

**China Steel Chemical Corporation and
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

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 June 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2020 and 2019, 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 June 30, 2020 and 2019, its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC.

The engagement partners on the reviews result in this independent auditor's review report are Yu Hsiang Liu and Hung Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 29, 2020

Notice to Readers

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

The English version of independent auditors' review report and consolidated financial statements are not reviewed nor audited by independent auditors.

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)

ASSETS	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,074,877	9	\$ 1,156,667	10	\$ 1,562,125	12
Financial assets at fair value through profit or loss - current (Note 7)	568,446	5	772,422	6	975,435	8
Financial assets at fair value through other comprehensive income - current (Note 8)	161,852	1	174,599	1	180,175	2
Financial assets for hedging-Current (Note 10)	118,520	1	119,920	1	-	-
Notes receivable (Note 11)	51,095	-	92,563	1	19,042	-
Accounts receivable, net (Note 11)	236,428	2	317,863	3	379,902	3
Accounts receivable - related parties (Notes 11 and 30)	88,037	1	100,837	1	135,697	1
Other receivables (Note 30)	311,429	3	250,119	2	423,656	3
Inventories (Note 12)	880,022	8	842,603	7	675,987	5
Other financial assets - current (Note 13)	146,840	1	49,000	-	2,775	-
Other current assets	35,656	-	94,956	1	119,891	1
Total current assets	3,673,202	31	3,971,549	33	4,474,685	35
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Note 7)	75,193	1	71,910	1	74,145	1
Financial assets amortized at cost - noncurrent (Note 9)	3,772	-	3,875	-	17,777	-
Investments accounted for using equity method (Note 15)	1,543,758	13	1,594,136	13	1,573,451	12
Property, plant and equipment (Notes 16, 30 and 31)	4,258,829	36	4,438,535	37	4,514,087	36
Right-of-use assets (Notes 17 and 30)	689,796	6	703,489	6	722,950	6
Investment properties (Note 18)	552,988	5	552,988	4	552,988	4
Deferred tax assets	71,828	1	73,038	1	74,598	1
Prepaid equipment	89,284	1	64,467	-	63,708	-
Refundable deposits	4,452	-	8,654	-	8,321	-
Other noncurrent assets (Notes 14 and 19)	737,499	6	609,164	5	624,368	5
Total noncurrent assets	8,027,399	69	8,120,256	67	8,226,393	65
TOTAL	\$ 11,700,601	100	\$ 12,091,805	100	\$ 12,701,078	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 20)	\$ 1,675,296	14	\$ 1,992,505	17	\$ 1,717,488	14
Contract liabilities - current (Note 24)	46,552	-	12,872	-	25,723	-
Accounts payable	23,773	-	50,394	-	55,691	-
Accounts payable - related parties (Note 30)	118,248	1	186,149	2	197,707	2
Other payables (Notes 14, 21 and 30)	2,054,035	18	871,969	7	2,133,670	17
Current tax liabilities	72,635	1	98,586	1	164,349	1
Lease liabilities - current (Notes 17 and 30)	41,416	-	37,013	-	36,742	-
Other current liabilities	3,943	-	5,558	-	10,867	-
Total current liabilities	4,035,898	34	3,255,046	27	4,342,237	34
NONCURRENT LIABILITIES						
Long-term borrowings (Note 20)	550,000	5	650,000	5	650,000	5
Deferred tax liabilities	9,825	-	7,936	-	10,963	-
Lease liabilities - noncurrent (Notes 17 and 30)	629,738	6	647,905	5	661,961	5
Net defined benefit liabilities (Note 4)	161,276	1	168,670	2	162,034	2
Guarantee deposit received	4,576	-	3,530	-	3,480	-
Total noncurrent liabilities	1,355,415	12	1,478,041	12	1,488,438	12
Total liabilities	5,391,313	46	4,733,087	39	5,830,675	46
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)						
Ordinary shares capital	2,369,044	20	2,369,044	20	2,369,044	19
Capital surplus	845,853	7	845,852	7	820,649	6
Retained earnings						
Legal reserve	2,641,723	23	2,561,069	21	2,561,069	20
Special reserve	176,833	1	161,983	2	161,983	2
Unappropriated earnings	412,508	4	1,348,767	11	794,340	6
Total retained earnings	3,231,064	28	4,071,819	34	3,517,392	28
Other equity	(315,530)	(3)	(176,832)	(2)	(98,103)	(1)
Treasury shares	(117,638)	(1)	(117,638)	(1)	(117,638)	(1)
Total equity attributable to owners of the Corporation	6,012,793	51	6,992,245	58	6,491,344	51
NON-CONTROLLING INTERESTS (Note 23)	296,495	3	366,473	3	379,059	3
Total equity	6,309,288	54	7,358,718	61	6,870,403	54
TOTAL	\$ 11,700,601	100	\$ 12,091,805	100	\$ 12,701,078	100

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

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 June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 30)	\$ 1,149,670	100	\$ 1,865,753	100	\$ 2,748,847	100	\$ 3,884,880	100
OPERATING COSTS (Notes 12, 25 and 30)	<u>925,735</u>	<u>80</u>	<u>1,407,205</u>	<u>75</u>	<u>2,221,123</u>	<u>81</u>	<u>2,896,652</u>	<u>74</u>
GROSS PROFIT	<u>223,935</u>	<u>20</u>	<u>458,548</u>	<u>25</u>	<u>527,724</u>	<u>19</u>	<u>988,228</u>	<u>26</u>
OPERATING EXPENSES (Notes 11, 25 and 30)								
Selling and marketing expenses	30,446	3	36,818	2	58,659	2	72,255	2
General and administrative expenses	11,820	1	26,443	1	20,384	1	60,734	2
Research and development expenses	36,047	3	28,628	2	74,056	3	58,067	1
Expected credit loss	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>-</u>
Total operating expenses	<u>78,313</u>	<u>7</u>	<u>91,888</u>	<u>5</u>	<u>153,099</u>	<u>6</u>	<u>191,175</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>145,622</u>	<u>13</u>	<u>366,660</u>	<u>20</u>	<u>374,625</u>	<u>13</u>	<u>797,053</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 30)								
Interest income	5,716	1	9,887	-	10,127	-	19,077	-
Other income	20,280	2	11,868	1	45,177	2	19,442	-
Other gains and losses	(331)	-	8,475	-	(31,122)	(1)	28,025	1
Share of the profit of associates	28,164	2	15,255	1	39,718	1	31,258	1
Interest expense	<u>(7,715)</u>	<u>(1)</u>	<u>(5,763)</u>	<u>-</u>	<u>(15,129)</u>	<u>-</u>	<u>(10,994)</u>	<u>-</u>
Total non-operating income and expenses	<u>46,114</u>	<u>4</u>	<u>39,722</u>	<u>2</u>	<u>48,771</u>	<u>2</u>	<u>86,808</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	191,736	17	406,382	22	423,396	15	883,861	23
INCOME TAX (Notes 4 and 26)	<u>28,183</u>	<u>3</u>	<u>65,718</u>	<u>4</u>	<u>77,760</u>	<u>3</u>	<u>152,787</u>	<u>4</u>
NET PROFIT FOR THE PERIOD	<u>163,553</u>	<u>14</u>	<u>340,664</u>	<u>18</u>	<u>345,636</u>	<u>12</u>	<u>731,074</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	12,360	1	(2,168)	-	(21,629)	(1)	5,744	-

(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 June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Gains and losses on hedging instruments	\$ (1,797)	-	\$ -	-	\$ (2,913)	-	\$ -	-
Shares of the other comprehensive income of associates	45,093	4	(10,634)	-	(104,176)	(4)	19,864	1
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	360	-	-	-	583	-	-	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	(17,575)	(2)	6,331	-	(13,039)	-	14,319	-
Share of the other comprehensive income of associates	(902)	-	(622)	-	(3,476)	-	(547)	-
Other comprehensive income (loss) for the period, net of income tax	<u>37,539</u>	<u>3</u>	<u>(7,093)</u>	<u>-</u>	<u>(144,650)</u>	<u>(5)</u>	<u>39,380</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 201,092</u>	<u>17</u>	<u>\$ 333,571</u>	<u>18</u>	<u>\$ 200,986</u>	<u>7</u>	<u>\$ 770,454</u>	<u>20</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 163,662	14	\$ 335,983	18	\$ 345,439	13	\$ 726,527	19
Non-controlling interests	(109)	-	4,681	-	197	-	4,547	-
	<u>\$ 163,553</u>	<u>14</u>	<u>\$ 340,664</u>	<u>18</u>	<u>\$ 345,636</u>	<u>13</u>	<u>\$ 731,074</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 208,478	18	\$ 325,983	18	\$ 205,070	7	\$ 761,734	20
Non-controlling interests	(7,386)	(1)	7,588	-	(4,084)	-	8,720	-
	<u>\$ 201,092</u>	<u>17</u>	<u>\$ 333,571</u>	<u>18</u>	<u>\$ 200,986</u>	<u>7</u>	<u>\$ 770,454</u>	<u>20</u>
EARNINGS (LOSSES) PER SHARE (Note 27)								
Basic	<u>\$ 0.7</u>		<u>\$ 1.45</u>		<u>\$ 1.49</u>		<u>\$ 3.13</u>	
Diluted	<u>\$ 0.7</u>		<u>\$ 1.45</u>		<u>\$ 1.49</u>		<u>\$ 3.12</u>	

