

Stock Code:2601

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**FIRST STEAMSHIP COMPANY LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2020 and 2019**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors
First Steamship Company Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of the First Steamship Company Ltd. and its subsidiaries of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” . A review of the 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 conducted in accordance with the generally accepted auditing standards 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.

Basis for Qualified Conclusion

As stated in note 6(g), the equity accounted investments of the First Steamship Company Ltd. and its subsidiaries in its investee companies of \$ 474,324 thousand and \$ 6,659 thousand as of September 30, 2020 and 2019. And its equity in net earnings on these investee companies of \$ 3,557 thousand, \$ 48 thousand, \$ 9,038 thousand, and \$ 17,885 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors and audited by another auditor (please refer to other matter), based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the First Steamship Company Ltd. and its subsidiaries as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not audit the financial statements of Mariner Finance Ltd., a subsidiary of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mariner Finance Ltd., is based solely on the report of other auditor. The financial statements of Mariner Finance Ltd. had total assets of \$ 1,730,344 thousand; reflect the total assets constituting 5% of the consolidated total assets at September 30, 2020. The net operating income was \$ 56,386 thousand and \$ 174,474 thousand; reflect the total operating revenues constituting 3% and 4% of the consolidated total operating revenues for the three months and nine months ended September 30, 2020

The engagement partners on the reviews resulting in this independent auditors’ review report are Shu-Ying Chang and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)
November 12, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2020 and 2019

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31, 2019, and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>						<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
Assets		Amount	%	Amount	%	Amount	%			Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:										Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 3,607,820	11	5,149,276	14	4,160,915	11	2100	Short-term borrowings (Notes 6(d) and (n))	\$ 4,175,500	12	3,544,958	9	3,155,482	8		
1110	Current financial assets at fair value through profit or loss (Note 6(b))	167,748	-	162,866	-	498,787	1	2110	Short-term notes and bills payable	49,933	-	49,954	-	49,982	-		
1170	Accounts receivable, net (Notes 6(d), (w), 7and 8)	854,083	3	941,101	2	905,642	2	2120	Current financial liabilities at fair value through profit or loss (Note 6(b) and (p))	-	-	2,622	-	2,468	-		
1200	Other receivables, net (Notes 6(e) and 7)	183,749	1	228,612	1	168,456	-	2130	Current contract liabilities (Notes 6(w) and 9)	1,101	-	150	-	3,204	-		
1300	Inventories, net	437,560	1	335,800	1	349,601	1	2151	Note payable	170	-	-	-	-	-		
1320	Inventories (for construction business), net (Note 8 and 9)	529,051	2	645,975	2	640,258	2	2170	Accounts payable (Note 6(q))	1,740,398	5	3,053,857	8	1,875,184	6		
1461	Non-current assets classified as held for sale (Notes 6(f))	178,724	1	283,041	1	252,228	1	2200	Other payables (Notes 6 (i), (q), (x)and 7)	1,185,943	3	1,082,030	3	911,693	2		
1476	Other current financial assets (Notes 6(m) and 8)	104,423	-	546,052	1	803,472	2	2230	Current tax liabilities	46,840	-	133,670	-	52,310	-		
1479	Other current assets, others (Notes 7 and 9)	292,937	1	365,058	1	366,725	1	2280	Current lease liabilities (Notes 6(r) and 7)	814,636	2	955,219	2	907,317	2		
		<u>6,356,095</u>	<u>20</u>	<u>8,657,781</u>	<u>23</u>	<u>8,146,084</u>	<u>21</u>	2321	Current portion of bonds payable (Note 6(p))	1,407,265	4	999,223	3	999,223	3		
								2322	Current portion of long-term borrowings (Note 6(o))	1,602,145	5	1,074,361	3	1,972,169	6		
								2399	Other current liabilities (Note 6(m))	108,075	-	99,728	-	113,428	-		
										<u>11,132,006</u>	<u>31</u>	<u>10,995,772</u>	<u>28</u>	<u>10,042,460</u>	<u>27</u>		
Non-current assets:										Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b) and 7)	117,000	-	-	-	-	-	2530	Bonds payable (Note 6(p))	-	-	1,336,572	3	1,313,806	4		
1535	Non-current financial assets at amortized cost, net (Note 6(c))	59,900	-	29,900	-	-	-	2540	Long-term borrowings (Note 6(o))	3,050,984	9	3,675,728	10	3,274,461	9		
1550	Investments accounted for using equity method, net (Notes 6(g))	866,228	3	909,626	2	246,593	1	2570	Deferred tax liabilities	49,712	-	49,030	-	78,827	-		
1600	Property, plant and equipment (Notes 6(i), 7 and 8)	12,806,265	38	13,578,283	36	13,046,782	35	2580	Non-current lease liabilities (Notes 6(r) and 7)	7,417,420	23	8,232,934	22	8,492,498	23		
1755	Right-of-use assets (Notes 6(j) and 8)	8,734,483	25	9,614,639	25	9,934,914	27	2612	Long-term accounts payable (Note 6(q))	-	-	-	-	28,281	-		
1760	Investment property, net (Notes 6(k) and 8)	143,279	-	144,009	-	144,252	-	2640	Net defined benefit liability, non-current	409	-	422	-	1,637	-		
1780	Intangible assets (Note 6(l))	2,095,211	6	2,136,205	6	2,191,803	6	2645	Guarantee deposits	552,504	2	720,549	2	814,627	2		
1840	Deferred tax assets	891,916	3	877,785	2	842,180	2			<u>11,071,029</u>	<u>34</u>	<u>14,015,235</u>	<u>37</u>	<u>14,004,137</u>	<u>38</u>		
1915	Prepayments for business facilities (Notes 9)	468,510	1	386,227	1	1,005,445	3		Total liabilities	<u>22,203,035</u>	<u>66</u>	<u>25,011,007</u>	<u>65</u>	<u>24,046,597</u>	<u>65</u>		
1935	Long-term lease payments receivable (Note 6(d) , 7 and 8)	446,289	1	790,610	2	581,498	2	3100	Equity attributable to owners of parent (Notes 6(f), (p) and (u)):								
1980	Other non-current financial assets (Notes 6 (m), 7 and 8)	851,279	2	884,894	2	933,364	2	3200	Capital stock	6,867,627	20	6,308,832	16	6,308,832	17		
1990	Other non-current assets(Notes 6(u) and 7)	229,905	1	259,806	1	277,441	1	3300	Capital surplus	1,917,252	6	1,947,686	5	1,950,918	5		
		<u>27,710,265</u>	<u>80</u>	<u>29,611,984</u>	<u>77</u>	<u>29,204,272</u>	<u>79</u>	3400	Retained earnings	473,223	1	1,450,781	4	1,261,625	3		
Total assets		\$ 34,066,360	100	38,269,765	100	37,350,356	100	3500	Other equity interest	(781,261)	(2)	(565,892)	(1)	(274,594)	(1)		
								36XX	Treasury stock	(94,491)	-	-	-	-	-		
									Total equity attributable to owners of parent:	8,382,350	25	9,141,407	24	9,246,781	24		
									Non-controlling interests (Notes 6(h)and (u))	3,480,975	10	4,117,351	11	4,056,978	11		
									Total equity	11,863,325	35	13,258,758	35	13,303,759	35		
									Total liabilities and equity	\$ 34,066,360	100	38,269,765	100	37,350,356	100		

