China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

China Steel Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the Corporation) and its subsidiaries as of September 30, 2018 and 2017, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2018 and 2017, and the consolidated statements of changes in equity and of cash flows for the nine months ended September 30, 2018 and 2017, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews and the financial statements reviewed by other independent accountants (refer to the Other Matter paragraph), 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, 2018 and 2017, its consolidated financial performance for the three months and nine months ended September 30, 2018 and 2017, and its consolidated cash flows for the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC.

Emphasis of Matter

As disclosed in Note 3 to the consolidated financial statements, the Corporation and its subsidiaries are covered by the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC starting from 2018.

Other Matter

Certain investments accounted for using the equity method in the Corporation and its subsidiaries' consolidated financial statements for the nine months ended September 30, 2017 were based on financial statements reviewed by other independent auditors. The share of comprehensive income and loss amounted to loss of NT$66,757 thousand and NT$878,278 thousand, respectively for the three months and nine months ended September 30, 2017, representing 2% and 7% of the Corporation and its subsidiaries' total comprehensive income.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 12, 2018

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail. As stated in Note 4 to consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	September 30, 2017 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 18,324,732	3	$ 12,856,662	2	$ 14,914,576	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,139,083	1	4,910,644	1	4,485,488	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	3,086,084	1	-	-	-	-
Available-for-sale financial assets - current (Note 10)	-	-	2,186,156	-	3,271,134	-
Derivative financial assets for hedging - current (Note 12)	-	-	54,131	-	52,887	-
Financial assets for hedging - current (Notes 4 and 12)	2,399,413	-	-	-	-	-
Contract assets - current (Note 28)	11,371,737	2	-	-	-	-
Notes receivable (Note 13)	1,730,232	-	1,797,938	-	1,997,577	-
Notes receivable - related parties (Notes 13 and 35)	401,312	-	309,587	-	269,129	-
Accounts receivable, net (Note 13)	15,625,954	2	14,311,437	2	13,000,344	2
Accounts receivable - related parties (Notes 13 and 35)	465,959	-	355,077	-	340,487	-
Amounts due from customers for construction contracts (Note 14)	-	-	9,400,960	2	10,254,107	2
Other receivables (Note 35)	2,227,298	-	1,636,999	-	2,157,120	-
Current tax assets	188,791	-	181,204	-	134,551	-
Inventories (Note 15)	91,733,271	14	87,963,760	13	86,248,002	13
Non-current assets held for sale (Note 20)	1,485,999	-	212,780	-	212,780	-
Other financial assets - current (Notes 18 and 36)	9,409,222	1	10,752,021	2	11,385,389	2
Other current assets	4,300,449	1	4,051,059	1	4,185,394	1
Total current assets	165,889,536	25	150,980,415	23	152,908,965	23
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,854,341	-	-	-	-	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	60,624,230	9	-	-	-	-
Available-for-sale financial assets - noncurrent (Note 10)	-	-	58,383,988	9	59,482,297	9
Held-to-maturity financial assets - noncurrent (Note 11)	-	-	129,750	-	131,385	-
Derivative financial assets for hedging - noncurrent (Note 12)	-	-	16,237	-	37,395	-
Financial assets at amortized cost- noncurrent (Notes 4 and 9)	41,651	-	-	-	-	-
Financial assets for hedging - noncurrent (Notes 4 and 12)	96,011	-	-	-	-	-
Debt investments with no active market - noncurrent (Note 16)	-	-	1,854,343	-	1,886,926	-
Investments accounted for using equity method (Note 17)	14,755,300	2	14,729,813	2	14,525,789	2
Property, plant and equipment (Notes 19 and 36)	404,058,599	60	413,821,236	62	416,809,673	62
Investment properties (Notes 20 and 36)	9,633,330	2	10,956,078	2	10,692,252	2
Intangible assets	1,811,825	-	1,938,180	-	1,988,761	-
Deferred tax assets	7,835,468	1	6,192,780	1	5,775,871	1
Refundable deposits	573,066	-	700,646	-	582,936	-
Other financial assets - noncurrent (Notes 18 and 36)	2,290,306	-	2,623,741	-	2,675,690	-
Other noncurrent assets	5,646,077	1	5,388,672	1	5,517,915	1
Total noncurrent assets	509,220,204	75	516,735,464	77	520,106,890	77
TOTAL	$ 675,109,740	100	$ 667,715,879	100	$ 673,015,855	100

LIABILITIES AND EQUITY	September 30, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	September 30, 2017 (Reviewed) Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 21 and 36)	$ 48,237,508	7	$ 35,326,058	5	$ 40,297,852	6
Short-term bills payable (Note 21)	33,439,479	5	24,635,582	4	44,070,484	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,371	-	247	-	1,489	-
Derivative financial liabilities for hedging - current (Note 12)	-	-	48,218	-	41,359	-
Financial liabilities for hedging - current (Notes 4 and 12)	4,692,744	1	-	-	-	-
Contract liabilities - current (Note 28)	6,212,408	1	-	-	-	-
Notes payable	1,361,408	-	1,188,154	-	699,657	-
Accounts payable (Note 23)	16,008,225	2	13,261,485	2	13,998,880	2
Accounts payable - related parties (Notes 23 and 35)	65,853	-	37,377	-	42,747	-
Amounts due to customers for construction contracts (Note 14)	-	-	5,426,228	1	2,881,757	-
Other payables (Notes 24 and 35)	24,535,120	4	23,155,371	3	20,867,420	3
Current tax liabilities	2,962,176	-	3,127,173	-	1,961,402	-
Provisions - current (Note 25)	6,247,797	1	4,042,476	-	4,377,354	1
Current portion of bonds payable (Note 22)	18,099,005	3	11,198,974	2	11,199,745	2
Current portion of long-term bank borrowings (Notes 21 and 36)	3,398,849	1	18,549,055	3	20,764,201	3
Refund liabilities - current (Notes 24 and 25)	3,231,983	-	-	-	-	-
Other current liabilities	1,296,313	-	4,323,642	1	3,924,584	1
Total current liabilities	169,791,239	25	144,320,040	21	165,128,931	24
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Note 12)	-	-	210,325	-	72,548	-
Financial liabilities for hedging - noncurrent (Notes 4 and 12)	3,885,020	1	-	-	-	-
Bonds payable (Note 22)	89,291,646	13	83,852,513	13	89,048,412	13
Long-term bank borrowings (Notes 21 and 36)	25,593,256	4	57,047,876	9	46,740,052	7
Long-term bills payable (Note 21)	22,554,243	4	27,613,159	4	23,640,809	4
Provisions - noncurrent (Note 25)	848,124	-	835,048	-	818,132	-
Deferred tax liabilities	12,691,977	2	12,205,775	2	12,225,481	2
Net defined benefit liabilities (Note 4)	8,211,146	1	8,321,780	1	6,859,298	1
Other noncurrent liabilities	1,350,312	-	1,357,376	-	1,385,437	-
Total noncurrent liabilities	164,425,724	25	191,443,852	29	180,790,169	27
Total liabilities	334,216,963	50	335,763,892	50	345,919,100	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 27)						
Share capital						
Ordinary shares	157,348,610	23	157,348,610	24	157,348,610	23
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	24	157,731,290	23
Capital surplus	38,531,835	6	38,211,082	6	38,205,353	6
Retained earnings						
Legal reserve	63,228,774	9	61,538,216	9	61,538,216	9
Special reserve	27,649,844	4	27,655,869	4	27,655,975	4
Unappropriated earnings	26,564,959	4	20,033,060	3	14,946,122	3
Total retained earnings	117,443,577	17	109,227,145	16	104,140,313	16
Other equity	6,475,511	1	7,372,935	1	8,566,541	1
Treasury shares	(8,643,948)	(1)	(8,532,389)	(1)	(8,512,794)	(1)
Total equity attributable to owners of the Corporation	311,538,265	46	304,010,063	46	300,130,703	45
NON-CONTROLLING INTERESTS	29,354,512	4	27,941,924	4	26,966,052	4
Total equity	340,892,777	50	331,951,987	50	327,096,755	49
TOTAL	$ 675,109,740	100	$ 667,715,879	100	$ 673,015,855	100

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

(With Deloitte & Touche review report dated November 12, 2018)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 28 and 35)	$ 102,731,612	100	$ 88,917,499	100	$ 296,445,689	100	$ 256,766,764	100
OPERATING COSTS (Notes 15 and 35)	88,513,767	86	80,512,106	90	260,094,987	88	229,629,783	89
GROSS PROFIT	14,217,845	14	8,405,393	10	36,350,702	12	27,136,981	11
OPERATING EXPENSES								
Selling and marketing expenses	1,528,029	1	1,373,782	1	4,435,144	1	4,056,903	1
General and administrative expenses	1,888,808	2	1,675,618	2	5,253,362	2	5,058,706	2
Research and development expenses	562,256	1	515,112	1	1,617,477	1	1,542,954	1
Expected credit loss	13,594	-	-	-	12,830	-	-	-
Total operating expenses	3,992,687	4	3,564,512	4	11,318,813	4	10,658,563	4
PROFIT FROM OPERATIONS	10,225,158	10	4,840,881	6	25,031,889	8	16,478,418	7
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 29 and 35)	585,317	1	592,288	1	1,320,088	1	1,239,044	-
Other gains and losses (Notes 29 and 35)	(406,534)	(1)	178,389	-	(546,723)	-	209,354	-
Finance costs (Note 29)	(827,544)	(1)	(946,937)	(1)	(2,557,372)	(1)	(2,804,052)	(1)
Reversal of expected credit loss	4	-	-	-	3,887	-	-	-
Share of the profit (loss) of associates	137,661	-	367,500	-	342,606	-	(276,823)	-
Total non-operating income and expenses	(511,096)	(1)	191,240	-	(1,437,514)	-	(1,632,477)	(1)
PROFIT BEFORE INCOME TAX	9,714,062	9	5,032,121	6	23,594,375	8	14,845,941	6
INCOME TAX (Notes 4 and 30)	1,533,813	1	783,356	1	2,361,065	1	1,911,272	1
NET PROFIT FOR THE PERIOD	8,180,249	8	4,248,765	5	21,233,310	7	12,934,669	5
OTHER COMPREHENSIVE INCOME (Notes 27 and 30)								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	1,165,039	1	-	-	3,014,859	1	-	-

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Gains and losses on hedging instruments	$ 80,679	-	$ -	-	$ 328,082	-	$ -	-
Share of the other comprehensive income of associates	6,171	-	-	-	19,216	-	-	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(11,123)	-	-	-	(48,570)	-	-	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	(665,344)	-	218,118	-	(319,418)	-	(1,456,109)	(1)
Unrealized gains and losses on available-for-sale financial assets	-	-	(274,755)	-	-	-	1,546,163	1
The effective portion of gains and losses on hedging instruments in a cash flow hedge	-	-	32,510	-	-	-	(46,084)	-
Gains and losses on hedging instruments	(10,988)	-	-	-	(141,269)	-	-	-
Share of the other comprehensive income of associates	171,893	-	(192,906)	-	592,480	-	(802,980)	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	2,885	-	(4,678)	-	1,374	-	50,134	-
Other comprehensive income for the period, net of income tax	739,212	1	(221,711)	-	3,446,754	1	(708,876)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 8,919,461	9	$ 4,027,054	5	$ 24,680,064	8	$ 12,225,793	5
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Corporation	$ 7,238,794	7	$ 3,564,070	4	$ 18,407,305	6	$ 10,651,254	4
Non-controlling interests	941,455	1	684,695	1	2,826,005	1	2,283,415	1
	$ 8,180,249	8	$ 4,248,765	5	$ 21,233,310	7	$ 12,934,669	5

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	$ 8,088,967	8	$ 3,381,472	4	$ 21,645,538	7	$ 10,537,089	4
Non-controlling interests	830,494	1	645,582	1	3,034,526	1	1,688,704	1
	$ 8,919,461	9	$ 4,027,054	5	$ 24,680,064	8	$ 12,225,793	5
EARNINGS PER SHARE (Note 31)								
Basic	$ 0.47		$ 0.23		$ 1.19		$ 0.69	
Diluted	$ 0.47		$ 0.23		$ 1.19		$ 0.69	

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

(With Deloitte & Touche review report dated November 12, 2018)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation															
							Other Equity									
	Share Capital			Retained Earnings												
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-For-Sale Financial Assets	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Gains and Losses on Hedging Instruments	Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 157,348,610	$ 382,680	$ 38,211,082	$ 61,538,216	$ 27,655,869	$ 20,033,060	$ (2,110,593)	$ 9,614,863	$ -	$ (131,335)	$ -	$ 7,372,935	$ (8,532,389)	$ 304,010,063	$ 27,941,924	$ 331,951,987
Effect of retrospective application (Note 3)	-	-	-	-	-	3,842,218	(4,005,260)	(9,614,863)	5,251,741	131,335	3,972,776	(4,264,271)	-	(422,053)	(14,538)	(436,591)
Balance after adjustments at January 1, 2018	157,348,610	382,680	38,211,082	61,538,216	27,655,869	23,875,278	(6,115,853)	-	5,251,741	-	3,972,776	3,108,664	(8,532,389)	303,588,010	27,927,386	331,515,396
Appropriation of 2017 earnings (Note 27)																
Legal reserve	-	-	-	1,690,558	-	(1,690,558)	-	-	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(5,992)	5,992	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.88 per share	-	-	-	-	-	(13,846,677)	-	-	-	-	-	-	-	(13,846,677)	-	(13,846,677)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(33)	33	-	-	-	-	-	-	-	-	-	-
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	18,407,305	-	-	-	-	-	-	-	18,407,305	2,826,005	21,233,310
Other comprehensive income for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	7,132	112,736	-	3,000,511	-	117,854	3,231,101	-	3,238,233	208,521	3,446,754
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	18,414,437	112,736	-	3,000,511	-	117,854	3,231,101	-	21,645,538	3,034,526	24,680,064
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(112,302)	(112,302)	(78,149)	(190,451)
Disposal of the Corporation's shares held by subsidiaries	-	-	262	-	-	-	-	-	-	-	-	-	378	640	694	1,334
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	281,424	-	-	-	-	-	-	-	-	-	-	281,424	-	281,424
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,529,945)	(1,529,945)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(135,746)	-	-	135,746	-	-	135,746	-	-	-	-
Adjustment of other equity	-	-	39,067	-	-	(4,225)	-	-	-	-	-	-	365	35,207	-	35,207
BALANCE AT SEPTEMBER 30, 2018	$ 157,348,610	$ 382,680	$ 38,531,835	$ 63,228,774	$ 27,649,844	$ 26,564,959	$ (6,003,117)	$ -	$ 8,387,998	$ -	$ 4,090,630	$ 6,475,511	$ (8,643,948)	$ 311,538,265	$ 29,354,512	$ 340,892,777
BALANCE AT JANUARY 1, 2017	$ 157,348,610	$ 382,680	$ 37,807,466	$ 59,934,379	$ 29,786,846	$ 17,196,041	$ (32,048)	$ 8,650,573	$ -	$ 62,181	$ -	$ 8,680,706	$ (8,576,842)	$ 302,559,886	$ 27,019,807	$ 329,579,693
Appropriation of 2016 earnings (Note 27)																
Legal reserve	-	-	-	1,603,837	-	(1,603,837)	-	-	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(2,130,614)	2,130,614	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.85 per share	-	-	-	-	-	(13,374,632)	-	-	-	-	-	-	-	(13,374,632)	-	(13,374,632)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(257)	257	-	-	-	-	-	-	-	-	-	-
Net profit for the nine months ended September 30, 2017	-	-	-	-	-	10,651,254	-	-	-	-	-	-	-	10,651,254	2,283,415	12,934,669
Other comprehensive income for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	-	(1,579,084)	1,532,253	-	(67,334)	-	(114,165)	-	(114,165)	(594,711)	(708,876)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	10,651,254	(1,579,084)	1,532,253	-	(67,334)	-	(114,165)	-	10,537,089	1,688,704	12,225,793
Disposal of the Corporation's shares held by subsidiaries	-	-	28,066	-	-	-	-	-	-	-	-	-	64,048	92,114	21,905	114,019
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	267,245	-	-	-	-	-	-	-	-	-	-	267,245	-	267,245
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,764,364)	(1,764,364)
Adjustment of other equity	-	-	102,576	-	-	-	-	-	-	-	-	-	-	102,576	-	102,576
BALANCE AT SEPTEMBER 30, 2017	$ 157,348,610	$ 382,680	$ 38,205,353	$ 61,538,216	$ 27,655,975	$ 14,946,122	$ (1,611,132)	$ 10,182,826	$ -	$ (5,153)	$ -	$ 8,566,541	$ (8,512,794)	$ 300,130,703	$ 26,966,052	$ 327,096,755

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

(With Deloitte & Touche review report dated November 12, 2018)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 23,594,375	$ 14,845,941
Adjustments for:		
Depreciation expense	25,339,551	25,930,111
Amortization expense	216,949	251,029
Expected credit loss	8,943	-
Net gain on financial assets and liabilities at fair value through profit or loss	(72,215)	(286,236)
Finance costs	2,557,372	2,804,052
Interest income	(264,320)	(205,838)
Dividend income	(578,104)	(558,148)
Share of the profit (loss) of associates	(369,526)	226,774
Loss (gain) on disposal of property, plant and equipment	118,675	(90,911)
Gain on disposal of investments	(68,577)	(428,509)
Impairment loss recognized on financial assets	-	162,913
Impairment loss recognized on non-financial assets	820,236	122,102
Write-down of inventories	1,062,209	633,444
Recognition of provisions	985,809	81,333
Others	(24,370)	48,756
Changes in operating assets and liabilities		
Financial instruments held for trading	-	102,882
Financial assets mandatorily classified as at fair value through profit or loss	1,231,739	-
Financial assets for hedging	639,642	-
Contract assets	(497,688)	-
Notes receivable	67,706	(763,808)
Notes receivable - related parties	(91,725)	114,949
Accounts receivable	(2,599,713)	(1,510,247)
Accounts receivable - related parties	(110,882)	158,698
Amounts due from customers for construction contracts	-	(1,782,070)
Other receivables	(601,754)	(625,330)
Inventories	(4,719,553)	(7,387,873)
Other current assets	(37,698)	(627,224)
Financial liabilities for hedging	(32,064)	-
Contract liabilities	(915,150)	-
Notes payable	173,254	(151,974)
Accounts payable	2,746,740	1,514,611
Accounts payable - related parties	28,476	(493,797)
Amounts due to customers for construction contracts	-	(971,967)
Other payables	1,453,016	(272,625)
Provisions	(13,091)	(8,617)
Other current liabilities	(446,864)	395,544

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	2017
Net defined benefit liabilities	$ (110,634)	$ (42,321)
Refund liabilities	1,649,783	-
Cash generated from operations	51,140,547	31,185,644
Income taxes paid	(4,029,810)	(2,462,546)
Net cash generated from operating activities	47,110,737	28,723,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(1,261,404)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	294,261	-
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	129,035	-
Acquisition of financial assets at amortized cost	(13,803)	-
Proceeds from disposal of financial assets at amortized cost	93,983	-
Acquisition of financial assets at fair value through profit or loss	(1,528,318)	(3,555,676)
Proceeds from disposal of financial assets at fair value through profit or loss	2,620,961	2,434,167
Acquisition of available-for-sale financial assets	-	(1,308,449)
Proceeds from disposal of available-for-sale financial assets	-	1,251,881
Proceeds from the capital reduction on available-for-sale financial assets	-	23,728
Acquisition of debt investments with no active market	-	(18,514)
Proceeds from disposal of debt investments with no active market	-	20,000
Acquisition of financial assets for hedging	(966,562)	-
Acquisition of financial liabilities for hedging	2,885,352	-
Derecognition of financial liabilities for hedging	(17,623,452)	-
Acquisition of investments accounted for using equity method	(72,386)	(851,596)
Proceeds from disposal of investments accounted for using equity method	209,635	211,385
Net cash outflow on acquisition of subsidiaries	(1,138,500)	-
Disposal of subsidiaries	-	13,065
Acquisition of property, plant and equipment	(13,650,322)	(14,972,907)
Proceeds from disposal of property, plant and equipment	45,928	316,825
Decrease (increase) in refundable deposits	124,780	(16,914)
Acquisition of intangible assets	(28,732)	(29,617)
Acquisition of investment properties	(158,255)	(452,363)
Proceeds from disposal of investment properties	64,385	-
Decrease (increase) in other financial assets	(267,929)	1,206,810
Decrease (increase) in other noncurrent assets	(246,397)	575,864
Interest received	248,045	195,511

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	2017
Dividends received from associates	$ 404,719	$ 660,524
Dividends received from others	573,795	525,540
Net cash used in investing activities	(29,261,181)	(13,770,736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	196,675,667	194,250,070
Repayments of short-term borrowings	(184,274,087)	(190,093,575)
Proceeds from short-term bills payable	192,479,474	192,047,389
Repayments of short-term bills payable	(183,675,577)	(164,609,005)
Issuance of bonds payable	18,350,000	-
Repayments of bonds payable	(6,000,000)	(13,348)
Proceeds from long-term bank borrowings	36,190,100	15,040,100
Repayments of long-term bank borrowings	(60,157,858)	(31,211,453)
Proceeds from long-term bills payable	1,900,182	2,854,644
Repayments of long-term bills payable	(6,959,098)	(15,840,000)
Increase in other noncurrent liabilities	75,140	6,306
Dividends paid to owners of the Corporation	(13,887,311)	(13,374,870)
Acquisition of the Corporation's shares held by subsidiaries	(190,451)	-
Disposal of the Corporation’s shares held by subsidiaries	1,334	114,019
Interest paid	(3,064,552)	(3,206,672)
Decrease in non-controlling interests	(1,529,945)	(1,764,364)
Net cash used in financing activities	(14,066,982)	(15,800,759)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	1,236,975	(358,024)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,019,549	(1,206,421)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	9,883,529	13,340,196
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 14,903,078	$ 12,133,775
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2018 and 2017:		
Cash and cash equivalents in the consolidated balance sheets	$ 18,324,732	$ 14,914,576
Bank overdraft	(3,421,654)	(2,780,801)
Cash and cash equivalents in the consolidated statements of cash flows	$ 14,903,078	$ 12,133,775

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)
(With Deloitte & Touche review report dated November 12, 2018)

1. GENERAL INFORMATION

China Steel Corporation (the Corporation) was incorporated on December 3, 1971. It manufactures and sells steel products and engages in mechanical, communications, and electrical engineering.

