosa Ha Tinh (Cayman) and Formosa Ha Tinh Steel Corporation (Formosa Ha Tinh). According to the agreement, CSCCC was to be established through a joint investment from the Corporation and Formosa Ha Tinh (Cayman) in which the Corporation would own 50% of the equity. CSCCC mainly engages in the processing and sale of the by-products produced by Formosa Ha Tinh such as coal tar products, naphtha products and coke. CSCCC was established in January 2016 with a paid-in capital of USD10,000 thousand from the Corporation. As of March 31, 2019, USD3,000 thousand has been paid to this account.

According to the joint venture and collaboration agreement, CSCCC should pay USD18,580 thousand to Formosa Ha Tinh to acquire the underwriting premium from Formosa Ha Tinh for its produced coal tar products, naphtha products and coke (listed under other noncurrent assets). As of March 31, 2019, this account has not been paid and is listed under other payables.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The Corporation and its subsidiaries' investments accounted for using equity method were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Material associates			
CHC Resources Corporation (CHC)	$ 309,855	$ 295,984	$ 268,646
Transglory Investment Corporation (TIC)	579,339	553,713	513,435
	889,194	849,697	782,081
Associates that are not individually material	642,930	631,130	666,367
	$ 1,532,124	$ 1,480,827	$ 1,448,448

a. Material associates

Name of Associate	Proportion of Ownership and Voting Rights (%) March 31, 2019	December 31, 2018	March 31, 2018
CHC	6	6	6
TIC	9	9	9

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

	March 31, 2019	December 31, 2018	March 31, 2018
CHC	$ 776,500	$ 752,469	$ 812,410

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

CHC

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	$ 2,650,775	$ 2,557,134	$ 2,289,414
Noncurrent assets	8,851,428	6,869,210	5,252,521
Current liabilities	(2,711,890)	(2,599,952)	(2,231,664)
Noncurrent liabilities	(3,492,009)	(1,784,850)	(712,485)
Equity	5,298,304	5,041,542	4,597,786

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Non-controlling interests	$ (168,938)	$ (141,149)	$ (149,998)
	$ 5,129,366	$ 4,900,393	$ 4,447,788
Proportion of the Corporation and its subsidiaries' ownership (%)	6	6	6
Equity attributable to the Corporation and its subsidiaries	$ 309,855	$ 295,984	$ 268,646
Carrying amount	$ 309,855	$ 295,984	$ 268,646

(Concluded)

	For the Three Months Ended March 31	
	2019	2018
Operating revenue	$ 2,403,191	$ 2,118,335
Net profit for the period	$ 231,077	$ 170,868
Other comprehensive loss	(2,057)	(26,062)
Total comprehensive income	$ 229,020	$ 144,806

TIC

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	$ 273	$ 1,018	$ 978
Noncurrent assets	6,722,797	6,439,578	6,085,698
Current liabilities	(425,902)	(421,976)	(505,865)
Equity	$ 6,297,168	$ 6,018,620	$ 5,580,811
Proportion of the Corporation and its subsidiaries' ownership (%)	9	9	9
Equity attributable to the Corporation and its subsidiaries	$ 579,339	$ 553,713	$ 513,435
Carrying amount	$ 579,339	$ 553,713	$ 513,435

	For the Three Months Ended March 31	
	2019	2018
Operating Revenue	$ -	$ -

(Continued)

	For the Three Months Ended March 31	
	2019	2018
Net loss for the period	$ (5,059)	$ (5,015)
Other comprehensive income (loss)	283,607	(343,535)
Total comprehensive income (loss)	$ 278,548	$ (348,550)

(Concluded)

b. Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2019	2018
The Corporation and its subsidiaries' share of		
Net profit for the period	$ 7,334	$ 2,542
Other comprehensive income (loss)	4,795	(2,853)
Total comprehensive income (loss)	$ 12,129	$ (311)

With the exception of listed Companies, United Steel International Development Co. (USID), TIC, Eminent Venture Capital Corporation, HIMAG Magnetic Corporation and CSC Solar Corporation, which financial statements were reviewed, the investments of the Corporation and its subsidiaries accounted for using the equity method as of March 31, 2019 and 2018 and the related share of the comprehensive income for the three months ended March 31, 2019 and 2018, were calculated based on the unreviewed financial statements of the investees. The Corporation and its subsidiaries' management considered the use of unreviewed financial statements as acceptable and will not have material impact on the equity method investments and income.

The Corporation and its subsidiaries held more than 20% of the shares with CSC and fellow subsidiaries and accounted for using the equity method.

15. PROPERTY, PLANT AND EQUIPMENT

For the Three Months Ended March 31, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2019	$ 1,145,237	$ 1,073,763	$ 3,927,764	$ 115,852	$ 134,585	$ 1,297,552	$ 7,694,753
Additions	-	-	29,056	821	1,321	142,868	174,066
Disposals	-	-	(7,078)	(5,662)	(853)	-	(13,593)
Effect of foreign currency exchange differences	-	-	841	109	417	-	1,367
Balance at March 31, 2019	$ 1,145,237	$ 1,073,763	$ 3,950,583	$ 111,120	$ 135,470	$ 1,440,420	$ 7,856,593
Accumulated depreciation							
Balance at January 1, 2019	$ -	$ 297,540	$ 3,235,067	$ 82,140	$ 97,607	$ -	$ 3,712,354
Depreciation expense	-	13,817	55,809	2,937	3,326	-	75,889
Disposals	-	-	(6,578)	(5,657)	(852)	-	(13,087)
Effect of foreign currency exchange differences	-	-	160	42	250	-	452
Balance at March 31, 2019	$ -	$ 311,357	$ 3,284,458	$ 79,462	$ 100,331	$ -	$ 3,775,608
Carrying amount at December 31, 2018	$ 1,145,237	$ 776,223	$ 692,697	$ 33,712	$ 36,978	$ 1,297,552	$ 3,982,399
Carrying amount at March 31, 2019	$ 1,145,237	$ 762,406	$ 666,125	$ 31,658	$ 35,139	$ 1,440,420	$ 4,080,985

