

**China Steel Chemical Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 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 September 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, and the consolidated statements of changes in equity and cash flows for the nine months ended September 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 September 30, 2020 and 2019, its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, and its consolidated cash flows for nine months ended September 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

November 3, 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)

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 675,366	6	\$ 1,156,667	10	\$ 1,306,813	11
Financial assets at fair value through profit or loss - current (Note 7)	671,669	6	772,422	6	969,404	8
Financial assets at fair value through other comprehensive income - current (Note 8)	188,573	2	174,599	1	167,326	1
Financial assets for hedging-Current (Note 10)	116,400	1	119,920	1	-	-
Notes receivable (Note 11)	58,767	-	92,563	1	75,637	1
Accounts receivable, net (Note 11)	299,093	3	317,863	3	480,967	4
Accounts receivable - related parties (Notes 11 and 30)	95,429	1	100,837	1	152,982	1
Other receivables (Note 30)	222,525	2	250,119	2	305,776	2
Current tax asset	254	-	-	-	-	-
Inventories (Note 12)	946,553	8	842,603	7	727,638	6
Other financial assets - current (Note 13)	68,659	-	49,000	-	49,000	-
Other current assets	<u>86,764</u>	<u>1</u>	<u>94,956</u>	<u>1</u>	<u>136,746</u>	<u>1</u>
Total current assets	<u>3,430,052</u>	<u>30</u>	<u>3,971,549</u>	<u>33</u>	<u>4,372,289</u>	<u>35</u>
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Note 7)	75,918	1	71,910	1	71,856	1
Financial assets amortized at cost - noncurrent (Note 9)	3,842	-	3,875	-	3,920	-
Investments accounted for using equity method (Note 15)	1,553,911	13	1,594,136	13	1,556,827	12
Property, plant and equipment (Notes 16, 30 and 31)	4,188,344	36	4,438,535	37	4,463,077	36
Right-of-use assets (Notes 17 and 30)	682,053	6	703,489	6	712,380	6
Investment properties (Note 18)	552,988	5	552,988	4	552,988	4
Deferred tax assets	72,840	1	73,038	1	72,713	1
Prepaid equipment	93,063	1	64,467	-	56,015	-
Refundable deposits	5,749	-	8,654	-	8,110	-
Other noncurrent assets (Notes 14 and 19)	<u>781,261</u>	<u>7</u>	<u>609,164</u>	<u>5</u>	<u>621,411</u>	<u>5</u>
Total noncurrent assets	<u>8,009,969</u>	<u>70</u>	<u>8,120,256</u>	<u>67</u>	<u>8,119,297</u>	<u>65</u>
TOTAL	<u>\$ 11,440,021</u>	<u>100</u>	<u>\$ 12,091,805</u>	<u>100</u>	<u>\$ 12,491,586</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 20)	\$ 2,037,000	18	\$ 1,992,505	17	\$ 2,112,637	17
Short-term bills payable (Note 20)	-	-	-	-	30,000	-
Contract liabilities - current (Note 24)	117,225	1	12,872	-	63,032	1
Accounts payable	19,821	-	50,394	-	60,287	-
Accounts payable - related parties (Note 30)	138,273	1	186,149	2	237,558	2
Other payables (Notes 14, 21 and 30)	724,550	6	871,969	7	925,311	7
Current tax liabilities	109,591	1	98,586	1	68,923	1
Lease liabilities - current (Notes 17 and 30)	40,867	1	37,013	-	37,026	-
Current portion of long-term borrowings (Note 20)	500,000	5	-	-	-	-
Other current liabilities	<u>7,009</u>	<u>-</u>	<u>5,558</u>	<u>-</u>	<u>4,742</u>	<u>-</u>
Total current liabilities	<u>3,694,336</u>	<u>33</u>	<u>3,255,046</u>	<u>27</u>	<u>3,539,516</u>	<u>28</u>
NONCURRENT LIABILITIES						
Long-term borrowings (Note 20)	500,000	4	650,000	5	900,000	7
Deferred tax liabilities	4,594	-	7,936	-	9,989	-
Lease liabilities - noncurrent (Notes 17 and 30)	619,410	6	647,905	5	649,607	5
Net defined benefit liabilities (Note 4)	157,575	1	168,670	2	158,320	2
Guarantee deposit received	<u>4,576</u>	<u>-</u>	<u>3,530</u>	<u>-</u>	<u>4,563</u>	<u>-</u>
Total noncurrent liabilities	<u>1,286,155</u>	<u>11</u>	<u>1,478,041</u>	<u>12</u>	<u>1,722,479</u>	<u>14</u>
Total liabilities	<u>4,980,491</u>	<u>44</u>	<u>4,733,087</u>	<u>39</u>	<u>5,261,995</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)						
Ordinary shares capital	<u>2,369,044</u>	<u>21</u>	<u>2,369,044</u>	<u>20</u>	<u>2,369,044</u>	<u>19</u>
Capital surplus	<u>869,637</u>	<u>7</u>	<u>845,852</u>	<u>7</u>	<u>845,852</u>	<u>7</u>
Retained earnings						
Legal reserve	2,641,723	23	2,561,069	21	2,561,069	20
Special reserve	176,833	2	161,983	2	161,983	1
Unappropriated earnings	<u>574,467</u>	<u>5</u>	<u>1,348,767</u>	<u>11</u>	<u>1,207,068</u>	<u>10</u>
Total retained earnings	<u>3,393,023</u>	<u>30</u>	<u>4,071,819</u>	<u>34</u>	<u>3,930,120</u>	<u>31</u>
Other equity	<u>(341,740)</u>	<u>(3)</u>	<u>(176,832)</u>	<u>(2)</u>	<u>(177,034)</u>	<u>(1)</u>
Treasury shares	<u>(117,638)</u>	<u>(1)</u>	<u>(117,638)</u>	<u>(1)</u>	<u>(117,638)</u>	<u>(1)</u>
Total equity attributable to owners of the Corporation	6,172,326	54	6,992,245	58	6,850,344	55
NON-CONTROLLING INTERESTS (Note 23)						
	<u>287,204</u>	<u>2</u>	<u>366,473</u>	<u>3</u>	<u>379,247</u>	<u>3</u>
Total equity	<u>6,459,530</u>	<u>56</u>	<u>7,358,718</u>	<u>61</u>	<u>7,229,591</u>	<u>58</u>
TOTAL	<u>\$ 11,440,021</u>	<u>100</u>	<u>\$ 12,091,805</u>	<u>100</u>	<u>\$ 12,491,586</u>	<u>100</u>

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 September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 30)	\$ 1,161,772	100	\$ 2,159,028	100	\$ 3,910,619	100	\$ 6,043,908	100
OPERATING COSTS (Notes 12, 25 and 30)	<u>919,439</u>	<u>79</u>	<u>1,590,197</u>	<u>73</u>	<u>3,140,562</u>	<u>80</u>	<u>4,486,849</u>	<u>74</u>
GROSS PROFIT	<u>242,333</u>	<u>21</u>	<u>568,831</u>	<u>27</u>	<u>770,057</u>	<u>20</u>	<u>1,557,059</u>	<u>26</u>
OPERATING EXPENSES (Notes 11, 25 and 30)								
Selling and marketing expenses	30,077	3	36,274	2	88,736	2	108,529	2
General and administrative expenses	35,253	3	50,720	2	55,637	1	111,454	2
Research and development expenses	22,198	2	35,227	2	96,254	3	93,294	1
Expected credit loss	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>-</u>
Total operating expenses	<u>87,528</u>	<u>8</u>	<u>122,220</u>	<u>6</u>	<u>240,627</u>	<u>6</u>	<u>313,395</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>154,805</u>	<u>13</u>	<u>446,611</u>	<u>21</u>	<u>529,430</u>	<u>14</u>	<u>1,243,664</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 30)								
Interest income	1,925	-	-	-	12,052	-	-	-
Other income	23,472	2	44,329	2	68,649	2	82,848	1
Other gains and losses	(7,165)	(1)	(22,873)	(1)	(38,287)	(1)	5,152	-
Share of the profit of associates	28,821	3	42,503	2	68,539	2	73,761	1
Interest expense	<u>(6,597)</u>	<u>-</u>	<u>(8,716)</u>	<u>(1)</u>	<u>(21,726)</u>	<u>(1)</u>	<u>(19,710)</u>	<u>-</u>
Total non-operating income and expenses	<u>40,456</u>	<u>4</u>	<u>55,243</u>	<u>2</u>	<u>89,227</u>	<u>2</u>	<u>142,051</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	195,261	17	501,854	23	618,657	16	1,385,715	23
INCOME TAX (Notes 4 and 26)	<u>37,398</u>	<u>3</u>	<u>88,534</u>	<u>4</u>	<u>115,158</u>	<u>3</u>	<u>241,321</u>	<u>4</u>
NET PROFIT FOR THE PERIOD	<u>157,863</u>	<u>14</u>	<u>413,320</u>	<u>19</u>	<u>503,499</u>	<u>13</u>	<u>1,144,394</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	(3,594)	-	(12,849)	-	(25,223)	(1)	(7,105)	-