The shares of the Corporation and its subsidiaries, including China Steel Structure Co., Ltd., China Steel Chemical Corporation, CHC Resources Corporation, China Ecotek Corporation and Chung Hung Steel Corporation, have been listed on the Taiwan Stock Exchange. The shares of the subsidiary Thintech Materials Technology Co., Ltd. have been traded on the Taipei Exchange. The subsidiary Dragon Steel Corporation has issued shares to the public.

As of September 30, 2018, the Ministry of Economic Affairs (MOEA), Republic of China owned 20.05 % of the Corporation's issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation's board of directors and approved for issue on November 12, 2018.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the other requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Corporation and its subsidiaries have performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation and its subsidiaries' financial assets and financial liabilities as at January 1, 2018.

	Measurement Category	
	IAS 39	**IFRS 9**
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (FVTPL)
	Derivative financial assets for hedging	Financial assets for hedging
Equity investment	Designated as at FVTPL	Mandatorily at FVTPL
	Held-for-trading	Mandatorily at FVTPL
	Available-for-sale	Mandatorily at FVTPL
	Available-for-sale	Designated as at fair value through other comprehensive income (FVTOCI) - equity instrument
	Loans and receivables	Mandatorily at FVTPL
Mutual funds	Designated as at FVTPL	Mandatorily at FVTPL
	Held-for-trading	Mandatorily at FVTPL
	Available-for-sale	Mandatorily at FVTPL
Debt investment	Held-for-trading	Designated as at FVTPL
	Loans and receivables	Amortized cost
	Held to maturity	Designated as at FVTPL
	Held to maturity	Amortized cost
Notes and accounts receivable (including related parties) and other receivables	Loans and receivables	Amortized cost
Pledged time deposits	Loans and receivables	Amortized cost
Pledged receivables	Loans and receivables	Amortized cost
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost
Hedging foreign-currency deposits	Loans and receivables	Financial assets for hedging
Deposits for projects	Loans and receivables	Amortized cost
Refundable deposits	Loans and receivables	Amortized cost
Financial Liabilities		
Derivative financial instruments	Derivative financial liabilities for hedging	Financial liabilities for hedging
Short-term borrowings and bank overdraft	Amortized cost	Amortized cost
Short-term bills payable	Amortized cost	Amortized cost

(Continued)

	Measurement Category	
	IAS 39	**IFRS 9**
Notes and accounts payable (including related parties)	Amortized cost	Amortized cost
Other payables	Amortized cost	Amortized cost
Bonds payable	Amortized cost	Amortized cost
Long-term bank borrowings	Amortized cost	Amortized cost
	Amortized cost	Financial liabilities for hedging
Long-term bills payable	Amortized cost	Amortized cost
Deposits received	Amortized cost	Amortized cost

(Concluded)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi - cations	Remea - surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
Fair value through profit or loss	$ 4,910,644	$ -	$ -	$ 4,910,644	$ -	$ -
From available for sale (IAS 39)						
Required reclassification	-	685,701	-	685,701	(146,027)	146,027
From held to maturity (IAS 39)						
Required reclassification	-	102,360	(21,067)	81,293	(21,067)	-
From loans and receivables (IAS 39)						
Mandatorily at fair value through profit or loss as of January 1, 2018	-	1,761,421	(205,353)	1,556,068	(205,353)	-
	4,910,644	2,549,482	(226,420)	7,233,706	(372,447)	146,027
Fair value through other comprehensive income - equity instrument	-	-	-	-	-	-
From available for sale (IAS 39)	-	59,884,442	-	59,884,442	4,441,619	(4,441,619)
	-	59,884,442	-	59,884,442	4,441,619	(4,441,619)
Amortized cost	-	-	-	-	-	-
From held to maturity (IAS 39)	-	27,390	-	27,390	-	-
From loans and receivables (IAS 39)	-	43,469,129	-	43,469,129	-	-
	-	43,496,519	-	43,496,519	-	-
	$ 4,910,644	$ 105,930,443	$ (226,420)	$ 110,614,667	$ 4,069,172	$ (4,295,592)

Hedge accounting

Due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging from January 1, 2018.

The impact on assets, liabilities and equity in the current year of the initial application of the treatment of hedging accounting in IFRS 9 is not material.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies.

The Corporation and its subsidiaries elected to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

If the Corporation and its subsidiaries continue to adopt IAS 11/IAS 18 in 2018, the impact on the current period of the application of IFRS 15 is detailed below:

Impact on assets, liabilities and equity for current period

	September 30, 2018
Decrease in inventories	$ (109,583)
Increase in accounts receivable from unrelated parties	1,399,280
Increase in amounts due from customers for construction contracts	9,374,258
Decrease in contract assets - current	(11,371,737)
Decrease in other receivables	(83,488)
Decrease in assets	$ (791,270)
Decrease in financial liabilities for hedging - current	$ (161,067)
Decrease in contract liabilities - current	(6,212,408)
Increase in other payables	1,035,590
Increase in amounts due to customers for construction contracts	5,179,508
Decrease in provisions - current	(203,384)
Decrease in refund liabilities - current	(3,231,983)
Increase in other current liabilities	2,813,593
Decrease in deferred tax liabilities	(2,957)
Increase in other noncurrent liabilities	465
Decrease in liabilities	$ (782,643)
Decrease in retained earnings	$ (4,145)
Decrease in non-controlling interests	(4,482)
Decrease in equity	$ (8,627)

Impact on total comprehensive income for current period

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Increase in operating revenue	$ 8,476	$ 9,084
Increase in operating cost	6,830	6,239
Increase in operating expense	15	-
Increase in total comprehensive income for the period	$ 1,631	$ 2,845

The impact on assets, liabilities and equity when retrospectively applying IFRS 9 and IFRS 15 on January 1, 2018 is detailed below:

Impact on assets, liabilities and equity	IAS 39, IAS 11 and IAS 18 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application of IFRS 9 and IFRS 15	IFRS 9 and IFRS 15 Carrying Amount as of January 1, 2018
Financial assets at fair value through profit or loss - current	$ 4,910,644	$ 307,459	$ 5,218,103
Financial assets at fair value through other comprehensive income - current	-	1,878,697	1,878,697
Available-for-sale financial assets - current	2,186,156	(2,186,156)	-
Derivative financial assets for hedging - current	54,131	(54,131)	-
Financial assets for hedging - current	-	1,988,630	1,988,630
Contract assets - current	-	11,141,632	11,141,632
Account receivables - net (including related parties)	14,666,514	(1,294,141)	13,372,373
Amounts due from customers for construction contracts	9,400,960	(9,400,960)	-
Inventories	87,963,760	85,039	88,048,799
Other financial assets - current	10,752,021	(1,934,499)	8,817,522
Financial assets at fair value through profit or loss - noncurrent	-	2,015,603	2,015,603
Financial assets at fair value through other comprehensive income - noncurrent	-	58,005,745	58,005,745
Available-for-sale financial assets - noncurrent	58,383,988	(58,383,988)	-
Held-to-maturity financial assets - noncurrent	129,750	(129,750)	-
Derivative financial assets for hedging - noncurrent	16,237	(16,237)	-
Financial assets measured at amortized cost - noncurrent	-	120,312	120,312
Financial assets for hedging - noncurrent	-	16,237	16,237
Debt investments with no active market - noncurrent	1,854,343	(1,854,343)	-
Deferred tax assets	6,192,780	(217,793)	5,974,987
Total effect on assets	$ 196,511,284	$ 87,356	$ 196,598,640
Short-term borrowings and bank overdraft	$ 35,326,058	$ 193,132	$ 35,519,190
Derivative financial liabilities for hedging - current	48,218	(48,218)	-
Financial liabilities for hedging - current	-	9,908,833	9,908,833
Contract liabilities - current	-	7,040,043	7,040,043
Amounts due to customers for construction contracts	5,426,228	(5,426,228)	-
Other payables	23,155,371	(1,522,348)	21,633,023
Provisions - current	4,042,476	1,235,080	5,277,556

(Continued)

	IAS 39, IAS 11 and IAS 18 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application of IFRS 9 and IFRS 15	IFRS 9 and IFRS 15 Carrying Amount as of January 1, 2018
Current portion of long-term bank borrowings	$ 18,549,055	$ (9,860,615)	$ 8,688,440
Refund liabilities - current	-	1,582,200	1,582,200
Other current liabilities	4,323,642	(2,579,786)	1,743,856
Derivative financial liabilities for hedging - noncurrent	210,325	(210,325)	-
Financial liabilities for hedging - noncurrent	-	20,863,345	20,863,345
Contract liabilities-noncurrent	-	76,230	76,230
Long-term bank borrowings	57,047,876	(20,653,020)	36,394,856
Deferred tax liabilities	12,205,775	2,549	12,208,324
Other noncurrent liabilities	1,357,376	(76,925)	1,280,451
Total effect on liabilities	$ 161,692,400	$ 523,947	$ 162,216,347
Retained earnings	$ 109,227,145	$ 3,842,218	$ 113,069,363
Exchange differences on translating foreign operations	(2,110,593)	(4,005,260)	(6,115,853)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	5,251,741	5,251,741
Unrealized gains and losses on available-for-sale financial assets	9,614,863	(9,614,863)	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(131,335)	131,335	-
Gains and losses on hedging instruments	-	3,972,776	3,972,776
Non-controlling interests	27,941,924	(14,538)	27,927,386
Total effect on equity	$ 144,542,004	$ (436,591)	$ 144,105,413

(Concluded)

Explanations for the main adjustments are as follows:

a) The Corporation and its subsidiaries elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gains and losses on available-for-sale financial assets of NT$9,614,863 thousand was reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.

b) The Corporation recognized impairment loss on certain investments in equity securities previously classified as available-for-sale under IAS 39. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of NT$4,441,619 thousand in other equity - unrealized gains and losses on financial assets at FVTOCI and an increase of NT$4,441,619 thousand in retained earnings on January 1, 2018.

c) Hedges of net investments in foreign operations included in other equity - exchange differences on translating the financial statements of foreign operations of NT$4,005,260 thousand under

IAS 39 was reclassified to other equity - gains and losses on hedging instruments under IFRS 9.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Corporation and its subsidiaries shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

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

The Corporation and its subsidiaries as lessee

Upon initial application of IFRS 16, the Corporation and its subsidiaries will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and lease payables are recognized for contracts classified as finance leases.

The Corporation and its subsidiaries anticipate applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated. The adjustment of initial application of the standard for the Corporation and its subsidiaries as lessee is to be confirmed.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease or the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at either an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, or their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. Except for the following practical expedients which are to be applied, the Corporation and its subsidiaries will apply IAS 36 to all right-of-use assets.

The Corporation and its subsidiaries expect to apply the following practical expedients:

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

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

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

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

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

<u>The Corporation and its subsidiaries as lessor</u>

The Corporation and its subsidiaries will not make any adjustments for leases in which it is a lessor in transitional period and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The accounting of the Corporation and its subsidiaries as lessor and lessee is not expected to have a material impact on the consolidated financial statements.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation and its subsidiaries should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation and its subsidiaries conclude that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation and its subsidiaries should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation and its subsidiaries should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation and its subsidiaries have to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Corporation and its subsidiaries will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

Note1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note2: The Corporation and its subsidiaries shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Corporation and its subsidiaries sell or contribute assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation and its subsidiaries lose control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation and its subsidiaries sell or contribute assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation and its subsidiaries' interest as an unrelated investor in the associate, i.e. the Corporation and its subsidiaries' share of the gain or loss is eliminated. Also, when the Corporation and its subsidiaries lose control of a subsidiary that does not contain a business but retains significant influence over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation and its subsidiaries' interest as an unrelated investor in the associate, i.e. the Corporation and its subsidiaries' share of the gain or loss is eliminated.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

a. Statement of compliance

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

b. Basis of consolidation

1) Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

			Percentage of Ownership (%)			
Investor	**Investee**	**Main Businesses**	**September 30, 2018**	**December 31, 2017**	**September 30, 2017**	**Additional Descriptions**
China Steel Corporation	China Steel Express Corporation	Ocean freight forwarding and bulk shipping transportation	100	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and other non-ferrous metal	100	100	100	
	Gains Investment Corporation	General investment	100	100	100	
	China Prosperity Development Corporation (CPDC)	Land and commercial real estate sale, rental and development service	100	100	100	
	China Steel Asia Pacific Holdings Pte Ltd (CSAPH)	General investment	100	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	100	
	China Steel Machinery Corporation	Manufacture and sale of machinery and equipment for railroad, transportation and generator	74	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	100	
	InfoChamp Systems Corporation	Design and sale of IT hardware and software	100	100	100	
	CSC Steel Australia Holdings Pty Ltd	General investment	100	100	100	
	Himag Magnetic Corporation	Manufacture and sale of magnetic material, special usage chemicals and ferric iron oxide	69	69	69	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	45	Refer to 2) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to 1) below
	Chung Hung Steel Corporation (CHSC)	Manufacture and sale of steel product	41	41	41	Refer to 1) below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder, air - cooled blast - furnace slag and basic - oxygen - furnace slag, treatment and disposal of hazardous waste and recovery of materials	20	20	20	Direct and indirect ownerships amounted to 36%, and refer to 2) below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	33	Direct and indirect ownerships amounted to 36%, and refer to 2) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	56	56	56	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Public Rapid Transit	43	43	43	Direct and indirect ownerships amounted to 51%
	China Steel Resources Corporation	Manufacture of other non-metallic mineral products	100	100	100	
	CSC Precision Metal Industrial Corporation	Other Non-ferrous Metal Basic Industries	100	100	100	
	Eminent Venture Capital Corporation	General investment	-	-	-	Indirect ownership was 55%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) September 30, 2018	December 31, 2017	September 30, 2017	Additional Descriptions
	White Biotech Corporation	Biology introduction and development	87	87	87	
	CSC Solar Corporation	Solar power generation	55	55	55	Direct and indirect ownerships amounted to 100%
	United Steel International Co., Ltd.	General investment	80	-	-	Investment from CSAPH in June 2018; direct and indirect ownerships amounted to 100%
	Sing Da Marine Structure Corporation	Jacket and foundation fabrication for offshore wind turbine	100	-	-	Investment in April 2018
	China Steel Power Holding Corporation	General investment	100	-	-	Investment in June 2018
China Steel Express Corporation	CSE Transport Corporation	Ocean freight forwarding	100	100	100	
	CSEI Transport (Panama) Corporation	Ocean freight forwarding	100	100	100	
	Transyang Shipping Pte Ltd	Ocean freight forwarding	-	51	51	End of settlement in July 2018
	Transglory Investment Corporation (TIC)	General investment	50	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corporation	Cargo Stevedoring	66	66	66	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	General investment	100	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corporation	General investment	65	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corporation	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	49	Direct and indirect ownerships amounted to 58%
	Mentor Consulting Corporation	Consulting service of management	100	100	100	
	Betacera Inc. (BETA)	Manufacture and trading of electronic ceramics	48	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of information software and electronic information supply service	64	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTC)	Manufacture and sale of metal sputter targets	32	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Chii Yih Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	-	-	-	End of settlement in July 2017
	Thintech Global Limited	International trading and investment service	100	100	100	
	Thintech United Limited	International trading and investment service	100	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) September 30, 2018	Percentage of Ownership (%) December 31, 2017	Percentage of Ownership (%) September 30, 2017	Additional Descriptions
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture new compound metal material and vacuum sputtering targets	-	-	-	End of settlement in April 2017
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Process and sale of targets and electro conductive slurry	100	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, sale and process of metal	100	84	84	Acquired the remaining shareholdings from non-controlling interests in August 2018, ownership increased to 100%
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	80	Direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte Ltd	CSC Steel Holdings Berhad (CSHB)	General investment	46	46	46	Refer to 1) below
	Changzhou China Steel Precision Materials Co., Ltd. (CCSPMC)	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	70	70	
	China Steel Precision Metals - Qingdao Co., Ltd. (QCSPMC)	Steel cutting and processing	60	60	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	-	80	80	Reorganization to the Corporation in June 2018; direct and indirect ownerships amounted to 100%
	CSC Bio-Coal Sdn. Bhd.	Manufacture bio-coal from bio-mass	-	-	-	Disposal in September 2017
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCSSB)	Manufacture and sale of steel product	100	100	100	
	Group Steel Corp. (M) Sdn. Bhd.	General investment	100	100	100	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	General investment	100	100	100	
United Steel International Co., Ltd.	China Steel Precision Metals Kunshan Co., Ltd. (CSMK)	Steel cutting and processing	100	100	100	Renamed in September 2017, the former name was United Steel Engineering and Construction Co., Ltd.
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Corporation	Investment and trading service	100	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	100	
	Chung Mao Trading (BVI) Corporation	Steel product agency and trading service	65	65	65	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	100	100	
Chung Mao Trading (SAMOA) Corporation	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	100	
Chung Mao Trading (BVI) Corporation	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	54	54	54	Direct and indirect ownerships amounted to 60%
	CSGT Trading India Private Limited	Steel product agency and trading service	99	99	99	Direct and indirect ownerships amounted to 100%
Wabo Global Trading Corporation	CSGT Japan Co., Ltd.	Steel product agency and trading service	100	100	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation and technology service of machinery and equipment	100	100	100	
	China Steel Machinery Corporation India Private Limited	Manufacture of machinery	99	99	99	Started the liquidation procedures in September 2017; direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	Csmc (Shanghai) Global Trading Co., Ltd.	Wholesale and retail trade	100	100	100	Started the liquidation procedures in September 2017
China Steel Security Corporation	Steel Castle Technology Corporation	Fire Fighting Equipments Construction	100	100	100	
	China Steel Management and Maintenance for Buildings Corporation	Building management	100	100	100	
InfoChamp Systems Corporation	Info-Champ System (B.V.I) Corporation	General investment	100	100	100	
Info-Champ System (B.V.I) Corporation	Wuham Infochamp I.T. Co., Ltd.	Software programming	100	100	100	
CSC Steel Australia Holdings Pty Ltd	CSC Sonoma Pty Ltd	Coal investment	100	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) September 30, 2018	December 31, 2017	September 30, 2017	Additional Descriptions
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	-	-	-	End of settlement in June 2017
	Magnpower Corporation	Manufacture and sale of Permanent magnetic ferrite	55	55	55	
China Ecotek Corporation	CEC International Corporation	General investment	100	100	100	
	CEC Development Corporation	General investment	100	100	100	
	CEC Holding Co., Ltd.	General investment	100	100	100	
	China Ecotek Construction Corporation	Engineering	100	100	100	
	Econova Technology Corporation	Electrical engineering and co-generation	100	-	-	Investment in March 2018
CEC International Corporation	China Ecotek India Private Limited	Engineering design and construction	100	100	100	
CEC Development Corporation	China Ecotek Vietnam Company Limited	Engineering design and construction	100	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	100	
	Ever Wealthy International Corporation	General investment	100	100	100	
	Formosa Ha Tinh CSCC (Cayman) International Limited	International trading	50	50	50	
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	100	100	
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Materials Technology Co., Ltd.	Processing and trading of mesocarbon microbeads powder	100	100	100	
Chung Hung Steel Corporation	Taiwan Steel Corporation (TSC)	Metal smelting	100	100	100	
	Hung Kao Investment Corporation	General investment	100	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	-	100	100	Merged with CHSC in June 2018
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trade of metal powder and refractory materials, and trade and manpower dispatch	93	93	93	
	Pao Good Industrial Co., Ltd.	Fly ash and cement dry mixing processing and trading	51	51	51	
	Yu Cheng Lime Corporation	Real estate leasing and raw material tally	90	90	90	
	CHC Resources Vietnam Co., Ltd.	Sales affairs of GBFS and cooperative work of steel mill	85	85	85	
	Hsieh Sheng Development Corporation	Real estate leasing	100	-	-	Investment in June 2018
China Steel Structure Co., Ltd.	United Steel Engineering & Construction Corp.	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	100	
United Steel Engineering & Construction Corp.	United Steel Investment Pte Ltd.	General investment	100	100	100	
	United Steel Construction (Vietnam) Co., Ltd.	Civil engineering construction and other business contract and management	100	100	100	
	United Steel Development Co., Ltd.	House and construction development and real estate sale and rental business	100	100	100	
China Steel Structure Investment Pte Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	63	63	Direct and indirect ownerships amounted to 100%
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd.	General investment	100	100	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Manufacture, installation and consulting of steel structure and steel cutting	100	100	100	
Kaohsuing Rapid Transit Corporation	Taiwan Intelligent Transportation Co., Ltd.	Consulting service of management	100	-	-	Investment in September 2018
White Biotech Corporation	Renewable Energy Biotech Corp.	Manufacture and sale of alcohol	-	100	100	End of settlement in August 2018