For the Three Months Ended March 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2018	$ 1,145,237	$ 572,610	$ 3,672,474	$ 97,342	$ 112,682	$ 1,050,794	$ 6,651,139
Additions	-	3,600	43,428	5,106	410	253,752	306,296
Disposals	-	-	(1,500)	(916)	-	-	(2,416)
Effect of foreign currency exchange differences	-	-	(738)	30	283	-	(425)
Balance at March 31, 2018	$ 1,145,237	$ 576,210	$ 3,713,664	$ 101,562	$ 113,375	$ 1,304,546	$ 6,954,594
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 264,959	$ 3,024,944	$ 72,866	$ 87,616	$ -	$ 3,450,385
Depreciation expense	-	7,335	55,623	2,193	2,681	-	67,832
Disposals	-	-	(1,500)	(916)	-	-	(2,416)
Effect of foreign currency exchange differences	-	-	(1,277)	21	138	-	(1,118)
Balance at March 31, 2018	$ -	$ 272,294	$ 3,077,790	$ 74,164	$ 90,435	$ -	$ 3,514,683
Carrying amount at March 31, 2018	$ 1,145,237	$ 303,916	$ 635,874	$ 27,398	$ 22,940	$ 1,304,546	$ 3,439,911

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

Buildings	
Main structure	2-50 years
Facility	5-25 years
Machinery and equipment	
Power equipment	3-15 years
Examination equipment	3-10 years
Computer equipment	3-10 years
Transportation equipment	
Transportation equipment	3-5 years
Telecommunication equipment	3-10 years
Other equipment	
Extinguishment equipment	5-8 years
Air condition and utilities equipment	3-10 years
Monitoring, office and other equipment	3-10 years

16. LEASE AGREEMENT

a. Right-of-use assets - 2019

	March 31, 2019
Carrying amounts	
Land	$ 373,886
Machinery	266,466
Buildings	91,671
	$ 732,023

Depreciation charge for right-of-use assets	For the Three Months Ended March 31, 2019
Land	$ 3,777
Machinery	2,702
Buildings	1,581
	$ 8,060

b. Lease liabilities - 2019

Carrying amounts	March 31, 2019
Current	$ 36,759
Non-current	$ 668,092

Range of discount rate for lease liabilities were as follows:

	March 31, 2019
Land	1.4703%
Machinery	1.4703%
Buildings	1.1955%-3.0000%

c. Material lease activities and terms

The Corporation and its subsidiaries lease machineries for manufacturing. The contracts were signed for periods of 23 to 25 years. These arrangements do not contain renewal or purchase options. Some lease arrangements were adjusted according to Consumer Price Index every year.

The Corporation and its subsidiaries lease land and buildings use of factories. The contracts were signed for periods of 2 to 45 years. The rents were calculated according to 3% of the announced total present value or 6% of the announced total land value. The Corporation and its subsidiaries do not have renewal or purchase option to the right-of-use assets. The Corporation and its subsidiaries will not transfer all or parts of the lease premises or sublet it without lessors' approval.

d. Other lease information

2019

	For the Three Months Ended March 31, 2019
Expenses relating to short-term leases	$ 1,571
Total cash outflow for all lease agreements (including short-term lease agreements)	$ (13,977)

Refer to Note 17 for the Corporation and its subsidiaries leasing their own investment properties in operating leases.

17. INVESTMENT PROPERTIES

For the Three Months Ended March 31, 2019

	Land	Buildings	Total
Cost			
Balance at January 1, 2019 and March 31, 2019	$ 561,813	$ 47,665	$ 609,478
Accumulated depreciation and impairment			
Balance at January 1, 2019 and March 31, 2019	$ 8,825	$ 47,665	$ 56,490
Carrying amount at January 1, 2019 and March 31, 2019	$ 552,988	$ -	$ 552,988

For the Three Months Ended March 31, 2018

	Land	Buildings	Total
Cost			
Balance at January 1, 2018 and March 31, 2018	$ 572,338	$ 47,665	$ 620,003
Accumulated depreciation and impairment			
Balance at January 1, 2018 and March 31, 2018	$ 8,825	$ 47,665	$ 56,490
Carrying amount at January 1, 2018 and March 31, 2018	$ 563,513	$ -	$ 563,513

The lease term of investment properties is 3 years. The rent was calculated according to 3% of the announced total present value. The leases do not have renewal or purchase option at the end of the lease period.

The total lease payment charged in the future in leasing investment properties in operating lease in 2019 is as follow:

	March 31, 2019
The first year	$ 14,933
The second year	10,998
	$ 25,931

The Corporation participated in "Qianzhen Residential Building Project" conducted by its fellow subsidiary China Prosperity Development Corporation and signed the land purchase agreement in June 2015 with a cost of NT$10,525 thousand and recognized the amount as investment properties. The Corporation also signed the land purchase agreement with its employees. According to the purchase agreement, land prices received from employees were deposited in the Bank of Taiwan.

Since the project was completed and China Prosperity Development Corporation has obtained the building occupation permit and expected to complete the sale in one year. The Corporation transferred its investment property of NT$10,525 thousand to non-current assets held for sale in December, 2018. It also transferred its price of land to other financial assets - current and contract liabilities - current. After the transfer of land ownership is completed, disposal gain will be recognized.

The Corporation's investment properties of buildings are depreciated in 50 years by straight-line depreciation method.

As of March 31, 2019, December 31, 2018 and March 31, 2018, the fair value of investment properties were all NT$851,278 thousand, NT$853,081 thousand and NT$863,606 thousand, respectively. The fair value was based on the appraisal value presented by independent qualified professional appraiser using Level 3 inputs and with reference to comparison of the similar transaction price in the market, and by income approach and land developing analysis approach. The significant and unobservable inputs included the rate of capitalization of return and related fee rates in March 2015 and December 2015.

All of the Corporation's investment properties are held under freehold interests.

Refer to Note 28 for the lease transactions conducted with related party.

18. BORROWINGS

a. Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Bank loans - interest at 0.7%-0.898% p.a., 0.79%-0.88% p.a. and 0.7%-0.86% p.a. as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively	$ 1,837,000	$ 1,937,000	$ 1,867,000
Letters of credit borrowings - interest at 0.99%-1.114% p.a. and 0.99%-1.165% p.a. as of March 31, 2019 and December 31, 2018, respectively	59,582	45,214	-
	$ 1,896,582	$ 1,982,214	$ 1,867,000

b. Short-term bills payable

	March 31, 2019	December 31, 2018	March 31, 2018
Commercial papers - interest at 0.86%-0.898% p.a. as of March 31, 2018	$ -	$ -	$ 760,000
Less: Unamortized discounts	-	-	-
	$ -	$ -	$ 760,000

The above commercial papers were secured by Mega Bills Finance Corporation, International Bills Finance Corporation and China Bills Finance Corporation.

c. Long-term bank borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured loans			
The amount of borrowings for circular use is NT$500,000 thousand, from May 2018 to May 2021, and interest at 1.01% p.a. and 0.9389% p.a. as of March 31, 2019 and December 31, 2018, respectively	$ 150,000	$ 150,000	$ -
The amount of borrowing is NT$500,000 thousand, from August 2018 to August 2021, and interest at 1.1955% p.a. as of March 31, 2019 and December 31, 2018	500,000	500,000	-
	$ 650,000	$ 650,000	$ -

In May 2018, the Corporation entered into a credit facility agreement with KGI Bank for a NT$500,000 thousand credit line. Under the agreement, based on the Corporation's quarterly reviewed consolidated financial statements and audited annual consolidated financial statements, which shall be verified quarterly the consolidated profit from operations of the Corporation shall not be negative for two consecutive quarters. Otherwise, the credit line shall be cancelled until the quarter profit from operation become positive. The consolidated financial statement of the Corporation and its subsidiaries did not violate the provision in the first quarter of 2019, the second quarter, third quarter and for the year ended December 31, 2018.