(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 September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Gains and losses on hedging instruments	\$ (5,059)	-	\$ -	-	\$ (7,972)	-	\$ -	-
Shares of the other comprehensive income of associates	(18,842)	(2)	(56,940)	(3)	(123,018)	(3)	(37,076)	(1)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	1,012	-	-	-	1,595	-	-	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	(4,569)	(1)	(7,274)	(1)	(17,608)	(1)	7,045	-
Share of the other comprehensive income of associates	(353)	-	(2,272)	-	(3,829)	-	(2,819)	-
Other comprehensive income (loss) for the period, net of income tax	(31,405)	(3)	(79,335)	(4)	(176,055)	(5)	(39,955)	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>\$ 126,458</u>	<u>11</u>	<u>\$ 333,985</u>	<u>15</u>	<u>\$ 327,444</u>	<u>8</u>	<u>\$ 1,104,439</u>	<u>18</u>
<b>NET PROFIT</b>								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 161,950	14	\$ 412,876	19	\$ 507,389	13	\$ 1,139,403	19
Non-controlling interests	(4,087)	-	444	-	(3,890)	-	4,991	-
	<u>\$ 157,863</u>	<u>14</u>	<u>\$ 413,320</u>	<u>19</u>	<u>\$ 503,499</u>	<u>13</u>	<u>\$ 1,144,394</u>	<u>19</u>
<b>TOTAL COMPREHENSIVE INCOME</b>								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 135,749	12	\$ 333,797	15	\$ 340,819	9	\$ 1,095,531	18
Non-controlling interests	(9,291)	(1)	188	-	(13,375)	(1)	8,908	-
	<u>\$ 126,458</u>	<u>11</u>	<u>\$ 333,985</u>	<u>15</u>	<u>\$ 327,444</u>	<u>8</u>	<u>\$ 1,104,439</u>	<u>18</u>
<b>EARNINGS PER SHARE</b>								
(Note 27)								
Basic	<u>\$ 0.70</u>		<u>\$ 1.78</u>		<u>\$ 2.19</u>		<u>\$ 4.91</u>	
Diluted	<u>\$ 0.70</u>		<u>\$ 1.78</u>		<u>\$ 2.18</u>		<u>\$ 4.90</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	Unappropriated 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 nine months ended September 30, 2020	-	-	-	-	507,389	507,389	-	-	-	-	-	507,389	(3,890)	503,499
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(11,952)	(148,238)	(6,380)	(166,570)	-	(166,570)	(9,485)	(176,055)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	507,389	507,389	(11,952)	(148,238)	(6,380)	(166,570)	-	340,819	(13,375)	327,444
Changes in capital surplus from investments in associates accounted for using the equity method	-	17	-	-	-	-	-	-	-	-	-	17	-	17
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(65,894)	(65,894)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,662)	(1,662)	-	1,662	-	1,662	-	-	-	-
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	23,768	-	-	-	-	-	-	-	-	-	23,768	-	23,768
BALANCE AT SEPTEMBER 30, 2020	\$ 2,369,044	\$ 869,637	\$ 2,641,723	\$ 176,833	\$ 574,467	\$ 3,393,023	\$ (83,193)	\$ (250,503)	\$ (8,044)	\$ (341,740)	\$ (117,638)	\$ 6,172,326	\$ 287,204	\$ 6,459,530
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 nine months ended September 30, 2019	-	-	-	-	1,139,403	1,139,403	-	-	-	-	-	1,139,403	4,991	1,144,394
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	309	(44,181)	-	(43,872)	-	(43,872)	3,917	(39,955)
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	1,139,403	1,139,403	309	(44,181)	-	(43,872)	-	1,095,531	8,908	1,104,439
Changes in capital surplus from investments in associates accounted for using the equity method	-	10	-	-	-	-	-	-	-	-	-	10	-	10
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(748)	(748)	-	748	-	748	-	-	-	-
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	25,194	-	-	-	-	-	-	-	-	-	25,194	-	25,194
BALANCE AT SEPTEMBER 30, 2019	\$ 2,369,044	\$ 845,852	\$ 2,561,069	\$ 161,983	\$ 1,207,068	\$ 3,930,120	\$ (44,428)	\$ (132,606)	\$ -	\$ (177,034)	\$ (117,638)	\$ 6,850,344	\$ 379,247	\$ 7,229,591

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 Nine Months Ended September 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 618,657	\$ 1,385,715
Adjustments for:		
Depreciation expense	351,535	306,957
Amortization expense	10,665	7,299
Expected credit loss	-	118
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	39,895	(30,714)
Interest expense	21,726	19,710
Interest income	(12,052)	(27,109)
Dividend income	(7,164)	(13,785)
Share of the profit of associates	(74,224)	(87,751)
Loss on disposal of property, plant and equipment	51	589
Impairment loss on financial assets	-	9,475
Write-down of inventories	46,520	15,142
Loss from disposal of subsidiaries	2,524	-
Gain on disposal of non-current assets held for sale	-	(407)
Gain on lease modification	(15)	(10)
Changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	4,516	(16,630)
Notes receivable	33,796	(55,070)
Accounts receivable	18,770	42,753
Accounts receivable - related parties	5,408	(94,004)
Other receivables	26,526	241,030
Inventories	(150,338)	(126,862)
Other current assets	8,192	29,577
Contract liabilities	104,353	(6,785)
Accounts payable	(30,573)	23,846
Accounts payable - related parties	(47,876)	1,653
Other payables	(141,607)	31,453
Other current liabilities	1,451	(2,835)
Net defined benefit liabilities	(11,095)	(10,281)
Cash generated from operations	819,641	1,643,074
Income taxes paid	(105,960)	(470,849)
Net cash generated from operating activities	713,681	1,172,225
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(48,079)	-
Proceeds from disposal of financial assets at amortized cost	8,892	3,912
Acquisition of financial assets at fair value through profit or loss	(302,511)	(943,914)

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# CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
Proceeds from disposal of financial assets at fair value through profit or loss	\$ 354,640	\$ 803,960
Acquisition of investments accounted for using equity method	(80,000)	(81,600)
Proceeds from the capital reduction on investments accounted for using equity method	9,000	4,233
Proceeds from disposal of non-current assets for sale	-	10,932
Acquisition of property, plant and equipment	(108,215)	(423,014)
Proceeds from disposal of property, plant and equipment	100	-
Decrease in refundable deposits	2,905	211
Decrease (increase) in other financial assets	(24,111)	259,561
Increase in other noncurrent assets	(203,805)	(699)
Interest received	13,120	29,541
Dividends received from associates	58,999	49,233
Dividend received	7,164	13,785
Net cash used in investing activities	(311,901)	(273,859)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,442,351	3,319,676
Repayments of short-term borrowings	(2,397,856)	(3,189,253)
Increase in short-term bills payable	250,000	30,000
Decrease in short-term bills payable	(250,000)	-
Increase in long-term borrowings	450,000	250,000
Repayments of long-term borrowings	(100,000)	-
Increase in guarantee deposit received	1,046	2,160
Repayment of principal of lease liabilities	(30,557)	(25,637)
Cash dividends paid	(1,159,157)	(1,230,894)
Interest paid	(24,159)	(25,072)
Decrease in non-controlling interest	(65,894)	-
Net cash used in financing activities	(884,226)	(869,020)
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	1,145	211
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(481,301)	29,557
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	1,156,667	1,277,256
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	\$ 675,366	\$ 1,306,813

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 September 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 authorized for issue by the Corporation's board of directors on November 3, 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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018–2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform-Phase 2"	January 1, 2021
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

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022
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.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 500	\$ 500	\$ 500
Checking accounts and demand deposits	298,327	562,863	339,107
Cash equivalents (investment with original maturities less than three months)			
Time deposits	116,400	293,504	594,726
Short-term bills	<u>260,139</u>	<u>299,800</u>	<u>372,480</u>
	<u>\$ 675,366</u>	<u>\$ 1,156,667</u>	<u>\$ 1,306,813</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Financial assets at FVTPL - current

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	\$ 605,116	\$ 697,652	\$ 897,149
Domestic listed shares	29,294	74,770	72,255
Convertible bonds	<u>37,259</u>	<u>-</u>	<u>-</u>
	<u>\$ 671,669</u>	<u>\$ 772,422</u>	<u>\$ 969,404</u>

### Financial assets at FVTPL - noncurrent

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Emerging market shares	\$ 24,996	\$ 20,789	\$ 20,789
Unquoted ordinary shares	<u>50,922</u>	<u>51,121</u>	<u>51,067</u>
	<u>\$ 75,918</u>	<u>\$ 71,910</u>	<u>\$ 71,856</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Foreign investments in debt instrument			
Corporate Bonds	\$ 37,834	\$ -	\$ -
Domestic investments			
Listed shares - Ordinary	138,716	162,118	156,013
Listed shares - preference	<u>12,023</u>	<u>12,481</u>	<u>11,313</u>
	<u>\$ 188,573</u>	<u>\$ 174,599</u>	<u>\$ 167,326</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**

	September 30, 2020	December 31, 2019	September 30, 2019
Corporate Bonds			
IL & FS Transportation Networks limited	<u>\$ 3,842</u>	<u>\$ 3,875</u>	<u>\$ 3,920</u>

**10. FINANCIAL INSTRUMENTS FOR HEDGING**

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets for hedging - current</u>			
Cash flow hedges			
Foreign currency time deposits	<u>\$ 116,400</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 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)**

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable (Operating)			
At amortized cost	<u>\$ 58,767</u>	<u>\$ 92,563</u>	<u>\$ 75,637</u>

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable (including related parties)			
At amortized cost			
Gross carrying amount	\$ 394,522	\$ 418,812	\$ 634,063
Less: Allowance for impairment loss	<u>-</u>	<u>112</u>	<u>114</u>
	<u>\$ 394,522</u>	<u>\$ 418,700</u>	<u>\$ 633,949</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.