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

(Concluded)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Ordinary Shares Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriate d earnings	Total Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain/(Loss) on Hedging Instruments	Total Other Equity	Treasury stock	Total Equity Attributable to Owners of the Corporation	Non-controlling interests (Note 22)	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 2,369,044	\$ 845,852	\$ 2,561,069	\$ 161,983	\$ 1,348,767	\$ 4,071,819	\$ (71,241)	\$ (103,927)	\$ (1,664)	\$ (176,832)	\$ (117,638)	\$ 6,992,245	\$ 366,473	\$ 7,358,718
Appropriation of 2019 earnings (Note 23)														
Legal reserve	-	-	128,035	-	(128,035)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	14,850	(14,850)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,137,142)	(1,137,142)	-	-	-	-	-	(1,137,142)	-	(1,137,142)
Cash dividends paid from the legal reserve	-	-	(47,381)	-	-	(47,381)	-	-	-	-	-	(47,381)	-	(47,381)
	-	-	80,654	14,850	(1,280,027)	(1,184,523)	-	-	-	-	-	(1,184,523)	-	(1,184,523)
Net profit for the six months ended June 30, 2020	-	-	-	-	345,439	345,439	-	-	-	-	-	345,439	197	345,636
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	(12,234)	(125,803)	(2,332)	(140,369)	-	(140,369)	(4,281)	(144,650)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	345,439	345,439	(12,234)	(125,803)	(2,332)	(140,369)	-	205,070	(4,084)	200,986
Changes in capital surplus from investments in associates accounted for using the equity method	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(65,894)	(65,894)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,671)	(1,671)	-	1,671	-	1,671	-	-	-	-
BALANCE AT JUNE 30, 2020	\$ 2,369,044	\$ 845,853	\$ 2,641,723	\$ 176,833	\$ 412,508	\$ 3,231,064	\$ (83,475)	\$ (228,059)	\$ (3,996)	\$ (315,530)	\$ (117,638)	\$ 6,012,793	\$ 296,495	\$ 6,309,288
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
Appropriation of 2018 earnings (Note 23)														
Legal reserve	-	-	147,112	-	(147,112)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,255,594)	(1,255,594)	-	-	-	-	-	(1,255,594)	-	(1,255,594)
	-	-	147,112	-	(1,402,706)	(1,255,594)	-	-	-	-	-	(1,255,594)	-	(1,255,594)
Net profit for the six months ended June 30, 2019	-	-	-	-	726,527	726,527	-	-	-	-	-	726,527	4,547	731,074
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	9,599	25,608	-	35,207	-	35,207	4,173	39,380
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	726,527	726,527	9,599	25,608	-	35,207	-	761,734	8,720	770,454
Changes in capital surplus from investments in associates accounted for using the equity method	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(600)	(600)	-	600	-	600	-	-	-	-
BALANCE AT JUNE 30, 2019	\$ 2,369,044	\$ 820,649	\$ 2,561,069	\$ 161,983	\$ 794,340	\$ 3,517,392	\$ (35,138)	\$ (62,965)	\$ -	\$ (98,103)	\$ (117,638)	\$ 6,491,344	\$ 379,059	\$ 6,870,403

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

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 423,396	\$ 883,861
Adjustments for:		
Depreciation expense	235,737	181,694
Amortization expense	7,098	4,854
Expected credit loss	-	119
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	40,604	(35,892)
Interest expense	15,129	10,994
Interest income	(10,127)	(19,077)
Dividend income	-	(1,213)
Share of the profit of associates	(44,087)	(40,924)
Loss on disposal of property, plant and equipment	151	566
Write-down of inventories	50,924	13,226
Gain on disposal of non-current assets held for sale	-	(407)
Gain on lease modification	(15)	-
Changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	37,311	22,522
Notes receivable	41,468	1,525
Accounts receivable	81,436	143,814
Accounts receivable - related parties	12,800	(76,719)
Other receivables	(3,311)	167,243
Inventories	(87,731)	(73,866)
Other current assets	59,300	46,432
Contract liabilities	33,680	(44,094)
Accounts payable	(26,621)	19,250
Accounts payable - related parties	(67,901)	(38,198)
Other payables	(62,939)	(29,944)
Other current liabilities	(1,615)	3,290
Net defined benefit liabilities	(7,394)	(6,567)
Cash generated from operations	727,293	1,132,489
Income taxes paid	(100,023)	(287,800)
Net cash generated from operating activities	<u>627,270</u>	<u>844,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(8,883)	-
Acquisition of financial assets at fair value through profit or loss	(153,291)	(410,302)
Proceeds from disposal of financial assets at fair value through profit or loss	276,096	227,688
Acquisition of investments accounted for using equity method	(80,000)	(81,600)

(Continued)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
Proceeds from the capital reduction on investments accounted for using equity method	\$ 9,000	\$ -
Proceeds from disposal of non-current assets for sale	-	10,932
Acquisition of property, plant and equipment	(68,204)	(350,002)
Decrease in refundable deposits	4,202	-
Decrease (increase) in other financial assets	(99,353)	305,786
Increase in other noncurrent assets	(146,800)	(733)
Interest received	9,940	19,918
Dividend received	-	7,931
Net cash used in investing activities	<u>(257,293)</u>	<u>(270,382)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,353,356	1,802,564
Repayments of short-term borrowings	(1,670,565)	(2,067,290)
Increase in short-term bills payable	80,000	-
Decrease in short-term bills payable	(80,000)	-
Repayments of long-term bank borrowings	(100,000)	-
Increase in guarantee deposit received	1,046	1,077
Repayment of principal of lease liabilities	(18,793)	(15,104)
Interest paid	<u>(16,159)</u>	<u>(15,718)</u>
Net cash used in financing activities	<u>(451,115)</u>	<u>(294,471)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(652)</u>	<u>5,033</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(81,790)	284,869
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,156,667</u>	<u>1,277,256</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,074,877</u>	<u>\$ 1,562,125</u>

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

(Concluded)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 June 30, 2020 and 2019, 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 July 29, 2020.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to 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)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation and its subsidiaries' accounting policies.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
"Annual Improvements to IFRS Standards 2018–2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
	(Concluded)

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

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

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

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

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

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 14, Table 6 and Table 7 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, 2019.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

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.

3) Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation and its subsidiaries recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation and its subsidiaries with no future related costs are recognized in profit or loss in the period in which they are received.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 500	\$ 500	\$ 500
Checking accounts and demand deposits	572,460	562,863	407,746
Cash equivalents (investment with original maturities less than three months)			
Time deposits	207,410	293,504	843,279
Short-term bills	<u>294,507</u>	<u>299,800</u>	<u>310,600</u>
	<u>\$ 1,074,877</u>	<u>\$ 1,156,667</u>	<u>\$ 1,562,125</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL - current

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
<hr/>			
Non-derivative financial assets			
Mutual funds	\$ 528,192	\$ 697,652	\$ 874,706
Domestic listed shares	31,253	74,770	97,318
Foreign listed shares	-	-	3,411
Convertible bonds	<u>9,001</u>	<u>-</u>	<u>-</u>
	<u>\$ 568,446</u>	<u>\$ 772,422</u>	<u>\$ 975,435</u>

Financial assets at FVTPL - noncurrent

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
<hr/>			
Non-derivative financial assets			
Emerging market shares	\$ 22,039	\$ 20,789	\$ 19,406
Unquoted ordinary shares	<u>53,154</u>	<u>51,121</u>	<u>54,739</u>
	<u>\$ 75,193</u>	<u>\$ 71,910</u>	<u>\$ 74,145</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Foreign investments in debt instrument			
Corporate Bonds	\$ 8,868	\$ -	\$ -
Domestic investments			
Listed shares - Ordinary	140,412	162,118	169,240
Listed shares - preference	<u>12,572</u>	<u>12,481</u>	<u>10,935</u>
	<u>\$ 161,852</u>	<u>\$ 174,599</u>	<u>\$ 180,175</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Corporate Bonds			
IL & FS Transportation Networks limited	\$ 3,772	\$ 3,875	\$ 13,587
Subordinated financial Bonds - Australia and New Zealand Bank	<u>-</u>	<u>-</u>	<u>4,190</u>
	<u>\$ 3,772</u>	<u>\$ 3,875</u>	<u>\$ 17,777</u>

10. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets for hedging - current</u>			
Cash flow hedges			
Foreign currency time deposits	<u>\$ 118,520</u>	<u>\$ 119,920</u>	<u>\$ -</u>

For the purpose of managing cash flow risk arising from exchange rate fluctuations, the Corporation designated foreign currency time deposits at December 31, 2019 for the future new investment.

Refer to Note 23 for information relating to financial instruments for hedging.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable (Operating)			
At amortized cost	<u>\$ 51,095</u>	<u>\$ 92,563</u>	<u>\$ 19,042</u>

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable (including related parties)			
At amortized cost			
Gross carrying amount	\$ 324,465	\$ 418,812	\$ 515,717
Less: Allowance for impairment loss	<u> -</u>	<u> 112</u>	<u> 118</u>
	<u>\$ 324,465</u>	<u>\$ 418,700</u>	<u>\$ 515,599</u>
			(Concluded)

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.

June 30, 2020

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	-	-	
Gross carrying amount	\$ 354,117	\$ 3,174	\$ 282	\$ 17,987	\$ -	\$ -	\$ 375,560
Loss allowance (Lifetime ECL)	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Amortized cost	<u>\$ 354,117</u>	<u>\$ 3,174</u>	<u>\$ 282</u>	<u>\$ 17,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,560</u>

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	100	-	
Gross carrying amount	\$ 490,676	\$ 7,306	\$ 9,456	\$ 3,825	\$ 112	\$ -	\$ 511,375
Loss allowance (Lifetime ECL)	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> (112)</u>	<u> -</u>	<u> (112)</u>
Amortized cost	<u>\$ 490,676</u>	<u>\$ 7,306</u>	<u>\$ 9,456</u>	<u>\$ 3,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,263</u>

June 30, 2019

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	100	-	
Gross carrying amount	\$ 529,154	\$ 349	\$ 42	\$ 5,096	\$ 118	\$ -	\$ 534,759
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118)</u>	<u>-</u>	<u>(118)</u>
Amortized cost	<u>\$ 529,154</u>	<u>\$ 349</u>	<u>\$ 42</u>	<u>\$ 5,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,641</u>

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

	For the Six Months Ended June 30	
	2020	2019
Balance, beginning of period	\$ 112	\$ -
Recognition	-	119
Written off	(111)	-
Effects of foreign currency exchange differences	<u>(1)</u>	<u>(1)</u>
Balance, end of period	<u>\$ -</u>	<u>\$ 118</u>

12. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Finished goods	\$ 510,371	\$ 500,392	\$ 325,069
Work in progress	146,248	142,950	134,389
Raw materials	103,814	87,483	115,449
Supplies	119,526	111,778	100,225
Merchandise	<u>63</u>	<u>-</u>	<u>855</u>
	<u>\$ 880,022</u>	<u>\$ 842,603</u>	<u>\$ 675,987</u>

The cost of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2020 and 2019 was NT\$909,382 thousand, NT\$1,387,560 thousand, NT\$2,187,747 thousand and NT\$2,858,853 thousand, respectively. The cost of goods sold included inventory write-downs of NT\$4,151 thousand, NT\$7,614 thousand, NT\$50,924 thousand and NT\$13,226 thousand, respectively.

13. OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits with original maturities more than three months	\$ 49,000	\$ 49,000	\$ -
Deposits for projects (Note 18)	-	-	2,775
Restricted deposits	<u>97,840</u>	<u>-</u>	<u>-</u>
	<u>\$ 146,840</u>	<u>\$ 49,000</u>	<u>\$ 2,775</u>

The Corporation applied The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the earnings remitted from overseas subsidiary were recognized as restricted deposits and classified according to the expected time of use of funds.