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the three months ended September 30				For the nine months ended September 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues (Notes 6(w) and 7)	\$ 1,881,348	100	1,746,163	100	4,503,235	100	5,830,439	100
5000	Operating costs (Notes 6(s) and (y))	963,668	51	579,171	33	2,079,627	46	1,916,636	33
	Gross profit from operations	917,680	49	1,166,992	67	2,423,608	54	3,913,803	67
6000	Operating expenses (Notes 6(r) , (x) and 7)	806,882	43	924,812	53	2,199,114	49	2,924,817	50
6450	Impairment loss determined in accordance with IFRS 9 (Note 6(d) and (e))	25,099	1	15,121	1	71,683	2	51,906	1
	Net operating income	85,699	5	227,059	13	152,811	3	937,080	16
	Non-operating income and expenses:								
7100	Interest income(Notes 6(y))	9,405	-	11,652	-	25,815	1	70,187	-
7010	Other income(Notes 6(y))	107	-	214	-	2,948	-	3,304	-
7020	Other gains and losses, net (Notes 6(f), (l),(p)and (y))	102,516	5	(90,909)	(6)	24,547	1	1,286,513	22
7050	Finance costs(Notes 6 (p), (r) and (y) and 7)	(185,302)	(10)	(216,122)	(12)	(584,680)	(13)	(726,714)	(12)
7060	Share of profit (loss) of associates accounted for using equity method, net(Notes 6(g))	(7,719)	-	(1,896)	-	(12,746)	-	5,518	-
		(80,993)	(5)	(297,061)	(18)	(544,116)	(11)	638,808	10
7900	Profit (loss) from continuing operations before tax	4,706	-	(70,002)	(5)	(391,305)	(8)	1,575,888	26
7950	Less: Tax expense (Note 6(t))	46,986	2	51,985	3	78,203	2	246,305	4
	Profit (loss)	(42,280)	(2)	(121,987)	(8)	(469,508)	(10)	1,329,583	22
8300	Other comprehensive income:								
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	130,723	7	(322,331)	(18)	(216,429)	(5)	(166,141)	(2)
8365	Equity related to non-current assets or disposal groups classified as held for sale	(4,007)	-	(533)	-	(6,888)	-	2,523	-
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(12,177)	(1)	(312)	-	(19,162)	-	15,216	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	114,539	6	(323,176)	(18)	(242,479)	(5)	(148,402)	(2)
8300	Other comprehensive income, net	114,539	6	(323,176)	(18)	(242,479)	(5)	(148,402)	(2)
	Comprehensive income (loss)	\$ 72,259	4	(445,163)	(26)	(711,987)	(15)	1,181,181	20
	Profit (loss), attributable to:								
	Owners of parent	\$ (21,433)	(1)	(120,235)	(8)	(356,675)	(7)	1,204,321	20
	Non-controlling interests	(20,847)	(1)	(1,752)	-	(112,833)	(3)	125,262	2
		\$ (42,280)	(2)	(121,878)	(8)	(469,508)	(10)	1,329,583	22
	Comprehensive income (loss) attributable to:								
	Owners of parent	\$ 4,109	-	(307,584)	(18)	(572,044)	(13)	1,160,579	20
	Non-controlling interests	68,150	4	(137,579)	(8)	(139,943)	(2)	20,602	-
		\$ 72,259	4	(445,163)	(26)	(711,987)	(15)	1,181,181	20
	Earnings per share (Note 6(v))								
	Basic earnings per share (NT dollars)	\$ (0.03)		(0.17)		(0.53)		1.75	
	Diluted earnings per share(NT dollars)	\$ (0.03)		(0.17)		(0.53)		1.57	

See accompanying notes to consolidated financial statements.

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FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Share capital		Retained earnings					Total other equity interest		Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Stock dividends to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Equity related to non-current assets classified as held for sale				
Balance at January 1, 2019	\$ 6,308,832		1,953,436	163,964	336,136	(373,644)	126,456	(266,508)	35,656	-	8,157,872	3,938,602	12,096,474
Profit for the nine months ended September 30, 2019	-	-	-	-	-	1,204,321	1,204,321	-	-	-	1,204,321	125,262	1,329,583
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	(46,123)	2,381	-	(43,742)	(104,660)	(148,402)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	1,204,321	1,204,321	(46,123)	2,381	-	1,160,579	20,602	1,181,181
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	640	-	(640)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(63,088)	(63,088)	-	-	-	(63,088)	-	(63,088)
Reversal of special reserve	-	-	-	-	(105,284)	105,284	-	-	-	-	-	-	-
Due to recognition of equity component of convertible bonds issued	-	-	96,902	-	-	-	-	-	-	-	96,902	-	96,902
Changes in equity of associates accounted for using equity method	-	-	(9,804)	-	-	(6,064)	(6,064)	-	-	-	(15,868)	-	(15,868)
Disposal of investments accounted for using equity method	-	-	(22,233)	-	-	-	-	-	-	-	(22,233)	-	(22,233)
Changes in ownership interests in subsidiaries	-	-	(67,383)	-	-	-	-	-	-	-	(67,383)	251,763	184,380
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(153,989)	(153,989)
Balance at September 30, 2019	\$ 6,308,832		1,950,918	164,604	230,852	866,169	1,261,625	(312,631)	38,037	-	9,246,781	4,056,978	13,303,759
Balance at January 1, 2020	\$ 6,308,832		1,947,686	164,604	230,852	1,055,325	1,450,781	(595,680)	29,788	-	9,141,407	4,117,351	13,258,758
Loss for the nine months ended September 30, 2020	-	-	-	-	-	(356,675)	(356,675)	-	-	-	(356,675)	(112,833)	(469,508)
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	-	(208,838)	(6,531)	-	(215,369)	(27,110)	(242,479)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	(356,675)	(356,675)	(208,838)	(6,531)	-	(572,044)	(139,943)	(711,987)
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	83,291	-	(83,291)	-	-	-	-	-	-	-
Secial reserve appropriated	-	-	-	-	335,040	(335,040)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	(186,265)	-	-	(62,088)	(62,088)	-	-	-	(248,353)	-	(248,353)
Stock dividends of ordinary share	-	558,795	-	-	-	(558,795)	(558,795)	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(94,491)	(94,491)	-	(94,491)
Disposal of investments accounted for using equity method	-	-	(10,732)	-	-	-	-	-	-	-	(10,732)	-	(10,732)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	165,680	-	-	-	-	-	-	-	165,680	(313,136)	(147,456)
Changes in ownership interests in subsidiaries	-	-	883	-	-	-	-	-	-	-	883	676	1,559
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(183,973)	(183,973)
Balance at September 30, 2020	\$ 6,308,832	558,795	1,917,252	247,895	565,892	(340,564)	473,223	(804,518)	23,257	(94,491)	8,382,350	3,480,975	11,863,325

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
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FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (391,305)	1,575,888
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,436,206	1,516,298
Amortization expense	28,436	30,592
Expected credit loss	71,683	51,906
Net gain on financial assets or liabilities at fair value through profit or loss	(41,881)	(12,321)
Interest expense	584,680	726,714
Operating costs (Interest expense)	45,577	35,524
Impairment loss of non-current assets classified as held for sale	97,429	7,738
Interest income	(25,815)	(70,187)
Dividend income	(2,948)	(3,304)
Cost of share-based payments awards	1,559	30,604
Share of loss (profit) of associates accounted for using equity method	12,746	(5,518)
Loss on disposal of property, plant and equipment	803	9,491
Gain on disposal of non-current assets classified as held for sale	-	(217,213)
Loss (gain) on disposal of investments	231	(2,950)
Gain on disposal of investments accounted for using equity method	-	(1,002,072)
Impairment loss on intangible assets	10,332	-
Variable leases payments	(228,558)	-
Total adjustments to reconcile profit (loss)	<u>1,990,480</u>	<u>1,095,302</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets and liabilities through profit or loss, mandatorily measured at fair value	(86,428)	(343,986)
Accounts receivables	348,007	531,629
Other receivables	22,992	14,820
Inventories	2,159	25,483
Other current assets	68,469	47,514
Other financial assets	424	(3,128)
Total changes in operating assets	<u>355,623</u>	<u>272,332</u>
Changes in operating liabilities:		
Contract liabilities	951	(1,969)
Note payables	170	-
Accounts payables	(1,283,261)	(1,759,658)
Other payables	(61,763)	(184,597)
Other current liabilities	(8,705)	(10,892)
Net defined benefit liabilities	(13)	(13)
Total changes in operating liabilities	<u>(1,352,621)</u>	<u>(1,957,129)</u>
Total changes in operating assets and liabilities	<u>(996,998)</u>	<u>(1,684,797)</u>
Total adjustments	<u>993,482</u>	<u>(589,495)</u>
Cash outflow generated from operations	602,177	986,393
Interest received	19,025	107,003
Dividend received	2,948	3,304
Interest paid	(573,047)	(751,731)
Income taxes paid	(183,559)	(345,807)
Net cash flows used in operating activities	<u>(132,456)</u>	<u>(838)</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT' D)

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2020	2019
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(30,000)	-
Proceeds from disposal of financial assets at amortized cost	-	458,426
Acquisition of investments accounted for using equity method	(77,821)	(147,424)
Proceeds from disposal of investments accounted for using equity method	77,821	1,872,546
Proceeds from disposal of subsidiaries	-	6,183
Proceeds from disposal of non-current assets classified as held for sale	-	463,360
Acquisition of property, plant and equipment	(191,582)	(502,633)
Proceeds from disposal of property, plant and equipment	15,637	22,088
Decrease (increase) in other receivables	6,674	(40,268)
Acquisition of intangible assets	(2,775)	(17,430)
Decrease (increase) in other financial assets	483,446	(197,797)
Decrease (increase) in other non-current assets	2,701	(21,418)
Increase in prepaid equipment	(97,194)	(411,281)
Net cash flows from investing activities	186,907	1,484,352
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	677,393	(362,475)
(Decrease) increase in short-term notes and bills payable	(21)	35
Proceeds from issuing bonds	-	1,542,300
Repayments of bonds	(1,000,000)	(1,000,000)
Proceeds from long-term borrowings	1,797,982	863,613
Repayments of long-term borrowings	(1,782,248)	(2,913,885)
Increase in guarantee deposits received	(161,249)	(123,453)
Payments of lease liabilities	(643,322)	(665,594)
Subsidiaries' cash dividends paid	(183,973)	(150,582)
Treasury stock buyback cost	(94,491)	-
Treasury shares sold to employees	-	31,402
Acquisition of ownership interests in subsidiaries	(147,456)	-
Net cash flows used in financing activities	(1,537,385)	(2,778,639)
Effect of exchange rate changes on cash and cash equivalents	(58,522)	(12,467)
Net decrease in cash and cash equivalents	(1,541,456)	(1,307,592)
Cash and cash equivalents at beginning of period	5,149,276	5,468,507
Cash and cash equivalents at end of period	\$ 3,607,820	4,160,915

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

First Steamship Company Ltd. (the “Company”) was established in October 1963 in accordance with the Company Act of the Republic of China. The Company's registered office address is located at 14F, No.237, Sec. 2, Fuxing S. Rd., Taipei City, R.O.C. The major business activities of the Company and its subsidiaries (“the Group”) are the domestic and international sea transportation and related businesses, trading of vessels and related products, providing services of financial leasing, providing business consultation services, trading of cosmetics, furnishings and etc., investments, and selling, renting, investing in construction.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on November 12, 2020.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted. The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements. The nature and impact of the major changes are explained as follows:

i. Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

This amendment provides a practical expedient. For rent reductions that meet certain conditions, the lessee may choose not to assess whether it is a lease modification, but to recognize the change in the lease payment in the profit and loss. The amendment was approved by the FSC in July 2020 and will be applied in advance from January 1, 2020. Detailed accounting policies are in Note 4 (c).