#### September 30, 2020

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate (%)	-	-	-	-	100	-	
Gross carrying amount	\$ 445,678	\$ 6,960	\$ -	\$ 651	\$ -	\$ -	\$ 453,289
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 445,678</u>	<u>\$ 6,960</u>	<u>\$ -</u>	<u>\$ 651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,289</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>

## September 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	\$ 708,451	\$ 997	\$ 138	\$ -	\$ 114	\$ -	\$ 709,700
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114)</u>	<u>-</u>	<u>(114)</u>
Amortized cost	<u>\$ 708,451</u>	<u>\$ 997</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,586</u>

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

	For the Nine months Ended September 30	
	2020	2019
Balance, beginning of period	\$ 112	\$ -
Recognition	-	118
Written off	(111)	-
Effects of foreign currency exchange differences	<u>(1)</u>	<u>(4)</u>
Balance, end of period	<u>\$ -</u>	<u>\$ 114</u>

## 12. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Finished goods	\$ 589,755	\$ 500,392	\$ 397,236
Work in progress	124,564	142,950	135,819
Raw materials	109,247	87,483	90,560
Supplies	122,292	111,778	103,904
Merchandise	<u>695</u>	<u>-</u>	<u>119</u>
	<u>\$ 946,553</u>	<u>\$ 842,603</u>	<u>\$ 727,638</u>

The cost of inventories recognized as cost of goods sold for the three months and nine months ended September 30, 2020 and 2019 was NT\$902,135 thousand, NT\$1,571,922 thousand, NT\$3,089,882 thousand and NT\$4,430,775 thousand, respectively. The cost of goods sold included inventory write-downs and reversal of gain NT\$4,404 thousand, loss NT\$1,916 thousand, loss NT\$46,520 thousand and loss NT\$15,142 thousand, respectively.

## 13. OTHER FINANCIAL ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits with original maturities more than three months	\$ -	\$ 49,000	\$ 49,000
Restricted deposits	<u>68,659</u>	<u>-</u>	<u>-</u>
	<u>\$ 68,659</u>	<u>\$ 49,000</u>	<u>\$ 49,000</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 (%)			Descriptions
			September 30, 2020	December 31, 2019	September 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	Liquidated in September 2020
	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 September 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 September 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Material associates			
CHC Resources Corporation (CHC)	\$ 310,545	\$ 312,239	\$ 302,434
Transglory Investment Corporation (TIC)	493,426	568,107	546,071
CSC Solar Corporation (CSCSC)	<u>284,678</u>	<u>277,906</u>	<u>274,810</u>
	1,088,649	1,158,252	1,123,315
Associates that are not individually material	<u>465,262</u>	<u>435,884</u>	<u>433,512</u>
	<u>\$ 1,553,911</u>	<u>\$ 1,594,136</u>	<u>\$ 1,556,827</u>

a. Material associates

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	September 30, 2020	December 31, 2019	September 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:

	September 30, 2020	December 31, 2019	September 30, 2019
CHC	<u>\$ 666,859</u>	<u>\$ 755,473</u>	<u>\$ 765,986</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

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 2,385,723	\$ 2,478,713	\$ 2,490,333
Noncurrent assets	9,151,642	9,315,353	9,274,451
Current liabilities	(2,109,199)	(2,599,961)	(2,645,162)
Noncurrent liabilities	<u>(4,078,646)</u>	<u>(3,857,542)</u>	<u>(3,946,784)</u>
Equity	5,349,070	5,336,563	5,172,838
Non-controlling interests	<u>(206,455)</u>	<u>(167,046)</u>	<u>(165,654)</u>
	<u>\$ 5,142,615</u>	<u>\$ 5,169,517</u>	<u>\$ 5,007,184</u>
Proportion of the Corporation and its subsidiaries' ownership (%)	6	6	6
Equity attributable to the Corporation and its subsidiaries	<u>\$ 310,545</u>	<u>\$ 312,239</u>	<u>\$ 302,434</u>
Carrying amount	<u>\$ 310,545</u>	<u>\$ 312,239</u>	<u>\$ 302,434</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Operating revenue	<u>\$ 2,399,446</u>	<u>\$ 2,355,954</u>	<u>\$ 7,334,726</u>	<u>\$ 7,008,331</u>
Net profit for the period	\$ 213,354	\$ 221,039	\$ 573,315	\$ 647,509
Other comprehensive loss	<u>(18,122)</u>	<u>(32,391)</u>	<u>(105,847)</u>	<u>(39,504)</u>
Total comprehensive income	<u>\$ 195,232</u>	<u>\$ 188,648</u>	<u>\$ 467,468</u>	<u>\$ 608,005</u>

TIC

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Current assets	\$ 20,780	\$ 1,304	\$ 7,242
Noncurrent assets	5,432,626	6,373,776	6,113,975
Current liabilities	<u>(90,084)</u>	<u>(200,008)</u>	<u>(185,665)</u>
Equity	<u>\$ 5,363,322</u>	<u>\$ 6,175,072</u>	<u>\$ 5,935,552</u>
Proportion of the Corporation and its subsidiaries' ownership (%)	9	9	9
Equity attributable to the Corporation and its subsidiaries	<u>\$ 493,426</u>	<u>\$ 568,107</u>	<u>\$ 546,071</u>
Carrying amount	<u>\$ 493,426</u>	<u>\$ 568,107</u>	<u>\$ 546,071</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating Revenue	<u>\$ 134,437</u>	<u>\$ 268,887</u>	<u>\$ 134,437</u>	<u>\$ 268,887</u>
Net loss for the period	\$ 131,618	\$ 264,821	\$ 123,896	\$ 254,566
Other comprehensive income (loss)	<u>(67,800)</u>	<u>(526,705)</u>	<u>(935,646)</u>	<u>(337,634)</u>
Total comprehensive income (loss)	<u>\$ 63,818</u>	<u>\$ (261,884)</u>	<u>\$ (811,750)</u>	<u>\$ (83,068)</u>

CSCSC

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Current assets	\$ 300,728	\$ 335,707	\$ 514,545
Noncurrent assets	4,123,516	4,057,219	3,603,690
Current liabilities	(948,694)	(779,545)	(732,011)
Noncurrent liabilities	<u>(1,577,700)</u>	<u>(1,760,669)</u>	<u>(1,554,159)</u>
Equity	<u>\$ 1,897,850</u>	<u>\$ 1,852,712</u>	<u>\$ 1,832,065</u>
Proportion of the Corporation and its subsidiaries' ownership (%)	15	15	15
Equity attributable to the Corporation and its subsidiaries	<u>\$ 284,678</u>	<u>\$ 277,906</u>	<u>\$ 274,810</u>
Carrying amount	<u>\$ 284,678</u>	<u>\$ 277,906</u>	<u>\$ 274,810</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating Revenue	\$ 135,155	\$ 90,777	\$ 385,669	\$ 263,633
Net loss for the period	\$ 51,145	\$ 25,796	\$ 137,707	\$ 81,163
Other comprehensive income (loss)	<u>225</u>	<u>-</u>	<u>68</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ 51,370</u>	<u>\$ 25,796</u>	<u>\$ 137,775</u>	<u>\$ 81,163</u>

b. Aggregate information of associates that are not individually material

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
The Corporation and its subsidiaries' share of Net profit for the period	\$ (2,262)	\$ 5,340	\$ 7,964	\$ 13,483
Other comprehensive income (loss)	<u>(11,627)</u>	<u>(5,279)</u>	<u>(34,507)</u>	<u>(2,485)</u>
Total comprehensive income (loss)	<u>\$ (13,889)</u>	<u>\$ 61</u>	<u>\$ (26,543)</u>	<u>\$ 10,998</u>

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 September 30, 2020 and 2019 and the related share of the comprehensive income for the three months and nine months ended September 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 Nine months Ended September 30, 2020

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Transportatio n Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>Cost</b>							
Balance at January 1, 2020	\$ 1,145,237	\$ 1,513,589	\$ 5,229,892	\$ 153,602	\$ 194,931	\$ 277,506	\$ 8,514,757
Additions	-	21,719	56,632	1,532	1,541	(6,782)	74,642
Disposals	-	-	(24,044)	(1,210)	(35)	-	(25,289)
Effect of foreign currency exchange differences	-	-	(299)	(36)	(180)	(1)	(516)
Balance at September 30, 2020	<u>\$ 1,145,237</u>	<u>\$ 1,535,308</u>	<u>\$ 5,262,181</u>	<u>\$ 153,888</u>	<u>\$ 196,257</u>	<u>\$ 270,723</u>	<u>\$ 8,563,594</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2020	\$ -	\$ 366,182	\$ 3,507,435	\$ 90,665	\$ 111,940	\$ -	\$ 4,076,222
Depreciation expense	-	58,887	238,145	13,453	13,874	-	324,359

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Disposals	\$ -	\$ -	\$ (23,993)	\$ (1,110)	\$ (35)	\$ -	\$ (25,138)
Effect of foreign currency exchange differences	-	-	(68)	(19)	(106)	-	(193)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 425,069</u>	<u>\$ 3,721,519</u>	<u>\$ 102,989</u>	<u>\$ 125,673</u>	<u>\$ -</u>	<u>\$ 4,375,250</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 September 30, 2020	<u>\$ 1,145,237</u>	<u>\$ 1,110,239</u>	<u>\$ 1,540,662</u>	<u>\$ 50,899</u>	<u>\$ 70,584</u>	<u>\$ 270,723</u>	<u>\$ 4,188,344</u>

(Concluded)

### For the Nine months Ended September 30, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>							
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	-	440,841	1,272,120	41,202	55,603	(1,044,640)	765,126
Disposals	-	-	(16,635)	(7,248)	(913)	-	(24,796)
Effect of foreign currency exchange differences	-	-	(1,038)	(122)	(663)	(5)	(1,828)
Balance at September 30, 2019	<u>\$ 1,145,237</u>	<u>\$ 1,514,604</u>	<u>\$ 5,182,211</u>	<u>\$ 149,684</u>	<u>\$ 188,612</u>	<u>\$ 252,907</u>	<u>\$ 8,433,255</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2019	\$ -	\$ 297,540	\$ 3,235,067	\$ 82,140	\$ 97,607	\$ -	\$ 3,712,354
Depreciation expense	-	49,453	210,346	11,190	11,736	-	282,725
Disposals	-	-	(16,065)	(7,229)	(913)	-	(24,207)
Effect of foreign currency exchange differences	-	-	(245)	(70)	(379)	-	(694)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 346,993</u>	<u>\$ 3,429,103</u>	<u>\$ 86,031</u>	<u>\$ 108,051</u>	<u>\$ -</u>	<u>\$ 3,970,178</u>
Carrying amount at September 30, 2019	<u>\$ 1,145,237</u>	<u>\$ 1,167,611</u>	<u>\$ 1,753,108</u>	<u>\$ 63,653</u>	<u>\$ 80,561</u>	<u>\$ 252,907</u>	<u>\$ 4,463,077</u>