14. SUBSIDIARIES

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
China Steel Chemical Corporation (CSCC)	Ever Wealthy International Corporation (EWI)	General investment	100	100	100
	Ever Glory International Co., Ltd. (EVERGLORY)	International trading and general investment	100	100	100
	Formosa Ha Tinh CSCC (Cayman) International Limited (CSCCC)	International trading and investment	50	50	50
Ever Wealthy International Corporation	Changzhou China Steel New Materials Technology Co., Ltd. (CCSNM)	Processing and trading of asphalt mesocarbon microbeads product sorting	100	100	100

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 June 30, 2020, 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 June 30, 2020, this account has not been paid and is listed under other payables.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	June 30, 2020	December 31, 2019	June 30, 2019
Material associates			
CHC Resources Corporation (CHC)	\$ 298,922	\$ 312,239	\$ 291,093
Transglory Investment Corporation (TIC)	487,554	568,107	570,164
CSC Solar Corporation (CSCSC)	<u>276,975</u>	<u>277,906</u>	<u>270,940</u>
	1,063,451	1,158,252	1,132,197
Associates that are not individually material	<u>480,307</u>	<u>435,884</u>	<u>441,254</u>
	<u>\$ 1,543,758</u>	<u>\$ 1,594,136</u>	<u>\$ 1,573,451</u>

a. Material associates

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	June 30, 2020	December 31, 2019	June 30, 2019
CHC	6	6	6
TIC	9	9	9
CSCSC	15	15	15

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

	June 30, 2020	December 31, 2019	June 30, 2019
CHC	<u>\$ 677,372</u>	<u>\$ 755,473</u>	<u>\$ 794,523</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 2,631,080	\$ 2,478,713	\$ 2,859,374
Noncurrent assets	9,251,272	9,315,353	9,055,182
Current liabilities	(2,723,332)	(2,599,961)	(3,250,514)
Noncurrent liabilities	<u>(4,005,182)</u>	<u>(3,857,542)</u>	<u>(3,693,870)</u>
Equity	5,153,838	5,336,563	4,970,172
Non-controlling interests	<u>(204,798)</u>	<u>(167,046)</u>	<u>(150,215)</u>
	<u>\$ 4,949,040</u>	<u>\$ 5,169,517</u>	<u>\$ 4,819,957</u>

Proportion of the Corporation and its subsidiaries' ownership (%)

	June 30, 2020	December 31, 2019	June 30, 2019
	6	6	6

Equity attributable to the Corporation and its subsidiaries

	June 30, 2020	December 31, 2019	June 30, 2019
	<u>\$ 298,922</u>	<u>\$ 312,239</u>	<u>\$ 291,093</u>

Carrying amount

	June 30, 2020	December 31, 2019	June 30, 2019
	<u>\$ 298,922</u>	<u>\$ 312,239</u>	<u>\$ 291,093</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating revenue	<u>\$ 2,476,568</u>	<u>\$ 2,249,186</u>	<u>\$ 4,935,280</u>	<u>\$ 4,652,377</u>
Net profit for the period	\$ 204,828	\$ 195,394	\$ 359,961	\$ 426,471
Other comprehensive loss	<u>15,255</u>	<u>(5,057)</u>	<u>(87,725)</u>	<u>(7,114)</u>
Total comprehensive income	<u>\$ 220,083</u>	<u>\$ 190,337</u>	<u>\$ 272,236</u>	<u>\$ 419,357</u>

TIC

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 13,393	\$ 1,304	\$ 10,781
Noncurrent assets	5,493,606	6,373,776	6,617,463
Current liabilities	<u>(207,495)</u>	<u>(200,008)</u>	<u>(430,808)</u>
Equity	<u>\$ 5,299,504</u>	<u>\$ 6,175,072</u>	<u>\$ 6,197,436</u>
Proportion of the Corporation and its subsidiaries' ownership (%)	9	9	9
Equity attributable to the Corporation and its subsidiaries	<u>\$ 487,554</u>	<u>\$ 568,107</u>	<u>\$ 570,164</u>
Carrying amount	<u>\$ 487,554</u>	<u>\$ 568,107</u>	<u>\$ 570,164</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net loss for the period	\$ (3,853)	\$ (5,196)	\$ (7,722)	\$ (10,255)
Other comprehensive income (loss)	<u>474,603</u>	<u>(94,536)</u>	<u>(867,846)</u>	<u>189,071</u>
Total comprehensive income (loss)	<u>\$ 470,750</u>	<u>\$ (99,732)</u>	<u>\$ (875,568)</u>	<u>\$ 178,816</u>

CSCSC

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 288,890	\$ 335,707	\$ 563,163
Noncurrent assets	4,181,473	4,057,219	3,298,129
Current liabilities	(826,283)	(779,545)	(641,128)
Noncurrent liabilities	<u>(1,797,582)</u>	<u>(1,760,669)</u>	<u>(1,413,894)</u>
Equity	<u>\$ 1,846,498</u>	<u>\$ 1,852,712</u>	<u>\$ 1,806,270</u>
Proportion of the Corporation and its subsidiaries' ownership (%)	15	15	15
Equity attributable to the Corporation and its subsidiaries	<u>\$ 276,975</u>	<u>\$ 277,906</u>	<u>\$ 270,940</u>
Carrying amount	<u>\$ 276,975</u>	<u>\$ 277,906</u>	<u>\$ 270,940</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating Revenue	\$ 143,848	\$ 95,531	\$ 250,514	\$ 172,856
Net loss for the period	\$ 56,403	\$ 32,816	\$ 86,562	\$ 55,367
Other comprehensive income (loss)	(155)	-	(157)	-
Total comprehensive income (loss)	\$ 56,248	\$ 32,816	\$ 86,405	\$ 55,367

b. Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
The Corporation and its subsidiaries' share of Net profit for the period	\$ 10,428	\$ 4,190	\$ 10,226	\$ 8,141
Other comprehensive income (loss)	(1,686)	(2,001)	(22,880)	2,794
Total comprehensive income (loss)	\$ 8,742	\$ 2,189	\$ (12,654)	\$ 10,935

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 June 30, 2020 and 2019 and the related share of the comprehensive income for the three months and six months ended June 30, 2020 and 2019, 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.

16. PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended June 30, 2020

	Land	Buildings	Machinery and Equipment	Transportatio n Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,145,237	\$ 1,513,589	\$ 5,229,892	\$ 153,602	\$ 194,931	\$ 277,506	\$ 8,514,757
Additions	-	20,385	29,020	757	1,260	(12,417)	39,005
Disposals	-	-	(23,838)	(1,210)	-	-	(25,048)
Effect of foreign currency exchange differences	-	-	(946)	(115)	(570)	(5)	(1,636)
Balance at June 30, 2020	\$ 1,145,237	\$ 1,533,974	\$ 5,234,128	\$ 153,034	\$ 195,621	\$ 265,084	\$ 8,527,078
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 366,182	\$ 3,507,435	\$ 90,665	\$ 111,940	\$ -	\$ 4,076,222
Depreciation expense	-	39,270	159,560	9,066	9,724	-	217,620

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Disposals	\$ -	\$ -	\$ (23,787)	\$ (1,110)	\$ -	\$ -	\$ (24,897)
Effect of foreign currency exchange differences	-	-	(245)	(68)	(383)	-	(696)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 405,452</u>	<u>\$ 3,642,963</u>	<u>\$ 98,553</u>	<u>\$ 121,281</u>	<u>\$ -</u>	<u>\$ 4,268,249</u>
Carrying amount at December 31, 2019	<u>\$ 1,145,237</u>	<u>\$ 1,147,407</u>	<u>\$ 1,722,457</u>	<u>\$ 62,937</u>	<u>\$ 82,991</u>	<u>\$ 277,506</u>	<u>\$ 4,438,535</u>
Carrying amount at June 30, 2020	<u>\$ 1,145,237</u>	<u>\$ 1,128,522</u>	<u>\$ 1,591,165</u>	<u>\$ 54,481</u>	<u>\$ 74,340</u>	<u>\$ 265,084</u>	<u>\$ 4,258,829</u>

(Concluded)

For the Six Months Ended June 30, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
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	-	583,106	1,099,584	36,161	42,665	(1,064,065)	697,451
Disposals	-	-	(10,927)	(6,587)	(853)	-	(18,367)
Effect of foreign currency exchange differences	-	-	355	49	149	-	553
Balance at June 30, 2019	<u>\$ 1,145,237</u>	<u>\$ 1,656,869</u>	<u>\$ 5,016,776</u>	<u>\$ 145,475</u>	<u>\$ 176,546</u>	<u>\$ 233,487</u>	<u>\$ 8,374,390</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 297,540	\$ 3,235,067	\$ 82,140	\$ 97,607	\$ -	\$ 3,712,354
Depreciation expense	-	29,776	122,317	6,396	7,087	-	165,576
Disposals	-	-	(10,375)	(6,574)	(852)	-	(17,801)
Effect of foreign currency exchange differences	-	-	62	14	98	-	174
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 327,316</u>	<u>\$ 3,347,071</u>	<u>\$ 81,976</u>	<u>\$ 103,940</u>	<u>\$ -</u>	<u>\$ 3,860,303</u>
Carrying amount at June 30, 2019	<u>\$ 1,145,237</u>	<u>\$ 1,329,553</u>	<u>\$ 1,669,705</u>	<u>\$ 63,499</u>	<u>\$ 72,606</u>	<u>\$ 233,487</u>	<u>\$ 4,514,087</u>

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	3-20 years
Examination equipment	3-10 years
Computer equipment	3-10 years
Transportation equipment	
Transportation equipment	3-10 years
Telecommunication equipment	3-10 years
Other equipment	
Extinguishment equipment	5-10 years
Air condition and utilities equipment	3-10 years
Monitoring, office and other equipment	3-10 years

17. LEASE AGREEMENT

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Land	\$ 356,197	\$ 362,556	\$ 370,109
Machinery	244,826	258,361	263,765

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	\$ <u>88,773</u>	\$ <u>82,572</u>	\$ <u>89,076</u>
	<u>\$ 689,796</u>	<u>\$ 703,489</u>	<u>\$ 722,950</u> (Concluded)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Additions to right-of-use assets			\$ <u>15,831</u>	\$ <u>-</u>
Depreciation charge for right-of-use assets				
Land	\$ 3,790	\$ 3,776	\$ 7,579	\$ 7,553
Machinery	2,616	2,702	5,231	5,404
Buildings	<u>2,649</u>	<u>1,580</u>	<u>5,307</u>	<u>3,161</u>
	<u>\$ 9,055</u>	<u>\$ 8,058</u>	<u>\$ 18,117</u>	<u>\$ 16,118</u>

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Current	\$ <u>41,416</u>	\$ <u>37,013</u>	\$ <u>36,742</u>
Non-current	\$ <u>629,738</u>	\$ <u>647,905</u>	\$ <u>661,961</u>

Ranges of discount rate (%) for lease liabilities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Land	1.4703	1.4703	1.4703
Machinery	1.4703	1.4703	1.4703
Buildings	0.8626-3.0000	1.1955-3.0000	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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 1,123</u>	<u>\$ 1,930</u>	<u>\$ 1,684</u>	<u>\$ 3,501</u>
Total cash outflow for all lease agreements (including short-term lease agreements)			<u>\$ (25,785)</u>	<u>\$ (24,137)</u>

Refer to Note 18 for the Corporation and its subsidiaries leasing their own investment properties in operating leases.