19. OTHER PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Royalties (Note 13)	$ 570,953	$ 568,626	$ 538,820
Employees' compensation and remuneration of directors and supervisors	101,262	80,612	81,025
Salaries and incentive bonus	87,048	109,739	81,726
Outsourced repair and construction	65,393	24,244	14,217
Soil remediation expense	59,105	59,508	73,034
Purchase of equipment	7,277	7,881	51,865
Dividend payable	5,097	5,097	5,111
Others (freight, commission and insurance)	42,665	43,769	35,190
	$ 938,800	$ 899,476	$ 880,988

20. 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, 2018 and 2017, the amounts was NT$2,193 thousand and NT$2,228 thousand for the three months ended March 31, 2019 and 2018, respectively.

21. EQUITY

a. Ordinary share capital

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	300,000	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	236,904	236,904	236,904
Shares issued	$ 2,369,044	$ 2,369,044	$ 2,369,044

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

b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
May be used to offset deficits, distribute cash or transfer to share capital (see note below)			
Additional paid-in capital	$ 218	$ 218	$ 218
Treasury share transactions	273,587	273,587	244,037
May be used to offset deficits only			
Share of change in equity of associates	1,268	1,268	1,751
Treasury share transactions	545,575	545,575	523,709
	$ 820,648	$ 820,648	$ 769,715

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

In 2009, CSC had transferred its treasury shares to its subsidiaries' employees. The Corporation recognized a compensation cost and capital surplus of NT$161 thousand. In July 2011, CSC issued common shares for cash capital. Under the Company Law, CSC should reserve 10% of the shares for its employees and subsidiaries. The Corporation recognized NT$57 thousand of compensation cost and capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

The Corporation is currently in a growing industry environment and the Corporation intends to take advantage of the economic environment to seek for a sustainable operation. The Corporation's dividend policy is to focus on dividend stability and growth by referring to future operating conditions; also, the Corporation should distribute not less than 50% of distributable earnings, and cash dividend may not be less than 50% of the amount distributed.

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

Under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse a special reserve. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriation of earnings for 2018 and 2017 had been proposed by the board of directors in March 2019 and approved in the shareholder's meeting in June 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 147,112	$ 115,984		
Recognized of special reserve	-	11,390		
Cash dividends	1,255,594	1,018,689	$ 5.3	$ 4.3

In addition, the Corporation's board of directors resolved to distribute cash from legal reserve of NT$71,071 thousand, NT$0.3 per share, total NT$4.6 per share in 2017.

The appropriation of earnings for 2018 is subject to the resolution in the shareholders' meeting to be held in June 2019.

d. Other equity items

1) Exchange differences on translating foreign operations

	For the Three Months Ended March 31	
	2019	**2018**
Balance, beginning of period	$ (44,737)	$ (62,873)
Recognized during the period		
Exchange differences arising on translating foreign operations	6,722	(13,424)
Share of exchange difference of associates accounted for using the equity method	75	705
Balance, end of period	$ (37,940)	$ (75,592)

2) Unrealized gain and loss on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2019	2018
Balance, beginning of period	$ (89,173)	$ (74,316)
Recognized during the period		
Unrealized gain and loss - equity instruments	7,912	(6,286)
Share from associates accounted for using the equity method	30,498	(36,421)
Other comprehensive income recognized in the period	(50,763)	(117,023)
Cumulative unrealized gain and loss of equity instruments transferred to retained earnings due to disposal	340	(411)
Balance, end of period	$ (50,423)	$ (117,434)

3) Loss on hedge instruments

	For the Three Months Ended March 31	
	2019	2018
Balance, beginning of period	$ -	$ (173)
Recognized during the period		
Share of fair value changes of hedging instruments of associates accounted for using the equity method	-	2
Balance, end of period	$ -	$ (171)

e. Non-controlling interests

	For the Three Months Ended March 31	
	2019	2018
Balance, beginning of period	$ 370,339	$ 351,653
Net profit (loss) for the period	(134)	11,943
Exchange difference on translating foreign operations	1,266	(7,822)
Balance, end of period	$ 371,471	$ 355,774

f. Treasury shares

The Corporation's shares acquired and held by subsidiary - EWI for the purpose of investment accounted for as treasury shares were as follows (number of shares in thousands):

For the Three Months Ended March 31, 2019

Beginning of period		Decrease during the period			End of period		
Number of Shares Held	Carrying Amount	Number of Shares Held	Carrying Amount	Selling Price	Number of Shares Held	Carrying Amount	Market Price
4,754	$ 117,638	-	$ -	$ -	4,754	$ 117,638	$ 639,351

For the Three Months Ended March 31, 2018

Beginning of period		Decrease during the period			End of period		
Number of Shares Held	Carrying Amount	Number of Shares Held	Carrying Amount	Selling Price	Number of Shares Held	Carrying Amount	Market Price
5,078	$ 125,656	104	$ 2,574	$ 16,439	4,974	$ 123,082	$ 763,438

The Corporation's shares held by the subsidiaries are accounted for as treasury shares with all shareholders' rights, except the rights to participate in the Corporation's capital increase in cash and right to vote.

22. OPERATING REVENUES

	For the Three Months Ended March 31	
	2019	2018
Revenue from contracts with customers		
Revenue from chemical product production and sale	$ 1,664,750	$ 1,692,120
Revenue from trading	308,173	272,160
Revenue from the rendering of services	22,859	20,501
	1,995,782	1,984,781
Revenue from investment		
Gain on fair value change of financial assets at FVTPL	18,623	22,242
Share of the profit of associates	4,722	2,190
Gain on disposal of investments	-	3,304
	23,345	27,736
	$ 2,019,127	$ 2,012,517

a. Contract balances

	March 31, 2019	December 31, 2018	March 31, 2018	January 1, 2018
Notes and accounts receivables (including related parties) (Note 10)	$ 569,809	$ 603,379	$ 618,335	$ 578,366
Contract liabilities				
Sale of goods	$ 19,322	$ 68,707	$ 85,923	$ 89,680
Others	1,110	1,110	4,947	4,947
	$ 20,432	$ 69,817	$ 90,870	$ 94,627

The changes in the contract liability balances primarily result from the timing difference between the Corporation and its subsidiaries' performance and the customer's payment.