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

<b>Buildings</b>	
Main structure	2-50 years
Facility	5-25 years
<b>Machinery and equipment</b>	
Power equipment	3-20 years
Examination equipment	3-10 years
Computer equipment	3-10 years
<b>Transportation equipment</b>	
Transportation equipment	3-10 years
Telecommunication equipment	3-10 years
<b>Other equipment</b>	
Extinguishment equipment	5-10 years
Air conditioning and utilities equipment	3-10 years
Monitoring, office and other equipment	3-10 years

## 17. LEASE AGREEMENT

### a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts			
Land	\$ 352,407	\$ 362,556	\$ 366,332
Machinery	242,212	258,361	261,063

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	\$ <u>87,434</u>	\$ <u>82,572</u>	\$ <u>84,985</u>
	\$ <u>682,053</u>	\$ <u>703,489</u>	\$ <u>712,380</u> (Concluded)

	For the Three Months Ended September 30		For the Nine months Ended September 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	\$ 3,789	\$ 3,777	\$ 11,368	\$ 11,330
Machinery	2,615	2,701	7,846	8,105
Buildings	<u>2,655</u>	<u>1,636</u>	<u>7,962</u>	<u>4,797</u>
	\$ <u>9,059</u>	\$ <u>8,114</u>	\$ <u>27,176</u>	\$ <u>24,232</u>

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts			
Current	\$ <u>40,867</u>	\$ <u>37,013</u>	\$ <u>37,026</u>
Non-current	\$ <u>619,410</u>	\$ <u>647,905</u>	\$ <u>649,607</u>

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

	September 30, 2020	December 31, 2019	September 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 bargain 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 838</u>	<u>\$ 1,501</u>	<u>\$ 2,522</u>	<u>\$ 5,002</u>
Total cash outflow for all lease agreements (including short-term lease agreements)			<u>\$ (40,995)</u>	<u>\$ (38,879)</u>

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

## 18. INVESTMENT PROPERTIES

### For the Nine months Ended September 30, 2020

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020 and September 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 September 30, 2020	<u>\$ 8,825</u>	<u>\$ 47,665</u>	<u>\$ 56,490</u>
Carrying amount at January 1, 2020 and September 30, 2020	<u>\$ 552,988</u>	<u>\$ -</u>	<u>\$ 552,988</u>

### For the Nine months Ended September 30, 2019

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2019 and September 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 September 30, 2019	<u>\$ 8,825</u>	<u>\$ 47,665</u>	<u>\$ 56,490</u>
Carrying amount at January 1, 2019 and September 30, 2019	<u>\$ 552,988</u>	<u>\$ -</u>	<u>\$ 552,988</u>

The lease term of investment properties was 3 years. The rent was calculated according to 3% of the announced total present value. The lessee does not have bargain purchase option at the end of the lease period.

The total lease payment charged in the future in leasing investment properties in operating lease was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Total lease payment charged in the future	\$ <u>7,383</u>	\$ <u>14,728</u>	\$ <u>18,461</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 September 30, 2020, December 31, 2019 and September 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

	September 30, 2020	December 31, 2019	September 30, 2019
Current			
Product underwriting premium (Note 14)	\$ 540,678	\$ 557,028	\$ 576,723
Restricted deposits (Note 13)	198,601	-	-
Deferred charges	<u>41,982</u>	<u>52,136</u>	<u>44,688</u>
	<u>\$ 781,261</u>	<u>\$ 609,164</u>	<u>\$ 621,411</u>



## 20. BORROWINGS

### a. Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Bank loans - interest at 0.72%-0.80% p.a., 0.72%-0.858% p.a. and 0.7%-0.89% p.a. as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively	\$ 2,037,000	\$ 1,967,000	\$ 1,987,000
Letters of credit borrowings - interest at 0.99%-1.118% p.a. and 0.99%-1.4622% p.a. as of December 31, 2019 and September 30, 2019, respectively	<u>-</u>	<u>25,505</u>	<u>125,637</u>
	<u>\$ 2,037,000</u>	<u>\$ 1,992,505</u>	<u>\$ 2,112,637</u>

### b. Short-term bills payable

	September 30, 2020	December 31, 2019	September 30, 2019
Commercial papers - interest at 0.958% p.a. as of September 30, 2019	\$ -	\$ -	\$ 30,000
Less: Unamortized discounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>

The above commercial papers were secured by Mega Bills Finance Corporation.

### c. Long-term bank borrowings

	September 30, 2020	December 31, 2019	September 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 September 30, 2020, December 31, 2019 and September 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 0.9379% p.a., 1.046% p.a. and 1.0458% p.a. as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively	<u>500,000</u> <u>1,000,000</u>	<u>150,000</u> <u>650,000</u>	<u>400,000</u> <u>900,000</u>
Less: Current portion	<u>500,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 500,000</u>	<u>\$ 650,000</u>	<u>\$ 900,000</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

	September 30, 2020	December 31, 2019	September 30, 2019
Royalties (Note 14)	\$ 538,727	\$ 555,019	\$ 574,643
Salaries and incentive bonus	56,115	100,477	89,811
Soil remediation expense	34,397	45,466	52,303
Outsourced repair and construction	34,163	50,833	88,973
Employees' compensation and remuneration of directors and supervisors	27,610	70,093	64,225
Purchase of equipment	-	7,742	2,735
Others (freight, commission and insurance)	<u>33,538</u>	<u>42,339</u>	<u>52,621</u>
	<u>\$ 724,550</u>	<u>\$ 871,969</u>	<u>\$ 925,311</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\$2,193 thousand, NT\$6,200 thousand and NT\$6,578 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively.

## 23. EQUITY

### a. Ordinary share capital

	September 30, 2020	December 31, 2019	September 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

	September 30, 2020	December 31, 2019	September 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	868,124	844,356	844,356
May be used to offset deficits only			
Share of change in equity of associates	<u>1,295</u>	<u>1,278</u>	<u>1,278</u>
	<u>\$ 869,637</u>	<u>\$ 845,852</u>	<u>\$ 845,852</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:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
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

	<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ (71,241)	\$ (44,737)
Recognized during the period		
Exchange differences arising on translating foreign operations	(8,123)	3,128
Share of exchange difference of associates accounted for using the equity method	<u>(3,829)</u>	<u>(2,819)</u>
Balance, end of period	<u>\$ (83,193)</u>	<u>\$ (44,428)</u>

2) Unrealized gain and loss on financial assets at FVTOCI

	<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ (103,927)	\$ (89,173)
Recognized during the period		
Unrealized gain and loss		
Equity instruments	(23,861)	(7,105)
Debt instruments	(1,362)	-
Share from associates accounted for using the equity method	<u>(123,015)</u>	<u>(37,076)</u>
Other comprehensive income recognized in the period	(252,165)	(133,354)
Cumulative unrealized gain and loss of equity instruments transferred to retained earnings due to disposal	<u>1,662</u>	<u>748</u>
Balance, end of period	<u>\$ (250,503)</u>	<u>\$ (132,606)</u>

3) Gain (loss) on hedge instruments

	<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ (1,664)	\$ -
Recognized during the period		
Fair value changes of hedging instruments	(7,972)	-
Tax effect	1,595	-
Share from associates accounted for using the equity method	<u>(3)</u>	<u>-</u>
Balance, end of period	<u>\$ (8,044)</u>	<u>\$ -</u>

e. Non-controlling interests

	<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 366,473	\$ 370,339
Net profit (loss) for the period	(3,890)	4,991
Exchange difference on translating foreign operations		
Paid cash dividend in non-controlling interest	(9,485)	3,917
	<u>(65,894)</u>	<u>-</u>
Balance, end of period	<u>\$ 287,204</u>	<u>\$ 379,247</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 Nine months Ended September 30, 2020

<b>Beginning of period</b>		<b>Decrease during the period</b>			<b>End of period</b>		
<b>Number of Shares Held</b>	<b>Carrying Amount</b>	<b>Number of Shares Held</b>	<b>Carrying Amount</b>	<b>Selling Price</b>	<b>Number of Shares Held</b>	<b>Carrying Amount</b>	<b>Market Price</b>
4,754	\$ 117,638	-	\$ -	\$ -	4,754	\$ 117,638	\$ 433,523

For the Nine months Ended September 30, 2019

<b>Beginning of period</b>		<b>Decrease during the period</b>			<b>End of period</b>		
<b>Number of Shares Held</b>	<b>Carrying Amount</b>	<b>Number of Shares Held</b>	<b>Carrying Amount</b>	<b>Selling Price</b>	<b>Number of Shares Held</b>	<b>Carrying Amount</b>	<b>Market Price</b>
4,754	\$ 117,638	-	\$ -	\$ -	4,754	\$ 117,638	\$ 596,569