18. INVESTMENT PROPERTIES

For the Six Months Ended June 30, 2020

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020 and June 30, 2020	<u>\$ 561,813</u>	<u>\$ 47,665</u>	<u>\$ 609,478</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020 and June 30, 2020	<u>\$ 8,825</u>	<u>\$ 47,665</u>	<u>\$ 56,490</u>
Carrying amount at January 1, 2020 and June 30, 2020	<u>\$ 552,988</u>	<u>\$ -</u>	<u>\$ 552,988</u>

For the Six Months Ended June 30, 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019 and June 30, 2019	<u>\$ 561,813</u>	<u>\$ 47,665</u>	<u>\$ 609,478</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019 and June 30, 2019	<u>\$ 8,825</u>	<u>\$ 47,665</u>	<u>\$ 56,490</u>
Carrying amount at January 1, 2019 and June 30, 2019	<u>\$ 552,988</u>	<u>\$ -</u>	<u>\$ 552,988</u>

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:

	June 30, 2020	December 31, 2019	June 30, 2019
Total lease payment charged in the future	<u>\$ 11,116</u>	<u>\$ 14,728</u>	<u>\$ 22,194</u>

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 permits 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.

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the fair value of investment properties was NT\$895,837 thousand, NT\$895,837 thousand and NT\$851,278 thousand, respectively. The fair value was based on the Corporation’s management have adopted the evaluation model used by market participants, the appraisal value presented by independent qualified professional appraiser in March 2015 and December 2015 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.

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

Refer to Note 30 for the lease transactions conducted with related party.

19. OTHER NONCURRENT ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Product underwriting premium (Note 14)	\$ 550,525	\$ 557,028	\$ 577,095
Restricted deposits (Note 13)	141,596	-	-
Deferred charges	<u>45,378</u>	<u>52,136</u>	<u>47,273</u>
	<u>\$ 737,499</u>	<u>\$ 609,164</u>	<u>\$ 624,368</u>

20. BORROWINGS

a. Short-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Bank loans - interest at 0.72%-0.79% p.a., 0.72%-1.118% p.a. and 0.7%-0.898% p.a. as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively	\$ 1,667,000	\$ 1,967,000	\$ 1,687,000
Letters of credit borrowings - interest at 0.99%-1.1% p.a., 0.99%-1.118% p.a. and 0.99%-1.118% p.a. as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively	<u>8,296</u>	<u>25,505</u>	<u>30,488</u>
	<u>\$ 1,675,296</u>	<u>\$ 1,992,505</u>	<u>\$ 1,717,488</u>

b. Long-term bank borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured loans			
The amount of borrowing is NT\$500,000 thousand, from August 2018 to August 2021, and interest at 1.1955% p.a. as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively	\$ 500,000	\$ 500,000	\$ 500,000
The amount of borrowings for circular use is NT\$500,000 thousand, from May 2018 to August 2023, and interest at 0.889% p.a., 1.046% p.a. and 1.01% p.a. as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively	<u>50,000</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$ 550,000</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>

In May 2018, the Corporation entered into a credit facility agreement with KGI Bank for a NT\$500,000 thousand credit line. The Corporation applied for the extension of the agreement period to 2023 in June 2020. 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.

21. OTHER PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Dividend payable	\$ 1,256,625	\$ 4,603	\$ 1,260,691
Royalties (Note 14)	548,540	555,019	575,013
Employees' compensation and remuneration of directors and supervisors	78,816	70,093	42,472
Outsourced repair and construction	56,581	50,833	71,577
Salaries and incentive bonus	50,378	100,477	71,207
Soil remediation expense	38,343	45,466	52,303
Purchase of equipment	2,452	7,742	15,765
Others (freight, commission and insurance)	<u>22,300</u>	<u>37,736</u>	<u>44,642</u>
	<u>\$ 2,054,035</u>	<u>\$ 871,969</u>	<u>\$ 2,133,670</u>

22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, the amounts was NT\$2,067 thousand, NT\$2,192 thousand, NT\$4,133 thousand and NT\$4,385 thousand for the three months and six months ended June 30, 2020 and 2019, respectively.

23. EQUITY

a. Ordinary share capital

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>236,904</u>	<u>236,904</u>	<u>236,904</u>
Shares issued	<u>\$ 2,369,044</u>	<u>\$ 2,369,044</u>	<u>\$ 2,369,044</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
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	844,356	844,356	819,162
May be used to offset deficits only			
Share of change in equity of associates	<u>1,279</u>	<u>1,278</u>	<u>1,268</u>
	<u>\$ 845,853</u>	<u>\$ 845,852</u>	<u>\$ 820,648</u>

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).

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 2019 and 2018 had been approved in the shareholder's meeting in June 2020 and 2019, 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	
	2019	2018	2019	2018
Legal reserve	\$ 128,035	\$ 147,112		
Recognized of special reserve	14,850	-		
Cash dividends	1,137,142	1,255,594	\$ 4.8	\$ 5.3

In addition, the Corporation's board of directors resolved to distribute cash from legal reserve of NT\$47,381 thousand, NT\$0.2 per share, total NT\$5 per share in 2019.

d. Other equity items

1) Exchange differences on translating foreign operations

	For the Six Months Ended June 30	
	2020	2019
Balance, beginning of period	\$ (71,241)	\$ (44,737)

(Continued)

	For the Six Months Ended June 30	
	2020	2019
Recognized during the period		
Exchange differences arising on translating foreign operations	\$ (8,758)	\$ 10,146
Share of exchange difference of associates accounted for using the equity method	<u>(3,476)</u>	<u>(547)</u>
Balance, end of period	<u>\$ (83,475)</u>	<u>\$ (35,138)</u> (Concluded)

2) Unrealized gain and loss on financial assets at FVTOCI

	For the Six Months Ended June 30	
	2020	2019
Balance, beginning of period	\$ (103,927)	\$ (89,173)
Recognized during the period		
Unrealized gain and loss - equity instruments	(21,629)	5,744
Share from associates accounted for using the equity method	<u>(104,174)</u>	<u>19,864</u>
Other comprehensive income recognized in the period	(229,730)	(63,565)
Cumulative unrealized gain and loss of equity instruments transferred to retained earnings due to disposal	<u>1,671</u>	<u>600</u>
Balance, end of period	<u>\$ (228,059)</u>	<u>\$ (62,965)</u>

3) Gain (loss) on hedge instruments

	For the Six Months Ended June 30	
	2020	2019
Balance, beginning of period	\$ (1,664)	\$ -
Recognized during the period		
Fair value changes of hedging instruments	(2,913)	-
Tax effect	<u>(2)</u>	<u>-</u>
Balance, end of period	<u>\$ (3,996)</u>	<u>\$ -</u>

e. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Balance, beginning of period	\$ 366,473	\$ 370,339
Net profit (loss) for the period	197	4,547
Exchange difference on translating foreign operations	(4,281)	4,173
Paid cash dividend in non-controlling interest	<u>(65,894)</u>	<u>-</u>
Balance, end of period	<u>\$ 296,495</u>	<u>\$ 379,059</u>

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 Six Months Ended June 30, 2020

<u>Beginning of period</u>		<u>Decrease during the period</u>			<u>End of period</u>		
<u>Number of Shares Held</u>	<u>Carrying Amount</u>	<u>Number of Shares Held</u>	<u>Carrying Amount</u>	<u>Selling Price</u>	<u>Number of Shares Held</u>	<u>Carrying Amount</u>	<u>Market Price</u>
4,754	\$ 117,638	-	\$ _____	\$ _____	4,754	\$ 117,638	\$ 499,121

For the Six Months Ended June 30, 2019

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

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.

24. OPERATING REVENUES

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers				
Revenue from chemical product production and sale	\$ 1,004,783	\$ 1,531,079	\$ 2,436,612	\$ 3,195,829
Revenue from trading	106,196	301,217	278,461	609,390
Revenue from the rendering of services	<u>20,579</u>	<u>24,721</u>	<u>45,141</u>	<u>47,580</u>
	<u>1,131,558</u>	<u>1,857,017</u>	<u>2,760,214</u>	<u>3,852,799</u>
Revenue from investment				
Gain on fair value change of financial assets at FVTPL	15,474	3,792	(15,736)	22,415
Share of the profit of associates	<u>2,638</u>	<u>4,944</u>	<u>4,369</u>	<u>9,666</u>
	<u>18,112</u>	<u>8,736</u>	<u>(11,367)</u>	<u>32,081</u>
	<u>\$ 1,149,670</u>	<u>\$ 1,865,753</u>	<u>\$ 2,748,847</u>	<u>\$ 3,884,880</u>

a. Contract balances

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>	<u>January 1, 2019</u>
Notes and accounts receivables (including related parties)	<u>\$ 375,560</u>	<u>\$ 511,263</u>	<u>\$ 534,641</u>	<u>\$ 603,379</u>

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Contract liabilities				
Sale of goods	\$ 46,552	\$ 12,872	\$ 25,723	\$ 68,707
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110</u>
	<u>\$ 46,552</u>	<u>\$ 12,872</u>	<u>\$ 25,723</u>	<u>\$ 69,817</u> (Concluded)

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 Six Months Ended June 30	
	2020	2019
From the beginning contract liability		
Sale of goods	<u>\$ 13,368</u>	<u>\$ 68,693</u>

b. Disaggregation of revenue

For the six months ended June 30, 2020

	Reportable Segments			
	Chemicals Segment - Production and Sales	Chemicals Segment - Trading	Investment Segment	Total
Type of goods or services				
Sale of goods	\$ 2,436,612	\$ 278,461	\$ -	\$ 2,715,073
Rendering of services	45,141	-	-	45,141
Others	<u>-</u>	<u>-</u>	<u>(11,367)</u>	<u>(11,367)</u>
	<u>\$ 2,481,753</u>	<u>\$ 278,461</u>	<u>\$ (11,367)</u>	<u>\$ 2,748,847</u>

For the six months ended June 30, 2019

	Reportable Segments			
	Chemicals Segment - Production and Sales	Chemicals Segment - Trading	Investment Segment	Total
Type of goods or services				
Sale of goods	\$ 3,195,829	\$ 609,390	\$ -	\$ 3,805,219
Rendering of services	47,580	-	-	47,580
Others	<u>-</u>	<u>-</u>	<u>32,081</u>	<u>32,081</u>
	<u>\$ 3,243,409</u>	<u>\$ 609,390</u>	<u>\$ 32,081</u>	<u>\$ 3,884,880</u>

25. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Reversal of accrued expenses	\$ -	\$ -	\$ 11,213	\$ -
Income from sale of product trials	3,575	3,625	9,556	4,423
Government subsidy income	9,086	-	9,086	-
Rental income (Note 30)	4,147	4,147	8,294	8,242
Income from sale of scrap and wastes	1,094	1,304	1,460	2,169
Dividend income	-	1,213	-	1,213
Others	<u>2,378</u>	<u>1,579</u>	<u>5,568</u>	<u>3,395</u>
	<u>\$ 20,280</u>	<u>\$ 11,868</u>	<u>\$ 45,177</u>	<u>\$ 19,442</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net foreign exchange gain (loss)	\$ (13,824)	\$ 3,207	\$ (6,043)	\$ 14,898
Net gain (loss) on fair value change of financial assets mandatorily at FVTPL	13,630	4,326	(24,868)	13,477
Loss on disposal of property, plant and equipment	(100)	(60)	(151)	(566)
Gain on disposal of non-current assets held for sale	-	407	-	407
Others	<u>(37)</u>	<u>595</u>	<u>(60)</u>	<u>(191)</u>
	<u>\$ (331)</u>	<u>\$ 8,475</u>	<u>\$ (31,122)</u>	<u>\$ 28,025</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Foreign exchange gain	\$ (6,054)	\$ 7,828	\$ 12,527	\$ 20,615
Foreign exchange loss	<u>(7,770)</u>	<u>(4,621)</u>	<u>(18,570)</u>	<u>(5,717)</u>
Net foreign exchange gain (loss)	<u>\$ (13,824)</u>	<u>\$ 3,207</u>	<u>\$ (6,043)</u>	<u>\$ 14,898</u>

c. Interest expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 5,042	\$ 5,205	\$ 10,679	\$ 10,846
Interest on lease liabilities	2,640	2,761	5,308	5,532
Interest on short-term bills	25	-	42	-
Others	<u>8</u>	<u>-</u>	<u>8</u>	<u>-</u>
	7,715	7,966	16,037	16,378
Less: Amounts included in the cost of qualifying assets	<u>-</u>	<u>2,203</u>	<u>908</u>	<u>5,384</u>
	<u>\$ 7,715</u>	<u>\$ 5,763</u>	<u>\$ 15,129</u>	<u>\$ 10,994</u>

Information about capitalized interest is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Capitalized interest	\$ -	\$ 2,203	\$ 908	\$ 5,384
Capitalization rate (%)	-	0.8	1.1955	0.8

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 106,565	\$ 89,687	\$ 217,620	\$ 165,576
Right-of-use assets	9,055	8,058	18,117	16,118
Other noncurrent assets	<u>3,556</u>	<u>2,433</u>	<u>7,098</u>	<u>4,854</u>
	<u>\$ 119,176</u>	<u>\$ 100,178</u>	<u>\$ 242,835</u>	<u>\$ 186,548</u>
An analysis of depreciation by function				
Operating costs	\$ 107,228	\$ 90,606	\$ 218,921	\$ 168,445
Operating expenses	<u>8,392</u>	<u>7,139</u>	<u>16,816</u>	<u>13,249</u>
	<u>\$ 115,620</u>	<u>\$ 97,745</u>	<u>\$ 235,737</u>	<u>\$ 181,694</u>
An analysis of amortization by function				
Operating costs	<u>\$ 3,556</u>	<u>\$ 2,433</u>	<u>\$ 7,098</u>	<u>\$ 4,854</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 88,790	\$ 120,035	\$ 181,917	\$ 248,052
Salaries	5,559	6,526	11,934	12,520
Labor and health insurance	3,654	3,969	10,371	8,383
Others	<u>98,003</u>	<u>130,530</u>	<u>204,222</u>	<u>268,955</u>
Post-employment benefits	1,954	1,880	3,975	3,755
Defined contribution plans	<u>2,067</u>	<u>2,192</u>	<u>4,133</u>	<u>4,385</u>
Defined benefit plans (Note 22)	<u>4,021</u>	<u>4,072</u>	<u>8,108</u>	<u>8,140</u>
	<u>\$ 102,024</u>	<u>\$ 134,602</u>	<u>\$ 212,330</u>	<u>\$ 277,095</u>
An analysis by function				
Operating costs	\$ 76,205	\$ 89,241	\$ 161,326	\$ 186,352
Operating expenses	<u>25,819</u>	<u>45,361</u>	<u>51,004</u>	<u>90,743</u>
	<u>\$ 102,024</u>	<u>\$ 134,602</u>	<u>\$ 212,330</u>	<u>\$ 277,095</u>

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 and six months ended June 30, 2020 and 2019 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employees' compensation	\$ 7,140	\$ 18,185	\$ 15,824	\$ 35,393
Remuneration of directors and supervisors	1,385	3,637	3,125	7,079

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

	Cash	
	For the Year Ended December 31	
	2019	2018
Employees' compensation	\$ 59,867	\$ 68,067
Remuneration of directors and supervisors	11,973	13,613

The appropriations of employees' compensation and remuneration of directors and supervisors have been resolved by the board of directors in March 2020 and 2019 and consolidated financial statements for 2019 and 2018 as follows:

	For the Year Ended December 31, 2019		For the Year Ended December 31, 2018	
	Employees' Compensation	Remuneration of Directors and Supervisors	Employees' Compensation	Remuneration of Directors and Supervisors
The board of directors approved amounts	<u>\$ 59,867</u>	<u>\$ 11,973</u>	<u>\$ 68,067</u>	<u>\$ 13,613</u>
Consolidated financial statements amounts	<u>\$ 58,411</u>	<u>\$ 12,040</u>	<u>\$ 67,249</u>	<u>\$ 13,450</u>

The difference amounts above were recognized in profit and loss for the six months ended June 30, 2020 and 2019.

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.

26. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 34,373	\$ 75,484	\$ 73,052	\$ 160,472
Adjustments for prior year	(6,126)	(16,209)	944	(16,209)
Adjustments under the Alternative Minimum Tax Act	(64)	1,907	82	1,907
Income tax on unappropriated earnings	-	3,421	-	3,421
Land value increment tax	-	44	-	44
	<u>28,183</u>	<u>64,647</u>	<u>74,078</u>	<u>149,635</u>
Deferred tax				
In respect of the current period	<u>-</u>	<u>1,071</u>	<u>3,682</u>	<u>3,152</u>
	<u>\$ 28,183</u>	<u>\$ 65,718</u>	<u>\$ 77,760</u>	<u>\$ 152,787</u>

b. Income tax benefit recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Recognized in other comprehensive income:				
Cash flow hedges	<u>\$ (360)</u>	<u>\$ -</u>	<u>\$ (583)</u>	<u>\$ -</u>

c. Income tax assessments

The Corporation's income tax returns through 2018 and the subsidiary EWI's income tax return through 2017 have been assessed by the tax authorities.

27. 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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net profit attributable to owners of the Corporation	<u>\$ 163,662</u>	<u>\$ 335,983</u>	<u>\$ 345,439</u>	<u>\$ 726,527</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares outstanding	236,904	236,904	236,904	236,904
Less: Number of treasury shares acquired by subsidiaries	<u>4,754</u>	<u>4,754</u>	<u>4,754</u>	<u>4,754</u>
Weighted average number of ordinary shares used in computation of basic earnings per share	232,150	232,150	232,150	232,150
Plus: Effect of dilutive potential ordinary shares - employees' compensation	<u>151</u>	<u>263</u>	<u>424</u>	<u>480</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u><u>232,301</u></u>	<u><u>232,413</u></u>	<u><u>232,574</u></u>	<u><u>232,630</u></u>

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.

28. 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 six months ended June 30, 2020. The capital structure of the Corporation and its subsidiaries consist of net liabilities and equity. Except for the description of Note 20, 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.

29. 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
<u>June 30, 2020</u>				
Financial assets measured at FVTPL				
Mutual funds	\$ 528,192	\$ -	\$ -	\$ 528,192
Domestic listed shares	31,253	-	-	31,253
Emerging market shares	-	-	22,039	22,039
Domestic unlisted shares	-	-	53,154	53,154
Convertible bonds	<u>9,001</u>	<u>-</u>	<u>-</u>	<u>9,001</u>
	<u>\$ 568,446</u>	<u>\$ -</u>	<u>\$ 75,193</u>	<u>\$ 643,639</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 152,984	\$ -	\$ -	\$ 152,984
Foreign corporate bonds	<u>8,868</u>	<u>-</u>	<u>-</u>	<u>8,868</u>
	<u>\$ 161,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,852</u>
<u>December 31, 2019</u>				
Financial assets measured at FVTPL				
Mutual funds	\$ 697,652	\$ -	\$ -	\$ 697,652
Domestic listed shares	74,770	-	-	74,770

(Continued)

	Level 1	Level 2	Level 3	Total
Emerging market share	\$ -	\$ -	\$ 20,789	\$ 20,789
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>51,121</u>	<u>51,121</u>
	<u>\$ 772,422</u>	<u>\$ -</u>	<u>\$ 71,910</u>	<u>\$ 844,332</u>
Financial assets at FVTOCI				
Domestic listed shares	<u>\$ 174,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,599</u>
<u>June 30, 2019</u>				
Financial assets measured at FVTPL				
Mutual funds	\$ 874,706	\$ -	\$ -	\$ 874,706
Domestic listed shares	97,318	-	-	97,318
Foreign listed shares	3,411	-	-	3,411
Emerging market shares	-	-	19,406	19,406
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>54,739</u>	<u>54,739</u>
	<u>\$ 975,435</u>	<u>\$ -</u>	<u>\$ 74,145</u>	<u>\$ 1,049,580</u>
Financial assets at FVTOCI				
Domestic listed shares	<u>\$ 180,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,175</u> (Concluded)

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

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

	Financial Assets at FVTPL	
	For the Six Months	
	Ended June 30	
	2020	2019
Balance, beginning of period	\$ 71,910	\$ 71,135
Recognized in profit or loss	<u>3,283</u>	<u>3,010</u>
Balance, end of period	<u>\$ 75,193</u>	<u>\$ 74,145</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
Measured at FVTPL			
Mandatorily at FVTPL (including non-current)	\$ 643,639	\$ 844,332	\$ 1,049,580
Financial assets for hedging	118,520	119,920	-
Financial assets at FVTOCI			
Equity instruments	152,984	174,599	180,175
Debt instruments	8,868	-	-
Financial assets at amortized cost 1)	2,058,526	1,979,578	2,549,295
<u>Financial liabilities</u>			
Measured at amortized cost 2)	4,425,928	3,754,547	4,758,036

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, restricted deposit, other financial assets, financial assets at amortized cost - noncurrent, and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, 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 32.

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%.