(Concluded)

Explanations for subsidiaries which are less than 50% owned but included in the consolidated entities are as follows:

a) The actual operations of CSCC, CHSC and BETA are controlled by the respective board of directors. The Corporation and other subsidiaries jointly had more than half of the seats in the board of directors of CSCC, CHSC and BETA. The actual operation of CSHB is also controlled by the board of directors. The Corporation's subsidiaries had control of more than half of the voting rights in the board of directors. Therefore, the Corporation had control-in-substance over the aforementioned entities and included them in the consolidated entities.

b) The chairman and general manager of CEC, CHC, CSSC and TMTC are designated by the Corporation and other subsidiaries in order to control its finance, operation, and human resources. Therefore, the Corporation had control-in-substance over aforementioned subsidiaries and included them in the consolidated entities.

2) The subsidiary, China Steel Machinery Corporation, acquired 50% of shareholding in Senergy Wind Power Co., Ltd. Under the shareholders' agreement, the subsidiary China Steel Machinery Corporation and the other shareholder of the company each hold half of the seats in the board of directors, respectively. The chairman of the board of directors and chief executive officer are served in turns and actual operations should be approved by more than half of the seats in the board of directors. Thus, the Corporation and its subsidiaries have no control over the company. The management of the Corporation and its subsidiaries, however, believe that they are able to exercise significant influence over the company and therefore classified the company as an associate of the Corporation and its subsidiaries. Senergy Wind Power Co., Ltd. ended its settlement in August 2018.

3) The Corporation had no subsidiary with material non-controlling interests.

c. Other significant accounting policy

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, 2017.

1) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiaries become a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

i Measurement category

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, investments in equity instruments at FVTOCI, and financial assets at amortized cost.

i) Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation and its subsidiaries' right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

iii) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

(1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable (including related parties) at amortized cost, other receivables (including related parties), refundable deposits and other financial assets, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits commercial papers and bonds with repurchase agreements with original maturities within 3 months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

<u>2017</u>

Financial assets held by the Corporation and its subsidiaries include financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

(1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(2) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation and its subsidiaries' documented risk management or investment strategy, and information about the group is provided internally on that basis; or

(3) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 34.

ii) Held-to-maturity investments

Structure notes and guarantee debt certificates, which are above specific credit ratings and the Corporation and its subsidiaries have positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and reclassified in profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity investments are recognized when the Corporation and its subsidiaries' right to receive the dividends is established.

iv) Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net, other receivables, debt investments with no active market, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits, commercial papers and bonds with repurchase agreements with original maturity within three months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii Impairment of financial assets

2018

The Corporation and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables) and contract assets.

The Corporation and its subsidiaries always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables and contract assets. For other financial assets, the Corporation and its subsidiaries recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Corporation and its subsidiaries recognize an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation and its subsidiaries' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

iii Derecognition of financial assets

The Corporation and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

b) Equity instruments

Debt and equity instruments issued by the Corporation and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

c) Financial liabilities

i Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial guarantee contracts

i) 2018

Financial guarantee contracts issued by the Corporation and its subsidiaries, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss and amortized cost.

ii) 2017

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation and its subsidiaries' documented risk management or investment strategy, and information about the group is provided internally on that basis.

iii) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 34.

ii Derecognition of financial liabilities

Only when the obligation is relieved, cancelled or expired would the Corporation and its subsidiaries derecognize financial liabilities. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation and its subsidiaries are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

e) Derivative financial instruments

The Corporation and its subsidiaries enter into foreign exchange forward contracts to manage their exposure to foreign exchange rate and interest rate.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

f) Hedging instruments

The Corporation and its subsidiaries designate certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

i Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2018, hedge accounting is discontinued prospectively when the Corporation and its subsidiaries revoke the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the Corporation and its subsidiaries' documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. From 2018, the Corporation and its subsidiaries discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

ii Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Before 2018, hedge accounting is discontinued prospectively when the Corporation and its subsidiaries revoke the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the Corporation and its subsidiaries' documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. From 2018, the Corporation and its subsidiaries discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

iii Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of exchange differences on translating the financial statements of foreign operations before 2018, and recognized in gains and losses on hedging instruments from 2018. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the exchange differences on translating the financial statements of foreign operations are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

2) Revenue recognition

Contracts applicable to IFRS 15 starting from 2018

The Corporation and its subsidiaries identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a) Revenue from sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Corporation and its subsidiaries to customers to satisfy performance obligations, as follows: domestic sales - when products are moved out of the Corporation and its subsidiaries' premises for delivery to customers; exports - when products are loaded onto vessels. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. Estimated discount or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Corporation and its subsidiaries transfer a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Corporation and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

b) Construction contract revenue

As property is being constructed and construction is in progress, the Corporation and its subsidiaries recognize revenue from construction contract over time. The Corporation and its subsidiaries measure the progress on the basis of costs incurred relative to the total expected costs or the units produced and installed relative to estimated total units under the contract as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligation. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payments exceed the revenue recognized to date, then the Corporation and its subsidiaries recognize a contract liability for the difference. Certain amount retained by the customer as specified in the contract is intended to ensure that the subsidiaries adequately complete all their contractual obligations. Such retention receivables are recognized as contract assets until the subsidiaries satisfy their performance obligations.

c) Revenue from rendering of services

Revenue from services is recognized when services are provided by reference to the stage of completion of the services provided.

Contracts prior to 2018 not retrospectively applying IFRS 15

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

a) Sale of goods

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers as follows: domestic sales - when products are moved out of the Corporation and its subsidiaries' premises for delivery to customers; exports - when products are loaded onto vessels. Revenues are recognized because the earning process is accomplished and revenue is realized or realizable.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. But if the related receivable is due within one year, the difference between its present value and undiscounted amount is immaterial, and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

b) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services. If a service contract is estimated to bear a loss prior to completion, the Corporation and its subsidiaries recognize the full amount of the loss immediately.

Freight revenues are recognized according to the proportion of voyage days used to contracted voyage of each ship. Revenues from construction contracts are recognized in accordance with the accounting standards for construction contracts which are described below in "Construction Contracts". Please refer to the summary of significant accounting policy Note 4 u. in the consolidated financial statements for the year ended December 31, 2017 for related disclosures.

3) 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.

4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation and its subsidiaries report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

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, 2017.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	$ 47,267	$ 46,814	$ 46,502
Checking accounts and demand deposits	9,087,484	8,364,630	7,232,196
Cash equivalents (investments with original maturities less than three months)			
Time deposits	7,619,032	2,259,696	4,755,183
Bonds with repurchase agreements	1,000,000	377,300	1,320,000
Commercial papers with repurchase agreements	570,949	1,808,222	1,560,695
	$ 18,324,732	$ 12,856,662	$ 14,914,576

Cash and cash equivalents shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets. The reconciliation information as of September 30, 2018 and 2017 was shown in the consolidated statements of cash flows; the reconciliation information as of December 31, 2017 was as follows:

	December 31, 2017
Cash and cash equivalents	$ 12,856,662
Bank overdraft	(2,973,133)
	$ 9,883,529

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Mutual funds	$ -	$ 2,655,982	$ 2,545,104
Listed shares	-	46,868	45,799
Future contracts (a)	-	-	245
	-	2,702,850	2,591,148

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets held for trading			
Listed shares	$ -	$ 1,138,209	$ 704,875
Mutual funds	-	622,426	716,916
Convertible bonds	-	229,671	262,058
Emerging market shares	-	215,464	210,053
Foreign exchange forward contracts (b)	-	2,024	438
	-	2,207,794	1,894,340
Financial assets mandatorily classified as at FVTPL			
Mutual funds	1,803,370	-	-
Listed shares	1,073,490	-	-
Emerging market shares	211,246	-	-
Convertibles bonds	50,977	-	-
	3,139,083	-	-
	$ 3,139,083	$ 4,910,644	$ 4,485,488
Financial assets at FVTPL - noncurrent			
Financial assets mandatorily classified as at FVTPL			
Unlisted shares	$ 1,777,239	$ -	$ -
Emerging market shares	77,102	-	-
	$ 1,854,341	$ -	$ -
Financial liabilities at FVTPL - current			
Financial liabilities held for trading			
Futures contracts (a)	$ 101	$ 247	$ -
Foreign exchange forward contracts (b)	2,270	-	1,489
	2,371	247	1,489
	$ 2,371	$ 247	$ 1,489

(Concluded)

Part of unlisted shares were classified as debt investments with no active market under IAS 39 (Note 16). However, under IFRS 9, they were classified mandatorily as at FVTPL.

a. The subsidiary entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not accounted for by using hedge accounting. As of the balance sheet date, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
September 30, 2018		
June 15, 2019	1,141	$ 19,084 (RMB 4,302 thousand)

(Continued)

Maturity Date	Weight (Kilograms)	Amount (In thousands)
December 31, 2017		
June 15, 2018	510	$ 8,798 (RMB 1,927 thousand)
September 30, 2017		
December 15, 2017	120	2,357 (RMB 518 thousand)

(Concluded)

b. The subsidiaries entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, some of those contracts were not accounted for by using hedge accounting. The outstanding foreign exchange forward contracts not under hedge accounting of the subsidiaries at the end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2018			
Sell	USD/NTD	October 2018	USD6,703/NTD203,777
Sell	USD/RMB	December 2018	USD578/CNY3,737
Buy	NTD/JPY	December 2018	NTD44,978/JPY165,152
December 31, 2017			
Sell	USD/NTD	January 2018	USD6,805/NTD204,580
Sell	HKD/NTD	January 2018	HKD11,000/NTD42,410
September 30, 2017			
Sell	USD/NTD	October 2017-December 2017	USD11,612/NTD350,877
Sell	HKD/NTD	October 2017	HKD15,000/NTD57,980

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2018
Current	
Domestic investments	
Listed shares	$ 3,035,526
Emerging market shares and unlisted shares	50,558
	$ 3,086,084

(Continued)

Noncurrent	September 30, 2018
Domestic investments	
Listed shares	$ 10,737,108
Emerging market shares and unlisted shares	1,909,279
Private - placement shares of listed companies	123,662
	12,770,049
Foreign investments	
Unlisted shares	44,750,131
Listed shares	2,321,014
Certificate of entitlement	783,036
	47,854,181
	$ 60,624,230

(Concluded)

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation and its subsidiaries' strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 10 for information relating to reclassification and comparative information for 2017.

Dividends of NT$385,489 thousand and NT$513,471 thousand were recognized for the three months and nine months ended September 30, 2018. Of the amounts, NT$92 thousand and NT$92 thousand, respectively, related to investments derecognized as of September 30, 2018, and NT$385,397 thousand and NT$513,379 thousand, respectively, related to investments still held as of September 30, 2018.

9. FINANCIAL ASSETS AT AMORTIZED COST

Noncurrent	September 30, 2018
Bonds	$ 37,533
Subordinated financial bonds	4,118
	$ 41,651

Above bonds were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 16 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017	September 30, 2017
Current		
Domestic investments		
Listed shares	$ 1,993,089	$ 3,044,206
Mutual funds	143,539	163,436
Emerging market shares and unlisted shares	49,528	63,492
	$ 2,186,156	$ 3,271,134
Noncurrent		
Domestic investments		
Listed shares	$ 9,050,659	$ 9,181,312
Emerging market shares and unlisted shares	2,482,383	2,397,762
Private-placement shares of listed companies	172,785	181,938
	11,705,827	11,761,012
Foreign investments		
Unlisted shares	43,754,121	44,832,965
Listed shares	2,141,150	2,125,793
Certificate of entitlement	782,890	762,527
	46,678,161	47,721,285
	$ 58,383,988	$ 59,482,297

11. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31, 2017	September 30, 2017
Structured notes	$ 102,360	$ 104,079
Corporate bonds	27,390	27,306
	$ 129,750	$ 131,385

12. FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets for hedging - current			
Hedging foreign-currency deposits (Note 18)	$ 2,268,519	$ -	$ -
Foreign exchange forward contracts	130,894	-	-
	$ 2,399,413	$ -	$ -

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets for hedging - noncurrent			
Foreign exchange forward contracts	$ 96,011	$ -	$ -
Financial liabilities for hedging - current			
Bank loans (Note 21)	$ 4,515,545	$ -	$ -
Borrowed precious metals from bank	161,068	-	-
Foreign exchange forward contracts	16,131	-	-
	$ 4,692,744	$ -	$ -
Financial liabilities for hedging - noncurrent			
Bank loans (Note 21)	$ 3,881,823	$ -	$ -
Foreign exchange forward contracts	3,197	-	-
	$ 3,885,020	$ -	$ -
Derivative financial assets for hedging - current			
Foreign exchange forward contracts	$ -	$ 54,131	$ 52,887
Derivative financial assets for hedging - noncurrent			
Foreign exchange forward contracts	$ -	$ 16,237	$ 37,395
Derivative financial liabilities for hedging - current			
Foreign exchange forward contracts	$ -	$ 42,433	$ 31,754
Interest rate swap contracts	-	5,785	9,605
	$ -	$ 48,218	$ 41,359
Derivative financial liabilities for hedging - noncurrent			
Foreign exchange forward contracts	$ -	$ 210,325	$ 72,548

(Concluded)

Refer to Note 34 for information relating to financial instruments for hedging.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable			
Operating	$ 2,131,541	$ 2,107,525	$ 2,266,706

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Non-operating	$ 3	$ -	$ -
	2,131,544	2,107,525	2,266,706
Less: Allowance for impairment loss	-	-	-
	$ 2,131,544	$ 2,107,525	$ 2,266,706
Accounts receivable	$ 16,132,663	$ 14,718,811	$ 13,393,948
Less: Allowance for impairment loss	40,750	52,297	53,117
	$ 16,091,913	$ 14,666,514	$ 13,340,831

(Concluded)

For the nine months ended September 30, 2018

The Corporation and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. The Corporation did transactions with a large number of unrelated customers and no concentration of credit risk was observed. The Corporation and its subsidiaries continue to manage the financial condition and entire credit risk of their customers, and obtain sufficient collateral if needed to mitigate the risk of financial loss from late payment.

The expected credit losses on notes and accounts receivable are estimated 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 GDP and direction of economic conditions at the reporting date.

The Corporation and its subsidiaries continue to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Corporation and its subsidiaries review the recoverable amount of receivables one by one on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The following table details the loss allowance of notes and accounts receivable based on the impaired aging analysis.

September 30, 2018

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	$ 17,156,480	$ 641,294	$ 81,007	$ 241,570	$ 143,856	$ 18,264,207
Loss allowance (Lifetime ECL)	(11,269)	(44)	(10)	(123)	(29,304)	(40,750)
Amortized cost	$ 17,145,211	$ 641,250	$ 80,997	$ 241,447	$ 114,552	$ 18,223,457

The movements of the loss allowance of accounts receivable were as follows:

	For the Nine Months Ended September 30, 2018
Balance, beginning of period (IAS 39)	$ 52,297
Adjustment on initial application of IFRS 9	-
Balance, beginning of period (IFRS 9)	52,297

(Continued)

	For the Nine Months Ended September 30, 2018
Reversal	$ (8,238)
Written off	(3,004)
Effect of foreign currency exchange difference	(305)
Balance, end of period	$ 40,750

(Concluded)

For the nine months ended September 30, 2017

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. In determining the recoverability of an account receivable, the Corporation and its subsidiaries considered any change in the credit quality of the note and account receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation and its subsidiaries will recognize 100% allowance for doubtful accounts.

The Corporation and its subsidiaries had not recognized an allowance for some notes and accounts receivable that are past due at the end of the reporting period because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation and its subsidiaries did not hold any collateral or other credit enhancement for these balances.

The aging of notes and accounts receivable was as follows:

	December 31, 2017	September 30, 2017
Not past due	$ 15,518,346	$ 14,699,625
1-30 days	776,274	553,243
31-60 days	170,983	138,290
61-365 days	220,495	164,687
More than 365 days	87,941	51,692
	$ 16,774,039	$ 15,607,537

Above analysis of notes and accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Aging analysis of notes and accounts receivable that are past due but not impaired was as follows:

	December 31, 2017	September 30, 2017
Less than 31 days	$ 769,349	$ 553,243
31-60 days	169,780	132,172
61-365 days	218,014	163,672
More than 365 days	84,555	51,692
	$ 1,241,698	$ 900,779

Above analysis of notes and accounts receivable was based on the past due days from end of credit term.

Movements in the allowance for doubtful accounts recognized on accounts receivable were as follows:

	For the Nine Months Ended September 30, 2017
Balance, beginning of period	$ 79,640
Reversal	(25,845)
Effect of foreign currency exchange difference	(678)
Balance, end of period	$ 53,117

Aging analysis of individually impaired accounts receivable was as follows:

	December 31, 2017	September 30, 2017
Less than 31 days	$ 6,925	$ -
31-60 days	1,203	6,118
61-365 days	2,481	1,015
More than 365 days	3,386	-
	$ 13,995	$ 7,133

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Retentions receivable from construction contracts included in the accounts receivable did not bear interests; they were expected to be received upon the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 14 for details on construction contracts.

The Corporation and its subsidiaries CHSC and CSAC entered into accounts receivable factoring agreements (without recourse) with Mega Bank and other financial institutions. Under the agreements, the Corporation and its subsidiaries are empowered to sell accounts receivable to the banks upon the delivery of products to customers and are required to complete related formalities at the next banking day.