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers				
Revenue from chemical product production and sale	\$ 1,009,251	\$ 1,865,792	\$ 3,445,863	\$ 5,061,621
Revenue from trading	125,792	256,388	404,253	865,778
Revenue from the rendering of services	<u>18,727</u>	<u>23,801</u>	<u>63,868</u>	<u>71,381</u>
	<u>1,153,770</u>	<u>2,145,981</u>	<u>3,913,984</u>	<u>5,998,780</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue from investment				
Gain (loss) on fair value change of financial assets at FVTPL	\$ 1,121	\$ (142)	\$ (14,615)	\$ 22,273
Share of the profit of associates	1,316	4,324	5,685	13,990
Dividend income	<u>5,565</u>	<u>8,865</u>	<u>5,565</u>	<u>8,865</u>
	<u>8,002</u>	<u>13,047</u>	<u>(3,365)</u>	<u>45,128</u>
	<u>\$ 1,161,772</u>	<u>\$ 2,159,028</u>	<u>\$ 3,910,619</u>	<u>\$ 6,043,908</u>
				(Concluded)

a. Contract balances

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Notes and accounts receivables (including related parties)	<u>\$ 453,289</u>	<u>\$ 511,263</u>	<u>\$ 709,586</u>	<u>\$ 603,379</u>
Contract liabilities				
Sale of goods	\$ 117,225	\$ 12,872	\$ 63,032	\$ 68,707
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110</u>
	<u>\$ 117,225</u>	<u>\$ 12,872</u>	<u>\$ 63,032</u>	<u>\$ 69,817</u>

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:

	<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
From the beginning contract liability		
Sale of goods	<u>\$ 13,368</u>	<u>\$ 68,693</u>

b. Disaggregation of revenue

For the nine months ended September 30, 2020

	<b>Reportable Segments</b>			
	<b>Chemicals Segment - Production and Sales</b>	<b>Chemicals Segment - Trading</b>	<b>Investment Segment</b>	<b>Total</b>
Type of goods or services				
Sale of goods	\$ 3,445,863	\$ 404,253	\$ -	\$ 3,850,116
Rendering of services	63,868	-	-	63,868
Others	<u>-</u>	<u>-</u>	<u>(3,365)</u>	<u>(3,365)</u>
	<u>\$ 3,509,731</u>	<u>\$ 404,253</u>	<u>\$ (3,365)</u>	<u>\$ 3,910,619</u>

For the nine months ended September 30, 2019

	<b>Reportable segments</b>			
	<b>Chemicals Segment - Production and Sales</b>	<b>Chemicals Segment - Trading</b>	<b>Investment Segment</b>	<b>Total</b>
Type of goods or services				
Sale of goods	\$ 5,061,621	\$ 865,778	\$ -	\$ 5,927,399
Rendering of services	71,381	-	-	71,381
Others	<u>-</u>	<u>-</u>	<u>45,128</u>	<u>45,128</u>
	<u>\$ 5,133,002</u>	<u>\$ 865,778</u>	<u>\$ 45,128</u>	<u>\$ 6,043,908</u>

## 25. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

### a. Other income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Government grants income	\$ 11,512	\$ -	\$ 20,598	\$ -
Income from sale of product trials	6,642	5,965	16,198	10,388
Rental income (Note 30)	4,147	4,147	12,441	12,389
Reversal of accrued expenses	-	-	11,213	-
Income from sale of scrap and wastes	1,649	1,024	3,109	3,193
Dividend income	1,599	3,707	1,599	4,920
Insurance claim income	-	19,882	-	19,882
Others	<u>(2,077)</u>	<u>1,572</u>	<u>3,491</u>	<u>4,967</u>
	<u>\$ 23,472</u>	<u>\$ 36,297</u>	<u>\$ 68,649</u>	<u>\$ 55,739</u>

### b. Interest income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 452	\$ 4,695	\$ 7,219	\$ 20,900
Financial assets at amortized cost	905	3,335	4,258	6,198
Investment in debt instruments at FVTOCI	566	-	566	-
Others	<u>2</u>	<u>2</u>	<u>9</u>	<u>11</u>
	<u>\$ 1,925</u>	<u>\$ 8,032</u>	<u>\$ 12,052</u>	<u>\$ 27,109</u>

c. Other gains and losses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net gain (loss) on fair value change of financial assets mandatorily at FVTPL	\$ (412)	\$ (5,036)	\$ (25,280)	\$ 8,441
Net foreign exchange gain (loss)	(4,290)	(7,505)	(10,333)	7,393
Loss on disposal of subsidiaries	(2,524)	-	(2,524)	-
Loss on disposal of property, plant and equipment	100	(23)	(51)	(589)
Impairment loss on financial assets	-	(9,475)	-	(9,475)
Gain on disposal of non-current assets held for sale	-	-	-	407
Others	<u>(39)</u>	<u>(834)</u>	<u>(99)</u>	<u>(1,025)</u>
	<u>\$ (7,165)</u>	<u>\$ (22,873)</u>	<u>\$ (38,287)</u>	<u>\$ 5,152</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Foreign exchange gain	\$ 6,313	\$ 6,972	\$ 18,840	\$ 27,587
Foreign exchange loss	<u>(10,603)</u>	<u>(14,477)</u>	<u>(29,173)</u>	<u>(20,194)</u>
Net foreign exchange gain (loss)	<u>\$ (4,290)</u>	<u>\$ (7,505)</u>	<u>\$ (10,333)</u>	<u>\$ 7,393</u>

c. Interest expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 5,756	\$ 5,973	\$ 16,435	\$ 16,819
Interest on lease liabilities	2,608	2,708	7,916	8,240
Interest on short-term bills	90	35	132	35
Others	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>
	8,454	8,716	24,491	25,094
Less: Amounts included in the cost of qualifying assets	<u>1,857</u>	<u>-</u>	<u>2,765</u>	<u>5,384</u>
	<u>\$ 6,597</u>	<u>\$ 8,716</u>	<u>\$ 21,726</u>	<u>\$ 19,710</u>

Information about capitalized interest was as follows:



	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Capitalized interest	\$ 1,857	\$ -	\$ 2,765	\$ 5,384
Capitalization rate (%)	0.9325-1.1955	0.8	0.9325-1.1955	0.8
d. Depreciation and amortization				
	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 106,739	\$ 117,149	\$ 324,359	\$ 282,725
Right-of-use assets	9,059	8,114	27,176	24,232
Other noncurrent assets	<u>3,567</u>	<u>2,445</u>	<u>10,665</u>	<u>7,299</u>
	<u>\$ 119,365</u>	<u>\$ 127,708</u>	<u>\$ 362,200</u>	<u>\$ 314,256</u>
An analysis of depreciation by function				
Operating costs	\$ 107,781	\$ 116,955	\$ 326,702	\$ 285,400
Operating expenses	<u>8,017</u>	<u>8,308</u>	<u>24,833</u>	<u>21,557</u>
	<u>\$ 115,798</u>	<u>\$ 125,263</u>	<u>\$ 351,535</u>	<u>\$ 306,957</u>
An analysis of amortization by function				
Operating costs	<u>\$ 3,567</u>	<u>\$ 2,445</u>	<u>\$ 10,665</u>	<u>\$ 7,299</u>
e. Employee benefits expense				
	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 87,384	\$ 134,410	\$ 269,301	\$ 382,462
Salaries	6,544	6,514	18,478	19,034
Labor and health insurance	<u>3,568</u>	<u>4,047</u>	<u>13,939</u>	<u>12,430</u>
Others	<u>97,496</u>	<u>144,971</u>	<u>301,718</u>	<u>413,926</u>
Post-employment benefits				
Defined contribution plans	2,033	1,903	6,008	5,658
Defined benefit plans (Note 22)	<u>2,067</u>	<u>2,193</u>	<u>6,200</u>	<u>6,578</u>
	<u>4,100</u>	<u>4,096</u>	<u>12,208</u>	<u>12,236</u>
	<u>\$ 101,596</u>	<u>\$ 149,067</u>	<u>\$ 313,926</u>	<u>\$ 426,162</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
An analysis by function				
Operating costs	\$ 56,699	\$ 94,782	\$ 218,025	\$ 281,134
Operating expenses	<u>44,897</u>	<u>54,285</u>	<u>95,901</u>	<u>145,028</u>
	<u>\$ 101,596</u>	<u>\$ 149,067</u>	<u>\$ 313,926</u>	<u>\$ 426,162</u>
				(Concluded)

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 nine months ended September 30, 2020 and 2019 were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Employees' compensation	\$ 7,185	\$ 18,128	\$ 23,009	\$ 53,521
Remuneration of directors and supervisors	1,476	3,625	4,601	10,704

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:

	<b>Cash</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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 nine months ended September 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 September 30		For the Nine months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 42,600	\$ 87,623	\$ 115,734	\$ 250,002
Adjustments for prior year	29	-	973	(16,029)
Income tax on unappropriated earnings	-	-	-	3,421
Land value increment tax	-	-	-	44
	<u>42,629</u>	<u>87,623</u>	<u>116,707</u>	<u>237,258</u>
Deferred tax				
In respect of the current period	<u>(5,231)</u>	<u>911</u>	<u>(1,549)</u>	<u>4,063</u>
	<u>\$ 37,398</u>	<u>\$ 88,534</u>	<u>\$ 115,158</u>	<u>\$ 241,321</u>

### b. Income tax benefit recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2020	2019	2020	2019
Recognized in other comprehensive income:				
Cash flow hedges	<u>\$ (1,012)</u>	<u>\$ -</u>	<u>\$ (1,595)</u>	<u>\$ -</u>