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The merged company chose to start on January 1, 2020, and apply this practical expedient for all eligible rent concessions. This accounting change has no impact on the initial application date. The amounts for profit and loss of \$ 28,218 thousand and \$ 228,558 thousand (CNY 53,599 thousand) for the three months and nine months ended September 30, 2020, respectively.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective after January 1, 2021:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020 Cycle	January 1, 2022
Amendments to IFRS 3 “Quotation of Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform- Phase 2”	January 1, 2021

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Possible stakeholders for the Group were as follows:

Release Date	New or Amended Standards	Major revisions
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments are intended to improve the consistency of the application of the standard to assist companies in determining whether debts or other liabilities with uncertain liquidation dates should be classified as current (or if they are due within one year) or non-current on the balance sheet. The amendments also clarify the classification requirements for debts that companies may use to convert into equity.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

(a) Statement of compliance

The consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements is the same as those in the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements include.

Name of Investor	Name of Subsidiary	Principal activity	September 30, 2020	Shareholding December 31, 2019	September 30, 2019	Name of Investor
First Steamship Co., Ltd.	Yee Shin Investment Co., Ltd.	General investing	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	Royal Sunway Development Co., Ltd.	Real estate development, rental and leasing of building	55.00%	55.00%	55.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	September 30, 2020	Shareholding December 31, 2019	September 30, 2019	Name of Investor
First Steamship Co., Ltd.	First Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. 1,090 shares were successively reduced in 2019.
First Steamship Co., Ltd.	Grand Ocean Retail Group Ltd.	Investment holding company	3.70%	3.70%	3.70%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	First Mariner Holding Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	New Urban Investments Ltd.	Investment holding company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of business in May 2020 and go through relevant procedures
Yee Shin Investment Co., Ltd	Grand Ocean Retail Group Ltd.	Investment holding company	- %	2.21%	2.21%	The company directly (indirectly) holds more than 50% of its subsidiaries
Yee Shin Investment Co., Ltd	Yee Young Investment Co., Ltd.	General investing	100.00%	- %	- %	The company directly (indirectly) holds more than 50% of its subsidiaries and it has been established and registered on May 14, 2020
Yee Young Investment Co., Ltd.	Grand Ocean Retail Group Ltd.	Investment holding company	5.87 %	- %	- %	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Longevity Navigation S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Praise Maritime S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Best Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Grand Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Ahead Capital Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Media Assets Global Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Black Sea Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Ship Bulker Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Nature Sources Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Grand Ocean Retail Group Ltd.	Investment holding company	46.83%	46.83%	46.83%	The company directly (indirectly) holds more than 50% of its subsidiaries

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding			Name of Investor
			September 30, 2020	December 31, 2019	September 30, 2019	
First Steamship S.A.	Reliance Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Alliance Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Sure Success Steamship S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Heritage Riches Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries and reduced 19,500 shares on April 29, 2019.
First Steamship S.A.	Shining Steamship International S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship S.A.	Excellent Steamship International S.A.	International transportation and shipping agency	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Ahead Capital Ltd.	Grand Ocean Retail Group Ltd.	Investment holding company	1.79%	1.79%	1.79%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Holding Ltd.	First Mariner Capital Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Holding Ltd.	Mariner Far East Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Capital Ltd.	Mariner Capital Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Capital Ltd.	Morgan Finance Ltd.	Loan company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
First Mariner Capital Ltd.	Morton Securities Ltd.	Securities and Securities underwriting company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Capital Ltd.	Mariner Finance Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Shanghai Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Suzhou Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Nanjing Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Nantong Youcheng Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on September 7, 2020
Mariner Finance Ltd.	Huaian Youcheng Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on August 3, 2020

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	September 30, 2020	Shareholding December 31, 2019	September 30, 2019	Name of Investor
Mariner Finance Ltd.	Hefei Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Wuhan Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Qingdao Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Weifang Youcheng Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on September 23, 2020
Mariner Finance Ltd.	Chongqing Youren Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Fuzhou Youli Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Dongguan Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Guangzhou Youqiang Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Ningbo Youren Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on August 13, 2020
Mariner Finance Ltd.	Changsha Youli Car Service Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Xian Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Xiamen Youhon Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on August 27, 2020
Mariner Finance Ltd.	Chengdu Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Xuzhou Youhon Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on July 29, 2020
Mariner Finance Ltd.	Lianyungang Youren Car Service Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Jinhua Youcheng Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on September 9, 2020

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	September 30, 2020	Shareholding December 31, 2019	September 30, 2019	Name of Investor
Mariner Finance Ltd.	Suqian Youcheng Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on August 4, 2020
Mariner Finance Ltd.	Jinan Youli Car Leasing Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Yancheng Youxin Car Leasing Ltd.	Automobile Finance leasing company	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete the cancellation procedure on July 28, 2020
Mariner Finance Ltd.	Zhongshan Youcheng Car Rental Co., Ltd.	Automobile Finance leasing company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of operation on April 30, 2020, and the liquidation process is in progress.
Grand Ocean Retail Group Ltd.	Grand Citi Ltd.	Investment holding company	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Citi Ltd.	Grand Ocean Department Store Group Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Department Store Group Ltd.	Suzhou Grand Ocean Department Store Ltd.	Trading of cosmetics, furnishings, etc.	- %	- %	86.67%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete liquidation procedures in November 2019.
Grand Ocean Department Store Group Ltd.	Nanjing Grand Ocean Jingdian Commercial Ltd. (Nanjing Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Department Store Group Ltd.	Fuzhou Grand Ocean Commercial Ltd. (Fuzhou Zhongcheng Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Department Store Group Ltd.	Quanzhou Grand Ocean Commercial Ltd. (Quanzhou Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Department Store Group Ltd.	Shanghai Jing Xuan Business Management Ltd.	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Department Store Group Ltd.	Fuzhou Jiaruixing Business Administration Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	- %	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Quanzhou Grand Ocean Commercial Ltd. (Quanzhou Grand Ocean Department Store Ltd.)	Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	30.00%	30.00%	30.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	September 30, 2020	Shareholding December 31, 2019	September 30, 2019	Name of Investor
Nanjing Grand Ocean Jingdian Commercial Ltd. (Nanjing Grand Ocean Department Store Ltd.)	Suzhou Grand Ocean Department Store Ltd	Trading of cosmetics, furnishings, etc.	- %	- %	6.66%	The company directly (indirectly) holds more than 50% of its subsidiaries. Complete liquidation procedures in November 2019.
Nanjing Grand Ocean Jingdian Commercial Ltd. (Nanjing Grand Ocean Department Store Ltd.)	Hefei Grand Ocean Jingdian Commercial Development Ltd. (Nanjing Grand Ocean Department Store Hefei Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Nanjing Grand Ocean Jingdian Commercial Ltd. (Nanjing Grand Ocean Department Store Ltd.)	Fuzhou Grand Ocean World Department Store Ltd.	Trading of cosmetics, furnishings, etc.	57.13%	57.13%	57.13%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of operation on April 30, 2020, and the liquidation process is in progress.
Fuzhou Grand Ocean Commercial Ltd. (Fuzhou Zhongcheng Grand Ocean Department Store Ltd.)	Fuzhou Grand Ocean Jingdian Commercial Ltd. (Fuzhou Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commercial Ltd. (Fuzhou Zhongcheng Grand Ocean Department Store Ltd.)	Fuzhou Grand Ocean World Department Store Ltd.	Trading of cosmetics, furnishings, etc.	14.29%	14.29%	14.29%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of operation on April 30, 2020, and the liquidation process is in progress.
Fuzhou Grand Ocean Commercial Ltd. (Fuzhou Zhongcheng Grand Ocean Department Store Ltd.)	Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	70.00%	70.00%	70.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commercial Ltd. (Fuzhou Zhongcheng Grand Ocean Department Store Ltd.)	Fuzhou Jiaruixing Business Administration Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	100.00%	- %	- %	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Jingdian Commercial Ltd. (Fuzhou Grand Ocean Department Store Ltd.)	Fuzhou Grand Ocean World Department Store Ltd.	Trading of cosmetics, furnishings, etc.	14.29%	14.29%	14.29%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of operation on April 30, 2020, and the liquidation process is in progress.
Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Wuhan Optics Valley Grand Ocean Commercial Development Ltd. (Wuhan Optics Valley Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Xiangtan Grand Ocean Department Store Ltd.	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of operation on December 31, 2018, and the liquidation process is in progress.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