For the nine months ended September 30, 2018 and 2017, the related information for the Corporation and its subsidiaries CHSC's and CASC's sale of accounts receivable was as follows.

Counterparty	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period - End	Interest Rate on Advances Received (%)	Credit Line
For the Nine Months Ended September 30, 2018						
Mega Bank	$ 3,946,637	$ 8,083,573	$ 10,052,128	$ 1,978,082	1.05-1.68	NT$9 billion
Bank of Taiwan	1,473,874	3,129,044	3,825,691	777,227	1.05-1.68	NT$3 billion
Bank of Taiwan	649,515	4,174,792	4,421,288	403,019	0.55-3.47	USD130,000 thousand

(Continued)

Counterparty	Advances Received at Period – Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period - End	Interest Rate on Advances Received (%)	Credit Line
Taishin Bank	$ 1,626,213	$ 6,835,503	$ 5,160,629	$ 3,301,087	2.00-3.00	USD122,500 thousand
CTBC Bank	677,245	2,368,999	1,944,525	1,101,719	2.00-3.07	USD40,000 thousand
Mizuho Bank	-	61,639	54,733	6,906	2.19-2.83	USD10,000 thousand
Mega Bank	1,088,226	2,427,925	2,321,158	1,194,993	1.19	NT$3 billion
Bank of Taiwan	62,805	376,886	261,954	177,737	3.42	USD20,000 thousand
Bank of Taiwan	157,681	115,912	273,593	-	2.70	USD15,000 thousand
	$ 9,682,196	$ 27,574,273	$ 28,315,699	$ 8,940,770		
For the Nine Months Ended September 30, 2017						
Mega Bank	$ 1,099,546	$ 2,323,862	$ 2,486,573	$ 936,835	1.19	NT$ 3 billion
Mega Bank	3,407,655	7,613,384	7,173,608	3,847,431	1.02-1.68	NT$ 9 billion
Bank of Taiwan	106,911	298,174	264,725	140,360	2.52	USD 30,000 thousand
Bank of Taiwan	1,305,411	3,053,797	2,828,466	1,530,742	1.02-1.68	NT$ 3 billion
Bank of Taiwan	658,609	4,367,878	4,310,741	715,746	1.84-2.43	USD 130,000 thousand
Taishin Bank	-	738,659	738,659	-	2.61	USD 10,000 thousand
Taishin Bank	1,944,923	6,834,247	5,608,398	3,170,772	1.59-1.90	USD 122,500 thousand
CTBC Bank	552,811	2,081,453	1,575,820	1,058,444	1.59-1.90	USD 40,000 thousand
	$ 9,075,866	$ 27,311,454	$ 24,986,990	$ 11,400,330		

(Concluded)

14. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	December 31, 2017	September 30, 2017
Amounts due from customers for construction contracts		
Construction costs incurred plus recognized profits less recognized losses to date	$ 63,159,329	$ 70,732,027
Less: Progress billings	53,758,369	60,477,920
Amounts due from customers for construction contracts	$ 9,400,960	$ 10,254,107
Amounts due to customers for construction contracts		
Progress billings	$ 14,469,434	$ 21,413,605
Less: Construction costs incurred plus recognized profits less recognized losses to date	9,043,206	18,531,848
Amounts due to customers for construction contracts	$ 5,426,228	$ 2,881,757
Retentions receivable	$ 1,371,118	$ 1,299,664
Retentions payable	$ 2,717,118	$ 2,675,900

15. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Work in progress	$ 23,235,540	$ 23,421,176	$ 23,925,754
Finished goods	26,502,724	24,357,521	22,060,962
Raw materials	18,397,618	18,974,890	20,408,186
Supplies	12,032,450	10,675,761	10,634,779
Raw materials and supplies in transit	7,965,754	7,826,224	6,785,714
Buildings and lands under construction	3,306,208	2,482,318	2,121,733
Lands held for construction	-	-	142,688
Others	292,977	225,870	168,186
	$ 91,733,271	$ 87,963,760	$ 86,248,002

The cost of inventories recognized as operating costs for the three months and nine months ended September 30, 2018 and 2017 was NT$74,906,824 thousand, NT$69,579,043 thousand, NT$222,573,416 thousand and NT$197,593,439 thousand, respectively, including loss on inventory value decline of NT$270,815 thousand, reversal of inventories NT$1,799,120 thousand, loss on inventory value decline of NT$1,062,209 thousand, and loss on inventory value decline of NT$633,444 thousand, respectively.

16. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2017	September 30, 2017
Noncurrent		
Unlisted preference shares - overseas		
East Asia United Steel Corporation (EAUS) - Preference A	$ 1,761,421	$ 1,794,090
Subordinated financial bonds	4,015	4,082
Bonds	88,907	88,754
	$ 1,854,343	$ 1,886,926

In July 2003, the Corporation and Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation established the joint venture Company EAUS in Japan. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation also signed a long-term purchase agreement with EAUS and promised to purchase certain amount of slabs annually. In 2015, the Corporation sold 3,333 shares of preference A of EAUS to Nippon Steel & Sumitomo Metal Corp.

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2018	December 31, 2017	September 30, 2017
Material associates			
7623704 Canada Inc.	$ 8,259,039	$ 8,059,570	$ 8,205,961
Associates that are not individually material	6,496,261	6,670,243	6,319,828
	$ 14,755,300	$ 14,729,813	$ 14,525,789

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)		
			September 30, 2018	December 31, 2017	September 30, 2017
7623704 Canada Inc.	Mineral Investment	Canada	25	25	25

The summarized financial information below represents amounts shown in the financial statements of 7623704 Canada Inc. prepared in accordance with IFRSs, which were converted to the functional currency and adjusted for the purposes of applying equity method.

	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	$ 341,944	$ 106,549	$ 244,566
Noncurrent assets	33,577,594	32,736,293	33,285,376
Current liabilities	(264,121)	(260)	(90,817)
Equity	$ 33,655,417	$ 32,842,582	$ 33,439,125
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ 8,259,039	$ 8,059,570	$ 8,205,961

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Net profit for the period	$ 661,982	$ 1,630,241	$ 1,219,627	$ 2,269,334
Total comprehensive income for the period	$ 1,409,146	$ 835,048	$ 3,706,169	$ (650,772)
Dividends received from 7623704 Canada Inc.	$ 150,648	$ 378,894	$ 313,173	$ 531,892
Comprehensive income attributable to the Corporation and its subsidiaries	$ 345,805	$ 204,921	$ 909,494	$ (159,699)

b. Information about associates that are not individually material was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
The Corporation and its subsidiaries' share of Net profit (loss) for the period	$ (16,511)	$ (5,759)	$ 70,229	$ 44,559

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Other comprehensive income	$ (5,291)	$ 2,235	$ 1,498	$ (86,386)
Total comprehensive income	$ (21,802)	$ (3,524)	$ 71,727	$ (41,827)

(Concluded)

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

	September 30, 2018	December 31, 2017	September 30, 2017
Chateau International Development Co., Ltd.	$ 688,244	$ 791,532	$ 787,207

Except for the investments in some companies, investments accounted for using equity method as of September 30, 2018 and 2017, and the share of profit or loss and other comprehensive income of associates for the three months and nine months ended September 30, 2018 and 2017, were calculated based on the reviewed financial statements. The Corporation's management considered the use of unreviewed financial statements as acceptable and will not have material impact on both the investments and income accounted for using the equity method.

18. OTHER FINANCIAL ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Current			
Pledged time deposits	$ 6,344,089	$ 6,580,282	$ 6,508,890
Time deposits with original maturities more than three months	2,647,550	2,108,285	2,293,306
Deposits for projects	417,583	188,475	187,795
Hedging foreign-currency deposits	-	1,874,979	2,395,398
	$ 9,409,222	$ 10,752,021	$ 11,385,389
Noncurrent			
Pledged receivables	$ 2,000,000	$ 2,000,000	$ 2,000,000
Pledged time deposits	266,036	264,574	272,900
Time deposits	22,144	22,144	22,144
Deposits for projects	2,126	337,023	380,646
	$ 2,290,306	$ 2,623,741	$ 2,675,690

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts. As of September 30, 2018, December 31, 2017 and September 30, 2017, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$2,268,519 thousand (JPY0.56 billion, RMB48,302 thousand, USD41,690 thousand, EUR17,388 thousand and

GBP332 thousand), NT$1,874,979 thousand (JPY1.08 billion, RMB63,443 thousand, USD29,386 thousand, EUR11,562 thousand and GBP332 thousand) and NT$2,395,398 thousand (JPY0.81 billion, RMB76,445 thousand, USD39,725 thousand, EUR17,062 thousand and GBP332 thousand), respectively. As of September 30, 2018, December 31, 2017 and September 30, 2017, cash outflows would be expected from aforementioned contracts during the periods from 2018, 2018 and 2017, respectively.

Under IFRS 9, hedging foreign-currency deposits are reclassified to financial assets for hedging.

Refer to Note 36 for information relating to other financial assets pledged as collateral.

19. PROPERTY, PLANT AND EQUIPMENT

For the nine months ended September 30, 2018

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2018	$ 66,834,670	$ 5,048,345	$ 123,645,228	$ 621,534,099	$ 27,536,534	$ 17,475,257	$ 10,300,464	$ 323,003	$ 22,984,632	$ 895,682,232
Additions	-	539	1,369,844	18,220,501	202,497	482,157	763,131	-	(5,544,016)	15,494,653
Disposals	-	(4,328)	(16,697)	(2,369,974)	(92,720)	(423,511)	(764,575)	-	(940)	(3,672,745)
Reclassification	(1,581)	458	21,780	(3,209)	716	(13,170)	(5,051)	-	(68,187)	(68,244)
Acquisitions through business combinations	1,213,752	-	-	-	100	437	-	-	-	1,214,289
Effect of foreign currency exchange difference	689	(8,629)	(202,553)	(53,438)	(1,164,466)	(17,361)	-	-	(594)	(1,446,352)
Others	-	-	-	-	-	-	(2,700)	-	-	(2,700)
Balance at September 30, 2018	$ 68,047,530	$ 5,036,385	$ 124,817,602	$ 637,327,979	$ 26,482,661	$ 17,503,809	$ 10,291,269	$ 323,003	$ 17,370,895	$ 907,201,133
Accumulated depreciation and impairment										
Balance at January 1, 2018	$ 25,546	$ 4,639,818	$ 48,315,409	$ 399,247,555	$ 11,765,360	$ 13,592,055	$ 4,242,407	$ 32,846	$ -	$ 481,860,996
Depreciation	-	47,019	2,908,615	19,287,756	1,163,146	828,879	1,038,230	8,027	-	25,281,672
Disposals	-	(4,328)	(6,147)	(2,262,775)	(51,367)	(421,910)	(761,615)	-	-	(3,508,142)
Impairments	-	-	-	820,236	-	-	-	-	-	820,236
Acquisitions through business combinations	-	-	-	-	83	280	-	-	-	363
Effect of foreign currency exchange difference	-	(2,547)	(30,288)	1,621	(1,272,412)	(8,965)	-	-	-	(1,312,591)
Balance at September 30, 2018	$ 25,546	$ 4,679,962	$ 51,187,589	$ 417,094,393	$ 11,604,810	$ 13,990,339	$ 4,519,022	$ 40,873	$ -	$ 503,142,534
Carrying amount at December 31, 2017	$ 66,809,124	$ 408,527	$ 75,329,819	$ 222,286,544	$ 15,771,174	$ 3,883,202	$ 6,058,057	$ 290,157	$ 22,984,632	$ 413,821,236
Carrying amount at September 30, 2018	$ 68,021,984	$ 356,423	$ 73,630,013	$ 220,233,586	$ 14,877,851	$ 3,513,470	$ 5,772,247	$ 282,130	$ 17,370,895	$ 404,058,599

For the nine months ended September 30, 2017

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2017	$ 63,547,108	$ 4,992,881	$ 122,481,708	$ 618,315,362	$ 29,763,661	$ 17,086,014	$ 9,906,663	$ 323,003	$ 17,497,100	$ 883,913,500
Additions	3,158,648	57,275	1,323,249	5,483,855	199,442	468,658	1,015,032	-	3,016,198	14,722,357
Disposals	(11,260)	-	(10,840)	(2,564,862)	(841,929)	(168,507)	(1,396,425)	-	(5,316)	(4,999,139)
Reclassification	3,525	162	(204,445)	(663,701)	1,415	(6,634)	858,280	-	(510,221)	(521,619)
Effect of foreign currency exchange difference	(786)	(2,439)	(263,146)	(1,222,597)	(1,378,324)	(22,360)	-	-	(3,786)	(2,893,438)
Others	-	-	-	1,362	-	-	(22,813)	-	-	(21,451)
Balance at September 30, 2017	$ 66,697,235	$ 5,047,879	$ 123,326,526	$ 619,349,419	$ 27,744,265	$ 17,357,171	$ 10,360,737	$ 323,003	$ 19,993,975	$ 890,200,210
Accumulated depreciation and impairment										
Balance at January 1, 2017	$ 25,546	$ 4,568,858	$ 44,480,284	$ 375,772,170	$ 11,541,392	$ 12,646,644	$ 4,006,875	$ 22,144	$ -	$ 453,063,913
Depreciation	-	54,557	2,928,959	19,757,507	1,189,997	890,695	1,046,035	8,026	-	25,875,776
Disposals	-	-	(8,396)	(2,511,114)	(691,086)	(166,204)	(1,396,425)	-	-	(4,773,225)
Impairments	-	-	-	81,791	-	-	-	-	-	81,791
Reclassification	-	-	(32,597)	(158,171)	1,415	(2,346)	194,417	-	-	2,718
Effect of foreign currency exchange difference	-	(408)	(31,100)	(235,011)	(579,617)	(15,663)	-	-	-	(861,799)
Others	-	-	-	1,363	-	-	-	-	-	1,363
Balance at September 30, 2017	$ 25,546	$ 4,623,007	$ 47,337,150	$ 392,708,535	$ 11,462,101	$ 13,353,126	$ 3,850,902	$ 30,170	$ -	$ 473,390,537
Carrying amount at September 30, 2017	$ 66,671,689	$ 424,872	$ 75,989,376	$ 226,640,884	$ 16,282,164	$ 4,004,045	$ 6,509,835	$ 292,833	$ 19,993,975	$ 416,809,673

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

Land improvements	
Drainage system	40 years
Wharf	20-40 years
Wall	20-40 years
Others	5-10 years
Buildings	
Main structure	2-60 years
Facility	8-40 years
Mechanical and electrical facilities	10-15 years
Trellis and corrugated iron building	3-20 years
Others	3-10 years
Machinery and equipment	
Power equipment	3-25 years
Process equipment	8-40 years
Lifting equipment	8-25 years
Electrical equipment	3-16 years
High-temperature equipment	5-17 years
Examination equipment	3-10 years
Others	2-25 years
Transportation Equipment	
Ship equipment	18-25 years
Railway equipment	5-20 years
Telecommunication equipment	5-6 years
Transportation equipment	3-10 years
Others	2-3 years
Other equipment	
Leasehold improvement	2-35 years
Office, air condition and extinguishment equipment	5-25 years
Computer equipment	3-10 years
Others	2-35 years
Rental assets	
Financial lease assets	31 years

The subsidiary CHSC bought farmlands for warehousing at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHSC from registering the title of these farmlands in CHSC's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHSC in freely changing the land title to CHSC or to other name of other under CHSC instructions. Meanwhile, the land had been pledged to CHSC as collateral. As of September 30, 2018, December 31, 2017 and September 30, 2017, the book value of the farmlands was NT$55,433 thousand, NT$55,433 thousand and NT$53,973 thousand, respectively, recorded as land.

Refer to Note 36 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.

20. INVESTMENT PROPERTIES

For the nine months ended September 30, 2018

	Land	Buildings	Total
Cost			
Balance at January 1, 2018	$ 8,353,534	$ 3,825,457	$ 12,178,991
Additions	-	158,255	158,255
Transfer from property, plant and equipment	1,581	-	1,581
Reclassified as noncurrent assets held for sale	(172,778)	(1,269,754)	(1,442,532)
Disposals	-	(57,740)	(57,740)
Effect of foreign currency exchange difference	2,840	51,823	54,663
Balance at September 30, 2018	$ 8,185,177	$ 2,708,041	$ 10,893,218
Accumulated depreciation and impairment			
Balance at January 1, 2018	$ 237,364	$ 985,549	$ 1,222,913
Depreciation	-	57,879	57,879
Disposals	-	(21,151)	(21,151)
Effect of foreign currency exchange difference	-	247	247
Balance at September 30, 2018	$ 237,364	$ 1,022,524	$ 1,259,888
Carrying amount at December 31, 2017	$ 8,116,170	$ 2,839,908	$ 10,956,078
Carrying amount at September 30, 2018	$ 7,947,813	$ 1,685,517	$ 9,633,330

For the nine months ended September 30, 2017

	Land	Buildings	Total
Cost			
Balance at January 1, 2017	$ 8,222,428	$ 3,236,752	$ 11,459,180
Additions	-	452,363	452,363
Transfer to property, plant and equipment	(3,525)	(9,892)	(13,417)
Effect of foreign currency exchange difference	(3,692)	(10,285)	(13,977)
Balance at September 30, 2017	$ 8,215,211	$ 3,668,938	$ 11,884,149
Accumulated depreciation and impairment			
Balance at January 1, 2017	$ 222,057	$ 920,981	$ 1,143,038
Depreciation	-	54,335	54,335
Transfer to property, plant and equipment	-	(4,097)	(4,097)
Effect of foreign currency exchange difference	-	(1,379)	(1,379)
Balance at September 30, 2017	$ 222,057	$ 969,840	$ 1,191,897
Carrying amount at September 30, 2017	$ 7,993,154	$ 2,699,098	$ 10,692,252

The above items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings	2-60 years

The Corporation and its subsidiaries participated in "Qianzhen Residential Building Project" conducted by the subsidiary CPDC and signed the land purchase agreement with its employees. According to the purchase agreement, land prices received from its employees are deposited in the Bank of Taiwan and recognized as other financial assets and other liabilities. Since the project is close to completion, other financial assets and other liabilities are reclassified as current.

To encourage its employees and enhance employees' welfare, the subsidiary DSC began to build "Employees Lohas Center" in August 2004, which was approved by the board of directors to sell to employees in November 2017. Lohas Center is estimated to be sold out within 12 months and was transferred to noncurrent asset held for sale in June 2018 after acquiring license for usage.

The fair value of the investment properties was arrived at on the basis of valuation carried out in 2013, 2014, 2015 and 2017 by independent appraisers, who are not related parties. Lands were valued under market approach, income approach and land developing analysis approach. Buildings were evaluated using Level 3 inputs under market approach, cost approach and income approach. In December 2016, due to the significant change in the present value assessed for several pieces of land, the Corporation, based on the actual land sale prices in the vicinity, reappraised the land value. The important assumptions and fair value were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value	$ 25,009,082	$ 27,140,670	$ 26,585,027
Depreciation rate (%)	1.20-2.00	1.20-2.00	1.20-2.00
Discount rate (%)	0.85-2.13	0.85-2.13	2.11-4.14

All of the Corporation and its subsidiaries' investment properties are held under freehold interests. Refer to Note 36 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

21. BORROWINGS

a. Short-term borrowings and bank overdraft

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured loans - interest at 0.43%-5.70% p.a., 0.37%-7.40% p.a. and 0.35%-7.50% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	$ 41,497,569	$ 30,091,604	$ 35,247,956
Bank overdraft (Note 36) - interest at 0.14%-8.20% p.a., 0.14%-7.40% p.a. and 0.14%-7.50% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	3,421,654	2,973,133	2,780,801

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Letters of credit - interest at 0%-1.46% p.a., 0%-1.25% p.a. and 0%-1.81% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	$ 2,026,207	$ 1,503,507	$ 1,970,186
Secured loans (Note 36) - interest at 0.88%-5.00% p.a., 0.88%-5.30% p.a. and 4.35%-5.30% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	1,292,078	757,814	298,909
	$ 48,237,508	$ 35,326,058	$ 40,297,852

(Concluded)

Starting from January 2016, the subsidiary CCSPMC entered into several credit facility agreements with ANZ (China) and several banks for total amount of USD47,000 thousand (or equal amount in RMB, the credit line remained unchanged) and RMB125,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold over 50% of the CCSPMC's equity and half or more of the seats in the board of directors and supervisors. As of September 30, 2018, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

Starting from March 2015, the subsidiary CSMK entered into short-term financing contract with ANZ (China) and several Banks for USD31,000 thousand credit line (or equal amount in RMB, the credit line remained unchanged) and RMB50,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should directly or indirectly hold 100% of CSMK issued shares and all of the seats in the board of directors. As of September 30, 2018, the Corporation and CSGT collectively held 100% equity of CSMK and all of the seats in the board of directors.