	<u>USD (Note)</u>		<u>RMB (Note)</u>	
	<u>For the Six Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	2020	2019	2020	2019
Profit or loss in Scenario 1	\$ (23,873)	\$ (24,188)	\$ (1,953)	\$ (5,830)
Profit or loss in Scenario 2	23,873	24,188	1,953	5,830

Note: It was mainly derived from the cash and cash equivalents, receivables, financial assets at amortized cost - noncurrent, restricted deposit (including noncurrent part), 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 six months ended June 30, 2020 were mainly due to the decrease 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 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value interest risk			
Financial liabilities	\$ 1,171,154	\$ 1,184,918	\$ 1,198,703
Cash flow interest rate risk			
Financial assets	700,141	418,521	320,835
Financial liabilities	50,000	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 six months ended June 30, 2020 and 2019, respectively, the pre-tax profit for the six months ended June 30, 2020 and 2019 would have been higher/lower by NT\$33,567 thousand and NT\$58,526 thousand, respectively, as a result of the fair value changes of financial assets at FVTPL, and the pre-tax other comprehensive income for the six months ended June 30, 2020 and 2019 would have been higher/lower by NT\$9,179 thousand and NT\$10,811 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Customer A	\$ 70,191	\$ 85,021	\$ 104,797
Customer B	21,554	53,053	39,436

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Customer C	<u>\$ 32,269</u>	<u>\$ 69,989</u>	<u>\$ 53,767</u>
	<u>\$ 124,014</u>	<u>\$ 208,063</u>	<u>\$ 198,000</u> (Concluded)

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 Corporation and its subsidiaries rely on bank borrowings as a significant source of liquidity. As of June 30, 2020, December 31, 2019 and June 30, 2019, the Corporation and its subsidiaries had available unutilized short-term bank loan facilities in the amounts of NT\$6.5 billion, NT\$5.0 billion and NT\$5.2 billion, respectively.

Liquidity and interest risk rate table for non-derivative financial liabilities

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

June 30, 2020

	1 Year	1-5 Years	5+ Years	Total
Non-interest bearing	\$ 2,196,056	\$ 4,576	\$ -	\$ 2,200,632
Finance lease liabilities	42,228	138,243	627,592	808,063
Variable interest rate liabilities	1,626,754	50,915	-	1,677,669
Fixed interest rate liabilities	<u>56,103</u>	<u>500,622</u>	<u>-</u>	<u>556,725</u>
	<u>\$ 3,921,141</u>	<u>\$ 694,356</u>	<u>\$ 627,592</u>	<u>\$ 5,243,089</u>

December 31, 2019

	1 Year	1-5 Years	5+ Years	Total
Non-interest bearing	\$ 1,108,512	\$ 3,530	\$ -	\$ 1,112,042
Finance lease liabilities	37,722	135,004	622,853	795,579
Variable interest rate liabilities	1,945,043	150,597	-	2,095,640
Fixed interest rate liabilities	<u>56,117</u>	<u>503,570</u>	<u>-</u>	<u>559,687</u>
	<u>\$ 3,147,394</u>	<u>\$ 792,701</u>	<u>\$ 622,853</u>	<u>\$ 4,562,948</u>

June 30, 2019

	1 Year	1-5 Years	5+ Years	Total
Non-interest bearing	\$ 2,387,068	\$ 3,480	\$ -	\$ 2,390,548
Finance lease liabilities	37,826	137,776	665,769	841,371
Variable interest rate liabilities	1,650,281	151,324	-	1,801,605
Fixed interest rate liabilities	<u>76,046</u>	<u>506,518</u>	<u>-</u>	<u>582,564</u>
	<u>\$ 4,151,221</u>	<u>\$ 799,098</u>	<u>\$ 665,769</u>	<u>\$ 5,616,088</u>

30. TRANSACTIONS WITH RELATED PARTIES

<u>Related Party Name</u>	<u>Relationship with the Corporation</u>
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 (expired in June 2019)
Kai-Chieh Chia	Supervisors of the Corporation (expired in June 2019)
Che-Sheng Chen	Supervisors of the Corporation (expired in June 2019)
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
China Steel Global Trading Corporation	Fellow subsidiaries
Steel Castle Technology 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
Betacera Inc.	Fellow subsidiaries
CSC Solar 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 Items	Related Parties Types/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2020	2019	2020	2019
Revenue from sales of goods	The subsidiary of the key management of the Corporation				
	Linyuan Advanced	\$ 179,927	\$ 293,236	\$ 440,456	\$ 617,460
	Others	<u>7,893</u>	<u>6,603</u>	<u>26,842</u>	<u>18,543</u>
		187,820	299,839	467,298	636,003
	Parent entity	3,113	4,553	6,317	8,220
	Fellow subsidiaries	<u>1,689</u>	<u>2,534</u>	<u>4,910</u>	<u>6,747</u>
		<u>\$ 192,622</u>	<u>\$ 306,926</u>	<u>\$ 478,525</u>	<u>\$ 650,970</u>
Revenue from the rendering of services	Parent entity	<u>\$ 20,491</u>	<u>\$ 24,617</u>	<u>\$ 44,959</u>	<u>\$ 47,352</u>

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Parent entity				
CSC	<u>\$ 267,312</u>	<u>\$ 510,034</u>	<u>\$ 719,762</u>	<u>\$ 1,050,369</u>
Fellow subsidiaries				
DSC	101,001	206,310	264,399	399,284
Others	<u>327</u>	<u>382</u>	<u>582</u>	<u>510</u>
	<u>101,328</u>	<u>206,692</u>	<u>264,981</u>	<u>399,794</u>
Other related parties				
Formosa Ha Tinh	<u>105,662</u>	<u>353,539</u>	<u>320,266</u>	<u>614,609</u>
	<u>\$ 474,302</u>	<u>\$ 1,070,265</u>	<u>\$ 1,305,009</u>	<u>\$ 2,064,772</u>

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	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable - related parties	Parent entity	\$ 7,968	\$ 10,702	\$ 10,301
	Fellow subsidiaries	441	1,192	1,798
	The subsidiary of the key management of the Corporation			
	Linyuan Advanced	70,191	85,021	104,797
	Others	9,437	3,922	1,384
	Other related parties	<u>-</u>	<u>-</u>	<u>17,417</u>
		<u>\$ 88,037</u>	<u>\$ 100,837</u>	<u>\$ 135,697</u>
Other receivables	Parent entity			
	CSC	\$ 17,661	\$ 13,740	\$ 73,041
	Fellow subsidiaries	1,545	916	1,469
	Other related parties			
	Formosa Ha Tinh (Cayman)	207,410	209,860	217,420
Others	<u>26,063</u>	<u>23,981</u>	<u>55,689</u>	
		<u>\$ 252,679</u>	<u>\$ 248,497</u>	<u>\$ 347,619</u>

No guarantee had been received for receivables from related parties. For the six months ended June 30, 2020 and 2019, no impairment loss was recognized on receivables from related parties.

d. Payables to related parties

Account Items	Related Parties Types/Name	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable - related parties	Parent entity			
	CSC	\$ 117,763	\$ 186,149	\$ 197,707
	Fellow subsidiaries	<u>485</u>	<u>-</u>	<u>-</u>
		<u>\$ 118,248</u>	<u>\$ 186,149</u>	<u>\$ 197,707</u>
Other payables	Parent entity	\$ 2,876	\$ 11,272	\$ 3,867
	Fellow subsidiaries	74	247	83
	The Key management of the Corporation	942	3,279	1,608
	Supervisors of the Corporation	300	1,846	2,255
	Other related parties			
	Formosa Ha Tinh	<u>548,540</u>	<u>555,019</u>	<u>575,013</u>
		<u>\$ 552,732</u>	<u>\$ 571,663</u>	<u>\$ 582,826</u>

The outstanding accounts payable to related parties were unsecured.

e. Acquisitions of property, plant and equipment

Related Parties Types/Name	Purchase Price	
	For the Six Months	
	Ended June 30	
	2020	2019
Parent entity	\$ 23,990	\$ -
Fellow subsidiaries	<u>588</u>	<u>16,950</u>
	<u>\$ 24,578</u>	<u>\$ 16,950</u>

f. Lease agreement

Related Parties Types/Name	Purchase Price	
	For the Six Months	
	Ended June 30	
	2020	2019
Acquisition of right-of-use assets		
Parent entity - CSC	<u>\$ 14,118</u>	<u>\$ -</u>

Account Items	Related Parties Types/Name	June 30, 2020	December 31, 2019	June 30, 2019
Lease liabilities	Parent entity - CSC	\$ 618,280	\$ 625,674	\$ 636,317
	Fellow subsidiaries			
	CSPM	47,761	50,366	52,124
	Chung Hung	<u>2,321</u>	<u>3,469</u>	<u>4,611</u>
		<u>50,082</u>	<u>53,835</u>	<u>56,735</u>
		<u>\$ 668,362</u>	<u>\$ 679,509</u>	<u>\$ 693,052</u>

Related Parties Types/Name	For the Three Months		For the Six Months	
	Ended June 30		Ended June 30	
	2020	2019	2020	2019
Interest expense				
Parent entity - CSC	<u>\$ 2,261</u>	<u>\$ 2,338</u>	<u>\$ 4,540</u>	<u>\$ 4,682</u>
Fellow subsidiaries				
CSPM	359	387	725	775
Chung Hung	<u>9</u>	<u>15</u>	<u>19</u>	<u>32</u>
	<u>368</u>	<u>402</u>	<u>744</u>	<u>807</u>
	<u>\$ 2,629</u>	<u>\$ 2,740</u>	<u>\$ 5,284</u>	<u>\$ 5,489</u>

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, 5 years, and 10 years (all ending in December 2020). Rent was paid once every six months.

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 Corporation and fellow subsidiary had signed a land and warehouse lease contract for a period ended August 2020.

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

2) Leased office building

The Corporation had leased office buildings from the parent entity for a period up to December 2022. 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.

h. Lease agreements

Rent in operating lease

As described in note 18, 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 June 30, 2020, December 31, 2019 and June 30, 2019, the total amount of lease payment charged in the future was NT\$6,158 thousand, NT\$12,315 thousand and NT\$18,474 thousand, respectively. Lease revenue recognized for the three months and six months ended June 30, 2020 were NT\$3,079 thousand and NT\$6,158 thousand, respectively.

i. Other related party transactions

1) 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\$74,464 thousand, NT\$102,122 thousand, NT\$165,820 thousand and NT\$205,926 thousand for the three months and six months ended June 30, 2020 and 2019, respectively. The Corporation and other non-related parties had no similar transactions available for comparison.

2) Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 9,443	\$ 12,353	\$ 18,081	\$ 23,512
Post-employment benefits	<u>343</u>	<u>251</u>	<u>687</u>	<u>502</u>
	<u>\$ 9,786</u>	<u>\$ 12,604</u>	<u>\$ 18,768</u>	<u>\$ 24,014</u>

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.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

The Corporation and its subsidiaries' significant commitments and contingencies as of June 30, 2020 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\$533,507 thousand.
- b. Property, plant and equipment construction contract signed for total amount of NT\$129,243 thousand, within which about NT\$24,490 thousand were not yet completed.