Revenue of the current year recognized from the beginning contract liability is as follows:

	For the Three Months Ended March 31, 2019
From the beginning contract liability	
Sale of goods	$ 68,693

b. Disaggregation of revenue

For the three months ended March 31, 2019

	Reportable segments			
	Chemicals Segment - Production and Sales	Chemicals Segment - Trading	Investment Segment	Total
Type of goods or services				
Sale of goods	$ 1,664,750	$ 308,173	$ -	$ 1,972,923
Rendering of services	22,859	-	-	22,859
Others	-	-	23,345	23,345
	$ 1,687,609	$ 308,173	$ 23,345	$ 2,019,127

For the three months ended March 31, 2018

	Reportable segments			
	Chemicals Segment - Production and Sales	Chemicals Segment - Trading	Investment Segment	Total
Type of goods or services				
Sale of goods	$ 1,692,120	$ 272,160	$ -	$ 1,964,280
Rendering of services	20,501	-	-	20,501
Others	-	-	27,736	27,736
	$ 1,712,621	$ 272,160	$ 27,736	$ 2,012,517

23. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Three Months Ended March 31	
	2019	2018
Interest income	$ 9,190	$ 3,597
Rental income (Note 28)	4,095	4,054
Income from sale of scrap and wastes	865	4,497

(Continued)

	For the Three Months Ended March 31	
	2019	2018
Dividend income	$ -	$ 1,444
Reversal of accrued expenses	-	30,952
Others	2,614	8,883
	$ 16,764	$ 53,427

(Concluded)

b. Other gains and losses

	For the Three Months Ended March 31	
	2019	2018
Net foreign exchange gain (loss)	$ 11,691	$ (5,934)
Net gain (loss) on fair value change of financial assets mandatorily at FVTPL	9,151	(55,071)
Loss on disposal of property, plant and equipment	(506)	-
Others	(786)	(658)
	$ 19,550	$ (61,663)

The components of net foreign exchange gain (loss) were as follows:

	For the Three Months Ended March 31	
	2019	2018
Foreign exchange gain	$ 12,787	$ 10,815
Foreign exchange loss	(1,096)	(16,749)
Net foreign exchange gain (loss)	$ 11,691	$ (5,934)

c. Interest expenses

	For the Three Months Ended March 31	
	2019	2018
Interest on bank loans	$ 5,641	$ 4,000
Interest on lease liabilities	2,771	-
Interest on issuing short-term bills	-	425
	8,412	4,425
Less: Amounts included in the cost of qualifying assets	3,181	-
	$ 5,231	$ 4,425

Information about capitalized interest is as follows:

	For the Three Months Ended March 31	
	2019	2018
Capitalized interest	$ 3,181	$ -
Capitalization rate (%)	0.8	-

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	2018
Property, plant and equipment	$ 75,889	$ 67,832
Right-of-use assets	8,060	-
Other noncurrent assets	2,421	1,512
Long-term prepayments for lease	-	638
	$ 86,370	$ 69,982
An analysis of depreciation by function		
Operating costs	$ 77,839	$ 61,976
Operating expenses	6,110	5,856
	$ 83,949	$ 67,832
An analysis of amortization by function		
Operating costs	$ 2,421	$ 2,150

e. Employee benefits expense

	For the Three Months Ended March 31	
	2019	2018
Short-term employee benefits		
Salaries	$ 128,017	$ 105,830
Labor and health insurance	5,994	5,028
Others	4,414	3,830
	138,425	114,688
Post-employment benefits		
Defined contribution plans	1,875	1,599
Defined benefit plans (Note 20)	2,193	2,228
	4,068	3,827
	$ 142,493	$ 118,515
An analysis by function		
Operating costs	$ 97,111	$ 75,941
Operating expenses	45,382	42,574
	$ 142,493	$ 118,515

f. Employees' compensation and remuneration of directors and supervisors

The Articles of Incorporation of the Corporation stipulated the Corporation to distribute employees' compensation and remuneration of directors and supervisors at the rates no less than 0.1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and remuneration of directors and supervisors for the three months ended March 31, 2019 and 2018, were as follows:

	For the Three Months Ended March 31	
	2019	**2018**
Employees' compensation	$ 17,208	$ 15,969
Remuneration of directors and supervisors	3,442	3,194

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

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

	Cash	
	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	$ 68,067	$ 51,623
Remuneration of directors and supervisors	13,613	10,325

The appropriations of employees' compensation and remuneration of directors and supervisors have been resolved by the board of directors in March 2019 and 2018 and consolidated financial statements for 2018 and 2017 as follows:

	For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Employees' Compensation	**Remuneration of Directors and Supervisors**	**Employees' Compensation**	**Remuneration of Directors and Supervisors**
The board of directors approved amounts	$ 68,067	$ 13,613	$ 51,623	$ 10,325
Consolidated financial statements amounts	$ 67,249	$ 13,450	$ 51,552	$ 10,310

The difference amounts above were recognized in profit and loss for the three months ended March 31, 2019 and 2018.

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

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended March 31	
	2019	2018
Current tax		
In respect of the current period	$ 84,988	$ 82,701
Deferred tax		
In respect of the current period	2,081	3,644
Change in tax rates	-	(4,330)
	2,081	(686)
	$ 87,069	$ 82,015

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

b. Income tax assessments

The Corporation's and the subsidiary EWI income tax returns through 2016 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

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

Net profit for the period

	For the Three Months Ended March 31	
	2019	2018
Net profit attributable to owners of the Corporation	$ 390,544	$ 324,946

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

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of ordinary shares outstanding	236,904	236,904
Less: Number of treasury shares acquired by subsidiaries	4,754	5,061
Weighted average number of ordinary shares used in computation of basic earnings per share	232,150	231,843

(Continued)

	For the Three Months Ended March 31	
	2019	2018
Plus: Effect of dilutive potential ordinary shares - employees' compensation	563	381
Weighted average number of ordinary shares used in the computation of diluted earnings per share	232,713	232,224

(Concluded)

Since the Corporation is allowed to settle compensation paid to employees by cash or shares, the Corporation assumed that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. CAPITAL MANAGEMENT

The capital management of the Corporation and its subsidiaries is aimed at ensuring effective use of capital and ensuring a smooth operation and ensuring optimized debt and equity balance. The overall strategies of the Corporation and its subsidiaries have not significantly changed for the three months ended March 31, 2019. The capital structure of the Corporation and its subsidiaries consist of net liabilities and equity. Except for the description of Note 18, without any need for complying with other external capital requirements. The Corporation and its subsidiaries review capital structure on a quarterly basis, including the consideration of capital costs and related risks. Currently, the equity in the capital structure is greater than liabilities and it will be used to pay for dividends or debts; also, the Corporation and its subsidiaries have invested in financial instruments as part of capital and fund management.