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Name of Investor	Name of Subsidiary	Principal activity	September 30, 2020	Shareholding December 31, 2019	September 30, 2019	Name of Investor
Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Chongqing Optics Valley Grand Ocean Commercial Development Ltd. (Chongqing Optics Valley Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Wuhan Hanyang Grand Ocean Jingdian Commercial Ltd. (Wuhan Longyang Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Hengyang Grand Ocean Commercial Development Ltd. (Hengyang Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Jingdian Commercial Development Ltd. (Wuhan Zhongshan Grand Ocean Department Store Ltd.)	Shiyan Optics Valley Grand Ocean Commercial Ltd. (Shiyan Grand Ocean Modern Shopping Ltd.)	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Ltd. (Wuhan Guanggu Grand Ocean Department Store Ltd.)	Xiangtan Grand Ocean Department Store Ltd.	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of operation on December 31, 2018, and the liquidation process is in progress.
Wuhan Optics Valley Grand Ocean Commercial Development Ltd. (Wuhan Guanggu Grand Ocean Department Store Ltd.)	Chongqing Optics Valley Grand Ocean Commercial Development Ltd. (Chongqing Optics Valley Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Ltd. (Wuhan Guanggu Grand Ocean Department Store Ltd.)	Wuhan Hanyang Grand Ocean Jingdian Commercial Ltd. (Wuhan Longyang Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Ltd. (Wuhan Guanggu Grand Ocean Department Store Ltd.)	Yichang Grand Ocean Commercial Ltd. (Yichang Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	99.00%	99.00%	99.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	September 30, 2020	Shareholding December 31, 2019	September 30, 2019	Name of Investor
Wuhan Hanyang Grand Ocean Jingdian Commercial Ltd. (Wuhan Longyang Grand Ocean Department Store Ltd.)	Yichang Grand Ocean Commercial Ltd. (Yichang Grand Ocean Department Store Ltd.)	Trading of cosmetics, furnishings, etc.	1.00%	1.00%	1.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Hefei Grand Ocean Jingdian Commercial Development Ltd. (Nanjing Grand Ocean Department Store Hefei Ltd.)	Fuzhou Grand Ocean World Department Store Ltd.	Trading of cosmetics, furnishings, etc.	14.29%	14.29%	14.29%	The company directly (indirectly) holds more than 50% of its subsidiaries. End of operation on April 30, 2020, and the liquidation process is in progress.

On July 31, 2019 Yee Shin Investment Co., Ltd. increased the capital of 22,225 thousand of shares of Yee Young Investment Co., Ltd. by the 4.92% of the equity of Grand Ocean Retail Group Ltd.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Rent lease

The Group chooses to adopt practical expedient practices for all rent concessions leases that meet all of the following conditions, and does not evaluate whether it is a lease modification:

- 1) Rent concessions that occur as a direct result of the COVID-19 pandemic;
- 2) The change in the lease payment results in the revised consideration of the lease being almost the same or smaller than the consideration before the change;
- 3) Any concession in lease payments only affects payments that were originally due before June 30, 2021; and
- 4) There is no substantial change in other terms and conditions of the lease.

Under practical expedient practices, when rent concessions cause changes in lease payments, the changes are recognized in profit and loss when the event or situation that initiates rent concessions occurs.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34, Interim Financial Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial report, the significant judgments made by management when adopting the accounting policies of the consolidated company and the main sources of estimation uncertainty are consistent with note 5 of the 2019 consolidated financial report.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment that power over the investee's substantive control

- (i) The Group holds 28.99% of the voting shares of Taiwan Environment Scientific Co., Ltd., which is its single largest shareholder. Although the remaining 71.01% of the shares held by Taiwan Environment Scientific Co., Ltd. are not concentrated in specific shareholders, the Group still cannot obtain more than half of the board of directors' seats of Taiwan Environment Scientific Co., Ltd. and cannot obtain more than half of the shareholders meeting of the of voting rights. Therefore, it is judgment that the Group has only significant influence on Taiwan Environment Scientific Co., Ltd.
- (ii) The Group holds 29.11% of the voting shares of Da Yu Financial Holdings Limited, which is its single largest shareholder. Although the remaining 70.89% of the shares held by Da Yu Financial Holdings Limited are not concentrated in specific shareholders, the Group still cannot obtain more than half of the board of directors' seats of Da Yu Financial Holdings Limited, Ltd. and cannot obtain more than half of the shareholders meeting of the of voting rights. Therefore, it is judgment that the Group has only significant influence on Da Yu Financial Holdings Limited.

(6) Explanation of significant accounts:

Except the following explanation mentioned below, the explanation of significant accounts described in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	September 30, 2020	December 31, 2019	September 30, 2019
Petty cash	\$ 28,879	36,544	34,075
Demand deposits	3,439,840	4,900,655	3,884,240
Time deposits	139,101	212,077	176,814
Cash equivalents	-	-	65,786
Total	<u>\$ 3,607,820</u>	<u>5,149,276</u>	<u>4,160,915</u>

Please refer to note 6(z) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Financial assets and liabilities at fair value through profit or loss

	September 30, 2020	December 31, 2019	September 30, 2019
Mandatorily measured at fair value through profit or loss :			
Non-derivative financial assets-current			
Shares of stock of listed companies	\$ 155,445	150,513	350,594
Beneficiary certificates	12,303	12,353	12,234
Financial products of bank	-	-	135,959
Non-derivative financial assets-non-current			
Beneficial rights of construction case	117,000	-	-
Total	<u>\$ 284,748</u>	<u>162,866</u>	<u>498,787</u>

Financial liabilities held-for-trading

Embedded derivatives

Call and put rights of convertible bonds	<u>\$ -</u>	<u>2,622</u>	<u>2,468</u>
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(i) The Group signed a rights sale agreement with Honor Construction Development Co., Ltd. in the Mingde Section of Tucheng District in September 2020, agreeing to purchase 32% of the beneficial rights from Honor Construction Development Co., Ltd. by \$ 117,000 thousand.

(ii) Please refer to note 6(z) for disclosure of credit risk and market risk of all financial instruments mentioned above.

(iii) The financial assets mentioned above had not been pledged as collateral.

(c) Financial assets measured at amortized cost— current and non-current

	September 30, 2020	December 31, 2019	September 30, 2019
Preference shares— Jiawang Assets Development Co., Ltd.	<u>\$ 59,900</u>	<u>29,900</u>	<u>-</u>

(i) For credit risk, please refer to note 6(z).

(ii) The financial assets of the Group had been pledged as collateral for borrowings. Please refer to note 8

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Accounts receivables

	September 30, 2020	December 31, 2019	September 30, 2019
Current			
Accounts receivables	\$ 228,870	167,306	117,077
Less: Allowance for impairment	(11,404)	-	-
	217,466	167,306	117,077
Leases payment receivables (included operating lease)	809,866	946,753	1,007,568
Less: Unearned interest	(107,414)	(144,541)	(156,213)
Allowance for impairment	(65,835)	(28,417)	(62,790)
	636,617	773,795	788,565
Subtotal of current asset	854,083	941,101	905,642
Non-current			
Leases payment receivables	525,431	894,892	673,909
Less: Unearned interest	(36,513)	(76,753)	(53,987)
Allowance for impairment	(42,629)	(27,529)	(38,424)
Subtotal of non-current asset	446,289	790,610	581,498
Total	<u>\$ 1,300,372</u>	<u>1,731,711</u>	<u>1,487,140</u>

- (i) The Group's main accounts receivable in rental department in China are credit card payments collected from banks. The average credit period for credit card payments is 2 to 3 days, and there is no doubt that they cannot be collected.
- (ii) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

1) The loss allowance provision in lease department in China was determined as follows:

	September 30, 2020		
	Gross carrying amount of leases payment receivable	Weighted-average loss rate	Loss allowance provision
Current	\$ 970,519	0.33%	3,216
1 to 30 days past due	40,305	2.93%	1,180
31 to 60 days past due	28,555	14.18%	4,049
61 to 90 days past due	21,992	27.43%	6,032
More than 91 days past due (Note)	129,999	72.30%	93,987
	<u>\$ 1,191,370</u>		<u>108,464</u>

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2019		
	Gross carrying amount of leases payment receivable	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,445,310	0.15%	2,148
1 to 30 days past due	87,424	2.26%	1,974
31 to 60 days past due	16,643	13.44%	2,236
61 to 90 days past due	215	28.85%	62
More than 91 days past due (Note)	70,759	69.99%	49,526
	\$ 1,620,351		55,946
	September 30, 2019		
	Gross carrying amount of leases payment receivable	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,256,837	0.14%	1,699
1 to 30 days past due	57,953	2.27%	1,317
31 to 60 days past due	9,839	14.18%	1,395
61 to 90 days past due	8,047	29.8%	2,398
More than 91 days past due (Note)	138,601	68.11%	94,405
	\$ 1,471,277		101,214

Note: As of September 30, 2020, December 31, 2019 and September 30, 2019 ,the Group had filed lawsuits for collecting the overdue receivables from leasing business with total amount of \$ 51,701 thousand (CNY 12,099 thousand), \$ 8,078 thousand (CNY 1,873 thousand) and \$ 73,115 thousand (CNY 16,671 thousand). The Group assessed the recoverability of those overdue receivables, and recognized provision for allowance of \$44,545 thousand (CNY 10,425 thousand), \$ 6,281 thousand (CNY 1,457 thousand) and \$ 48,521 thousand (CNY 10,708 thousand) less unearned interests and guarantee deposit.