32. 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
<u>June 30, 2020</u>				
Monetary financial assets				
USD	\$ 38,024	29.63	(USD:NTD)	\$ 1,126,664
RMB	16,998	4.191	(RMB:NTD)	71,239
Non-monetary financial assets				
Financial assets mandatorily classified as FVTPL				
USD	5,080	29.63	(USD:NTD)	150,534
Financial assets classified as FVTOCI				
USD	299	29.63	(USD:NTD)	8,868
Monetary financial liabilities				
USD	8,314	29.63	(USD:NTD)	246,341
USD	2,854	7.069	(USD:RMB)	84,565
RMB	1,462	4.191	(RMB:NTD)	6,126
<u>December 31, 2019</u>				
Monetary financial assets				
USD	28,678	29.98	(USD:NTD)	859,757
RMB	23,001	4.305	(RMB:NTD)	99,021
Non-monetary financial assets				
Financial assets mandatorily classified as FVTPL				
USD	7,940	29.98	(USD:NTD)	238,047
RMB	5,184	4.305	(RMB:NTD)	22,317

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Monetary financial liabilities				
USD	\$ 9,683	29.98	(USD:NTD)	\$ 290,302
USD	2,822	6.964	(USD:RMB)	84,606
<hr/> June 30, 2019 <hr/>				
Monetary financial assets				
USD	35,153	31.06	(USD:NTD)	1,091,849
RMB	43,781	4.521	(RMB:NTD)	197,936
RMB	3,348	0.1456	(RMB:USD)	15,137
Non-monetary financial assets				
Financial assets mandatorily classified as FVTPL				
USD	5,408	31.06	(USD:NTD)	167,962
JPY	11,820	0.0093	(JPY:USD)	3,411
RMB	3,109	4.521	(RMB:NTD)	14,056
Monetary financial liabilities				
USD	9,194	31.06	(USD:NTD)	285,579
RMB	4,144	4.521	(RMB:NTD)	18,734
				(Concluded)

For the three months and six months ended June 30, 2020 and 2019, realized and unrealized net foreign exchange gains and losses were loss of NT\$13,824 thousand, gain of NT\$3,207 thousand, loss of NT\$6,043 thousand and gain of NT\$14,898 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.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments: The Corporation entered into foreign exchange forward contracts not under hedge accounting were NT\$49,334 thousand and realized foreign exchanges gains were both NT\$422 thousand for the three months and six months ended June 30. As of June 30, 2020, The Corporation and its subsidiary did not hold derivative financial assets.
 - 10) Intercompany relationships and significant intercompany transactions (Table 5)
 - 11) Information on investees (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices and payment terms:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5, the amount of payable was not significant.)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (None)
 - e) The highest balance, the end of period balance and the interest rate range with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)
- c. Information of major shareholders (Table 8)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. 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 - Investments.

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

	CSCC/CCSNM	EGI/CSCCC	EWI	Adjustment and write-off	Consolidated
<u>For the six months ended June 30, 2020</u>					
Revenues from external customers	\$ 2,760,214	\$ -	\$ (11,367)	\$ -	\$ 2,748,847
Inter segment revenues	<u>34,969</u>	<u>-</u>	<u>(15,261)</u>	<u>(19,708)</u>	<u>-</u>
Segment revenues	<u>\$ 2,795,183</u>	<u>\$ -</u>	<u>\$ (26,628)</u>	<u>\$ (19,708)</u>	<u>\$ 2,748,847</u>
Segment income (loss)	\$ 384,336	\$ (2,022)	\$ (27,006)	\$ 19,317	\$ 374,625
Interest income	7,731	2,138	1,307	(1,049)	10,127
Share of profits of associates	10,318	-	-	29,400	39,718
Other income	49,092	-	139	(4,054)	45,177
Interest expense	(16,178)	-	-	1,049	(15,129)
Other gains and losses	<u>(27,790)</u>	<u>(2,230)</u>	<u>(1,102)</u>	<u>-</u>	<u>(31,122)</u>
Profit before income tax	407,509	(2,114)	(26,662)	44,663	423,396
Income tax expense	<u>77,333</u>	<u>-</u>	<u>427</u>	<u>-</u>	<u>77,760</u>
Net profit for the period	<u>\$ 330,176</u>	<u>\$ (2,114)</u>	<u>\$ (27,089)</u>	<u>\$ 44,663</u>	<u>\$ 345,636</u>
<u>For the six months ended June 30, 2019</u>					
Revenues from external customers	\$ 3,829,865	\$ 22,934	\$ 32,081	\$ -	\$ 3,884,880
Inter segment revenues	<u>130,643</u>	<u>14,280</u>	<u>(14,142)</u>	<u>(130,781)</u>	<u>-</u>
Segment revenues	<u>\$ 3,960,508</u>	<u>\$ 37,214</u>	<u>\$ 17,939</u>	<u>\$ (130,781)</u>	<u>\$ 3,884,880</u>
Segment income	\$ 767,752	\$ 4,892	\$ 17,526	\$ 6,883	\$ 797,053
Interest income	12,843	6,111	123	-	19,077
Share of profits of associates	66,514	-	-	(35,256)	31,258
Other income	22,820	1,213	2,076	(6,667)	19,442
Interest expense	(10,994)	-	-	-	(10,994)
Other gains and losses	<u>19,815</u>	<u>7,984</u>	<u>226</u>	<u>-</u>	<u>28,025</u>
Profit before income tax	878,750	20,200	19,951	(35,040)	883,861
Income tax expense	<u>152,439</u>	<u>-</u>	<u>348</u>	<u>-</u>	<u>152,787</u>
Net profit for the period	<u>\$ 726,311</u>	<u>\$ 20,200</u>	<u>\$ 19,603</u>	<u>\$ (35,040)</u>	<u>\$ 731,074</u>

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.

e. Segment total assets and liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Segment assets</u>			
Chemicals segment			
Production and sales	\$ 11,362,857	\$ 11,770,674	\$ 12,362,732
Trading	1,309,989	1,349,916	1,717,341
Investment segment	1,610,339	1,745,781	1,780,320
Adjustment and write-off	<u>(2,582,584)</u>	<u>(2,774,566)</u>	<u>(3,159,315)</u>
	<u>\$ 11,700,601</u>	<u>\$ 12,091,805</u>	<u>\$ 12,701,078</u>

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Segment liabilities</u>			
Chemicals segment			
Production and sales	\$ 5,207,030	\$ 4,616,087	\$ 5,706,424
Trading	680,452	577,486	598,567
Investment segment	51,847	1,805	2,310
Adjustment and write-off	<u>(548,016)</u>	<u>(462,291)</u>	<u>(476,626)</u>
	<u>\$ 5,391,313</u>	<u>\$ 4,733,087</u>	<u>\$ 5,830,675</u> (Concluded)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE PERIOD ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
1	Ever Wealthy International Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Other receivables	Yes	\$ 84,700	\$ 82,964	\$ 82,964	2.5%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 311,698	\$ 467,547	Note 2

Note 1: The nature for financing is as follows:

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

Note 2: According to "The Process of Financing Others" established by Ever Wealthy International Corporation, the total available amount for lending to others and the total amount for lending to a company shall not exceed 30% and 20% of the net worth of Ever Wealthy International Corporation, respectively; the financing limit amount for parent company shall not exceed 30% of the net worth of the company.

Note 3: The transaction had been eliminated when preparing consolidated financial statement.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2020

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

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	JUNE 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Chemical Corporation	Mutual fund	TAISHIN SUSTAINABLE QUALITY EQUITY FUND	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	49,739	\$ 14,631	-	\$ 14,631	
China Steel Chemical Corporation	Mutual fund	Cathay US Multi-Income Balanced Fund A USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,427,115	13,320	-	13,320	
China Steel Chemical Corporation	Mutual fund	JPMorgan Funds - Income Fund - JPM Income A (mth) - USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	10,055	36,884	-	36,884	
China Steel Chemical Corporation	Mutual fund	FSITC US Top 100 Bond Fund(USD)	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	100,000	31,644	-	31,644	
China Steel Chemical Corporation	Mutual fund	Taishin Senior Secured High Yield Bond Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	103,124	30,136	-	30,136	
China Steel Chemical Corporation	Mutual fund	Cathay Senior Secured High Yield Bond Fund A USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	483,985	4,809	-	4,809	
China Steel Chemical Corporation	Mutual fund	JPMorgan Funds - Global Corporate Bond Fund - JPM Global Corporate Bond A (acc) - USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	15,806	9,119	-	9,119	
China Steel Chemical Corporation	Mutual fund	Jih Sun Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	335,735	5,008	-	5,008	
China Steel Chemical Corporation	Corporate bond	Gaz Finance Plc GAZPRU 3 06/29/27	No relation	Financial assets at fair value through other comprehensive income-current	3,000	8,868	-	8,868	
China Steel Chemical Corporation	Convertible bond	The Royal Bank of Scotland Group plc RBS 6 PERP	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	3,000	9,001	-	9,001	
China Steel Chemical Corporation	Preferred stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	229,000	12,572	-	12,572	
China Steel Chemical Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	2,556,915	52,928	-	52,928	
Ever Wealthy International Corporation	Mutual fund	FSITC Global Utilities and Infrastructure Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	207,641	2,253	-	2,253	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	JUNE 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Mutual fund	JPMorgan (Taiwan) Multi Income Fund of Fund TWD Acc	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	3,058,938	\$ 33,939	-	\$ 33,939	
Ever Wealthy International Corporation	Mutual fund	UPAMC James Bond Money Market	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,511,155	25,411	-	25,411	
Ever Wealthy International Corporation	Mutual fund	Shin Kong Chi-Shin Money-market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	645,928	10,063	-	10,063	
Ever Wealthy International Corporation	Mutual fund	Shin Kong Emerging Wealthy Nations Bond Fund A TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	500,000	4,944	-	4,944	
Ever Wealthy International Corporation	Mutual fund	SinoPac TWD Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	194,009	2,717	-	2,717	
Ever Wealthy International Corporation	Mutual fund	Taishin Short Duration Emerging High Yield Bond Fund A - TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,500,000	14,962	-	14,962	
Ever Wealthy International Corporation	Mutual fund	PineBridge US Dual Core Income Fund-A (TWD)	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	806,738	10,063	-	10,063	
Ever Wealthy International Corporation	Mutual fund	PineBridge Global ESG Quantitative Bond Fund A TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,000,000	10,012	-	10,012	
Ever Wealthy International Corporation	Mutual fund	Prudential Financial US Investment Grade Corporate Bond Fund Acc TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,000,000	9,868	-	9,868	
Ever Wealthy International Corporation	Mutual fund	FSITC US Top 100 Bond Fund (TWD)	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	959,813	9,706	-	9,706	
Ever Wealthy International Corporation	Mutual fund	Cathay Senior Secured High Yield Bond Fund A USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	449,039	4,462	-	4,462	
Ever Wealthy International Corporation	Mutual fund	KGI Fund Taiwan Multi-Asset Income Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,000,000	10,080	-	10,080	
Ever Wealthy International Corporation	Mutual fund	JPMorgan (Taiwan) Taiwan First Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	2,506,937	38,066	-	38,066	
Ever Wealthy International Corporation	Mutual fund	PineBridge Taiwan Money Market Securities Investment Trust Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	689,062	9,475	-	9,475	
Ever Wealthy International Corporation	Mutual fund	TCB Taiwan Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	688,428	7,036	-	7,036	
Ever Wealthy International Corporation	Mutual fund	Taishin North American Income Trust Fund TWD A	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,000,000	22,840	-	22,840	
Ever Wealthy International Corporation	Mutual fund	Jih Sun Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	2,502,258	37,327	-	37,327	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	JUNE 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Mutual fund	FSITC Taiwan Money Market	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,962,323	\$ 30,226	-	\$ 30,226	
Ever Wealthy International Corporation	Mutual fund	Yuanta De- Bao Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	2,498,917	30,213	-	30,213	
Ever Wealthy International Corporation	Mutual fund	Taishin 1699 Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	2,085,579	28,404	-	28,404	
Ever Wealthy International Corporation	Mutual fund	Prudential Financial Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,273,379	20,276	-	20,276	
Ever Wealthy International Corporation	Mutual fund	Union Money Market Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	338,621	4,499	-	4,499	
Ever Wealthy International Corporation	Mutual fund	JPMorgan Investment Funds - Global High Yield Bond Fund - JPM Global High Yield Bond A (acc) - USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	1,089	5,799	-	5,799	
Ever Wealthy International Corporation	Common stock	Mega Financial Holding Co., Ltd.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	257,000	7,941	-	7,941	
Ever Wealthy International Corporation	Common stock	CATHAY FINANCIAL HOLDING CO., LTD.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	95,748	4,007	-	4,007	
Ever Wealthy International Corporation	Common stock	TA CHEN STAINLESS PIPE CO., LTD.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	152,047	4,120	-	4,120	
Ever Wealthy International Corporation	Common stock	TAISHIN FINANCIAL HOLDING CO., LTD.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	205,235	2,740	-	2,740	
Ever Wealthy International Corporation	Common stock	TAICHUNG COMMERCIAL BANK CO., LTD.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	103,668	1,208	-	1,208	
Ever Wealthy International Corporation	Common stock	Nishoku Technology Inc.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	24,400	1,586	-	1,586	
Ever Wealthy International Corporation	Common stock	YEONG LONG TECHNOLOGIES CO., LTD.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	1,540,000	47,528	4	47,528	Note 1
Ever Wealthy International Corporation	Common stock	National Kaohsiung First University of Science and Technology Investment Corporation	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	300,000	2,617	9	2,617	Note 1
Ever Wealthy International Corporation	Common stock	Risalink Venture Capital Corp.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	131,587	2,030	2	2,030	Note 1