### c. Income tax assessments

The Corporation and the subsidiary EWI's income tax returns through 2018 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net profit attributable to owners of the Corporation	<u>\$ 161,950</u>	<u>\$ 412,876</u>	<u>\$ 507,389</u>	<u>\$ 1,139,403</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
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>252</u>	<u>426</u>	<u>434</u>	<u>570</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>232,402</u>	<u>232,576</u>	<u>232,584</u>	<u>232,720</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 nine months ended September 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>September 30, 2020</u>				
Financial assets measured at FVTPL				
Mutual funds	\$ 605,116	\$ -	\$ -	\$ 605,116
Domestic listed shares	29,294	-	-	29,294
Emerging market shares	-	-	24,996	24,996
Domestic unlisted shares	-	-	50,922	50,922
Convertible bonds	<u>37,259</u>	<u>-</u>	<u>-</u>	<u>37,259</u>
	<u>\$ 671,669</u>	<u>\$ -</u>	<u>\$ 75,918</u>	<u>\$ 747,587</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 150,739	\$ -	\$ -	\$ 150,739
Foreign corporate bonds	<u>37,834</u>	<u>-</u>	<u>-</u>	<u>37,834</u>
	<u>\$ 188,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,573</u>
<u>December 31, 2019</u>				
Financial assets measured at FVTPL				
Mutual funds	\$ 697,652	\$ -	\$ -	\$ 697,652
Domestic listed shares	74,770	-	-	74,770
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>September 30, 2019</u>				
Financial assets measured at FVTPL				
Mutual funds	\$ 897,149	\$ -	\$ -	\$ 897,149
Domestic listed shares	72,255	-	-	72,255
Emerging market shares	-	-	20,789	20,789
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>51,067</u>	<u>51,067</u>
	<u>\$ 969,404</u>	<u>\$ -</u>	<u>\$ 71,856</u>	<u>\$ 1,041,260</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic listed shares	\$ <u>167,326</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>167,326</u> (Concluded)

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

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

	Financial Assets at FVTPL For the Nine months Ended September 30	
	2020	2019
Balance, beginning of period	\$ 71,910	\$ 71,135
Recognized in profit or loss	5,298	3,791
Capital reduction	<u>(1,290)</u>	<u>(3,070)</u>
Balance, end of period	<u>\$ 75,918</u>	<u>\$ 71,856</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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
Measured at FVTPL			
Mandatorily at FVTPL (including non-current)	\$ 747,587	\$ 844,332	\$ 1,041,260
Financial assets for hedging	116,400	119,920	-
Financial assets at FVTOCI			
Equity instruments	150,739	174,599	167,326
Debt instruments	37,834	-	-
Financial assets at amortized cost 1)	1,628,031	1,979,578	2,383,205
<u>Financial liabilities</u>			
Measured at amortized cost 2)	3,924,220	3,754,547	4,270,356

- 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 - current, financial assets at amortized cost - noncurrent, and refundable deposits.

- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term bills payable, short-term borrowings, accounts payable (including related parties), other payables, long-term borrowings (including current portion of 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%.

	USD (Note)		RMB (Note)	
	For the Nine months Ended September 30		For the Nine months Ended September 30	
	2020	2019	2020	2019
Profit or loss in Scenario 1	\$ (16,309)	\$ (19,311)	\$ (991)	\$ (6,037)
Profit or loss in Scenario 2	16,309	19,311	991	6,037

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 nine months ended September 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Fair value interest risk			
Financial liabilities	\$ 1,160,277	\$ 1,184,918	\$ 1,186,633
Cash flow interest rate risk			
Financial assets	465,967	418,521	233,354
Financial liabilities	500,000	150,000	400,000

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 nine months ended September 30, 2020 and 2019, respectively, the pre-tax profit for the nine months ended September 30, 2020 and 2019 would have been higher/lower by NT\$38,065 thousand and NT\$58,164 thousand, respectively,



as a result of the fair value changes of financial assets at FVTPL, and the pre-tax other comprehensive income for the nine months ended September 30, 2020 and 2019 would have been higher/lower by NT\$9,044 thousand and NT\$10,040 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Customer A	\$ 76,605	\$ 85,021	\$ 117,319
Customer B	38,824	69,989	72,727
Customer C	<u>26,630</u>	<u>53,053</u>	<u>86,382</u>
	<u>\$ 142,059</u>	<u>\$ 208,063</u>	<u>\$ 276,428</u>

## 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 September 30, 2020, December 31, 2019 and September 30, 2019, the Corporation and its subsidiaries had available unutilized short-term bank loan facilities in the amounts of NT\$4.9 billion, NT\$5.0 billion and NT\$4.3 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.

September 30, 2020

	<b>1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Non-interest bearing	\$ 882,644	\$ 4,576	\$ -	\$ 887,220
Finance lease liabilities	41,682	136,951	620,682	799,315
Variable interest rate				
liabilities	1,535,367	508,492	-	2,043,859
Fixed interest rate liabilities	<u>1,015,666</u>	<u>-</u>	<u>-</u>	<u>1,015,666</u>
	<u>\$ 3,475,359</u>	<u>\$ 650,019</u>	<u>\$ 620,682</u>	<u>\$ 4,746,060</u>

December 31, 2019

	<b>1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
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>

September 30, 2019

	<b>1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Non-interest bearing	\$ 1,223,156	\$ 4,563	\$ -	\$ 1,227,719
Finance lease liabilities	37,742	136,849	654,726	829,317
Variable interest rate				
liabilities	2,051,178	402,625	-	2,453,803
Fixed interest rate liabilities	<u>106,037</u>	<u>505,044</u>	<u>-</u>	<u>611,081</u>
	<u>\$ 3,418,113</u>	<u>\$ 1,049,081</u>	<u>\$ 654,726</u>	<u>\$ 5,121,920</u>

**30. TRANSACTIONS WITH RELATED PARTIES**

<b>Related Party Name</b>	<b>Relationship with the Corporation</b>
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
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

(Continued)

<b>Related Party Name</b>	<b>Relationship with the Corporation</b>
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
Thintech Materials Technology Co., Ltd.	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

(Concluded)

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 September 30		For the Nine months Ended September 30	
		2020	2019	2020	2019
Revenue from sales of goods	The subsidiary of the key management of the Corporation				
	Linyuan Advanced	\$ 175,789	\$ 303,772	\$ 616,245	\$ 921,232
	Others	<u>11,313</u>	<u>7,244</u>	<u>38,155</u>	<u>25,787</u>
		187,102	311,016	654,400	947,019
	Parent entity	2,606	2,619	8,923	10,839
	Fellow subsidiaries	<u>670</u>	<u>2,380</u>	<u>5,580</u>	<u>9,127</u>
		<u>\$ 190,378</u>	<u>\$ 316,015</u>	<u>\$ 668,903</u>	<u>\$ 966,985</u>
Revenue from the rendering of services	Parent entity	<u>\$ 18,629</u>	<u>\$ 23,688</u>	<u>\$ 63,588</u>	<u>\$ 71,040</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 September 30		For the Nine months Ended September 30	
	2020	2019	2020	2019
Parent entity				
CSC	<u>\$ 326,617</u>	<u>\$ 598,942</u>	<u>\$ 1,046,379</u>	<u>\$ 1,649,311</u>
Fellow subsidiaries				
DSC	129,680	251,280	394,079	650,564
Others	<u>255</u>	<u>256</u>	<u>837</u>	<u>766</u>
	<u>129,935</u>	<u>251,536</u>	<u>394,916</u>	<u>651,330</u>

(Continued)

Related Parties Types/Name	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2020	2019	2020	2019
Other related parties				
Formosa Ha Tinh	\$ 122,436	\$ 221,559	\$ 442,702	\$ 836,168
	<u>\$ 578,988</u>	<u>\$ 1,072,037</u>	<u>\$ 1,883,997</u>	<u>\$ 3,136,809</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	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable - related parties	Parent entity	\$ 7,910	\$ 10,702	\$ 9,023
	Fellow subsidiaries	347	1,192	1,991
	The subsidiary of the key management of the Corporation			
	Linyuan Advanced	76,605	85,021	117,319
	Others	10,567	3,922	7,244
	Other related parties	<u>-</u>	<u>-</u>	<u>17,405</u>
		<u>\$ 95,429</u>	<u>\$ 100,837</u>	<u>\$ 152,982</u>
Other receivables	Parent entity			
	CSC	\$ 17,800	\$ 13,740	\$ 12,324
	Fellow subsidiaries	912	916	818
	Other related parties			
	Formosa Ha Tinh (Cayman)	203,700	209,860	217,280
	Others	<u>-</u>	<u>23,981</u>	<u>71,467</u>
		<u>\$ 222,412</u>	<u>\$ 248,497</u>	<u>\$ 301,889</u>

No guarantee had been received for receivables from related parties. For the nine months ended September 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	September 30, 2020	December 31, 2019	September 30, 2019
Accounts payable - related parties	Parent entity			
	CSC	\$ 138,269	\$ 186,149	\$ 237,507
	Fellow subsidiaries	<u>4</u>	<u>-</u>	<u>51</u>
		<u>\$ 138,273</u>	<u>\$ 186,149</u>	<u>\$ 237,558</u>
Other payables	Parent entity	\$ 3,814	\$ 11,272	\$ 5,317
	Fellow subsidiaries	91	247	117
	The Key management of the Corporation	1,534	3,279	3,257
	Supervisors of the Corporation	-	1,846	2,134
	Other related parties			
	Formosa Ha Tinh	<u>538,727</u>	<u>555,019</u>	<u>583,696</u>
		<u>\$ 544,166</u>	<u>\$ 571,663</u>	<u>\$ 594,521</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 Nine months	
	Ended September 30	
	2020	2019
Parent entity	\$ 23,990	\$ -
Fellow subsidiaries	<u>1,470</u>	<u>19,451</u>
	<u>\$ 25,460</u>	<u>\$ 19,451</u>

f. Lease agreement

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

Account Items	Related Parties Types/Name	September 30, 2020	December 31, 2019	September 30, 2019
Lease liabilities	Parent entity - CSC	<u>\$ 606,937</u>	<u>\$ 625,674</u>	<u>\$ 626,293</u>
	Fellow subsidiaries			
	CSPM	49,013	50,366	50,523
	Chung Hung	<u>1,744</u>	<u>3,469</u>	<u>4,041</u>
		<u>50,757</u>	<u>53,835</u>	<u>54,564</u>
		<u>\$ 657,694</u>	<u>\$ 679,509</u>	<u>\$ 680,857</u>

Related Parties Types/Name	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2020	2019	2020	2019
Interest expense				
Parent entity - CSC	\$ 2,232	\$ 2,300	\$ 6,772	\$ 4,982
Fellow subsidiaries				
CSPM	361	378	1,086	1,153
Chung Hung	7	13	26	45
	<u>368</u>	<u>391</u>	<u>1,112</u>	<u>1,198</u>
	\$ 2,600	\$ 2,691	\$ 7,884	\$ 8,180

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 nine months and for a period up to December 2020. As of September 30, 2020, December 31, 2019 and September 30, 2019, the total amount of lease payment charged in the future was NT\$3,077 thousand, NT\$12,315 thousand and NT\$15,394 thousand, respectively. Lease revenue recognized for the three months and nine months ended September 30, 2020 were NT\$3,080 thousand and NT\$9,238 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\$73,036 thousand, NT\$110,118 thousand, NT\$238,856 thousand and NT\$316,044 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively. The Corporation and other non-related parties had no similar transactions available for comparison.