27. FINANCIAL INSTRUMENTS

a. 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
March 31, 2019				
Financial assets measured at FVTPL				
Mutual funds	$ 989,069	$ -	$ -	$ 989,069
Domestic listed shares	199,942	-	-	199,942
Foreign listed shares	3,390	-	-	3,390
Emerging market shares	-	-	19,406	19,406
Domestic unlisted shares	-	-	52,882	52,882
	$ 1,192,401	$ -	$ 72,288	$ 1,264,689
Financial assets at FVTOCI				
Domestic listed shares	$ 182,343	$ -	$ -	$ 182,343

(Continued)

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets measured at FVTPL				
Mutual funds	$ 511,403	$ -	$ -	$ 511,403
Domestic listed shares	262,993	-	-	262,993
Foreign listed shares	6,132	-	-	6,132
Emerging market shares	-	-	19,406	19,406
Domestic unlisted shares	-	-	51,729	51,729
	$ 780,528	$ -	$ 71,135	$ 851,663
Financial assets at FVTOCI				
Domestic listed shares	$ 174,431	$ -	$ -	$ 174,431
March 31, 2018				
Financial assets measured at FVTPL				
Mutual funds	$ 1,490,246	$ -	$ -	$ 1,490,246
Domestic listed shares	543,223	-	-	543,223
Foreign listed shares	34,840	-	-	34,840
Emerging market shares	-	-	16,857	16,857
Domestic unlisted shares	-	-	52,108	52,108
	$ 2,068,309	$ -	$ 68,965	$ 2,137,274
Financial assets at FVTOCI				
Domestic listed shares	$ 121,818	$ -	$ -	$ 121,818

(Concluded)

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2019 and 2018.

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

	Financial Assets at FVTPL For the Three Months Ended March 31	
	2019	2018
Balance, beginning of period	$ 71,135	$ 72,648
Recognized in profit or loss	1,153	(2,300)
Purchases	-	217
Capital reduction	-	(1,600)
Balance, end of period	$ 72,288	$ 68,965

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

a) The fair value of emerging market shares was based on the closing price adjusted for liquidity risk premium or the external expert accreditation report.

b) The fair value of unquoted stocks was based on the current net value or trading price.

b. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
Measured at FVTPL			
Mandatorily at FVTPL (including non-current)	$ 1,264,689	$ 851,663	$ 2,137,274
Financial assets at FVTOCI - Equity instruments	182,343	174,431	121,818
Financial assets at amortized cost 1)	2,689,479	2,764,335	1,852,852
Financial liabilities			
Measured at amortized cost 2)	3,777,436	3,806,439	3,792,259

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, other financial assets, financial assets at amortized cost - noncurrent, notes and accounts receivable (including related parties), other receivables 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, long-term borrowings and guarantee deposit received.

c. Financial risk management objectives and policies

The Corporation and its subsidiaries' major financial instruments include equity and debt investments, accounts receivable, accounts payable, short-term borrowings, long-term borrowings and short-term bills payable. The Corporation and its subsidiaries' treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation and its subsidiaries 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation and its subsidiaries' activities exposed them primarily to the financial risks of changes in foreign currency risks and interest rates. There had been no change to the Corporation and its subsidiaries' exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation and its subsidiaries had sales in foreign currencies, which were exposed to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts or were mitigated by future receivables and payables denominated in the same foreign currency.

The carrying amounts of the Corporation and its subsidiaries foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are set out in Note 30.

Sensitivity analysis

The Corporation and its subsidiaries were mainly exposed to the currencies USD and RMB. The following table details the Corporation and its subsidiaries' sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate of 3% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only the outstanding foreign monetary items at each balance sheet date. Scenario 1 in the following table indicates the profit and loss of the Corporation and its subsidiaries when the functional currency against the USD or RMB appreciated by 3%. Scenario 2 in the following table indicates the profit and loss of the Corporation and its subsidiaries when the functional currency against the USD or RMB depreciated by 3%.

	USD (Note)		**RMB (Note)**	
	For the Three Months Ended March 31		**For the Three Months Ended March 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss in Scenario 1	$ (26,700)	$ (12,666)	$ (7,455)	$ (4,474)
Profit or loss in Scenario 2	26,700	12,666	7,455	4,474

Note: It was mainly derived from the cash and cash equivalents, receivables, financial assets at amortized cost - noncurrent, payables, and other payables denominated in foreign currency without cash flow hedging arranged at each balance sheet date by the Corporation and its subsidiaries.

Changes in the exchange rate sensitivity of the Corporation and its subsidiaries for the three months ended March 31, 2019 were mainly due to the increase of USD and RMB assets. The management believes that the sensitivity analysis is not representative of the inherent risk of exchange rate since the foreign currency risk exposure at balance sheet date does not reflect the interim risk exposure; also, the sales denominated in USD and RMB will be affected by customer orders and shipping schedule.

b) Interest rate risk

The loans of the Corporation and its subsidiaries mainly consist of short-term and long-term borrowing, parts of long-term borrowing rate was fixed. Therefore, there is no interest rate risk to the Corporation and its subsidiaries.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Cash flow interest rate risk			
Financial assets	$ 342,317	$ 323,053	$ 371,508
Financial liabilities	150,000	150,000	-

c) Other price risk

The Corporation and its subsidiaries are exposed to equity price risk through their investments in quoted shares, mutual funds, and emerging shares; the risk is managed by maintaining a portfolio of investments with different risks. The equity price risk of the Corporation and its subsidiaries was primarily concentrated on the share and fund market in Taiwan and it was evaluated by the closing price of the equity securities and net value of the mutual funds on a monthly basis.

Sensitivity analysis

The sensitivity analysis measures the exposure to equity price risk at the balance sheet date. Considering the market price fluctuation of the Corporation's main investment targets, the fluctuation of 6% was used for the sensitivity analysis of equity securities.