Starting from March 2014, the subsidiary CSCI entered into short-term financing contracts with BNP Bank and several banks for INR 1 billion credit line. Under the agreements, the Corporation should collectively hold at least 60% of CSCI's issued shares and half or more of the seats in the board of directors. As of September 30, 2018, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

Starting from March 2014, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and several banks for a USD106,500 thousand short-term credit line. Under the agreements, the Corporation should hold at least 56% of CSVC's issued shares and half or more of the seats in the board of directors. As of September 30, 2018, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.

b. Short-term bills payable

	September 30, 2018	December 31, 2017	September 30, 2017
Commercial paper - interest at 0.40%-1.15% p.a., 0.39%-1.14% p.a. and 0.38%-1.40% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	$ 33,447,000	$ 24,643,000	$ 44,079,000

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Less: Unamortized discounts	$ 7,521	$ 7,418	$ 8,516
	$ 33,439,479	$ 24,635,582	$ 44,070,484

(Concluded)

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taching Bills Finance Ltd., Taiwan Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Union Bank of Taiwan, Bank of Taiwan, Hua Nan Bank, Taiwan Cooperative Bank and Dah Chung Bills Finance Corp., Shanghai Commercial & Savings Bank and Bangkok Bank, etc.

c. Long-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Syndicated bank loans			
Bank of Taiwan and other banks loan to CHSC			
Repaid in December 2017 in advance, interest at 1.58% p.a.	$ -	$ -	$ 1,583,385
Repayable in March 2019 with a revolving credit, repaid in March 2018 in advance, interest all at 1.58% p.a. as of December 31, 2017 and September 30, 2017	-	2,250,000	2,250,000
Bank of Taiwan and other banks loan to DSC			
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest all at 1.14% p.a. as of December 31, 2017 and September 30, 2017	-	6,523,540	6,523,540
Bank of Taiwan and other banks loan to the Corporation			
Repayable in several installments from February 2020, repaid in February and May 2018, respectively, in advance, interest at 2.94% p.a. and 2.70% p.a. as of December 31, 2017 and September 30, 2017, respectively	-	14,880,000	15,130,000
Mizuho Bank and other banks loan to the Corporation			
Repaid in August 2018, interest at 2.50%-2.57% p.a. and 2.39%-2.40% p.a. as of December 31, 2017 and September 30, 2017, respectively	-	4,464,000	4,539,000

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Mega Bank and other banks loan to CSVC			
Repayable in 10 semiannual installments from September 2015 to March 2020, interest at 3.24% p.a., 2.53% p.a. and 2.53% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	$ 2,499,998	$ 2,812,320	$ 2,859,570
CTBC Bank and other banks loan to CSCI			
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 3.83% p.a., 3.35% p.a. and 2.76% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	3,358,074	3,269,178	3,338,605
Mortgage loans (Note 36)			
Due on various dates before April 2032, interest at 1.26%-3.45% p.a., 1.26%-2.44% p.a. and 1.26%-2.43% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	6,925,079	8,009,239	8,142,408
Unsecured loans			
Due on various dates before June 2025, interest at 0.28%-3.10% p.a., 0.28%-2.57% p.a. and 0.28%-2.40% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	24,607,233	33,409,554	23,166,114
	37,390,384	75,617,831	67,532,622
Less: Syndicated loan fee	911	20,900	28,369
	37,389,473	75,596,931	67,504,253
Less: Current potion	3,398,849	18,549,055	20,764,201
Financial liabilities for hedging - current	4,515,545	-	-
Financial liabilities for hedging - non-current	3,881,823	-	-
	$ 25,593,256	$ 57,047,876	$ 46,740,052

(Concluded)

1) In December 2011, the subsidiary CHSC entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for a NT$16 billion credit line, which consists of NT$7 billion secured loans with a non-revolving credit line that had been repaid in December 2017 in advance, and NT$9 billion unsecured loans with a revolving credit line that had been repaid in March 2018 in advance. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of the CHSC's issued shares and control CHSC's operation. Starting from 2012, CHSC should meet some financial ratios and criteria.

   The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. The financial ratios of CHSC's 2017 standalone financial statements is in compliance with the agreements.

2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line, which consists of NT$30 billion secured loans with a non-revolving credit line and NT$5 billion secured commercial paper with a revolving credit line recognized as long - term bills payable; in February 2008, DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line which was repaid in July 2018. Under the agreements, the Corporation and its associates should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. Starting from 2012, DSC should meet some financial ratios and criteria.

   DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2017.

3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD246,000 thousand credit line, which has been re-signed in December 2017 for a USD126,000 thousand credit line. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and hold half or more of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria. CSVC was in compliance with the syndicated credit facility agreement based on its 2017 audited financial statements. As of September 30, 2018, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.

4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreements, the Corporation should collectively hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should collectively hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. The syndicated credit facility agreement has been re-signed in November 2016. CSCI should meet some financial ratios and criteria required by the new syndicated credit facility agreement based on the Corporation's reviewed financial statements for the six months ended June 30 and audited annual financial statements as well as CSCI's unreviewed financial statements for the six months ended September 30 and audited annual financial statements. CSCI was in compliance with the syndicated credit facility agreement based on its financial statements for the six months ended September 30, 2018 and 2017 audited financial statements. As of September 30, 2018, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

5) In May 2018, the subsidiary CSCC entered into a credit facility agreement with KGI Bank for a NT$500,000 thousand credit line. Under the agreement, based on CSCC's quarterly reviewed consolidated financial statements and audited annual consolidated financial statements, which shall be verified quarterly, the consolidated profit from operations of CSCC shall not be negative for two consecutive quarters. Otherwise, the credit line shall be cancelled until the quarter profit from operations become positive. CSCC was in compliance with the agreement based on its financial statements for the six months ended June 30, 2018 and nine months ended September 30, 2018.

6) In July and August 2015, the Corporation entered into a syndicated credit facility agreement with Mizuho bank with 7 other banks and Bank of Taiwan with 14 other banks for a USD150,000 thousand and USD500,000 thousand unsecured non-revolving credit line, respectively. Loans from Bank of Taiwan had been repaid in May and February 2018, respectively; loans from Mizuho bank had been repaid in August 2018. Under the agreements, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the clauses, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately. The above syndicated credit facility agreements obtained by the Corporation are intended to hedge the exchange rate fluctuations of the foreign currency equity investment of the subsidiary CSAPH.

However, the subsidiary CSAPH carried out a capital reduction in shares in June 2018, which resulted in the change on its risk management strategy and the hedge relationship became ineffective. The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the six months ended June 30, 2018 and for the year ended December 31, 2017.

The above unsecured loans and syndicated credit facility agreements included those obtained by the Corporation in JPY and USD to hedge the exchange rate fluctuations on equity investments in EAUS, CSAPH, CSVC, Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. At the adoption of IFRS 9, long-term borrowings used to hedge exchange rate fluctuation risk were reclassified to financial liabilities for hedging (including current and noncurrent).

d. Long-term bills payable

	September 30, 2018	December 31, 2017	September 30, 2017
Commercial paper - interest at 0.46%-1.00% p.a., 0.40%-1.00% p.a. and 0.40%-1.04% p.a. as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively	$ 22,560,000	$ 26,620,000	$ 22,650,000
Secured commercial paper in syndicated bank loans - interest all at 0.96% p.a. as of December 31, 2017 and September 30, 2017, respectively	-	1,000,000	1,000,000
	22,560,000	27,620,000	23,650,000
Less: Unamortized discounts	5,757	6,841	9,191
	$ 22,554,243	$ 27,613,159	$ 23,640,809

The Corporation and its subsidiaries entered into commercial paper contracts with bills finance corporations and banks. The duration of the contracts is three to five years and the cycle of issuance is fifteen to sixty days, during which the Corporation and its subsidiaries only have to pay service fees and interests. Therefore, the Corporation and its subsidiaries recorded those commercial papers issued as long-term bills payable.

The subsidiary DSC issued secured commercial paper in syndicated bank loans with the duration of seven years. Refer to c. 2) for details.

The above commercial paper was secured by Mega Bank, Agricultural Bank of Taiwan, Taishin Bank, Bangkok Bank, Hua Nan Commercial Bank, Bank of Taiwan, KGI Bank and Bank BNP Paribas, etc.

22. BONDS PAYABLE

	September 30, 2018	December 31, 2017	September 30, 2017
5-year unsecured bonds - issued at par by DSC in:			
June 2014; repayable in June 2018 and June 2019; interest at 1.40% p.a., payable annually	$ 3,500,000	$ 7,000,000	$ 7,000,000
June 2015; repayable in June 2019 and June 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000	7,500,000

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
June 2016; repayable in June 2020 and June 2021; interest at 0.89% p.a., payable annually	$ 5,400,000	$ 5,400,000	$ 5,400,000
June 2018; repayable in June 2022 and June 2023; interest at 0.91% p.a., payable annually	4,500,000	-	-
7-year unsecured bonds - issued at par by the Corporation in:			
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	5,200,000	5,200,000	10,400,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	2,500,000	5,000,000	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000	6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000	6,900,000
May 2018; repayable in May 2024 and June 2025; interest at 0.95% p.a., payable annually	6,000,000	-	-
7-year unsecured bonds - issued at par by DSC in:			
June 2014; repayable in June 2020 and June 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000	5,000,000
June 2015; repayable in June 2021 and June 2022; interest at 1.72% p.a., payable annually	2,500,000	2,500,000	2,500,000
June 2018; repayable in June 2024 and June 2025; interest at 1.00% p.a., payable annually	2,250,000	-	-
10-year unsecured bonds - issued at par by the Corporation in:			
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000	7,000,000
August 2018; repayable in August 2027 and August 2028; interest at 1.10% p.a., payable annually	5,600,000	-	-
15-year unsecured bonds - issued at par by the Corporation in:			
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000	9,000,000
Liability component of unsecured domestic convertible bonds - issued by TMTC	-	-	300
	107,450,000	95,100,000	100,300,300
Less: Issuance cost of bonds payable	41,217	33,836	36,079

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Unamortized discount on bonds payable	$ 18,132	$ 14,677	$ 16,064
Current portion	18,099,005	11,198,974	11,199,745
	$ 89,291,646	$ 83,852,513	$ 89,048,412

(Concluded)

In September 2013, the subsidiary TMTC issued NT$100,000 thousand of 5-year unsecured domestic convertible bonds at par from September 2013 to September 2018. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase dates, two years, three years and four years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (2.5156%, 3.7971% and 5.0945% of face value for two years, three years and four years, respectively, yield to put 1.25%) by cash in five trading days. As of December 31, 2017, the convertible bonds with NT$100,000 thousand face value have been redeemed or converted into NT$21,975 thousand ordinary share capital.

23. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Accounts payable includes advances received on construction contracts. Advances received on construction contracts bears no interests and are expected to be paid until the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within the normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 14 for details on construction contracts.

24. OTHER PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Salaries and incentive bonus	$ 7,121,815	$ 7,470,082	$ 6,278,157
Purchase of equipment	4,339,801	2,568,395	2,669,303
Employees’ compensation and remuneration of directors and supervisors	1,863,124	1,690,094	1,202,628
Outsourced repair and construction	1,240,221	1,154,788	993,524
Interest payable	745,414	1,073,702	847,827
Dividends payable	310,072	296,518	354,072
Sales returns and discounts	-	1,522,348	1,563,864
Others	8,914,673	7,379,444	6,958,045
	$ 24,535,120	$ 23,155,371	$ 20,867,420

Under IFRS 15, sales returns and discounts are reclassified to refund liability - current.

25. PROVISIONS

	September 30, 2018	December 31, 2017	September 30, 2017
Current			
Onerous contracts (a)	$ 5,875,768	$ 3,573,465	$ 2,826,825
Construction warranties (b)	272,559	309,472	418,580
Sale returns and discounts (c)	-	55,946	1,032,364
Others	99,470	103,593	99,585
	$ 6,247,797	$ 4,042,476	$ 4,377,354
Noncurrent			
Provision for stabilization funds (d)	$ 832,853	$ 828,352	$ 810,060
Others	15,271	6,696	8,072
	$ 848,124	$ 835,048	$ 818,132

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2018	$ 3,573,465	$ 309,472	$ 55,946	$ 828,352	$ 110,289	$ 4,877,524
Adjustment on initial application of IFRS 15	1,291,026	-	(55,946)	-	-	1,235,080
Recognized (reversal)	1,005,285	(35,832)	-	4,607	16,356	990,416
Paid	-	(1,081)	-	(106)	(11,904)	(13,091)
Effect of foreign currency exchange difference	5,992	-	-	-	-	5,992
Balance at September 30, 2018	$ 5,875,768	$ 272,559	$ -	$ 832,853	$ 114,741	$ 7,095,921
Balance at January 1, 2017	$ 3,750,118	$ 463,355	$ 24,415	$ 802,859	$ 99,053	$ 5,139,800
Recognized (reversal)	(923,293)	(44,094)	1,032,364	7,385	16,356	88,718
Paid	-	(681)	-	(184)	(7,752)	(8,617)
Effect of foreign currency exchange difference	-	-	(24,415)	-	-	(24,415)
Balance at September 30, 2017	$ 2,826,825	$ 418,580	$ 1,032,364	$ 810,060	$ 107,657	$ 5,195,486

a. The provision for onerous contracts represents the present value of the future payments that the Corporation and its subsidiaries were presently obligated to make under non-cancellable onerous purchase and service contracts, less revenue expected to be earned on the contracts, and the difference between the estimated cost in the future to satisfy performance obligation and estimated revenue of the Corporation and its subsidiaries from non-cancellable construction contracts. Under IFRS 15, expected losses of construction contracts were reclassified to the provision for onerous contracts.

b. The provision for construction warranties represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Corporation and its subsidiaries' obligations for warranties. The estimate had been made on the basis of historical warranty trends.

c. The provision for sales returns and discounts, recognized as a reduction of operating revenues, represents the annual rewards estimated on the basis of historical experience, management's judgments and other known reasons. Under IFRS 15, the provision for sales returns and discounts were reclassified to refund liability - current.

d. The provision for stabilization funds represents the provision recognized in accordance with the build-operate-transfer contract by the subsidiary KRTC. The provision was used for capital demand due to force majeure, exceptional events, operating deficits, etc. The provision for stabilization funds was recognized based on increase in stabilization funds.

26. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the nine months ended September 30, 2018 and 2017 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, 2017 and 2016. An analysis by function of the amounts is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Operating costs	$ 139,187	$ 149,333	$ 424,779	$ 445,687
Operating expenses	62,564	58,961	185,204	182,020
Others	160	526	755	1,455
	$ 201,911	$ 208,820	$ 610,738	$ 629,162

27. EQUITY

a. Share capital

	September 30, 2018	December 31, 2017	September 30, 2017
Numbers of shares authorized (in thousands)	17,000,000	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000	$ 170,000,000
Numbers of shares issued and fully paid (in thousands)			
Ordinary shares (in thousands)	15,734,861	15,734,861	15,734,861
Preference shares (in thousands)	38,268	38,268	38,268
	15,773,129	15,773,129	15,773,129
Shares issued			
Ordinary shares	$ 157,348,610	$ 157,348,610	$ 157,348,610
Preference shares	382,680	382,680	382,680
	$ 157,731,290	$ 157,731,290	$ 157,731,290

1) Ordinary shares

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

2) Preference shares

Preference shareholders have the following entitlements or rights:

a) 14% annual dividends, with dividend payments ahead of those to ordinary shareholders;

b) Preference over ordinary shares in future payment of dividends in arrears;

c) The sequence and percentage of appropriation of residual property are the same with ordinary shares;

d) The same rights as ordinary shareholders, except the right to vote for directors and supervisors; and

e) Redeemable by the Corporation and convertible to ordinary shares by preference shareholders with the ratio of 1:1.

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's ordinary shares and the issued GDRs account for the Corporation's ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of September 30, 2018, December 31, 2017, and September 30, 2017, the outstanding depositary receipts were 961,697 units, 1,019,241 units and 1,019,141 units, equivalent to 19,234,250 ordinary shares (including 310 fractional shares), 20,385,130 ordinary shares (including 310 fractional shares), and 20,383,130 ordinary shares (including 310 fractional shares), which represented 0.12%, 0.13% and 0.13% of the outstanding ordinary shares, respectively.

b. Capital surplus

	September 30, 2018	December 31, 2017	September 30, 2017
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)			
Additional paid-in capital	$ 31,154,766	$ 31,154,766	$ 31,154,766
Treasury share transactions	329,558	329,296	329,296
Others	8,099	8,099	8,099
	31,492,423	31,492,161	31,492,161
May be used to offset deficits only (see 2 below)			
Treasury share transactions	6,429,481	6,148,057	6,148,057
Share of change in equity of subsidiaries	491,139	467,953	468,212
Share of change in equity of associates	118,792	102,911	96,923
	7,039,412	6,718,921	6,713,192
	$ 38,531,835	$ 38,211,082	$ 38,205,353

1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transferred to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital and once a year).

2) The capital surplus included the share of change in equity of subsidiaries recognized without any actual acquisition or disposal of subsidiaries' share by the Corporation or the adjustments to capital surplus of subsidiaries under equity method.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated in the following order:

1) 10% as legal reserve;

2) Preference share dividends at 14% of par value;

3) Ordinary share dividends at 14% of par value; and

4) The remainder, if any, as additional dividends divided equally between the holders of preference and ordinary shares.

The board of directors should propose the appropriation of earnings. If necessary, it may, after appropriating for preference shares dividends, propose to appropriate a special reserve or to retain certain earnings. These proposals should be submitted to the shareholders' meeting for approval.

The Corporation's steel business is in a phase of stable growth; thus, 75% or more of the appropriation for dividends should be in cash and 25% or less in shares.

Appropriation of earnings to legal reserve could 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 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. In addition, if the market price of the Corporation's ordinary shares held by subsidiaries is lower than the carrying value of the Corporation's shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation.