2) Technical service fee

The Corporation entrusted the parent entity to provide technical services such as activated carbon, isotropic graphite block and graphitization mass production application technology development. The technical service fee was NT\$0 thousand, NT\$0 thousand, NT\$3,170 thousand and NT\$4,490 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively.

3) Compensation of key management personnel

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 7,337	\$ 9,585	\$ 25,418	\$ 33,097
Post-employment benefits	<u>344</u>	<u>251</u>	<u>1,031</u>	<u>753</u>
	<u>\$ 7,681</u>	<u>\$ 9,836</u>	<u>\$ 26,449</u>	<u>\$ 33,850</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 September 30, 2020 were as follow:

- Guarantee notes for NT\$86,793 thousand were provided to owners for purchase and agreements.
- Unused balance of the letter of credit issued by the Corporation for the purchase of raw materials and commodities in the amount of NT\$567,374 thousand.
- Property, plant and equipment construction contract signed for total amount of NT\$106,300 thousand, within which about NT\$21,541 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
<hr/> September 30, 2020 <hr/>				
Monetary financial assets				
USD	\$ 28,665	29.1	(USD:NTD)	\$ 834,159
RMB	7,738	4.269	(RMB:NTD)	33,035
Non-monetary financial assets				
Financial assets mandatorily classified as FVTPL				
USD	7,979	29.1	(USD:NTD)	232,180
Financial assets classified as FVTOCI				
USD	1,300	29.1	(USD:NTD)	37,834
Monetary financial liabilities				
USD	7,135	29.1	(USD:NTD)	207,626
USD	2,849	6.817	(USD:RMB)	82,893
<hr/> December 31, 2019 <hr/>				
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
Monetary financial liabilities				
USD	9,683	29.98	(USD:NTD)	290,302
USD	2,822	6.964	(USD:RMB)	84,606
<hr/> September 30, 2019 <hr/>				
Monetary financial assets				
USD	30,003	31.04	(USD:NTD)	931,308
RMB	48,048	4.35	(RMB:NTD)	209,010
RMB	1,245	0.1401	(RMB:USD)	5,416
Non-monetary financial assets				
Designated as at fair value through profit or loss				
USD	6,675	31.04	(USD:NTD)	207,186
RMB	4,087	4.35	(RMB:NTD)	17,778
Monetary financial liabilities				
USD	9,265	31.04	(USD:NTD)	287,593
RMB	3,030	4.35	(RMB:NTD)	13,182

For the three months and nine months ended September 30, 2020 and 2019, realized and unrealized net foreign exchange gains and losses were loss of NT\$4,290 thousand, loss of NT\$7,505 thousand, loss of NT\$10,333 thousand and gain of NT\$7,393 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 nine months ended September 30. As of September 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
For the nine months ended September 30, 2020					
Revenues from external customers	\$ 3,913,984	\$ -	\$ (3,365)	\$ -	\$ 3,910,619
Inter segment revenues	<u>39,004</u>	<u>-</u>	<u>10,882</u>	<u>(49,886)</u>	<u>-</u>
Segment revenues	<u>\$ 3,952,988</u>	<u>\$ -</u>	<u>\$ 7,517</u>	<u>\$ (49,886)</u>	<u>\$ 3,910,619</u>
Segment income (loss)	\$ 532,844	\$ (10,327)	\$ 5,959	\$ 954	\$ 529,430
Interest income	9,404	2,270	1,651	(1,273)	12,052
Share of profits of associates	43,736	-	-	24,803	68,539
Other income	79,546	-	940	(11,837)	68,649
Interest expense	(22,999)	-	-	1,273	(21,726)
Other gains and losses	<u>(33,545)</u>	<u>(2,217)</u>	<u>(2,525)</u>	<u>-</u>	<u>(38,287)</u>
Profit before income tax	608,986	(10,274)	6,025	13,920	618,657
Income tax expense	<u>114,482</u>	<u>-</u>	<u>676</u>	<u>-</u>	<u>115,158</u>
Net profit for the period	<u>\$ 494,504</u>	<u>\$ (10,274)</u>	<u>\$ 5,349</u>	<u>\$ 13,920</u>	<u>\$ 503,499</u>
For the nine months ended September 30, 2019					
Revenues from external customers	\$ 5,975,791	\$ 22,989	\$ 45,128	\$ -	\$ 6,043,908
Inter segment revenues	<u>167,443</u>	<u>14,315</u>	<u>14,895</u>	<u>(196,653)</u>	<u>-</u>
Segment revenues	<u>\$ 6,143,234</u>	<u>\$ 37,304</u>	<u>\$ 60,023</u>	<u>\$ (196,653)</u>	<u>\$ 6,043,908</u>
Segment income	\$ 1,190,384	\$ 3,720	\$ 52,966	\$ (3,406)	\$ 1,243,664
Interest income	17,865	9,113	131	-	27,109
Share of profits of associates	125,528	-	-	(51,767)	73,761
Other income	42,309	21,924	2,994	(11,488)	55,739
Interest expense	(19,710)	-	-	-	(19,710)
Other gains and losses	<u>14,335</u>	<u>(9,391)</u>	<u>208</u>	<u>-</u>	<u>5,152</u>
Profit before income tax	1,370,711	25,366	56,299	(66,661)	1,385,715
Income tax expense (benefit)	<u>241,608</u>	<u>-</u>	<u>(287)</u>	<u>-</u>	<u>241,321</u>
Net profit for the period	<u>\$ 1,129,103</u>	<u>\$ 25,366</u>	<u>\$ 56,586</u>	<u>\$ (66,661)</u>	<u>\$ 1,144,394</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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<hr/> <b>Segment assets</b> <hr/>			
Chemicals segment			
Production and sales	\$ 11,074,353	\$ 11,770,674	\$ 12,152,238
Trading	1,113,296	1,349,916	1,721,416
Investment segment	1,526,581	1,745,781	1,755,511
Adjustment and write-off	<u>(2,274,209)</u>	<u>(2,774,566)</u>	<u>(3,137,579)</u>
	<u>\$ 11,440,021</u>	<u>\$ 12,091,805</u>	<u>\$ 12,491,586</u>
<hr/> <b>Segment liabilities</b> <hr/>			
Chemicals segment			
Production and sales	\$ 4,753,955	\$ 4,616,087	\$ 5,139,589
Trading	538,889	577,486	598,247
Investment segment	-	1,805	1,654
Adjustment and write-off	<u>(312,353)</u>	<u>(462,291)</u>	<u>(477,495)</u>
	<u>\$ 4,980,491</u>	<u>\$ 4,733,087</u>	<u>\$ 5,261,995</u>

TABLE 1

## CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

## FINANCING PROVIDED TO OTHERS

FOR THE PERIOD ENDED SEPTEMBER 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	\$ 192,060	\$ 192,060	\$ 81,480	1-2.5	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 305,316	\$ 457,974	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.