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	JUNE 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Common stock	TCC RECYCLE ENERGY TECHNOLOGY COMPANY	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	81,281	\$ 935	-	\$ 935	Note 1
Ever Wealthy International Corporation	Common stock	Harbinger Venture III Capital Corp.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	1,000	44	1	44	Note 1
Ever Wealthy International Corporation	Common stock	Asia Hepato Gene CO.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	133,300	-	2	-	Impairment loss have been recognized fully
Ever Wealthy International Corporation	Common stock	JU-KAO ENGINEERING CO., LTD	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	1,774,483	22,039	7	22,039	
Ever Wealthy International Corporation	Common stock	China Steel Chemical Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	4,753,537	499,121	-	499,121	Note 2
Ever Wealthy International Corporation	Common stock	China Steel Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income-current	4,226,265	87,484	-	87,484	
Ever Wealthy International Corporation	Preferred stock	TAISHIN FINANCIAL HOLDING CO., LTD. Class E Preferred Shares II	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	164,139	8,847	-	8,847	
Ever Wealthy International Corporation	Preferred stock	Cathay Financial Holding Co., Ltd.(B)	No relation	Financial assets mandatorily classified as at fair value through profit or loss - current (including measurement)	12,540	804	-	804	
Ever Wealthy International Corporation	Corporate bond	CNH Bond Offering by ITNL Offshore Pte Limited	No relation	Financial assets at amortized cost - noncurrent	30,000	3,772	-	3,772	

(Concluded)

Note 1: The basis of fair value is net assets value which had not been audited by independent accountants.

Note 2: All the transactions had been eliminated when preparing consolidated financial statements.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Relationship			Payment Terms	Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total		Unit Price	Payment Terms	Ending Balance	% of Total	
China Steel Chemical Corporation	China Steel Corporation	Parent company	Purchases	\$ 719,762	53.00	Letter of credit at sight Receivables are collected as the end of every month of when invoice is issued	Note	Note	\$ (117,763)	(83.00)	
China Steel Chemical Corporation	Linyuan Advanced Materials Technology Co., Ltd.	Subsidiary of director of the board	Sales	(440,456)	(16.00)		Note	Note	70,191	19.00	
China Steel Chemical Corporation	Dragon Steel Corporation	The same parent company	Purchases	264,399	20.00	Letter of credit at sight Payment after final acceptance	Note	Note	-	-	
China Steel Chemical Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchases	320,266	24.00		Note	Note	-	-	

Note: Refer to Note 30.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Formosa Ha Tinh CSCC (Cayman) International Limited	China Steel Chemical Corporation	Parent company	\$ 207,410 (Notes 1 and 2)	Note 1	\$ -		\$ -	\$ -
Formosa Ha Tinh CSCC (Cayman) International Limited	Formosa Ha Tinh (Cayman) Limited	Other related parties	207,410 (Note 1)	Note 1	-		-	-

Note 1: Other receivables.

Note 2: All the transactions had been eliminated when preparing consolidated financial statements.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE PERIOD ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Parent to subsidiaries	Sales	\$ 37,280 (Note)	Charged at the cost plus additional percentage, receivables were collected within 150 days after shipment date.	1.00
0	China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Parent to subsidiaries	Purchases	4,643	Receivables were collected within 30 days after shipment date	-
0	China Steel Chemical Corporation	Changzhou China Steel New Materials Technology Co., Ltd.	Parent to subsidiaries	Accounts receivable	61,049		1.00
0	China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Parent to subsidiaries	Other receivables	240,186		2.00

Note: Sales amount includes sales of product trial, the Corporation recognizes as deductions of Construction in Progress.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE PERIOD ENDED JUNE 30, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of JUNE 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				JUNE 30, 2020	DECEMBER 31, 2019	Number of Shares	%	Carrying Amount			
China Steel Chemical Corporation	CHC Resources Corporation	Republic of China	Manufacture and sale of GBFS powder and slag cement, air-cooled BFS and BOFS, surveys and remediation of soil and groundwater, intermediate solidification, reutilization of resources	\$ 91,338	\$ 91,338	15,019,341	6	\$ 298,922	\$ 357,400	\$ 21,587	
China Steel Chemical Corporation	China Steel Structure Co., Ltd.	Republic of China	Manufacture and sale of products of steel structure	13,675	13,675	600,069	0	13,287	317,321	1,020	
China Steel Chemical Corporation	Ever Wealthy International Corporation	Republic of China	General investment	300,083	300,083	104,574,982	100	1,177,009	(27,089)	(27,089)	Subsidiary (Note)
China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Cayman Island	International trade and investment	100,320	100,320	10,000,000	50	296,495	395	198	Subsidiary (Note)
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	Cayman Island	International trading and general investment	39,920	39,920	1,300,000	100	36,546	(2,509)	(2,509)	Subsidiary (Note)
China Steel Chemical Corporation	Transglory Investment Corporation	Republic of China	General investment	450,000	450,000	66,931,030	9	487,554	(7,722)	(710)	
China Steel Chemical Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	261,600	261,600	26,160,000	15	276,975	86,562	12,984	
China Steel Chemical Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	160,000	80,000	16,000,000	9	143,061	54,213	4,788	
China Steel Chemical Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	47,950	47,950	2,161,203	8	43,378	20,712	1,622	
China Steel Chemical Corporation	United Steel International Development Corporation	British Virgin Islands	Holding and investment	68,839	68,839	2,450,000	5	36,329	(88,227)	(4,411)	
China Steel Chemical Corporation	Gau Ruei Investment Corporation	Republic of China	General investment	15,070	15,070	1,196,000	40	24,786	1,799	720	
China Steel Chemical Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	16,934	16,934	1,693,440	6	22,095	3,918	252	
China Steel Chemical Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	7,000	7,000	700,000	35	11,479	(6)	(2)	
China Steel Chemical Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	2,295	2,295	249,999	5	8,016	11,466	573	
China Steel Chemical Corporation	Eminent Venture Capital Corporation	Republic of China	General Investment	13,500	22,500	1,350,000	5	7,850	25,929	1,296	
Ever Wealthy International Corporation	Thintech Materials Technology Co., Ltd.	Republic of China	Sputtering target manufacturing and sales	45,987	45,987	6,119,748	8	94,314	20,411	1,700	
Ever Wealthy International Corporation	HIMAG Magnetic Corporation	Republic of China	Production and sale of industrial magnetic, chemical, and iron oxides	33,015	33,015	1,584,731	6	31,800	20,712	1,189	
Ever Wealthy International Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	8,400	8,400	840,000	35	14,917	1,674	586	
Ever Wealthy International Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	9,000	9,000	900,000	45	14,708	(6)	(3)	
Ever Wealthy International Corporation	Ding Da Investment Corporation	Republic of China	General investment	10,495	10,495	897,000	30	14,288	2,988	897	

Note: All the transactions had been eliminated when preparing consolidated financial statements.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE PERIOD ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of JUNE 30, 2020 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of JUNE 30, 2020	Accumulated Repatriation of Investment Income as of JUNE 30, 2020	Note
					Outward	Inward							
Ningbo Huayang Aluminium-Tech Co., Ltd. Changzhou China Steel New Materials Technology Co., Ltd.	Production of aluminum products	\$ 1,451,870	2	\$ 72,594	\$ -	\$ -	\$ 72,594	\$ (88,202)	5	\$ (4,410)	\$ 35,828	\$ 5,439	-
	Mesophase sales and trading	167,430	1	192,773	-	-	192,773	(15,261)	100	(15,261)	143,034	-	Note 5

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of JUNE 30, 2020 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
China Steel Chemical Corporation	\$ 265,367	\$ 265,367	\$ 3,607,676

Note 1: The amounts were calculated based on the foreign exchange rate as of June 20, 2020.

Note 2: Methods of investment are classified as below:

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

Note 3: The basis for recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 4: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" is applicable; investments shall not exceed 60% of their net worth.

Note 5: All the transactions had been eliminated when preparing consolidated financial statements.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS

JUNE 30, 2020

Name of The Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership
CHINA STEEL CORPORATION	68,787,183	29.04
FUBON LIFE ASSURANCE CO., LTD	13,963,000	5.89

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Corporation's common and preferred stocks (only ones that have completed dematerialized registration and delivery, and include treasury stocks) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Corporation's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Corporation's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.