- 2) The retail department of the group in China is a leasing type manufacturer. Due to the impact of the COVID-19, some accounts have been delayed in payment. Therefore, the simplified method for the lease type accounts receivable is used to estimate the expected credit loss as follows:

	September 30, 2020		
	Gross carrying amount of leases payment receivable	Weighted-average loss rate	Loss allowance provision
1 to 90 days past due	\$ 16,311	0%	-
91 to 180 days past due	3,854	5%	194
181 to 270 days past due	1,009	50%	509
271 to 365 days past due	4,040	85%	3,450
More than 365 days past due	7,251	100%	7,251
	\$ 32,465		11,404

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) Impairment loss department in accordance with IFRS9 analysis of accounts receivables in freight department was as follows:

September 30, 2020			
	Gross carrying amount of AR	Weighted-average loss rate	Loss allowance provision
Current	<u>\$ 19,247</u>	-	<u>-</u>
December 31, 2019			
	Gross carrying amount of AR	Weighted-average loss rate	Loss allowance provision
Current	<u>\$ 23,426</u>	-	<u>-</u>
September 30, 2019			
	Gross carrying amount of AR	Weighted-average loss rate	Loss allowance provision
Current	<u>\$ 24,402</u>	-	<u>-</u>

- 4) Impairment loss department in accordance with IFRS9 analysis of accounts receivables in other segment in Taiwan was as follows:

September 30, 2020			
	Gross carrying amount of AR	Weighted-average loss rate	Loss allowance provision
Current	<u>\$ 1,120</u>	-	<u>-</u>
December 31, 2019			
	Gross carrying amount of AR	Weighted-average loss rate	Loss allowance provision
Current	<u>\$ -</u>	-	<u>-</u>
September 30, 2019			
	Gross carrying amount of AR	Weighted-average loss rate	Loss allowance provision
Current	<u>\$ 1,884</u>	-	<u>-</u>

- (iii) The movements in the allowance for accounts receivables were as follows:

For the nine months ended September 30		
	2020	2019
Balance on January 1, 2020 and 2019	\$ 55,946	52,025
Impairment losses recognized	66,447	51,906
Amount written off due to uncollectible this year	(2,156)	-
Foreign exchange gain (loss)	(369)	(2,717)
Balance on September 30, 2020 and 2019	<u>\$ 119,868</u>	<u>101,214</u>

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) Expiration analysis of the Group lease payments to report the undiscounted lease payments to be received in the future

	September 30, 2020	December 31, 2019	September 30, 2019
Below 1 year	\$ 809,866	946,753	1,007,568
1 to 2 year past due	415,748	613,483	533,857
2 to 3 year past due	<u>109,683</u>	<u>281,409</u>	<u>140,052</u>
Gross investment in the lease	1,335,297	1,841,645	1,681,477
Unearned revenue	<u>(143,927)</u>	<u>(221,294)</u>	<u>(210,200)</u>
Present value of minimum lease payments receivable	<u><u>\$ 1,191,370</u></u>	<u><u>1,620,351</u></u>	<u><u>1,471,277</u></u>

- (v) The Group and the financial institution shall sign the contract for sale of accounts receivable, and the Group shall guarantee the receivables for all receivables that can't be recovered (whether delayed or defaulted) within a certain period of time, and retain the accounts receivable. Almost all risks and rewards are therefore not eligible for excluded financial assets. The carrying amounts of the transferred receivables and related financial liabilities not excluded in the reporting date are as follows:

September 30,2020					
Resale company	Transferred accounts receivable amount	Credit lines	Advanced amount(recognized under Short-term borrowings)	Range of interest rates	Guarantee item
CDIB International Leasing Corp.	<u>\$ 118,974</u>	<u>85,461</u>	<u>60,008</u>	9.3%	Accounts receivables
December 31,2019					
Resale company	Transferred accounts receivable amount	Credit lines	Advanced amount(recognized under Short-term borrowings)	Range of interest rates	Guarantee item
CDIB International Leasing Corp.	<u>\$ 92,855</u>	<u>86,236</u>	<u>67,019</u>	9.3%	Accounts receivables
September 30,2019					
Resale company	Transferred accounts receivable amount	Credit lines	Advanced amount(recognized under Short-term borrowings)	Range of interest rates	Guarantee item
CDIB International Leasing Corp.	<u>\$ 39,397</u>	<u>43,858</u>	<u>30,169</u>	6.5%	Accounts receivables

- (vi) For credit risk information, please refer to note 6(z).
- (vii) Details of the above notes receivable and accounts receivable as guarantee for bank loans and financing quota. Please refer to note 8.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Other receivables

	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables—transfer of equity shares	\$ -	-	18,233
Other receivables—loans	8,993	15,824	50,874
Other receivables—lease deposit	61,837	63,384	-
Other receivables—others	118,166	149,404	117,582
Less: Allowance for impairment	(5,247)	-	(18,233)
	<u>\$ 183,749</u>	<u>228,612</u>	<u>168,456</u>

- (i) The other receivables—loans arise from the demand of short-term financing by the car rental platform, and obtain collateral when necessary. Furthermore, other receivables—others are the advance payment in accordance with the promotions held by retail department and vendors. Since the Group and the vendors are in a long-term business relationship, the Group has considered historical experience and believed that they were less doubtful of the recoverability of these receivables. The Group assessed the aforesaid other receivables as the financial assets with low credit risk and measured loss allowances at an amount as 12-month expected credit loss. Management believed that there were less doubtful of credit losses.
- (ii) The Group sold its 100% equity of Tong-ling Grand Ocean Department Store in December 2016. The selling price was \$ 48,549 thousand (CNY 10,000 thousand). As of September 30, 2019, the transfer amount that has not yet been received is \$ 18,781 thousand (CNY 4,157 thousand), and the payments should be collected by May 15, 2017 according to the contract. The Group has filed a lawsuit against the transferee company in 2018, but the recoverability of the amount was assessed and the impairment loss of \$18,233 thousand (CNY 4,157 thousand) was recognized on December 31, 2018, under the expected credit loss of the statement of comprehensive income. On February 27, 2019, the court ruled in favor of the Group. In December 2019, the transferee company provided its property for payment. Thus, the Group reversed the expected credit loss amounting to CNY 4,157 thousand.
- (iii) Since the rental agreement of, Xiangtan Grand Ocean Department Store Co., Ltd. (Xiangtan) one of the Group's subsidiaries, have reached its maturity in December 2018, the Group ceased Xiangtan's business operation, wherein a security deposit amounting to CNY 15,000 thousand is expected to be received. Xiangtan had already returned the property to its owner, Xiangyuan Industrial Development Co., Ltd. (Xiangyuan), but failed to receive the security deposit. In order to receive the payment and begin the liquidation process, Xiangtan filed a lawsuit against Xiangyuan. On July 1, 2019, the people's court ordered Xiangyuan to pay the amount of CNY 14,700 thousand to Xiangtan. However, Xiangyuan disagreed with the court's decision, therefore, filed an appeal on November 13, 2019, wherein it was denied on January 16, 2020. Since the case has been preserved during the litigation, and based on the court's property inspection and sealing and freezing of Xiangyuan, which has the property to execute and has recovered \$ 957 thousand (CNY 229 thousand), so the Group believes that the lease deposit of \$ 61,837 thousand (CNY 14,471 thousand) should have no impairment concern.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

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The movements in the allowance for other receivables were as follows:

	For the nine months ended September 30	
	2020	2019
Balance on January 1, 2020 and 2019	\$ -	18,608
Recognized impairment loss	5,236	-
Foreign exchange losses	11	(375)
Balance on September 30, 2020 and 2019	<u>\$ 5,247</u>	<u>18,233</u>

(f) Non-current assets classified as held for sale

- (i) The amount of the non-current assets to be disposed of and the related interests are as follows :

	September 30, 2020	December 31, 2019	September 30, 2019
Investments accounted for using equity method	<u>\$ 178,724</u>	<u>283,041</u>	<u>252,228</u>
Amount of cumulative income or expense recognized in other comprehensive income relating to the non-current assets classified as held for sale			
Exchange difference arising from the translation of the financial statements of the foreign operating institutio	\$ (10,125)	(3,237)	5,504
Revaluation surplus of property	<u>33,894</u>	<u>33,894</u>	<u>33,894</u>
Total comprehensive income	<u>\$ 23,769</u>	<u>30,657</u>	<u>39,398</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, the non-recurring fair value measurement for the investments accounted for using equity method were measured at \$ 178,724 thousand, \$ 283,041 thousand and \$ 252,228 thousand, based on observable inputs which are the measurement basis of the price in similar transaction or in the same industry, and their fair value are in the first level, respectively.