TABLE 2

## CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

SEPTEMBER 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	SEPTEMBER 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	\$ 15,192	-	\$ 15,192	
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	13,754	-	13,754	
China Steel Chemical Corporation	Mutual fund	Taishin US Enhanced High Yield Bond Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	150,001	43,207	-	43,207	
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	36,967	-	36,967	
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	30,475	-	30,475	
China Steel Chemical Corporation	Mutual fund	FSITC Global Wealthy Nations Bond Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	96,119	28,757	-	28,757	
China Steel Chemical Corporation	Mutual fund	JPMorgan Funds - Global Corporate Bond Fund - A (acc) - USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	15,806	9,112	-	9,112	
China Steel Chemical Corporation	Mutual fund	Cathay Senior Secured High Yield Bond Fund A TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	483,985	4,846	-	4,846	
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	5,014	-	5,014	
China Steel Chemical Corporation	Convertible bond	INTNED 4 7/8 PERP	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	5,000	13,950	-	13,950	
China Steel Chemical Corporation	Corporate bond	BACR 6 1/8 PERP	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	8,000	23,309	-	23,309	
China Steel Chemical Corporation	Convertible bond	STANLN 4.3 02/19/27	No relation	Financial assets at fair value through other comprehensive income-current	5,000	15,889	-	15,889	
China Steel Chemical Corporation	Corporate bond	T 3 1/2 02/01/61	No relation	Financial assets at fair value through other comprehensive income-current	5,000	13,713	-	13,713	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	SEPTEMBER 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
China Steel Chemical Corporation	Corporate bond	GOOGL 2 1/4 08/15/60	No relation	Financial assets at fair value through other comprehensive income-current	3,000	\$ 8,232	-	\$ 8,232	
China Steel Chemical Corporation	Preferred stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	229,000	12,023	-	12,023	
China Steel Chemical Corporation	Common stock	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	2,556,915	52,289	-	52,289	
Ever Wealthy International Corporation	Mutual fund	Cathay High Dividend Taiwan Equity Fund A	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	2,000,000	19,500	-	19,500	
Ever Wealthy International Corporation	Mutual fund	FSITC AI Global Precision Medicine Fund TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	726,183	10,283	-	10,283	
Ever Wealthy International Corporation	Mutual fund	FSITC Gbl Artificial Intelligenc Fd TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	355,619	5,004	-	5,004	
Ever Wealthy International Corporation	Mutual fund	FSITC Global Video Gaming & eSports Fund-TWD-N	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	400,000	4,000	-	4,000	
Ever Wealthy International Corporation	Mutual fund	FSITC Global Pet Care Fund-TWD-N	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	300,000	3,009	-	3,009	
Ever Wealthy International Corporation	Mutual fund	FSITC Global Health & Weight Loss Fund-TWD-N	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	300,000	3,003	-	3,003	
Ever Wealthy International Corporation	Mutual fund	UPAMC Global AIoT Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	218,182	2,891	-	2,891	
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	2,255	-	2,255	
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	34,823	-	34,823	
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	25,432	-	25,432	
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)	964,153	9,765	-	9,765	
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)	325,134	5,070	-	5,070	
Ever Wealthy International Corporation	Mutual fund	Jih Sun Upstream Fund A	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	107,181	4,811	-	4,811	
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	2,719	-	2,719	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	SEPTEMBER 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
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	\$ 10,124	-	\$ 10,124	
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	10,078	-	10,078	
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	9,924	-	9,924	
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	9,717	-	9,717	
Ever Wealthy International Corporation	Mutual fund	Cathay Senior Secured High Yield Bond Fund A TWD	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	449,039	4,496	-	4,496	
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	10,220	-	10,220	
Ever Wealthy International Corporation	Mutual fund	KGI Taiwan Premium Assets Fund	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	1,000,360	10,061	-	10,061	
Ever Wealthy International Corporation	Mutual fund	Union Multi-Asset High Income Fund A TWD-N	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	500,000	4,855	-	4,855	
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)	1,848,505	28,082	-	28,082	
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	9,481	-	9,481	
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	7,043	-	7,043	
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	23,100	-	23,100	
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	30,258	-	30,258	
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	30,239	-	30,239	
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	28,434	-	28,434	
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)	1,832,241	27,364	-	27,364	
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)	896,752	14,294	-	14,294	

(Continued)

Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	SEPTEMBER 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ever Wealthy International Corporation	Mutual fund	JPMorgan Investment Funds - Global High Yield Bond Fund A (acc) - USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	1,089	\$ 5,888	-	\$ 5,888	
Ever Wealthy International Corporation	Mutual fund	PGIM US Corporate Bond Fund USD T Accumulation	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	1,659	5,784	-	5,784	
Ever Wealthy International Corporation	Mutual fund	MFS Meridian Funds - Prudent Capital Fund A1 USD	No relation	Financial assets mandatorily classified as at fair value through profit or loss -current (including measurement)	14,981	5,785	-	5,785	
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	7,145	-	7,145	
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	3,696	-	3,696	
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)	155,087	3,047	-	3,047	
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)	209,983	2,688	-	2,688	
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	2,411	-	2,411	
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)	109,058	1,167	-	1,167	
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	46,748	4	46,748	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	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	Riselink Venture Capital Corp.	No relation	Financial assets mandatorily classified as at fair value through profit or loss - noncurrent (including measurement)	2,632	578	2	578	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

(Continued)



Held Company Name	Type and Name of Marketable Securities		Relationship with The Company	Financial Statement Account	SEPTEMBER 30, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
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)	1,896,543	\$ 24,996	7	\$ 24,996	Note 2
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	433,523	-	433,523	
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	86,427	-	86,427	
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	8,355	-	8,355	
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	785	-	785	
Ever Wealthy International Corporation	Corporate bond	CNH Bond Offering by ITNL Offshore Pte Limited	No relation	Financial assets at amortized cost - noncurrent	30,000	3,842	-	3,842	

(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.

**TABLE 3**

# 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 SEPTEMBER 30, 2020**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Steel Chemical Corporation	China Steel Corporation	Parent company	Purchases	\$ 1,046,379	54.00	Letter of credit at sight	Note	Note	\$ (138,269)	(87 )	
China Steel Chemical Corporation	Linyuan Advanced Materials Technology Co., Ltd.	Subsidiary of director of the board	Sales	(616,245 )	(16.00 )	Receivables are collected as the end of every month of when invoice is issued	Note	Note	76,605	19	
China Steel Chemical Corporation	Dragon Steel Corporation	The same parent company	Purchases	442,702	23.00	T/T before shipment date	Note	Note	-	-	
China Steel Chemical Corporation	Formosa Ha Tinh Steel Corporation	Other related parties	Purchases	394,079	20.00	Letter of credit at sight	Note	Note	-	-	

Note: Refer to Note 30.

**TABLE 4**

## CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SEPTEMBER 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	\$ 203,700 (Notes 1 and 2)	Note 1	\$ -		\$ -	\$ -
Formosa Ha Tinh CSCC (Cayman) International Limited	Formosa Ha Tinh (Cayman) Limited	Other related parties	203,700 (Note 1)	Note 1	-		-	-

Note 1: Other receivables.

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

TABLE 5

## CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE PERIOD ENDED SEPTEMBER 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	\$ 37,547 (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	4,641	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	22,850		-
0	China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Parent to subsidiaries	Other payables	203,700		2.00

Note: Sales amount includes sales of product trial NT\$4,418 thousand, the Corporation recognizes as deductions of Construction in Progress.

**TABLE 6**

**CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**

**FOR THE PERIOD ENDED SEPTEMBER 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 SEPTEMBER 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				SEPTEMBER 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	6.00	\$ 310,545	\$ 567,237	\$ 34,208	
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	-	13,612	423,661	1,350	
China Steel Chemical Corporation	Ever Wealthy International Corporation	Republic of China	General investment	300,083	300,083	104,574,982	100.00	1,210,697	5,349	(18,419 )	Subsidiary (Note 1) Subsidiary (Note 1) Subsidiary (Note 2)
China Steel Chemical Corporation	Formosa Ha Tinh CSCC (Cayman) International Limited	Cayman Island	International trade and investment	100,320	100,320	10,000,000	50.00	287,204	(7,780 )	(3,890 )	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	Cayman Island	International trading and general investment	-	39,920	-	-	-	(2,494 )	(2,494 )	
China Steel Chemical Corporation	Transglory Investment Corporation	Republic of China	General investment	450,000	450,000	69,000,960	9.00	493,426	123,896	11,398	
China Steel Chemical Corporation	CSC Solar Corporation	Republic of China	Solar energy generation	261,600	261,600	26,160,000	15.00	284,678	137,707	20,656	
China Steel Chemical Corporation	Eminent III Venture Capital Corporation	Republic of China	General investment	160,000	80,000	16,000,000	9.00	130,873	45,844	3,976	
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	8.00	43,919	27,706	2,169	
China Steel Chemical Corporation	United Steel International Development Corporation	British Virgin Islands	Holding and investment	68,839	68,839	2,450,000	5.00	34,276	(142,389 )	(7,120 )	
China Steel Chemical Corporation	Gau Ruei Investment Corporation	Republic of China	General investment	15,070	15,070	1,196,000	40.00	23,291	(1,631 )	(652 )	
China Steel Chemical Corporation	Ascentek Venture Capital Corporation	Republic of China	General investment	16,934	16,934	1,693,440	6.00	21,859	3,678	236	
China Steel Chemical Corporation	Li-Ching-Long Investment Corporation	Republic of China	General investment	7,000	7,000	700,000	35.00	11,619	793	278	
China Steel Chemical Corporation	TaiAn Technologies Corporation	Republic of China	Bio-Tech consultants and management	2,295	2,295	499,998	5.00	7,026	15,953	798	
China Steel Chemical Corporation	Eminent Venture Capital Corporation	Republic of China	General Investment	13,500	22,500	1,350,000	5.00	7,796	24,858	1,243	
Ever Wealthy International Corporation	Thintech Materials Technology Co., Ltd.	Republic of China	Sputtering target manufacturing and sales	45,987	45,987	6,119,748	8.00	95,432	33,180	2,761	
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	6.00	32,196	27,706	1,590	
Ever Wealthy International Corporation	Sheng Lih Dar Investment Corporation	Republic of China	General investment	8,400	8,400	840,000	35.00	14,842	1,844	646	
Ever Wealthy International Corporation	Hung-Chuan Investment Corporation	Republic of China	General investment	9,000	9,000	900,000	45.00	14,887	794	357	
Ever Wealthy International Corporation	Ding Da Investment Corporation	Republic of China	General investment	10,495	10,495	897,000	30.00	13,634	1,102	331	

Note 1: All the transactions had been eliminated when preparing consolidated financial statements.

Note 2: Liquidated in September 2020.

**TABLE 7****CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020****(Amounts 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 SEPTEMBER 30, 2020 (Note 1)	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of SEPTEMBER 30, 2020	Accumulated Repatriation of Investment Income as of SEPTEMBER 30, 2020	Note
					Outward	Inward							
Ningbo Huayang Aluminum-Tech Co., Ltd. Changzhou China Steel New Materials Technology Co., Ltd.	Production of aluminum products	\$ 1,425,900	2	71,295	\$ -	\$ -	71,295	\$ (142,267)	5.00	\$ (7,113)	\$ 33,783	\$ 5,439	-
	Mesophase sales and trading	170,547	1	189,325	-	-	189,325	(12,886)	100.00	(12,886)	148,071	-	Note 5

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of SEPTEMBER 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	\$ 260,620	\$ 260,620	\$ 3,703,396

Note 1: The amounts were calculated based on the foreign exchange rate as of September 30, 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 bases 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.

**TABLE 8**

## CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

## INFORMATION OF MAJOR SHAREHOLDERS

**SEPTEMBER 30, 2020**[illegible]

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.