The appropriations of earnings for 2017 and 2016 that had been approved in the shareholders' meeting in June 2018 and 2017, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 1,690,588	$ 1,603,837		
Reversal of special reserve	(5,992)	(2,130,614)		
Preference shares				
Cash dividends	53,575	53,575	$ 1.40	$ 1.40
Ordinary shares				
Cash dividends	13,846,677	13,374,632	$ 0.88	$ 0.85

d. Special reserves

	For the Nine Months Ended September 30	
	2018	2017
Balance, beginning of period	$ 27,655,869	$ 29,786,846
Reversal of special reserve		
The difference between carrying amount of the Corporation's shares held by subsidiaries	(5,992)	(2,130,614)
Disposal of property, plant and equipment	(33)	(257)
Balance, end of period	$ 27,649,844	$ 27,655,975

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Nine Months Ended September 30	
	2018	2017
Balance, beginning of period (IAS 39)	$ (2,110,593)	$ (32,048)
Adjustment on initial application of IFRS 9	(4,005,260)	-
Balance, beginning of period (IFRS 9)	(6,115,853)	(32,048)
Effect of change in tax rate	3,113	-
Recognized during the period		
Exchange differences arising on translating foreign operations	(476,515)	(2,771,591)
Income tax relating to exchange differences arising on translating the net assets of foreign operations	(4,576)	37,861
Share of exchange difference of associates accounted for using the equity method	590,714	(667,304)
Gains and losses on hedging instruments designated in hedges of the net assets of foreign operations	-	1,821,950
Other comprehensive income recognized in the period	112,736	(1,579,084)
Balance, end of period	$ (6,003,117)	$ (1,611,132)

2) Unrealized gains and losses on available-for-sale financial assets

	Amount
Balance at January 1, 2018 (IAS 39)	$ 9,614,863
Adjustment on initial application of IFRS 9	(9,614,863)
Balance at January 1, 2018 (IFRS 9)	$ -
Balance at January 1, 2017	$ 8,650,573
Recognized during the period	
Unrealized gains and losses on available-for-sale financial assets	1,677,532

(Continued)

	Amount
Income tax relating to unrealized gains and losses on available-for-sale financial assets	$ 570
Share of unrealized gains and losses on available-for-sale financial assets of associates accounted for using the equity method	(127,711)
Reclassification adjustment	
Reclassified to profit or loss on disposal of available-for-sale financial assets	(132,887)
Impairment on available-for-sale financial assets	114,749
Other comprehensive income recognized in the period	1,532,253
Balance at September 30, 2017	$ 10,182,826

(Concluded)

3) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	5,251,741
Balance at January 1, 2018 (IFRS 9)	5,251,741
Effect of change in tax rate	(1,591)
Recognized during the period	
Unrealized gains and losses - equity instruments	2,979,652
Income tax relating to unrealized gains and losses	3,049
Share from accounted for using the equity method	19,401
Other comprehensive income recognized in the period	3,000,511
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	135,746
Balance at September 30, 2018	$ 8,387,998

4) The effective portion of gains and losses on hedging instruments in a cash flow hedge

	Amount
Balance at January 1, 2018 (IAS 39)	$ (131,335)
Adjustment on initial application of IFRS 9	131,335
Balance at January 1, 2018 (IFRS 9)	$ -
Balance at January 1, 2017	$ 62,181
Fair value changes of hedging instrument	(94,170)
Income tax relating to fair value changes	11,313
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	18,277

(Continued)

	Amount
Income tax relating to amounts transferred to adjust carrying amount of hedged items	$ (2,754)
Balance at September 30, 2017	$ (5,153)

(Concluded)

5) Gains and losses on hedging instrument

	Cash Flow Hedges	Fair Value Hedges	Hedges of Net Investments in Foreign Operations	Total
Balance at January 1, 2018 (IAS 39)	$ -	$ -	$ -	$ -
Adjustment on initial application of IFRS 9	(131,335)	98,851	4,005,260	3,972,776
Balance at January 1, 2018 (IFRS 9)	(131,335)	98,851	4,005,260	3,972,776
Other comprehensive income recognized in the period	313,878	(48,970)	(147,054)	117,854
Balance at September 30, 2018	$ 182,543	$ 49,881	$ 3,858,206	$ 4,090,630

a) Cash flow hedges

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	(131,335)
Balance at January 1, 2018 (IFRS 9)	(131,335)
Effect of change in tax rate	5,552
Recognized during the period	
Foreign currency risk - foreign exchange forward contracts and hedging foreign - currency deposits	393,430
Interest rate risk - interest rate swap contracts	5,785
Tax effect	(74,704)
Regasification adjustment	
Foreign currency risk - hedging foreign - currency deposits	(19,481)
Tax effect	3,296
Other comprehensive income recognized in the period	313,878
Balance at September 30, 2018	$ 182,543

b) Fair value hedges

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	98,851
Balance at January 1, 2018 (IFRS 9)	98,851
Recognized during the period	
Foreign currency risk - bank loans	(48,970)
Balance at September 30, 2018	$ 49,881

c) Hedges of net investments in foreign operations

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	4,005,260
Balance at January 1, 2018 (IFRS 9)	4,005,260
Recognized during the period	
Foreign currency risk - bank loans	(147,054)
Balance at September 30, 2018	$ 3,858,206

f. Treasury shares

	Thousand Shares			September 30	
Purpose of Treasury Shares	**Beginning of Period**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
For the nine Months ended September 30, 2018					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	315,166	4,767	40	319,893	$ 8,643,948
For the nine Months ended September 30, 2017					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,007	-	3,645	314,362	$ 8,512,794

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares. The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other ordinary shareholders. The increase of treasury shares was due to acquisition of the Corporation's shares by subsidiaries in which the Corporation has less than 50%

shareholding. The decrease of treasury shares was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

For the nine months ended September 30, 2018, a total of 55 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT$1,334 thousand. Calculated based on the percentage of shares held, the proceeds of treasury shares sold were NT$640 thousand, and after deducting book values, the remainders amounted to NT$262 thousand, recorded as addition to the capital surplus. As of September 30, 2018, December 31, 2017, and September 30, 2017, the market values of the treasury shares calculated by combined holding percentage were NT$8,158,492 thousand, NT$7,801,566 thousand, and NT$7,687,344 thousand, respectively.

g. Non-controlling interests

	For the Nine Months Ended September 30	
	2018	**2017**
Balance, beginning of period (IAS 39)	$ 27,941,924	$ 27,019,807
Adjustment on initial application of IFRS 9	(14,538)	-
Balance, beginning of period (IFRS 9)	27,927,386	27,019,807
Attributable to non-controlling interests:		
Effect of change in tax rate	9,791	-
Share of net profit for the period	2,826,005	2,283,415
Other comprehensive income in the period		
Exchange difference on translating foreign operations	157,097	(506,468)
Income tax relating to exchange difference on translating foreign operations	1,830	3,393
Unrealized gains and losses on available-for-sale financial assets	-	(24,652)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	-	699
Impairment of available-for-sale financial assets	-	4,757
Reclassified to profit or loss on disposal of available-for-sale financial assets	-	(93,336)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	35,207	-
Income tax relating to unrealized gains and losses on financial assets at fair value through other comprehensive income	231	-
Fair value changes of cash flow hedges	-	27,359
Income tax relating to cash flow hedges	-	(948)
Gains and losses on hedging instrument	3,021	-
Income tax relating to gains and losses on hedging instrument	(319)	-
Fair value changes of hedging instruments transferred to adjust the carrying amount of hedged items	82	2,450
Share of other comprehensive income of associates accounted for using the equity method	1,581	(7,965)
Non-controlling interests arising from acquisition of subsidiaries	(196,500)	-
Capital reduction from subsidiaries	-	(180,040)
Dividends distributed by subsidiaries	(1,521,149)	(1,741,368)
Others	110,249	178,949
Balance, end of period	$ 29,354,512	$ 26,966,052

28. OPERATING REVENUES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Revenue from sale of goods	$ 95,103,361	$ 81,988,394	$ 274,644,311	$ 236,215,278
Construction contracts revenue	5,022,462	4,232,210	14,516,423	13,401,782
Freight and service revenue	1,852,736	1,728,948	5,291,185	4,990,020
Other revenues	753,053	967,947	1,993,770	2,159,684
	$ 102,731,612	$ 88,917,499	$ 296,445,689	$ 256,766,764

a. Contract balances

	September 30, 2018
Notes and accounts receivable (Note 13)	$ 18,223,457
Contract assets	
Construction contracts	$ 9,916,865
Retentions receivable	1,390,769
Others	64,103
	$ 11,371,737
Contract liabilities	
Construction contracts	$ 3,410,667
Sale of goods	2,203,554
Advances received	593,581
Others	4,606
	$ 6,212,408

b. Disaggregation of revenue

For the nine months ended September 30, 2018

Type of goods or services	Steel Department	Others	Total
Sale of goods	$ 234,743,288	$ 39,901,023	$ 274,644,311
Construction contracts	976,371	13,540,052	14,516,423
Rendering of services	836,445	4,454,740	5,291,185
Others	1,562,581	431,189	1,993,770
	$ 238,118,685	$ 58,327,004	$ 296,445,689

For the nine months ended September 30, 2017

Type of goods or services	Steel Department	Others	Total
Sale of goods	$ 203,389,594	$ 32,825,684	$ 236,215,278
Construction contracts	1,768,233	11,633,549	13,401,782
Rendering of services	1,141,928	3,848,092	4,990,020
Others	1,544,823	614,861	2,159,684
	$ 207,844,578	$ 48,922,186	$ 256,766,764

29. PROFIT BEFORE INCOME TAX

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Dividends income	$ 292,629	$ 272,965	$ 411,388	$ 433,329
Interest income	103,458	67,518	264,320	205,838
Rental income	34,097	31,906	100,012	94,319
Insurance claim income	2,953	5,228	67,331	36,153
Others	152,180	214,671	477,037	469,405
	$ 585,317	$ 592,288	$ 1,320,088	$ 1,239,044

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Loss on disposal of property, plant and equipment	$ (69,126)	$ (25,213)	$ (118,675)	$ (39,487)
Gain (loss) arising on financial assets at fair value through profit or loss	5,583	23,930	(35,240)	87,243
Net foreign exchange gain (loss)	(186,674)	107,868	(28,693)	433,083
Gain (loss) on disposal of investments	-	240,477	(1,088)	246,974
Impairment loss	-	(1,824)	-	(130,852)
Other losses	(156,317)	(166,849)	(363,027)	(387,607)
	$ (406,534)	$ 178,389	$ (546,723)	$ 209,354

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Foreign exchange gain	$ 549,582	$ 481,315	$ 1,478,955	$ 1,652,420
Foreign exchange loss	(736,256)	(373,447)	(1,507,648)	(1,219,337)
Net exchange gain (loss)	$ (186,674)	$ 107,868	$ (28,693)	$ 433,083

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Total interest expense	$ 874,963	$ 1,004,718	$ 2,736,264	$ 2,963,093
Less: Amounts included in the cost of qualifying assets	47,419	57,781	178,892	159,041
	$ 827,544	$ 946,937	$ 2,557,372	$ 2,804,052

Information about capitalized interest was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Capitalized amounts	$ 47,419	$ 57,781	$ 178,892	$ 159,041
Capitalized annual rates (%)	0.40-1.49	0.50-1.63	0.40-1.49	0.49-1.63

d. Impairment loss recognized on (reversal of) financial assets

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Available-for-sale financial assets	$ -	$ 95,439	$ -	$ 119,506
Held-to-maturity financial assets	-	86,737	-	86,737
Accounts receivable	-	(9,340)	-	(25,845)
Long-term receivable (recorded as other noncurrent assets)	-	(5,842)	-	(17,485)
	$ -	$ 166,994	$ -	$ 162,913
Analysis of impairment loss recognized on (reversal of) financial assets by function				
Operating costs	$ -	$ 180,176	$ -	$ 197,493
Operating expenses	-	(9,340)	-	(25,845)

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Other income	$ -	$ (5,842)	$ -	$ (17,485)
Other gains and losses	-	2,000	-	8,750
	$ -	$ 166,994	$ -	$ 162,913

(Concluded)

e. Impairment loss recognized on non-financial assets

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 821,674	$ (176)	$ 820,236	$ 81,791
Goodwill	-	-	-	40,311
	$ 821,674	$ (176)	$ 820,236	$ 122,102
Analysis of impairment loss recognized on non-financial assets by function				
Operating costs	$ 821,674	$ -	$ 820,236	$ -
Other gains and losses	-	(176)	-	122,102
	$ 821,674	$ (176)	$ 820,236	$ 122,102

f. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 8,727,314	$ 8,459,230	$ 25,281,672	$ 25,875,776
Investment properties	29,535	17,798	57,879	54,335
Intangible assets	47,249	65,811	154,384	203,358
Others	20,811	8,757	62,565	47,671
	$ 8,824,909	$ 8,551,596	$ 25,556,500	$ 26,181,140
Analysis of depreciation by function				
Operating costs	$ 8,299,520	$ 8,054,959	$ 24,050,957	$ 24,666,132
Operating expenses	405,223	414,445	1,223,280	1,242,885
Others	52,106	7,624	65,314	21,094
	$ 8,756,849	$ 8,477,028	$ 25,339,551	$ 25,930,111

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Analysis of amortization by function				
Operating costs	$ 41,281	$ 34,755	$ 140,206	$ 128,510
Operating expenses	20,016	37,159	69,088	114,611
Others	6,763	2,654	7,655	7,908
	$ 68,060	$ 74,568	$ 216,949	$ 251,029

(Concluded)

g. Operating expenses directly related to investment properties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Direct operating expenses of investment properties that generated rental income	$ 50,634	$ 40,638	$ 122,190	$ 122,677

h. Employee benefits

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits				
Salaries	$ 8,391,861	$ 7,825,486	$ 24,429,051	$ 22,781,314
Labor and health insurance	516,534	513,502	1,543,153	1,527,028
Others	449,778	342,325	1,218,303	1,003,897
	9,358,173	8,681,313	27,190,507	25,312,239
Post-employment benefits				
Defined contribution plans	208,651	193,567	612,187	567,639
Defined benefit plans (Note 26)	201,911	208,820	610,738	629,162
	410,562	402,387	1,222,925	1,196,801
Termination benefits	39,946	26,826	74,166	64,821
	$ 9,808,681	$ 9,110,526	$ 28,487,598	$ 26,573,861
Analysis of employee benefits by function				
Operating costs	$ 7,789,240	$ 7,300,204	$ 22,858,871	$ 21,327,744
Operating expenses	1,882,478	1,667,654	5,276,873	4,875,452
Others	136,963	142,668	351,854	370,665
	$ 9,808,681	$ 9,110,526	$ 28,487,598	$ 26,573,861

The numbers of employees of the Corporation and its subsidiaries combined were 28,778 and 28,644 as of September 30, 2018 and 2017, respectively.

i. Employees' compensation and remuneration of directors

According to the Articles of Incorporation, the article stipulates the Corporation distributed employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 0.15%, respectively, of the pre-tax profit prior to deducting, employees' compensation, and remuneration of directors. For the three months and nine months ended September 30, 2018 and 2017, the employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Employees' compensation	$ 552,788	$ 287,288	$ 1,365,145	$ 861,865
Remuneration of directors	10,364	5,387	25,596	16,160

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

The appropriations of employees' compensation and remuneration of directors (all in cash) for 2017 and 2016 having been resolved by the board of directors in March 2018 and 2017, respectively, were as follows:

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	$ 1,213,396	$ 1,320,926
Remuneration of directors	22,751	24,767

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

30. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Current tax				
In respect of the current period	$ 1,981,567	$ 626,818	$ 4,493,245	$ 1,980,574
Income tax on unappropriated earnings	24	-	38,782	398,038
In respect of prior years	8,019	65,624	(564,062)	(44,214)

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Deferred tax				
In respect of the current period	$ (438,352)	$ 90,061	$ (789,147)	$ (102,098)
Changes in tax rates	(2,354)	-	(630,742)	-
In respect of prior years	(15,091)	853	(187,011)	(321,028)
	$ 1,533,813	$ 783,356	$ 2,361,065	$ 1,911,272

(Concluded)

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

b. Income tax recognized directly in equity

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
Reversal of special reserve due to disposal of property, plant and equipment	$ 1	$ 37	$ 10	$ 65
Deferred tax				
Reversal of special reserve due to disposal of property, plant and equipment	(1)	(37)	(10)	(65)
	$ -	$ -	$ -	$ -

c. Income tax benefit (expense) recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Recognized in other comprehensive income:				
Changes in tax rates - Remeasurement of defined benefit plans	$ -	$ -	$ 16,222	$ -
Changes in tax rates - Fair value changes of hedging instruments for cash flow hedges	-	-	6,039	-

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Changes in tax rates - Translation of foreign operations	$ -	$ -	$ 5,277	$ -
Changes in tax rates - Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	-	(3,541)	-
Current - Translation of foreign operations	3,073	(478)	(2,746)	41,254
Current - Unrealized gains and losses on available-for-sale financial assets	-	681	-	1,269
Current - Unrealized gains and losses on financial assets at fair value through other comprehensive income	686	-	3,280	-
Current - Fair value changes of hedging instruments for cash flow hedges	(13,692)	(2,456)	(75,023)	10,365
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	1,695	(2,425)	3,296	(2,754)
	$ (8,238)	$ (4,678)	$ (47,196)	$ 50,134

(Concluded)

d. Income tax assessments

The Corporation's income tax returns through 2015 and the subsidiaries' income tax returns through 2013 to 2017 have been assessed by the tax authorities.

31. EARNINGS PER SHARE

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

Net profit for the period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Net profit for the period attributable to owners of the Corporation	$ 7,238,794	$ 3,564,070	$ 18,407,305	$ 10,651,254
Less: Dividends on preference shares	13,394	13,394	40,181	40,181
Net profit used in computation of basic earnings per share	7,225,400	3,550,676	18,367,124	10,611,073
Add: Dividends on preference shares	13,394	-	40,181	-
Net profit used in computation of diluted earnings per share	$ 7,238,794	$ 3,550,676	$ 18,407,305	$ 10,611,073

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares used in computation of basic earnings per share	15,415,056	15,420,499	15,417,456	15,420,310
Effect of dilutive potential ordinary shares:				
Employees' compensation	53,535	35,250	69,955	50,382
Convertible preference shares	38,268	-	38,268	-
Weighted average number of ordinary shares used in computation of diluted earnings per share	15,506,859	15,455,749	15,525,679	15,470,692

Preference shares were not included in the calculation of diluted earnings per share for the three months and nine months ended September 30, 2017 because of their anti-dilutive effect.

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

32. BUSINESS COMBINATION

a. Subsidiary acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Hsieh Sheng Development Corporation	Real estate leasing	June 20, 2018	100	$ 1,142,189

The subsidiary CHC acquired 100% shareholding of unrelated party Hsieh Sheng Development Corporation whose main asset is land for NT$1,142,189 thousand to meet its long-term needs for expansion of production line. Transfer of the equity was completed on June 20, 2018. The consideration transferred was negotiated with the seller based on the appraisal report made by independent appraiser.

b. Assets acquired and liabilities assumed at the date of acquisition

Current assets	
Cash	$ 3,689
Noncurrent assets	
Property, plant and equipment	1,213,926
Current liabilities	
Other payables	(455)
Other liabilities - current	(34)
Noncurrent liabilities	
Other liabilities	(2,800)
Deferred tax liabilities	(72,137)
	$ 1,142,189

The accounting for the acquisition of Hsieh Sheng Development Corporation had been provisionally determined at the date of acquisition. As of the date the consolidated financial statements were approved for issue, the market valuations and other calculations had not been finalized. Therefore, the amount was provisionally determined based on the appraisal report made by independent appraiser at the date of acquisition.

c. Net cash outflow on acquisition of subsidiary

Consideration paid in cash	$ 1,142,189
Less: Cash balance acquired	3,689
	$ 1,138,500

d. Impact of business combination

Starting from acquisition date, the results of operation from the subsidiary acquired is immaterial. Had the business combinations been in effect at the beginning of the annual reporting period, the operating revenue and profit of Hsieh Sheng Development Corporation would have no material effect on the financial performance of the Corporation and its subsidiaries for the three months and nine months ended September 30, 2018.

33. CAPITAL MANAGEMENT

The management of the Corporation and its subsidiaries optimized the balances of working capital, debt and equity as well as the related cost through monitoring the Corporation and its subsidiaries' capital structure and capital demand by reviewing quantitative data and considering industry characteristics, domestic and international economic environment, rate fluctuation, strategies for development, etc.

Except for Note 21, the Corporation and its subsidiaries are not subject to any externally imposed capital requirements.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Corporation and its subsidiaries believe the carrying amounts of financial instruments, including cash and cash equivalents, receivables and payables recognized in the consolidated financial statements approximated their fair values.

	September 30, 2018		December 31, 2017		September 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ -	$ -	$ 129,750	$ 108,683	$ 131,385	$ 112,580

The fair value of held-to-maturity investment, which was grouped into Level 2, was measured under valuation method. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for financial instrument.