The non-current assets classified as held for sale of the Group are estimated using the market valuation technique to estimate the fair value of the non-current assets classified as held for sale, using the recent transaction price of the same or similar transactions in the market as the observable inputs.

For the nine months ended September 30, 2020 and 2019, the above-mentioned non-current assets classified as held for sale were measured at a book value and fair value less than the cost of sales, and were recognized as impairment loss of \$ 97,429 thousand (US\$ 3,268 thousand) and \$ 7,738 thousand (US\$ 249 thousand).

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) On December 7, 2018, the board of directors of the Group resolved to sale the invested real estate, including related lands and houses; as of December 31, 2018, the amount of non-current assets classified as held for sale was \$ 246,147 thousand. On March 29, 2019, the Group signed a sales contract with the non-relative Wisdom Marine International Inc. for a total contract price of \$ 463,360 thousand (untaxed). The property rights transfer registration was completed in May, 2019. The relevant price has been fully collected, deducting the relevant taxes and fees and recognized the disposal gain of non-current assets classified as held for sale of \$ 217,213 thousand.
- (iii) On December 7, 2018, the board of directors of the Group resolved to sale the investment of equity method —Sandmartin International Holdings Limited; it has started to conduct the related sales and is expected to complete the sales within one year, and the investment using the equity method will be reported under the non-current assets classified as held for sale. As of December 31, 2019, the aforementioned assets had not been sold due to the circumstances which were previously considered unlikely to happen. The Group had taken necessary actions in response. Now the Group is actively looking for purchaser with reasonable prices, and reasonably expects to complete the sales within one year.
- (iv) The non-current assets classified as held for sale of the Group had not been pledged as collateral.
- (g) Investments accounted for using equity method

The Group's investments accounted for using the equity method at the reporting date were as follows:

Investee	September 30, 2020	December 31, 2019	September 30, 2019
Beijing ShouHai International Economics and Technology Consultant Service Co., Ltd.	\$ -	-	6,659
Taiwan Environment Scientific Co., Ltd.	181,741	215,015	239,934
Jiawang Assets Development Co., Ltd.	8,456	9,643	-
Da Yu Financial Holdings Limited	676,031	678,892	-
Hainan Sanhe Licheng Business Service Co., Ltd.	-	6,076	-
	<u>\$ 866,228</u>	<u>909,626</u>	<u>246,593</u>

- (i) Aggregation of financial information—individually insignificant associates' equity

The Group's financial information for investments accounted for using the equity method that are individually insignificant were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amount of individually insignificant associates' equity	<u>\$ 866,228</u>	<u>909,626</u>	<u>246,593</u>

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Attributable to the Group:				
Gain(Loss) from continuing operations	\$ (7,719)	(1,896)	(12,746)	5,518
Other comprehensive income	(12,177)	(312)	(19,162)	15,216
Total comprehensive income	<u>\$ (19,896)</u>	<u>(2,208)</u>	<u>(31,908)</u>	<u>20,734</u>

(ii) Guarantees

There is no guarantee in investments using equity methods of the Group.

(iii) The unreviewed financial statements of investments accounted for using equity method

Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that had not been reviewed. Except for Taiwan Environment Scientific Co., Ltd. has reviewed by CPA.

(h) Material non-controlling interests of subsidiaries

The material non-controlling interests of a subsidiary were as follows:

Name of Subsidiary	Main operation/ place	Percentage of non-controlling interests		
		September 30, 2020	December 31, 2019	September 30, 2019
GRAND OCEAN RETAIL GROUP LTD.	China/Cayman Islands	41.81%	45.47%	45.47%

The following information of the aforementioned subsidiary has been prepared in accordance with the IFRSs endorsed by the FSC. Intra-group transactions were not eliminated in this information.

Collective financial information of Grand Ocean Retail Group Ltd.

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 4,165,386	5,680,778	4,454,456
Non-current assets	19,271,922	20,537,955	20,906,783
Current liabilities	(6,154,289)	(7,401,648)	(6,428,875)
Non-current liabilities	(9,177,513)	(9,913,540)	(10,168,068)
Non-controlling interests	-	-	(1,996)
Net assets	<u>\$ 8,105,506</u>	<u>8,903,545</u>	<u>8,762,300</u>
Non-controlling interests	<u>\$ 3,388,912</u>	<u>4,048,441</u>	<u>3,984,218</u>

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Sales revenue	<u>\$ 1,181,837</u>	<u>1,391,295</u>	<u>3,147,873</u>	<u>4,722,915</u>
Profit (loss)	\$ (94,143)	78	(311,154)	286,769
Other comprehensive income (loss)	<u>207,127</u>	<u>(298,331)</u>	<u>(58,276)</u>	<u>(223,574)</u>
Comprehensive income (loss)	<u>\$ 112,984</u>	<u>(298,253)</u>	<u>(369,430)</u>	<u>63,195</u>
Profit (loss), attributable to non-controlling interests	<u>\$ (39,912)</u>	<u>(1,785)</u>	<u>(135,987)</u>	<u>125,265</u>
Comprehensive income (loss), attributable to non-controlling interests	<u>\$ 49,084</u>	<u>(137,548)</u>	<u>(163,097)</u>	<u>20,699</u>

	For the nine months ended September 30	
	2020	2019
Net cash flows from operating activities	\$ (794,346)	(223,366)
Net cash flows from investing activities	(102,320)	(403,784)
Net cash flows from financing activities	(574,521)	(1,068,528)
Effect of exchange rate changes	<u>(49,598)</u>	<u>(48,314)</u>
Net decrease in cash and cash equivalents	<u>\$ (1,520,785)</u>	<u>(1,743,992)</u>
Subsidiaries' cash dividends paid	<u>\$ (183,973)</u>	<u>(150,582)</u>

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Transportation equipment	Vessels	Office equipment	Leasehold improvement	Construction in progress	Total
Cost or deemed cost:								
Balance at January 1, 2020	\$ 126,409	3,689,371	132,536	7,982,851	241,431	6,574,410	962,528	19,709,536
Additions Inventory transfer	-	100	31,353	755	1,525	24,507	79,273	137,513
Inventory transfer	-	-	9,481	-	-	-	-	9,481
Other reclassifications	-	-	-	-	1,850	83,813	(85,663)	-
Disposals and obsolescence	-	-	(25,695)	-	(5,974)	(258,444)	-	(290,113)
Effect of change in foreign exchange rates	<u>-</u>	<u>(32,479)</u>	<u>(1,353)</u>	<u>(260,098)</u>	<u>(2,318)</u>	<u>(59,625)</u>	<u>(8,661)</u>	<u>(364,534)</u>
Balance at September 30, 2020	<u>\$ 126,409</u>	<u>3,656,992</u>	<u>146,322</u>	<u>7,723,508</u>	<u>236,514</u>	<u>6,364,661</u>	<u>947,477</u>	<u>19,201,883</u>
Balance at January 1, 2019	\$ 126,409	3,795,849	118,527	8,152,699	320,672	7,485,417	129,957	20,129,530
Additions	-	92	56,637	-	12,505	101,390	230,373	400,997
Other reclassifications	-	26,288	-	-	1,309	131,880	(159,477)	-
Disposals and obsolescence	-	-	(55,182)	-	(72,525)	(510,234)	-	(637,941)
Disposal of subsidiaries	-	-	(627)	-	(293)	-	-	(920)
Effect of change in foreign exchange rates	<u>-</u>	<u>(75,660)</u>	<u>(2,115)</u>	<u>79,616</u>	<u>(4,330)</u>	<u>(141,669)</u>	<u>(5,158)</u>	<u>(149,316)</u>
Balance at September 30, 2019	<u>\$ 126,409</u>	<u>3,746,569</u>	<u>117,240</u>	<u>8,232,315</u>	<u>257,338</u>	<u>7,066,784</u>	<u>195,695</u>	<u>19,742,350</u>