If equity prices had been 6% higher/lower for the three months ended March 31, 2019 and 2018, respectively, the pre-tax profit for the three months ended March 31, 2019 and 2018 would have been higher/lower by NT$72,708 thousand and NT$125,110 thousand, respectively, as a result of the fair value changes of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2019 and 2018 would have been higher/lower by NT$10,941 thousand and NT$7,309 thousand, respectively, as a result of the changes in fair value of FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default resulting in financial loss to the Corporation and its subsidiaries. As at the balance sheet date, the Corporation and its subsidiaries' maximum exposure to credit risk is the carrying amount of accounts receivables on the consolidated balance sheets. The main customers of the Corporation and its subsidiaries were creditworthy. Annual credit investigation of the credit status of the customers is conducted and a credit report is issued. The business unit uses the credit report as basis for the rating of the customers and the credit line granted. In addition, the credit rating and customer credit status are compiled in a weekly report for use as reference of the business department. If necessary, the customers will be requested to provide collaterals or to pay cash for each transaction. The business department also understands the credit status of customers through external credit investigation and industry reports. The credit risk was immaterial to Corporation and its subsidiaries.

The Corporation and its subsidiaries' concentrations of credit risk in total of notes and accounts receivable were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Customer A	$ 112,999	$ 45,543	$ -
Customer B	55,064	76,772	81,695
Customer C	-	63,983	-
Customer D	-	-	93,274
	$ 168,063	$ 186,298	$ 174,969

3) Liquidity risk

The Corporation and its subsidiaries have supported business operation through management and by maintaining sufficient cash and cash equivalents or easily realizable financial instruments. In addition, the Corporation and its subsidiaries signed line of credit contracts with financial institutions for a ready source of funds to support the business operation of the Corporation and its subsidiaries.

The equity of the Corporation and its subsidiaries is far greater than its liabilities; also, the bank credit lines have available unused amount; therefore, there is no liquidity risk.

The Corporation and its subsidiaries rely on bank borrowings as a significant source of liquidity. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Corporation and its subsidiaries had available unutilized short-term bank loan facilities in the amounts of NT$5.9 billion, NT$5.6 billion and NT$3.9 billion, respectively.

28. TRANSACTIONS WITH RELATED PARTIES

Related Party Name	Relationship with the Corporation
China Steel Corporation (CSC)	The parent entity of the Corporation
International CSRC Investment Holding Co., Ltd. (CSRC)	The key management of the Corporation
Linyuan Advanced Materials Technology Co., Ltd. (Linyuan Advanced)	The subsidiary of the key management of the Corporation
E-One Moli Energy Corporation	The subsidiary of the key management of the Corporation
CTCI Corporation	Supervisors of the Corporation
Kai-Chieh Chia	Supervisors of the Corporation
Che-Sheng Chen	Supervisors of the Corporation
China Steel Structure Corporation	Fellow subsidiaries
Dragon Steel Corporation (DSC)	Fellow subsidiaries
Chung Hung Steel Corporation (Chung Hung)	Fellow subsidiaries
China Steel Machinery Corporation	Fellow subsidiaries
CHC Resources Corporation	Fellow subsidiaries
Himag Magnetic Corporation	Fellow subsidiaries
Gau Ruel Investment Corporation	Fellow subsidiaries
China Steel Global Trading Corporation	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
Hung Li Steel Corporation	Fellow subsidiaries
Union Steel Development Corporation	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
United Steel Engineering & Construction Corporation	Fellow subsidiaries
China Steel Precision Materials Corporation (CSPM)	Fellow subsidiaries
China Ecotek Corporation	Fellow subsidiaries
Formosa Ha Tinh (Cayman) Limited (Formosa Ha Tinh (Cayman))	Other related parties
Formosa Ha Tinh Steel Corporation (Formosa Ha Tinh)	Other related parties

Details of transactions between the Corporation and its subsidiaries and related parties were as follows:

a. Operating revenues

Account Item	Related Parties Types/Name	For the Three Months Ended March 31 2019	2018
Revenue from sales of goods	The subsidiary of the key management of the Corporation		
	Linyuan Advanced	$ 324,224	$ -
	Others	11,940	-
		336,164	-
	The key management of the Corporation		
	CSRC	-	263,989
	Parent entity	3,667	3,104
	Fellow subsidiaries	4,213	2,945
		$ 344,044	$ 270,038
Revenue from the rendering of services	Parent entity	$ 22,735	$ 20,385

Part of sales to the parent entity and fellow subsidiaries were charged at the cost plus additional percentage; sales to others were charged in accordance with the agreed pricing formula. Sales referred to above except for revenue from rendering of services from the parent entity, did not have similar transactions for comparison; but not significantly different from regular trading.

b. Purchase of goods

Related Parties Types/Name	For the Three Months Ended March 31 2019	2018
Parent entity	$ 540,335	$ 594,421
Fellow subsidiaries		
DSC	192,974	249,203
Others	128	359
	193,102	249,562
Other related parties		
Formosa Ha Tinh	261,070	186,527
	$ 994,507	$ 1,030,510

The Corporation and its parent entity had purchase contracts for light oil products and coal tar signed in March 2013 and July 2010 for a period of 5 years, respectively. In addition, the Corporation and DSC had a purchase contract for light oil products and coal tar signed in May 2008 for a period of 5 years; also, the contracts would be extended automatically for 5 years each time upon maturity if there was no objection raised by either party. The purchase price was based on the contracts agreed by the counter parties. The purchases referred to above were paid with an issued letter of credit at sight; also, any price adjustment according to market price would be settled separately.

In addition, the Corporation signed a contract with the parent entity in January 2008 for fine coke processing for a 5-year period; the contract would be extended automatically for 5 years each time upon maturity if there was no objection raised by either party.

The Corporation signed a purchase contract with Formosa Ha Tinh in November 2018 and May 2016, respectively for light oil products and coal tar for a 15-year period; the contract will be extended subject to the mutual agreement upon its expiration. The purchase price was based on the contract agreed by the counter parties. The purchases referred to in this paragraph were paid with a telegraphic transfer and an issued letter of credit at sight; also, any price adjustment according to the market price will be settled separately.

c. Receivables from related parties

Account Items	Related Parties Types/Name	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable - related parties	Parent entity	$ 10,816	$ 11,157	$ 8,537
	Fellow subsidiaries	2,134	2,278	1,586
	The subsidiary of the key management of the Corporation			
	Linyuan Advanced	112,999	45,543	-
	Others	13,561	-	-
		126,560	45,543	-
	The key management of the Corporation			
	CSRC	-	-	93,274
	Other related parties	17,282	-	-
		$ 156,792	$ 58,978	$ 103,397
Other receivables	Parent entity			
	CSC	$ 61,900	$ 127,197	$ 126,149
	Fellow subsidiaries	1,133	892	846
	Other related parties			
	Formosa Ha Tinh (Cayman)	215,740	215,005	203,735
	Others	47,690	228	23
		$ 326,463	$ 343,322	$ 330,753