The structured bonds were classified as held-to-maturity financial assets under IAS 39, but were classified as financial assets at fair value through profit of loss under IFRS 9 starting from 2018 and were all disposed of in January 2018.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
September 30, 2018				
Financial assets at fair value through profit or loss				
Mutual funds	$ 1,803,370	$ -	$ -	$ 1,803,370
Unlisted shares	-	-	1,777,239	1,777,239
Listed shares	1,073,490	-	-	1,073,490
Emerging market shares	-	-	288,348	288,348
Convertible bonds	50,977	-	-	50,977
	$ 2,927,837	$ -	$ 2,065,587	$ 4,993,424

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity Instruments				
Foreign unlisted shares and certificate of entitlement	$ -	$ -	$ 45,533,167	$ 45,533,167
Domestic listed shares	13,772,634	-	-	13,772,634
Domestic emerging market shares and unlisted shares	-	-	1,959,837	1,959,837
Foreign listed shares	2,321,014	-	-	2,321,014
Private-placement shares of listed companies	-	123,662	-	123,662
	$ 16,093,648	$ 123,662	$ 47,493,004	$ 63,710,314
Financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 226,905	$ -	$ 226,905
Financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 19,328	$ -	$ 19,328
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 2,270	$ -	$ 2,270
Future contracts	-	101	-	101
	$ -	$ 2,371	$ -	$ 2,371
December 31, 2017				
Financial assets at fair value through profit or loss				
Mutual funds	$ 3,278,408	$ -	$ -	$ 3,278,408
Listed shares	1,185,077	-	-	1,185,077
Convertible bonds	229,671	-	-	229,671
Emerging market shares	-	-	215,464	215,464
Foreign currency forward contracts	-	2,024	-	2,024
	$ 4,693,156	$ 2,024	$ 215,464	$ 4,910,644
Available-for-sale financial assets				
Foreign unlisted shares and certificate of entitlement	$ -	$ -	$ 44,537,011	$ 44,537,011
Domestic emerging market shares and unlisted shares	-	-	2,531,911	2,531,911
Domestic listed shares	11,043,748	-	-	11,043,748
Foreign listed shares	2,141,150	-	-	2,141,150
Mutual funds	143,539	-	-	143,539
Private-placement shares of listed companies	-	172,785	-	172,785
	$ 13,328,437	$ 172,785	$ 47,068,922	$ 60,570,144

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 70,368	$ -	$ 70,368
Financial liabilities at fair value through profit or loss				
Future contracts	$ -	$ 247	$ -	$ 247
Derivative financial liabilities for hedging				
Interest rate swap contracts	$ -	$ 5,785	$ -	$ 5,785
Foreign exchange forward contracts	-	252,758	-	252,758
	$ -	$ 258,543	$ -	$ 258,543
September 30, 2017				
Financial assets at fair value through profit or loss				
Mutual funds	$ 3,262,020	$ -	$ -	$ 3,262,020
Listed shares	750,674	-	-	750,674
Convertible bonds	262,058	-	-	262,058
Emerging market shares	-	-	210,053	210,053
Foreign currency forward contracts	-	438	-	438
Future contracts	-	245	-	245
	$ 4,274,752	$ 683	$ 210,053	$ 4,485,488
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 44,832,965	$ 44,832,965
Domestic listed shares	12,225,518	-	-	12,225,518
Domestic emerging market shares and unlisted shares	-	-	2,461,254	2,461,254
Foreign listed shares	2,125,793	-	-	2,125,793
Certificate of entitlement	-	-	762,527	762,527
Mutual funds	163,436	-	-	163,436
Private-placement shares of listed companies	-	181,938	-	181,938
	$ 14,514,747	$ 181,938	$ 48,056,746	$ 62,753,431
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 90,282	$ -	$ 90,282
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 1,489	$ -	$ 1,489

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 104,302	$ -	$ 104,302
Interest rate swap contracts	-	9,605	-	9,605
	$ -	$ 113,907	$ -	$ 113,907

(Concluded)

There was no transfer between Level 1 and Level 2 for the nine months ended September 30, 2018 and 2017.

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

For the nine months ended September 30, 2018

	Equity Instruments		
	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	Total
Balance, beginning of period (IAS 39)	$ -	$ -	$ -
Adjustment on initial application of IFRS 9	2,149,775	46,690,678	48,840,453
Balance, beginning of period (IFRS 9)	2,149,775	46,690,678	48,840,453
Recognized in profit or loss	74,667	-	74,667
Recognized in other comprehensive income	-	815,767	815,767
Purchases	217	560,554	560,771
Disposal	(61,448)	(443,850)	(505,298)
Transfer out of level 3	(58,820)	(308,805)	(367,625)
Capital reduction	(38,804)	(129,035)	(167,839)
Effect of foreign currency exchange difference	-	307,695	307,695
Balance, end of period	$ 2,065,587	$ 47,493,004	$ 49,558,591
Unrealized gains and losses recognized in profit or loss	$ 31,403	$ -	$ 31,403

For the nine months ended September 30, 2017

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
Balance, beginning of period	$ 231,953	$ 16,333,989	$ 16,565,942
Recognized in profit or loss	1,784	(114,307)	(112,523)

(Continued)

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
Recognized in other comprehensive income (Unrealized gains and losses on available-for-sale financial assets)	$ -	$ 309,993	$ 309,993
Purchases	-	328,517	328,517
Reclassification	-	32,243,089	32,243,089
Disposal	(23,684)	(29,447)	(53,131)
Transfers out of Level 3	-	(780,801)	(780,801)
Effect of foreign currency exchange difference	-	(210,559)	(210,559)
Capital reduction	-	(23,728)	(23,728)
Balance, end of period	$ 210,053	$ 48,056,746	$ 48,266,799

(Concluded)

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instrument	Valuation Techniques and Inputs
Derivative instruments	A discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-option derivatives, and option pricing models for option derivatives. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for the financial instrument.
Private-placement shares of listed companies	Based on information from the Market Observation Post System, the Taipei Exchange, etc. and calculated by using the Black-Scholes Model.

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

a) For emerging market shares, fair values were estimated on the basis of the closing price and liquidity.

b) For domestic unlisted shares, some foreign unlisted shares and certificate of entitlement, fair values were determined based on industry types or valuations of similar companies and operations.

c) For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected returns by using a discounted cash flow model. Significant unobservable inputs were as follows; if the long-term pre-tax operating income rate increased or discount rate decreased, the fair value of the investments would increase.

	September 30, 2018	December 31, 2017	September 30, 2017
Long-term pre-tax operating income rate (%)	11.09-52.06	11.08-52.06	16.39-51.85
Discount rate (%)	6.52-10.37	6.52-10.37	6.52-8.00

If the below input to the valuation model was changed to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the equity investment would increase (decrease) as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Long-term pre-tax operating income rate			
Increase 1%	$ 205,558	$ 199,149	$ 124,555
Decrease 1%	$ (206,668)	$ (200,299)	$ (118,707)
Discount rate			
Increase 1%	$ (591,907)	$ (579,987)	$ (522,307)
Decrease 1%	$ 729,377	$ 716,859	$ 648,725

c. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Fair value through profit or loss			
Designated as at fair value through profit or loss	$ -	$ 2,702,850	$ 2,591,148
Held for trading	-	2,207,794	1,894,340
Mandatorily at fair value through profit or loss	4,993,424	-	-
Derivative instruments in designated hedge accounting relationships	-	70,368	90,282
Financial assets for hedging	2,495,424	-	-
Held-to-maturity investments	-	129,750	131,385
Loans and receivables 1)	-	47,198,451	49,210,174
Available-for-sale financial assets	-	60,570,144	62,753,431
Financial assets at amortized cost 2)	51,089,732	-	-
Financial assets at fair value through other comprehensive income			
Equity instruments	63,710,314	-	-
Financial liabilities			
Fair value through profit or loss			
Held for trading	2,371	247	1,489
Derivative instruments in designated hedge accounting relationships	-	258,543	113,907
Financial liabilities for hedging	8,577,764	-	-
Measured at amortized cost 3)	283,185,623	296,392,387	311,920,419

1) The balances in December 31, and September 30, 2017 included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, debt investments with no active market, refundable deposits and other financial assets.

2) The balances in September 30, 2018 include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, financial assets at amortized cost-noncurrent, refundable deposits and other financial assets.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings and bank overdraft, short-term bills payable, notes and accounts payable (including related parties), other payables, bonds payable, long-term borrowings, long-term bills payable and deposits received.

d. Financial risk management objectives and policies

The Corporation and its subsidiaries place great emphasis on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation and its subsidiaries were equipped with sufficient and lower cost working capital, which reduced financial uncertainty that may have adverse effects on the operations.

The significant financial activities of the Corporation and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Corporation for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Corporation and its subsidiaries were exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts, foreign deposits or foreign borrowings.

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 38.

The Corporation and its subsidiaries were mainly exposed to the currencies USD and RMB. The following table details the sensitivity to a 1% increase in the functional currencies against the relevant foreign currencies.

	USD Impact			**RMB Impact**		
	For the Nine Months Ended September 30			**For the Nine Months Ended September 30**		
	2018	**2017**		**2018**	**2017**	
Pre-tax profit or loss	$ 23,520	$ (18,478)	i	$ (15,932)	$ (14,419)	i
Equity	44,459	270,471	ii	(2,285)	(3,651)	ii

i. These were mainly attributable to the exposure of outstanding cash, receivables, payables and borrowings, which were not hedged at the balance sheet date.

ii. These were attributable to financial assets for hedging that were designated as hedging instruments in cash flow hedges, other financial assets, and financial liabilities for hedging that were designated as hedging instruments in foreign equity investments and net investments in foreign operations hedges.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period.

Hedge accounting

The Corporation and its subsidiaries' hedging strategies were as follows:

i. The Corporation and its subsidiaries' hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency capital expenditure and sales contracts. Those transactions are designated as cash flow hedges.

ii. The Corporation has designated certain long-term foreign currency borrowing as a hedge to manage its foreign currency risk:

    i) Currency risks on foreign equity investments are accounted for as fair value hedge. Changes in the fair value of hedging instruments are recognized, based on the nature of hedged items, either in other gains or losses or other comprehensive income. The Corporation performs assessment of hedging effectiveness and it expects that the value of long-term foreign currency borrowing and the value of the foreign equity investment will systematically change in opposite direction in response to movements in the underlying exchange rates.

    ii) Foreign currency risk on investments in foreign operations is managed by using long-term foreign currency borrowing as a hedge instrument to hedge the investments in subsidiary CSVC, which have USD as their functional currency.

The following tables summarize the information relating to the hedges of foreign currency risk.

September 30, 2018

Hedging Instruments / Hedged Items	**Line Item in Balance Sheet**	**Carrying Amount**	
		Asset	**Liability**
Cash flow hedge			
Foreign exchange forward contracts / Forecast purchases, construction contracts and forecast sales	Financial assets / liabilities for hedging	$ 222,564	$ 13,176
Hedging foreign-currency deposits / Forecast purchases and construction contracts	Financial assets for hedging	2,268,519	-
Fair value hedge			
Foreign exchange forward contracts / Forecast purchases, raw material fee and construction contracts	Financial assets / liabilities for hedging	4,341	6,152

(Continued)

Hedging Instruments / Hedged Items	Line Item in Balance Sheet	Carrying Amount	
		Asset	Liability
Foreign currency bank borrowings / Financial assets at FVTOCI	Financial liabilities for hedging	$ -	$ 1,026,729
Foreign currency bank borrowings / Financial assets at FVTPL	Financial liabilities for hedging	-	1,767,836
Net investment hedge in foreign operations			
Foreign currency bank borrowings / Investment in foreign operations	Financial liabilities for hedging	-	5,602,803

(Concluded)

	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity		Fair Value Hedge - Hedged Items' Carrying Amount	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments
			Continuing Hedges	Discontinuing Hedges	Asset	Asset
Cash flow hedge						
Foreign exchange forward contracts / Forecast purchases, construction contracts and forecast sales	$ 371,652	$ (371,652)	$ 209,388	$ -	$ -	$ -
Hedging foreign-currency deposits / Forecast purchases and construction contracts	6,555	(6,555)	(27,174)	-	-	-
Fair value hedge						
Foreign exchange forward contracts / Forecast purchases, raw material fee and construction contracts	16,444	(16,444)	-	-	2,165	2,165
Foreign currency bank borrowings / Financial assets at FVTOCI	(19,070)	19,063	49,881	-	2,297,353	(77,391)
Foreign currency bank borrowings / Financial assets at FVTPL	(32,835)	33,335	-	-	1,595,056	(242,137)
Net investment hedge in foreign operations						
Foreign currency bank borrowings / Investment in foreign operations	(125,192)	125,192	(108,456)	3,966,662	-	-

For the three months ended September 30, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffec - tiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge	$ 57,032	$ -	-	$ -	$ -
Net investment hedge in foreign operations	$ (11,931)	$ -	-	$ -	$ -

For the nine months ended September 30, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffec - tiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item: Due to Hedged Item Affecting P/L	Amount Reclassified to P/L and the Adjusted Line Item: Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge	$ 377,052	$ -	-	$ -	$ -
Net investment hedge in foreign operation	$ (147,054)	$ -	-	$ -	$ -

The outstanding foreign exchange forward contracts of the Corporation and its subsidiaries at the balance sheet date were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
September 30, 2018			
Buy	NTD/USD	October 2018-April 2020	NTD9,963,650/USD341,736
Buy	NTD/EUR	October 2018-December 2021	NTD1,722,789/EUR48,979
Buy	NTD/JPY	November 2018-March 2021	NTD158,656/JPY583,621
Buy	INR/USD	October 2018-November 2018	INR67,817/USD944
Sell	USD/NTD	November 2018	USD122/NTD3,718

For the nine months ended September 30, 2017

The hedging policy for foreign currency risk is the same in 2018 and 2017 which used the hedging instruments described below.

The terms of the foreign exchange forward contracts are negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Buy	NTD/USD	January 2018-April 2020	NTD8,078,352/USD272,936
Buy	NTD/EUR	January 2018-December 2021	NTD2,416,438/EUR69,571
Buy	NTD/JPY	January 2018-December 2019	NTD134,732/JPY482,808
Buy	NTD/CNY	January 2018-March 2018	NTD16,686/CNY3,750
Sell	USD/NTD	January 2018	USD78/NTD2,356
September 30, 2017			
Buy	NTD/USD	October 2017-April 2020	NTD8,176,861/USD276,012
Buy	NTD/JPY	October 2017-December 2019	NTD232,541/JPY842,105
Buy	NTD/EUR	October 2017-June 2021	NTD2,332,240/EUR67,301
Buy	NTD/CNY	October 2017-March 2018	NTD22,474/CNY5,000
Sell	USD/NTD	October 2017-December 2017	USD619/NTD18,738

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	For the Nine Months Ended September 30, 2017
Other gains and losses	$ 14,986

b) Interest rate risk

The Corporation and its subsidiaries were exposed to interest rate risk because the Corporation and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value interest rate risk			
Financial liabilities	$ 140,830,130	$ 119,687,069	$ 144,318,641
Cash flow interest rate risk			
Financial liabilities	108,181,224	138,536,148	131,442,914

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the nine months ended September 30, 2018 and 2017 would have been lower/higher by NT$811,359 thousand and NT$985,822 thousand, respectively.

Hedge accounting

The subsidiary entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow exposure related to its bank loans.

The following tables summarize the information relating to the hedges of interest rate risk.

September 30, 2018

Hedging Instruments / Hedged Items	Line Item in Balance Sheet	Carrying Amount	
		Asset	Liability
Interest rate swap contracts / Syndicated bank loans	Financial liabilities for hedging	$ -	$ -

Hedging Instruments/ Hedged Items	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity Continuing Hedges	Fair Value Hedge - Hedged Items' Carrying Amount Asset	Fair Value Hedge - Accumulated Amount of Fair Value Hedge Adjustments Asset
Interest rate swap contracts / Syndicated bank loans	$ 5,785	$ (5,785)	$ -	$ -	$ -

For the three months ended September 30, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffec - tiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item Due to Hedged Item Affecting P/L	Amount Reclassified to P/L and the Adjusted Line Item Due to Hedged Future Cash Flows No Longer Expected to Occur
Interest rate swap contracts	$ 943	$ -	-	$ 707	$ -

For the nine months ended September 30, 2018

Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffec - tiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item Due to Hedged Item Affecting P/L	Amount Reclassified to P/L and the Adjusted Line Item Due to Hedged Future Cash Flows No Longer Expected to Occur
Interest rate swap contracts	$ 5,785	$ -	-	$ 5,652	$ -

For the nine months ended September 30, 2017

The hedging policy for interest rate risk is the same in 2018 and 2017 which used the hedging instruments described below.

The subsidiary entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow exposure related to its outstanding variable rate debt. The outstanding interest rate swap contracts at the end of the reporting period were as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
December 31, 2017			
NT$ 3,584,000	January 2018-July 2018	1.077-1.140	90 days fixing TAIBOR rate provided by Thomson Reuters
September 30, 2017			
NT$ 3,584,000	January 2018-July 2018	1.077-1.140	90 days fixing TAIBOR rate provided by Thomson Reuters

c) Other price risk

The Corporation and its subsidiaries were exposed to equity price risk through their investments in mutual funds and listed shares.

If equity prices had been 1% higher/lower, the pre-tax profit for the nine months ended September 30, 2018 and 2017 would have been higher/lower by NT$28,769 thousand and NT$40,127 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the other comprehensive income for the nine months ended September 30, 2018 and 2017 would have been higher/lower by NT$160,936 thousand, as a result of the changes in fair value of financial assets at fair value through other comprehensive income, and the other comprehensive income for the nine months ended September 30, 2017 would have been higher/lower by NT$145,147 thousand as the result of the changes in fair value of available-for-sale financial assets through other comprehensive income.

Hedge accounting

For the nine months ended September 30, 2018

A subsidiary minimizes its fair value exposures to price fluctuations of precious metals by entering into precious metals borrowing contracts. The fair value of the precious metals borrowing transactions at the end of the reporting period is determined by the price of the precious metals.

The terms of the precious metals borrowing contracts matched the terms of financial liabilities. The subsidiary performs a qualitative assessment of effectiveness and it expects that the value of the precious metals borrowing contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the subsidiary's own credit risk on the fair value of the precious metals borrowing contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness are expected to emerge from these hedging relationships.

The following tables summarize the information relating to the hedges of interest rate risk.

September 30, 2018

Hedging Instruments	Contract Amount	Maturity	Line Item in Balance Sheet	Carrying Amount Liability	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness
Fair value hedge					
Precious metals borrowing contracts	$ 173,181	-	Financial liabilities for hedging	$ 161,068	$ 12,113

Hedged Items	Carrying Amount Asset	Accumulated Amount of Fair Value Hedge Adjustments Asset	Change in Fair Value of Hedged Items Used for Calculating Hedge Ineffectiveness
Fair value hedge			
Inventory	$ 161,068	$ (12,113)	$ (12,113)

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations 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 the financial assets on the consolidated balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation and its subsidiaries.

The Corporation and its subsidiaries do not expect significant credit risk because the counterparties are creditworthy financial institutions and companies.

Counterparties of accounts receivable consisted of a large number of different customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the customers' financial condition.

The Corporation and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Corporation and its subsidiaries define counterparties as having similar characteristics if they are related entities.

As of September 30, 2018, December 31, 2017 and September 30, 2017, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement compliance was NT$29,078,379 thousand, NT$23,518,898 thousand and NT$23,687,628 thousand, respectively.

3) Liquidity risk

The management of the Corporation and its subsidiaries continuously monitors the movement of cash flows, net cash position, significant capital expenditures and the utilization of bank loan commitments to control proportion of the long-term and short-term bank loans or issue bonds payable, and ensures compliance with loan covenants.

The following table details the undiscounted cash flows of the Corporation and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities from the earliest date on which they can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time span 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.