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Land	Buildings	Transportation equipment	Vessels	Office equipment	Leasehold improvement	Construction in progress	Total
Depreciation and impairment loss:								
Balance at January 1, 2020	\$ -	485,856	54,856	1,872,310	172,556	3,545,675	-	6,131,253
Depreciation	-	67,979	18,714	243,281	15,607	297,619	-	643,200
Disposals and obsolescence	-	-	(9,902)	-	(5,687)	(258,084)	-	(273,673)
Effect of change in foreign exchange rates	-	(4,006)	(648)	(66,826)	(1,665)	(32,017)	-	(105,162)
Balance at September 30, 2020	<u>\$ -</u>	<u>549,829</u>	<u>63,020</u>	<u>2,048,765</u>	<u>180,811</u>	<u>3,553,193</u>	<u>-</u>	<u>6,395,618</u>
Balance at January 1, 2019	\$ -	398,011	71,629	1,577,649	238,024	4,416,711	-	6,702,024
Depreciation	-	70,604	17,684	253,633	19,282	320,342	-	681,545
Disposals and obsolescence	-	-	(35,014)	-	(71,147)	(500,201)	-	(606,362)
Disposal of subsidiaries	-	-	(376)	-	(56)	-	-	(432)
Effect of change in foreign exchange rates	-	(9,785)	(692)	15,096	(2,911)	(82,915)	-	(81,207)
Balance at September 30, 2019	<u>\$ -</u>	<u>458,830</u>	<u>53,231</u>	<u>1,846,378</u>	<u>183,192</u>	<u>4,153,937</u>	<u>-</u>	<u>6,695,568</u>
Carrying amounts:								
Balance at January 1, 2020	<u>\$ 126,409</u>	<u>3,203,515</u>	<u>77,680</u>	<u>6,110,541</u>	<u>68,875</u>	<u>3,028,735</u>	<u>962,528</u>	<u>13,578,283</u>
Balance at September 30, 2020	<u>\$ 126,409</u>	<u>3,107,163</u>	<u>83,302</u>	<u>5,674,743</u>	<u>55,703</u>	<u>2,811,468</u>	<u>947,477</u>	<u>12,806,265</u>
Balance at January 1, 2019	<u>\$ 126,409</u>	<u>3,397,838</u>	<u>46,898</u>	<u>6,575,050</u>	<u>82,648</u>	<u>3,068,706</u>	<u>129,957</u>	<u>13,427,506</u>
Balance at September 30, 2019	<u>\$ 126,409</u>	<u>3,287,739</u>	<u>64,009</u>	<u>6,385,937</u>	<u>74,146</u>	<u>2,912,847</u>	<u>195,695</u>	<u>13,046,782</u>

- (i) As of September 30, 2020, December 31, 2019 and September 30, 2019, due to payments to stores maintenance and to acquire the property for department stores, the Group recognized other payables amounting to \$205,076 thousand, \$261,609 thousand and \$182,498 thousand, respectively, and accounting for other payables.
- (ii) The disposal and obsolescence of this period is mainly due to the subsidiary Fuzhou Grand Ocean World Department Store Ltd., as the board of directors has resolved that the original lease didn't be renewed when the original lease expires on April 30, 2020, thus disposed and scrapped of related assets.
- (iii) The property, plant and equipment of the Group had been pledged as collateral for bank borrowings. Please refer to note 8.
- (iv) The property rights of the fourth floor mall of the subsidiary Quanzhou Grand Ocean Commercial Limited (Quanzhou Grand Ocean Department Store Ltd.) were mortgaged to other creditors before the merger company was purchased. The Group assessed the possibility of enforcement of the aforesaid case is low; in addition, according on the department store operating rent, the real estate should have no impairment concern.

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Notes to the Consolidated Financial Statements

(j) Right-of-use assets

The cost and depreciation of the land, building, machine and transportation equipment of the Group were as follows :

	Land	Buildings	Machine and transportation equipment	Total
Cost :				
Balance at January 1, 2020	\$ 3,254,497	7,381,322	59,741	10,695,560
Addition	-	147	-	147
Disposal	-	(89,275)	-	(89,275)
Effect of change in foreign exchange rates	(29,239)	(66,920)	(521)	(96,680)
Balance at September 30, 2020	<u><u>\$ 3,225,258</u></u>	<u><u>7,225,274</u></u>	<u><u>59,220</u></u>	<u><u>10,509,752</u></u>
Balance at January 1, 2019	\$ 3,378,465	7,574,869	55,964	11,009,298
Addition	-	4,619	6,052	10,671
Lease modifications	-	(57,822)	-	(57,822)
Effect of change in foreign exchange rates	(68,151)	(150,423)	(1,279)	(219,853)
Balance at September 30, 2019	<u><u>\$ 3,310,314</u></u>	<u><u>7,371,243</u></u>	<u><u>60,737</u></u>	<u><u>10,742,294</u></u>
Depreciation and impairment :				
Balance at January 1, 2020	\$ 95,625	977,621	7,675	1,080,921
Depreciation	70,927	715,179	6,170	792,276
Disposal	-	(89,275)	-	(89,275)
Effect of change in foreign exchange rates	(712)	(7,890)	(51)	(8,653)
Balance at September 30, 2020	<u><u>\$ 165,840</u></u>	<u><u>1,595,635</u></u>	<u><u>13,794</u></u>	<u><u>1,775,269</u></u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	75,211	753,480	5,332	834,023
Lease modifications	-	(140)	-	(140)
Effect of change in foreign exchange rates	(2,416)	(23,930)	(157)	(26,503)
Balance at September 30, 2019	<u><u>\$ 72,795</u></u>	<u><u>729,410</u></u>	<u><u>5,175</u></u>	<u><u>807,380</u></u>
Carrying amounts: :				
Balance at January 1, 2020	<u><u>\$ 3,158,872</u></u>	<u><u>6,403,701</u></u>	<u><u>52,066</u></u>	<u><u>9,614,639</u></u>
Balance at September 30, 2020	<u><u>\$ 3,059,418</u></u>	<u><u>5,629,639</u></u>	<u><u>45,426</u></u>	<u><u>8,734,483</u></u>
Balance at January 1, 2019	<u><u>\$ 3,378,465</u></u>	<u><u>7,574,869</u></u>	<u><u>55,964</u></u>	<u><u>11,009,298</u></u>
Balance at September 30, 2019	<u><u>\$ 3,237,519</u></u>	<u><u>6,641,833</u></u>	<u><u>55,562</u></u>	<u><u>9,934,914</u></u>

The subsidiary Wuhan Longyang Grand Ocean Department Store Ltd. signed a partial annual rent reduction agreement for the department store building, so that the right-of-use asset cost and lease liability were reduced by \$ 57,616 thousand for the nine months ended September 30, 2019.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Investment properties

	Owned property		
	Land and improvement	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2020	\$ 115,769	50,251	166,020
Balance at September 30, 2020	\$ 115,769	50,251	166,020
Balance at January 1, 2019	\$ 115,769	50,251	166,020
Balance at September 30, 2019	\$ 115,769	50,251	166,020
Accumulated depreciation and impairment losses:			
Balance at January 1, 2020	\$ -	22,011	22,011
Depreciation	-	730	730
Balance at September 30, 2020	\$ -	22,741	22,741
Balance at January 1, 2019	\$ -	21,038	21,038
Depreciation	-	730	730
Balance at September 30, 2019	\$ -	21,768	21,768
Carrying amounts:			
Balance at January 1, 2020	\$ 115,769	28,240	144,009
Balance at September 30, 2020	\$ 115,769	27,510	143,279
Balance at January 1, 2019	\$ 115,769	29,213	144,982
Balance at September 30, 2019	\$ 115,769	28,483	144,252

- (i) The fair value of the investment property was not significantly different from those disclosed in the Note 6 (l) of the annual consolidated financial statements for the year ended December 31, 2019.
- (ii) The investment properties of the Group had been pledged as collateral for bank borrowings; please refer to note 8.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Intangible assets

The costs, amortization, and impairment loss of intangible assets were as follows:

	<u>Goodwill</u>	<u>Trademark</u>	<u>License Plate</u>	<u>Other</u>	<u>Total</u>
Cost:					
Balance at January 1, 2020	\$ 1,345,497	421,604	361,639	75,072	2,203,812
Additions — parent company only	-	-	-	2,775	2,775
Disposal	-	-	-	(39,225)	(39,225)
Effect of change in foreign exchange rates	<u>(12,235)</u>	<u>(13,736)</u>	<u>(3,249)</u>	<u>(863)</u>	<u>(30,083)</u>
Balance at September 30, 2020	<u>\$ 1,333,262</u>	<u>407,868</u>	<u>358,390</u>	<u>37,759</u>	<u>2,137,279</u>
Balance at January 1, 2019	\$ 1,396,645	430,575	375,927	80,545	2,283,692
Additions — parent company only	-	-	-	17,430	17,430
Effect of change in foreign exchange rates	<u>(27,984)</u>	<u>4,204</u>	<u>(7,583)</u>	<u>(2,039)</u>	<u>(33,402)</u>
Balance at September 30, 2019	<u>\$ 1,368,661</u>	<u>434,779</u>	<u>368,344</u>	<u>95,936</u>	<u>2,267,720</u>
Accumulated amortization and impairment loss:					
Balance at January 1, 2020	\$ 6,186	-	5,050	56,371	67,607
Amortization	-	-	-	4,271	4,271
Impairment loss	-	-	10,332	-	10,332
Disposal	-	-	-	(39,225)	(39,225)
Effect of change in foreign exchange rates	<u>(202)</u>	<u>-</u>	<u>(24)</u>	<u>(691)</u>	<u>(917)</u>
Balance at September 30, 2020	<u>\$ 5,984</u>	<u>-</u>	<u>15,358</u>	<u>20,726</u>	<u>42,068</u>
Balance at January 1, 2019	\$ 6,318	-	5,242	58,710	70,270
Amortization	-	-	-	6,954	6,954
Effect of change in foreign exchange rates	<u>62</u>	<u>-</u>	<u>(106)</u>	<u>(1,263)</u>	<u>(1,307)</u>
Balance at September 30, 2019	<u>\$ 6,380</u>	<u>-</u>	<u>5,136</u>	<u>64,401</u>	<u>75,917</u>
Carrying amounts:					
Balance at January 1, 2020	<u>\$ 1,339,311</u>	<u>421,604</u>	<u>356,589</u>	<u>18,701</u>	<u>2,136,205</u>
Balance at September 30, 2020	<u>\$ 1,327,278</u>	<u>407,868</u>	<u>343,032</u>	<u>17,033</u>	<u>2,095,211</u>
Balance at January 1, 2019	<u>\$ 1,390,327</u>	<u>430,575</u>	<u>370,685</u>	<u>21,835</u>	<u>2,213,422</u>
Balance at September 30, 2019	<u>\$ 1,362,281</u>	<u>434,779</u>	<u>363,208</u>	<u>31,535</u>	<u>2,191,803</u>