No guarantee had been received for receivables from related parties. For the three months ended March 31, 2019 and 2018, no impairment loss was recognized on receivables from related parties.

d. Payables to related parties

Account Items	Related Parties Types/Name	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payable - related parties	Parent entity			
	CSC	$ 232,237	$ 234,541	$ 214,121
	Fellow subsidiaries	-	264	122
	Others	-	1,100	5,363
		$ 232,237	$ 235,905	$ 219,606
Other payables	Parent entity	$ 9,501	$ 12,134	$ 9,761
	Fellow subsidiaries	411	1,167	299
	The Key management of the Corporation	3,452	2,687	2,701
	Supervisors of the Corporation	5,178	4,031	4,051
	Other related parties			
	Formosa Ha Tinh	570,570	568,626	538,820
		$ 589,112	$ 588,645	$ 555,632

The outstanding accounts payable to related parties were unsecured.

e. Acquisitions of property, plant and equipment

Related Parties Types/Name	Purchase Price For the Three Months Ended March 31 2019	2018
Parent entity	$ -	$ 38,573
Fellow subsidiaries	16,950	26,585
	$ 16,950	$ 65,158

f. Long-term prepayments for lease -2018

Related Parties Types/Name	December 31, 2018	March 31, 2018
CSPM	$ 24,484	$ 26,714

A subsidiary rented the plant from CSPM and prepaid the rent for a contract period through January 2034. The subsidiary also rented the land from CSPM for a contract period of 45 years (ending in January 2059), rent is paid every year. The rent amounted to NT$966 thousand for the three months ended March 31, 2018.

The long-term prepayment for lease described above was originally applied by IAS 17 "Operating lease". Refer to Notes 3, 16 and 28 (7) for information of reclassification and in 2019.

g. Lease agreement - 2019

Related Parties Types/Name	March 31, 2019
Right-of-use assets	
Parent entity - CSC	$ 646,830
Fellow subsidiaries	
CSPM	77,400
Chung Hung	6,136
	83,536
	$ 730,366

Account Items	Related Parties Type/Name	March 31, 2019
Lease liabilities	Parent entity - CSC	$ 639,812
	Fellow subsidiaries	
	CSPM	52,415
	Chung Hung	5,180
		57,595
		$ 697,407

Related Parties Types/Name	For the Three Months Ended March 31, 2019
Interest expense	
Parent entity - CSC	$ 2,344
Fellow subsidiaries	
CSPM	388
Chung Hung	17
	405
	$ 2,749

h. Lease agreements - 2019

Rent in operating lease

As described in note 17, the Corporation and the parent entity had signed a land lease contract (located in Siaogang District, Kaohsiung City). The lease payment was calculated according to 3% of the announced total present value with the rent advanced every six months and for a period up to December 2020. As of March 31, 2019, the total amount of lease payment charged in the future was NT$21,553 thousand. Lease revenue recognized for the three months ended March 31, 2019 was NT$3,079 thousand.

i. Other related party transactions

1) Leased land and factories

The Corporation leased the current factory land from the parent entity under three contracts. The annual rent amount was calculated according to 3% of the announced total present value or 6% of the announced total land value. The three contracts were signed for periods of 5 years (ending in December 2020), 5 years (ending in December 2020), and 10 years (ending in June 2019). Rent was paid once every six months; the rent expense was NT$4,494 thousand for the three months ended March 31, 2018. The lease contracts was originally applied by IAS 17 “Operating lease”. Refer to Note 3 for information of reclassification.

The Corporation leased the coke plant from the parent entity for periods of 3 years (ending in December 2020) with the rental paid once every six months; the rent expense was NT$188 thousand for the three months ended March 31, 2018. The lease contracts was originally applied by IAS 17 “Operating lease”. Refer to Note 3 for information of reclassification.

The Corporation and fellow subsidiary had signed a land and warehouse lease contract for a period ended August 2019; the Corporation and its subsidiaries, however, expect they would exercise the option to extend the lease term. The lease would be extended to August, 2021. The rent expense was NT$421 thousand for the three months ended March 31, 2018. The lease contracts were originally applied by IAS 17 “Operating lease”. Refer to Note 3 for information of reclassification.

The Corporation and other non-related parties had no similar transactions available for comparison.

2) Leased office building

The Corporation had leased office buildings and office from the parent entity for a period up to December 2019. The rent expense was NT$1,571 thousand and NT$1,559 thousand for the three months ended March 31, 2019 and 2018, respectively. The rent mentioned above was based on the negotiation between two parties, and the payments follow the terms of the contract. There was no significant difference in the rent and in the terms between the above mentioned contract and the contracts signed with unrelated parties.

3) Rent Revenue

As described in Note 17, the Corporation and the parent entity had signed a land lease contract (located in Siaogang District, Kaohsiung City) with the rent advanced every six months and for a period up to December 2020. The rent revenue (included in non-operating income - other income) was NT$3,079 thousand for the three months ended March 31, 2018.

4) Public fluid and reservoir

The Corporation's factory located inside the parent entity's plant; the primary energy needed for production was supplied by the parent entity. The Corporation paid the parent entity on a monthly basis expense for public fluid and reservoir, including electricity, wastewater treatment, waste gas treatment, consumption of steam, and coke ovens, in accordance with the market price or cost plus percentage. The expense mentioned above amounted to NT$96,729 thousand for the three months ended March 31, 2018. The Corporation and other non-related parties had no similar transactions available for comparison. The lease contracts were originally applied by IAS 17 "Operating lease". Refer to Note 3 for information of reclassification.

5) Remuneration of directors and supervisors

	For the Three Months Ended March 31	
Related parties Types	**2019**	**2018**
Parent entity	$ 1,530	$ 1,597
The Key Management of the Corporation	765	639
Supervisors of the Corporation	1,147	958
	$ 3,442	$ 3,194

6) Compensation of key management personnel

	For the Three Months Ended March 31	
	2019	**2018**
Short-term employee benefits	$ 11,159	$ 10,393
Post-employment benefits	251	241
	$ 11,410	$ 10,634

The compensation of the directors and the other management was determined by the Remuneration Committee in accordance with the personal performance evaluation and market trends.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

The Corporation and its subsidiaries' significant commitments and contingencies as of March 31, 2019 were as follow:

a. Unused balance of the letter of credit issued by the Corporation for the purchase of raw materials and commodities in the amount of NT$752,223 thousand.

b. Property, plant and equipment construction contract signed for total amount of NT$771,726 thousand, within which about NT$134,702 thousand were not yet completed.