The table below summarized the maturity profile of the Corporation and its subsidiaries' financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	**1-5 Years**	**Over 5 Years**	**Total**
September 30, 2018				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 40,556,707	$ 668,485	$ -	$ 41,225,192
Variable interest rate liabilities	57,148,649	48,428,583	4,676,120	110,253,352
Fixed interest rate liabilities	53,605,255	63,186,516	31,446,619	148,238,390
Refund liabilities	3,231,983	-	-	3,231,983
Financial guarantee liabilities	213,842	28,371,812	492,725	29,078,379
	$ 154,756,436	$ 140,655,396	$ 36,615,464	$ 332,027,296
December 31, 2017				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 36,072,502	$ 496,183	$ -	$ 36,568,685
Variable interest rate liabilities	56,551,013	83,807,062	1,649,263	142,007,338

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Fixed interest rate liabilities	$ 34,546,614	$ 66,824,023	$ 25,881,204	$ 127,251,841
Financial guarantee liabilities	206,659	8,771,760	14,540,479	23,518,898
	$ 127,376,788	$ 159,899,028	$ 42,070,946	$ 329,346,762
September 30, 2017				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 34,003,838	$ 757,039	$ -	$ 34,760,877
Variable interest rate liabilities	64,356,621	68,774,922	1,774,805	134,906,348
Fixed interest rate liabilities	53,884,172	72,166,256	26,001,000	152,051,428
Financial guarantee liabilities	16,416	14,489,642	9,181,570	23,687,628
	$ 152,261,047	$ 156,187,859	$ 36,957,375	$ 345,406,281

(Concluded)

The amounts included above for financial guarantee liabilities were the maximum amounts the Corporation and its subsidiaries could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the balance sheet date, the Corporation and its subsidiaries considered that it is more likely than not that none of the amount will be payable under the arrangement.

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not in this note. Details of transactions between the Corporation and its subsidiaries and other related parties were disclosed below:

a. The name of the company and its relationship with the Corporation and its subsidiaries

Company	Relationship
TaiAn Technologies Corporation	Associates
FUKUTA ELECTRIC & MACHINERY CO., LTD.	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
Nikken & CSSC Metal Products Co., Ltd.	Associates
Eminent II Venture Capital Corporation	Associates
iPASS Corporation	Associates
Honley Auto. Parts Co., Ltd.	Associates
Majestic Solid Light Corporation	Associates
Ascentek Venture Capital Corp.	Associates
TAIWAN ROLLING STOCK COMPANY LTD.	Associates
CHUNGKANG STEEL STRUCTURE (CAMBODIA) CO., LTD.	Associates
Wuhan Huade Ecotek Corporation	Associates
HC&C Auto Parts Co., Ltd.	Associates

(Continued)

Company	Relationship
PT. MICS Steel Indonesia	Associates
SINO Vietnam Hi-tech Material Co., Ltd.	Associates
Tatt Giap Steel Centre Sdn. Bhd.	Associates
TSK Steel Company Limited	Associates
Wuhan WISCO YUTEK Environment Technology CO., Ltd.	Associates (Disposed of in June 2018)
Dyna Rechi Co., Ltd	Associates
Dyna Rechi (Jiujiang) Co., Ltd	Associates
Changchun CECK Auto. Parts Co., Ltd.	Associates
Eminent III Venture Capital Corporation	Associates
Kaohsiung Arena Development Corp.	Associates
Mahindra Auto Steel Private Limited	Associates
Chateau International Development Co., Ltd.	Associates
Overseas Investment & Development Corp.	Associates (Reclassified as the Corporation as key management personnel of other related parties before September 2017)
Formosa Ha Tinh Steel Corporation	Other related parties (Associates before July 2017)
Formosa Ha Tinh (Cayman) Limited	Other related parties (Associates before July 2017)
CDIB Bioscience Ventures I, Inc.	The Corporation as key management personnel of other related parties
CSBC Corporation, Taiwan	The Corporation as key management personnel of other related parties
Taiwan High Speed Rail Corporation	The Corporation as key management personnel of other related parties
Rechi Precision Co., Ltd.	The Corporation as key management personnel of other related parties
East Asia United Steel Corporation	The Corporation as key management personnel of other related parties
Sakura Ferroalloys Sdn. Bhd.	The Corporation as key management personnel of other related parties
TANG ENG IRON WORKS CO., LTD.	The Corporation as key management personnel of other related parties
Ministry of Economic Affairs, R.O.C.	Director of the Corporation
The CSC Labor Union	Director of the Corporation

(Concluded)

b. Operating revenues

Account Items	Related Parties Types	For the Three Months Ended September 30 2018	2017	For the Nine Months Ended September 30 2018	2017
Revenue from sale of goods	The Corporation as key management personnel of other related parties	$ 616,853	$ 154,885	$ 1,454,133	$ 701,372

(Continued)

Account Items	Related Parties Types	For the Three Months Ended September 30 2018	2017	For the Nine Months Ended September 30 2018	2017
	Associates	$ 299,259	$ 284,728	$ 936,630	$ 1,335,138
	Others	375,054	137,608	1,162,992	1,251,493
		$ 1,291,166	$ 577,221	$ 3,553,755	$ 3,288,003
Construction contract revenue	Other related parties	$ 540,501	$ 170,365	$ 1,123,058	$ 170,365
	Associates	2,396	931	10,730	406,277
	Others	-	-	98	-
		$ 542,897	$ 171,296	$ 1,133,886	$ 576,642

(Concluded)

Sales to related parties were made at arm's length. The construction contracts undertaken by the Corporation and its subsidiaries with related parties were different from those with unrelated parties; therefore, the prices were not comparable while collection terms have no material differences.

c. Purchase of goods

Related Parties Types	For the Three Months Ended September 30 2018	2017	For the Nine Months Ended September 30 2018	2017
Other related parties	$ 3,871,135	$ 445,327	$ 8,367,247	$ 1,453,131
Associates	66,043	74,845	206,372	1,654,183
The Corporation as key management personnel of other related parties	108,308	-	108,308	-
	$ 4,045,486	$ 520,172	$ 8,681,927	$ 3,107,314

Purchases from related parties were made at arm's length.

d. Receivables from related parties

Account Items	Related Parties Types/Name	September 30, 2018	December 31, 2017	September 30, 2017
Notes and accounts receivable	The Corporation as key management personnel of other related parties	$ 359,275	$ 223,217	$ 175,370
	Other related parties	279,167	219,246	192,340
	Associates	65,126	48,668	55,179
	Others	163,703	173,533	186,727
		$ 867,271	$ 664,664	$ 609,616
Other receivables	Other related parties			
	Formosa Ha Tinh (Cayman) Limited	$ 213,675	$ 208,320	$ 211,820
	Others	227	7,970	3,434
	Associates	23,144	29,357	-
	Others	-	27	16,169
		$ 237,046	$ 245,674	$ 231,423

The subsidiary China Ecotek Corporation recognized (reversed) the allowance for doubtful accounts amounted to reversal of NT$6 thousand, reversal of NT$1,769 thousand, recognition of NT$606 thousand and reversal of NT$2,976 thousand for the three months and nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018, December 31, 2017 and September 30, 2017, the allowance for doubtful accounts amounted to NT$732 thousand, NT$151 thousand, and NT$0 thousand, respectively.

e. Payables to related parties

Account Items	Related Parties Types	September 30, 2018	December 31, 2017	September 30, 2017
Accounts payable	Associates	$ 32,869	$ 37,377	$ 42,068
	The Corporation as key management personnel of other related parties	27,360	-	-
	Others related parties	5,624	-	679
		$ 65,853	$ 37,377	$ 42,747
Other payables	Other related parties	$ 566,658	$ 551,072	$ 560,452
	The Corporation as key management personnel of other related parties	-	121,442	123,087
	Associates	-	12,662	5,025
	Others	12,799	11,261	8,118
		$ 579,457	$ 696,437	$ 696,682

The outstanding payables to related parties were unsecured.

f. Others

Recognized as operating revenues and non-operating income by their nature.

Account Items	Related Parties Types	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2018	2017	2018	2017
Service and other revenues	Other related parties	$ 98,460	$ 58,230	$ 239,744	$ 58,230
	The Corporation as key management personnel of other related parties	159,425	340	164,742	7,017
	Associates	24,841	8,538	45,314	303,597
	Others	41	40	128	123
		$ 282,767	$ 67,148	$ 449,928	$ 368,967

g. Endorsements and guarantees provided by the Corporation and its subsidiaries

Related Parties Types/Name	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties - Formosa Ha Tinh (Cayman) Limited			
Amount endorsed	$ 28,284,816	$ 30,332,880	$ 30,842,505
Amount utilized	(28,284,816)	(22,833,360)	(23,012,730)
	$ -	$ 7,499,520	$ 7,829,775

(Continued)

Related Parties Types/Name	September 30, 2018	December 31, 2017	September 30, 2017
The Corporation as key management personnel of other related parties			
Amount endorsed	$ 936,073	$ 927,582	$ 913,529
Amount utilized	(782,211)	(670,777)	(658,482)
	$ 153,862	$ 256,805	$ 255,047
Associates			
Amount endorsed	$ 58,669	$ 18,451	$ 18,761
Amount utilized	(11,352)	(14,761)	(16,416)
	$ 47,317	$ 3,690	$ 2,345

(Concluded)

Endorsements and guarantees above are provided to investee by the percentage of shareholdings under joint venture agreements.

h. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 34,291	$ 23,959	$ 92,210	$ 70,930
Post-employment benefits	135	190	406	569
	$ 34,426	$ 24,149	$ 92,616	$ 71,499

36. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The Corporation and its subsidiaries' assets mortgaged or pledged as collateral for long-term borrowings, short-term borrowings and bank overdraft, performance guarantees, bankers' acceptance bills, etc. were as follows (listed based on their carrying amounts):

	September 30, 2018	December 31, 2017	September 30, 2017
Net property, plant and equipment	$ 114,104,286	$ 116,024,557	$ 117,703,674
Time deposits (Note 18)	6,610,125	6,844,856	6,781,790
Shares (a.)	6,015,450	5,838,525	5,767,755
Net investment properties	2,098,845	1,464,627	1,484,629
Pledged receivables (Note 18) (b.)	2,000,000	2,000,000	2,000,000
	$ 130,828,706	$ 132,172,565	$ 133,737,848

a. Shares of the Corporation were pledged by WIC and TIC, both subsidiaries, and were recorded as treasury shares in the consolidated financial statements.

b. In accordance with revised agreements of build-operate-transfer contract in 2013, the subsidiary KRTC reclassified NT$2,000,000 thousand including arbitration receivable - Kaohsiung City Government and part of the consideration of transferred assets to operating performance guarantees.

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 21, significant commitments and contingencies of the Corporation and its subsidiaries as of September 30, 2018 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$8.1 billion guaranteed by financial institutions for several constructions, lease contracts and payment. Guarantee notes for NT$69.9 billion were provided to banks and owners for loans, purchase agreements and warranties.

b. Unused letters of credit for importation of materials and machinery amounted to NT$8 billion.

c. Property purchase and construction contracts for NT$5.3 billion were signed but not yet recorded.

d. Construction contracts for NT$30.9 billion were not yet being completed.

e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, China, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 5 years. Contracted annual purchases of 12,100,000 metric tons of coal, 24,000,000 metric tons of iron ore, and 3,360,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of September 30, 2018 were USD 5.7 billion (including 12,060,000 metric tons of coal, 48,930,000 metric tons of iron ore, and 1,850,000 metric tons of limestone).

f. Starting from August 2014, the associate Changchun CECK Auto. Parts Co., Ltd. (CCCA) entered into credit facility agreements with CTBC and several banks for USD11,000 thousand (or the equal amount in EUR, the credit line remained unchanged) and USD12,000 thousand credit lines. Under the agreements, the Corporation and its associates should collectively hold at least 38% and 30% of CCCA's issued shares and one seat in the board of directors. As of September 30, 2018, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.

g. In November 2014, the associate Honley Auto. Parts Co., Ltd. (HAPC) entered into a construction financing agreement for a NT$295,000 thousand factory building loan commitment which had been transferred to long-term credit line since March 2016, NT$150,000 thousand credit line and NT$100,000 thousand financing commercial paper with Shanghai Commercial and Savings Bank and several financial institutions. Under the agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of September 30, 2018, the Corporation held 38% equity of HAPC and two seats in the board of directors.

38. SIGNIFICANT 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 rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
September 30, 2018				
Monetary foreign currency assets				
USD	$ 307,824	30.5250	(USD:NTD)	$ 9,396,329
USD	19,281	6.8812	(USD:RMB)	588,551
USD	19,093	1.3853	(USD:AUD)	582,810
USD	3,402	4.2999	(USD:MYR)	103,842
USD	6,048	25,437.5000	(USD:VND)	184,613
JPY	7,348,793	0.2692	(JPY:NTD)	1,978,295
RMB	417,315	4.4360	(RMB:NTD)	1,851,208
VND	1,077,383,357	0.00004	(VND:USD)	1,271,312
EUR	17,716	35.4800	(EUR:NTD)	628,563
EUR	3,014	1.1623	(EUR:USD)	106,936
Non-monetary foreign currency assets				
Financial assets at fair value through other comprehensive income				
USD	1,164,438	30.5250	(USD:NTD)	35,544,468
JPY	8,534,000	0.2692	(JPY:NTD)	2,297,353
MYR	261,609	7.0990	(MYR:NTD)	1,857,223
Associates accounted for using equity method				
USD	377,279	30.5250	(USD:NTD)	11,417,994
AUD	730,153	22.0350	(AUD:NTD)	16,088,917
INR	3,501,858	0.4208	(INR:NTD)	1,473,582
Monetary foreign currency liabilities				
USD	375,228	30.5250	(USD:NTD)	11,453,823
USD	147,835	72.5404	(USD:INR)	4,512,669
USD	23,699	25,437.5000	(USD:VND)	723,407
USD	23,296	6.8812	(USD:RMB)	711,107
USD	11,832	4.2999	(USD:MYR)	361,169
JPY	10,953,649	0.2692	(JPY:NTD)	2,948,722
December 31, 2017				
Monetary foreign currency assets				
USD	262,256	29.7600	(USD:NTD)	7,804,749
USD	19,305	6.5192	(USD:RMB)	574,530
USD	10,565	1.2836	(USD:AUD)	314,416
USD	8,429	4.2081	(USD:MYR)	250,859
JPY	8,067,470	0.2642	(JPY:NTD)	2,131,426
RMB	418,269	4.5650	(RMB:NTD)	1,909,400
VND	836,695,307	0.00004	(VND:USD)	995,667
EUR	15,628	35.5700	(EUR:NTD)	555,886

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Non-monetary foreign currency assets				
Available-for-sale financial assets				
USD	$ 1,190,666	29.7600	(USD:NTD)	$ 35,434,212
JPY	7,996,000	0.2642	(JPY:NTD)	2,112,543
MYR	280,223	7.0720	(MYR:NTD)	1,981,737
RMB	30,899	4.5650	(RMB:NTD)	141,054
Associates accounted for using equity method				
USD	388,306	29.7600	(USD:NTD)	11,551,874
AUD	679,476	23.1850	(AUD:NTD)	15,753,650
INR	4,793,299	0.4649	(INR:NTD)	2,228,405
Monetary foreign currency liabilities				
USD	1,084,227	29.7600	(USD:NTD)	32,266,606
USD	110,000	64.0138	(USD:INR)	3,273,600
USD	17,589	6.5192	(USD:RMB)	523,441
USD	24,398	24,800.0000	(USD:VND)	726,085
JPY	11,421,430	0.2642	(JPY:NTD)	3,017,542
September 30, 2017				
Monetary foreign currency assets				
USD	362,149	30.2600	(USD：NTD)	10,958,624
USD	18,865	6.6491	(USD：RMB)	570,841
USD	17,975	1.2765	(USD：AUD)	543,924
USD	6,418	4.3906	(USD：MYR)	194,222
JPY	7,953,826	0.2691	(JPY：NTD)	2,140,375
RMB	393,634	4.551	(RMB：NTD)	1,791,430
VND	806,988,285	0.00004	(VND：USD)	976,456
EUR	22,394	35.7500	(EUR：NTD)	800,595
EUR	3,171	1.1814	(EUR：USD)	113,366
Non-monetary foreign currency assets				
Available-for-sale financial assets				
USD	1,186,086	30.2600	(USD：NTD)	35,890,976
JPY	7,782,000	0.2691	(JPY：NTD)	2,094,136
MYR	252,120	6.8920	(MYR：NTD)	1,737,613
KRW	21,465,061	0.0266	(KRW：NTD)	570,971
RMB	69,675	4.551	(RMB：NTD)	317,092
Non-current assets held for sale				
RMB	47,432	4.4860	(RMB：NTD)	212,780
Associates accounted for using equity method				
USD	1,437,143	30.2600	(USD：NTD)	43,473,914
AUD	690,978	23.7050	(AUD：NTD)	16,379,633
INR	4,634,421	0.4644	(INR：NTD)	2,152,225

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency liabilities				
USD	$ 1,087,337	30.2600	(USD：NTD)	$ 32,902,813
USD	110,000	65.1593	(USD：INR)	3,328,600
USD	22,724	25,216.6667	(USD：VND)	687,617
USD	18,745	6.6491	(USD：RMB)	567,223
USD	4,529	4.3906	(USD：MYR)	137,039
JPY	10,985,800	0.2691	(JPY：NTD)	2,956,279

(Concluded)

For the three months and nine months ended September 30, 2018 and 2017, realized and unrealized net foreign exchange gains and losses were loss of NT$186,674 thousand, gain of NT$107,868 thousand, loss of NT$28,693 thousand and gain of NT$433,083 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

39. 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. As a result, those whose nature of the products and production processes are similar have been considered single operation segments. Reported segments of the Corporation and its subsidiaries were as follows:

- Steel department - manufacture and sell steel products, including the Corporation, DSC, CHSC, CSCSSB, CSVC, CSCI, HLSC and TSC.

a. Segment revenues and operating results

The following is an analysis of the Corporation and its subsidiaries' revenues and results of operations by reportable segment.

	Steel Department	Others	Adjustment and Elimination	Total
For the nine months ended September 30, 2018				
Revenues from external customers	$ 238,118,685	$ 58,327,004	$ -	$ 296,445,689
Inter-segment revenues	72,327,939	39,898,164	(112,226,103)	-
Segment revenues	$ 310,446,624	$ 98,225,168	$ (112,226,103)	$ 296,445,689
Segment profit	$ 19,241,213	$ 5,802,091	$ (11,415)	$ 25,031,889
Interest income	178,008	142,828	(56,516)	264,320
Financial costs	(2,146,735)	(449,314)	38,677	(2,557,372)
Share of the profit (loss) of associates	8,040,439	1,222,670	(8,920,503)	342,606
Other non-operating income and expenses	720,143	381,076	(588,287)	512,932
Profit before income tax	26,033,068	7,099,351	(9,538,044)	23,594,375
Income tax	1,447,088	866,737	47,240	2,361,065
Net profit for the period	$ 24,585,980	$ 6,232,614	$ (9,585,284)	$ 21,233,310

(Continued)

	Steel Department	Others	Adjustment and Elimination	Total
For the nine months ended September 30, 2017				
Revenues from external customers	$ 207,844,578	$ 48,922,186	$ -	$ 256,766,764
Inter-segment revenues	60,863,488	35,375,728	(96,239,216)	-
Segment revenues	$ 268,708,066	$ 84,297,914	$ (96,239,216)	$ 256,766,764
Segment profit	$ 11,242,718	$ 5,511,312	$ (275,612)	$ 16,478,418
Interest income	127,664	133,781	(55,607)	205,838
Financial costs	(2,369,580)	(468,752)	34,280	(2,804,052)
Share of the profit (loss) of associates	4,895,694	1,150,136	(6,322,653)	(276,823)
Other non-operating income and expenses	1,469,119	324,700	(551,259)	1,242,560
Profit before income tax	15,365,615	6,651,177	(7,170,851)	14,845,941
Income tax	1,212,009	694,008	5,255	1,911,272
Net profit for the period	$ 14,153,606	$ 5,957,169	$ (7,176,106)	$ 12,934,669

(Concluded)

Inter-segment revenues were accounted for according to market price or cost-plus pricing.

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	September 30, 2018	December 31, 2017	September 30, 2017
Segment assets			
Steel department	$ 727,302,789	$ 722,336,406	$ 730,877,073
Others	213,831,665	237,018,165	233,782,406
Adjustment and elimination	(266,024,714)	(291,638,692)	(291,643,624)
Consolidated total assets	$ 675,109,740	$ 667,715,879	$ 673,015,855
Segment liabilities			
Steel department	$ 278,191,138	$ 281,461,836	$ 296,036,024
Others	84,027,551	76,873,211	75,043,237
Adjustment and elimination	(28,001,726)	(22,571,155)	(25,160,161)
Consolidated total liabilities	$ 334,216,963	$ 335,763,892	$ 345,919,100