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and its subsidiaries and the exchange rate between foreign currencies and respective functional currencies were disclosed.

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
March 31, 2019				
Monetary financial assets				
USD	$ 37,300	30.82	(USD:NTD)	$ 1,149,586
RMB	57,990	4.58	(RMB:NTD)	265,594
RMB	343	0.1486	(RMB:USD)	1,572
Non-monetary financial assets				
Designated as at fair value through profit or loss				
JPY	12,222	0.0090	(JPY:USD)	3,390
Monetary financial liabilities				
USD	8,423	30.82	(USD:NTD)	259,594
RMB	4,075	4.58	(RMB:NTD)	18,664
December 31, 2018				
Monetary financial assets				
USD	34,504	30.715	(USD:NTD)	1,059,537
RMB	63,125	4.472	(RMB:NTD)	282,297
RMB	3,234	0.1456	(RMB:USD)	14,463
Non-monetary financial assets				
Mandatorily at FVTPL				
JPY	69,094	0.0091	(JPY:USD)	19,222
Monetary financial liabilities				
USD	9,605	30.715	(USD:NTD)	295,007
March 31, 2018				
Monetary financial assets				
USD	23,517	29.105	(USD:NTD)	684,477
RMB	22,746	4.647	(RMB:NTD)	105,700
RMB	9,345	0.1597	(RMB:USD)	43,424

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Non-monetary financial assets				
Designated as at fair value through profit or loss				
NTD	$ 7,180	0.0344	(NTD:USD)	$ 7,180
RMB	10,320	4.647	(RMB:NTD)	47,955
USD	30,596	29.105	(USD:NTD)	890,450
JPY	127,200	0.0094	(JPY:USD)	34,840
Monetary financial liabilities				
USD	9,011	29.105	(USD:NTD)	262,275
JPY	92,030	0.2739	(JPY:NTD)	25,207

(Concluded)

For the three months ended March 31, 2019 and 2018, realized and unrealized net foreign exchange gains and losses were gain of NT$11,691 thousand and loss of NT$5,934 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies of the Corporation and its subsidiaries.

31. SEGMENT INFORMATION

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

a. CSCC/CCSNM - Production and marketing of chemical products.

b. EGI/CSCCC - Trade of chemical products.

c. EWI/CSCM (CSCM had been end of settlement in December 2018) - Investments.

d. The Corporation and its subsidiaries have the reporting segments analyzed as follows:

	CSCC/CCSNM	EGI/CSCCC	EWI/CSCM	Adjustment and write-off	Consolidated
For the three months ended March 31, 2019					
Revenues from external customers	$ 1,972,963	$ 22,819	$ 23,345	$ -	$ 2,019,127
Inter segment revenues	73,261	5,908	(307)	(78,862)	-
Segment revenues	$ 2,046,224	$ 28,727	$ 23,038	$ (78,862)	$ 2,019,127
Segment income (loss)	$ 405,911	$ (1,767)	$ 22,783	$ 3,466	$ 430,393
Interest income	6,603	2,478	109	-	9,190
Share of profits of associates	47,734	-	-	(31,731)	16,003
Other income	9,711	-	1,021	(3,158)	7,574
Interest expense	(5,231)	-	-	-	(5,231)
Other gains and losses	11,832	7,486	232	-	19,550
Profit before income tax	476,560	8,197	24,145	(31,423)	477,479
Income tax expense	86,323	-	746	-	87,069
Net profit for the period	$ 390,237	$ 8,197	$ 23,399	$ (31,423)	$ 390,410

(Continued)

	CSCC/CCSNM	EGI/CSCCC	EWI/CSCM	Adjustment and write-off	Consolidated
For the three months ended March 31, 2018					
Revenues from external customers	$ 1,870,934	$ 127,712	$ 13,871	$ -	$ 2,012,517
Inter segment revenues	64,596	102,193	17,810	(184,599)	-
Segment revenues	$ 1,935,530	$ 229,905	$ 31,681	$ (184,599)	$ 2,012,517
Segment income	$ 363,502	$ 27,647	$ 31,392	$ (1,021)	$ 421,520
Interest income	1,850	1	1,746	-	3,597
Share of profits of associates	38,509	-	3,945	(32,409)	10,045
Other income	50,431	1,444	879	(2,924)	49,830
Interest expense	(4,365)	-	(60)	-	(4,425)
Other gains and losses	(40,574)	(21,593)	504	-	(61,663)
Profit before income tax	409,353	7,499	38,406	(36,354)	418,904
Income tax expense	80,462	-	1,553	-	82,015
Net profit for the period	$ 328,891	$ 7,499	$ 36,853	$ (36,354)	$ 336,889

(Concluded)

Department interests refers to the profits earned by each department, excluding the administrative cost of the headquarters to be amortized and remuneration of directors and supervisors, rent revenue, interest income, loss on disposal of property, plant, and equipment, profit from disposal of non-current asset held for sale, gain on disposal of investments, net foreign currency exchange gains and losses, financial instruments valuation gains and losses, interest expense, income tax expense, etc. These measurements and amount are provided to the chief operating decision-maker for allocating resources to each segment and for assessing their performance.

For the purpose of monitoring segment performance and allocating resources to each segment:

1) All assets, except investments in associates under equity method, other financial assets, and current and deferred income tax assets, are allocated to the reporting segments. The common assets of the reporting segments are allocated proportionally based on income generated by each reporting segment.

2) All liabilities, except loans and deferred income tax liabilities, are allocated to the reporting segments. The common liabilities of the reporting segments are allocated proportionally based on the assets of each reporting segment.

e. Segment total assets and liabilities

	March 31, 2019	December 31, 2018	March 31, 2018
Segment assets			
Chemicals segment			
Production and sales	$ 12,558,332	$ 11,496,171	$ 10,923,554
Trading	1,691,492	1,678,869	1,621,160
Investment segment	1,921,026	2,075,810	2,208,277
Adjustment and write-off	(3,310,283)	(3,534,104)	(3,385,861)
	$ 12,860,567	$ 11,716,746	$ 11,367,130

(Continued)

Segment liabilities	March 31, 2019	December 31, 2018	March 31, 2018
Chemicals segment			
Production and sales	$ 4,956,364	$ 4,333,921	$ 3,971,482
Trading	593,266	592,555	545,482
Investment segment	6,271	5,684	2,430
Adjustment and write-off	(487,759)	(570,956)	(296,691)
	$ 5,068,142	$ 4,361,204	$ 4,222,703

(Concluded)