Due to the epidemic of COVID-19, each store of the Group had been temporarily closed in the half year of 2020, and it gradually resumed operation in the middle of February. Although the key assumptions used by the Group in evaluating department store retail and license plate cash-generating units were slightly revised down, there was no significant change in the recoverable amount of the overall cash-generating unit and there were no significant differences in fair value. In addition, the license plate is affected by the COVID-19, and has been recognized as an impairment loss of \$ 10,332 thousand for the nine months ended September 30, 2020. Please refer to Note 6 (m) of the annual consolidated financial statements for the year ended December 31, 2019.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Other financial assets — current and non-current

	September 30, 2020	December 31, 2019	September 30, 2019
Other financial assets — current			
Deposits — out for lease	\$ 659	3,269	69,069
Restricted deposits	67,759	528,539	529,982
Time deposits	-	-	198,528
Deposits — ready to transaction	30,569	12,396	4,287
Others	5,436	1,848	1,606
	<u>\$ 104,423</u>	<u>546,052</u>	<u>803,472</u>
Other financial assets — non-current			
Deposits — out for lease	\$ 143,981	163,533	167,092
Restricted deposits	-	-	33,021
Investment and guarantee deposits	692,237	698,512	710,492
Others	15,061	22,849	22,759
	<u>\$ 851,279</u>	<u>884,894</u>	<u>933,364</u>

- (i) Deposits — out for lease is leasing deposit from lessee.
- (ii) As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group has collected receipts in advance for securities brokerage business, amounting to \$ 30,984 thousand, \$ 12,396 thousand and \$ 4,287 thousand, respectively. The receipts in advance are reported as other current liabilities.
- (iii) In 2012, the Group paid a guarantee deposit of CNY 124,000 thousand to Quanzhou Fengsheng Group to purchase the commercial real estate of the Fengsheng Junyuan Development Project developed by Fengsheng Group in Fengze District, Quanzhou. After assessing the investment value of the project, the Board of Directors of the Group resolved during the meeting in July, 2015 to invest Quanzhou Fengan Real Estate Development Co., Ltd., and expected to obtain 100% equity of the company with a contractual amount of CNY 325,000 thousand. As of December 31, 2015, the Group had paid CNY 200,000 thousand, which was reported under the prepayment for investments. The management of the Group evaluated the uncertainty of the investment and thus terminated the investment. Therefore, the original prepayment for investments of CNY 200,000 thousand and other financial assets i current of CNY 124,000 thousand, were reclassified as other receivables as of June 30, 2016.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In addition, the Group reviewed the nature of other receivables and analyzed the current financial position of the counterparty. In order to secure the aforementioned debt, the Group had acquired pledge of stock rights of Quanzhou Feng'an Real Estate Development Co., Ltd., and at the same time had obtained the debtor's promise that other investment profits to be priority to repay the debt. The Group evaluated that the aforementioned debt should have no impairment concern. Because the debtor takes time to complete the relevant legal procedures of the disposition of investment, the Group and the debtor renegotiate the repayment period, which should be before April 30, 2017, before September 30, 2017, and before December 31, 2017. The total amount of repayment should be 10%, 40% and 50%, respectively. In case of violation of the agreement, the aforementioned collateral would be transferred to the Group for debt repayment. In accordance with the aforesaid agreement, the Group was received CNY 162,000 thousand on December 31, 2017. On December 19, 2017, the Board of Directors of the Group resolved during the meeting on the Fengsheng Group's extension of the repayment agreement, which extended remaining proceeds to June 30, 2018. Due to the delay of procedures of the disposition of investment, Fengsheng Group could not make the payments by the aforementioned date. As of September 30, 2020, December 31, 2019 and September 30, 2019, the outstanding receivables were CNY 162,000 thousand (\$ 692,237 thousand, \$ 698,512 thousand and \$ 710,492 thousand) respectively. The Group acquired the deferred repayment instructions by Fullshare Holdings and promised that it will be the first one to receive funds when developing the land of Feng'an and it will repay the debts; and it shall be based on the assessment report of this claim, to assess that the value of the creditor's rights without any impairment.

The Group will ensure the recovery of the aforementioned creditor's rights and the development of the Feng'an land. On August 12, 2019, the Board of Directors resolved to sign a "Debt Confirmation and Repayment Plan" with Damahua Investment Co., Ltd., Quanzhou Fengsheng Group Co., Ltd. and Quanzhou Feng'an Real Estate Development Co., Ltd. to agreeing to provide loans from Damahua Investment Co., Ltd. to support the development and construction of the Feng'an block and to sell it externally, and to ensure that the future sales proceeds will be repaid to the aforementioned claims. Considering the development progress of the Feng'an land, the credit recovery time will be longer than one year and will be transferred to other receivables-non-current (accounting for other non-current financial assets).

In addition, the board of directors also signed the "Debt Preservation and Conditional Credit Transfer Agreement" and agreed to merge the company and Damahua Investment Co., Ltd. to comprehensively supervise the development project of the Feng'an land to ensure that the future sales proceeds will be repaid to the aforementioned claims; if the relevant special circumstances in the transfer agreement occur, (Special circumstances refer to the failure to resume construction on schedule, the judicial authorities' use of auction disposal or enforcement and other restrictive measures.), the aforesaid debt preservation and the conditional creditor's rights assignment agreement originally agreed to resume construction on the Feng'an land at the latest on June 30, 2020. However, due to the verbal request from Quanzhou Agricultural Bank of Feng'an Real Estate Development Co., Ltd. to pay an additional 128 million yuan of joint construction deposit and the impact of COVID-19, the approval progress was delayed and the construction could not be started as scheduled, and the Group agreed to extend it for half a year considering the force majeure the term. The Group assesses debts based on debt preservation measures, debt transfer agreements.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(n) Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank loans	\$ 1,268,148	1,539,979	1,071,583
Secured bank loans	2,843,830	1,847,308	1,714,553
Other unsecured loans	-	-	234,639
Other secured loans	63,522	157,671	134,707
Total	<u>\$ 4,175,500</u>	<u>3,544,958</u>	<u>3,155,482</u>
Unused credit lines	<u>\$ 667,432</u>	<u>831,072</u>	<u>870,730</u>
Range of interest rates	<u>1.34%~9.5%</u>	<u>1.5%~9.5%</u>	<u>1.35%~9.5%</u>

For the collateral of short-term borrowings, please refer to note 8.

(o) Long-term borrowings

The list, terms and conditions of long-term borrowings of the Group were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Secured bank loans	\$ 2,597,874	2,905,409	2,908,518
Unsecured bank loans	1,886,052	1,643,876	2,338,112
Other secured loans	169,203	200,804	-
Less: current portion	(1,602,145)	(1,074,361)	(1,972,169)
Total	<u>\$ 3,050,984</u>	<u>3,675,728</u>	<u>3,274,461</u>
Unused credit lines	<u>\$ 2,897,535</u>	<u>2,138,066</u>	<u>2,208,778</u>
Range of interest rates	<u>1.24%~15.60%</u>	<u>1.77%~15.60%</u>	<u>1.35%~9.50%</u>

For the collateral of long term borrowings, please refer to note 8.

(p) Bonds payable

The information of bonds of the Group were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Total ordinary bonds issued	\$ 2,000,000	2,000,000	2,000,000
Total convertible bonds issued	1,542,300	1,542,300	1,542,300
Less: Current portion	(1,407,265)	(999,223)	(999,223)
Cumulative redeemed amount	(2,000,000)	(1,000,000)	(1,000,000)
Discounted corporate bonds payable	(135,035)	(206,505)	(229,271)
Long-term portion of bonds payable	<u>\$ -</u>	<u>1,336,572</u>	<u>1,313,806</u>
Embedded derivative instruments i call and put rights (financial liabilities at fair value through profit or loss)	<u>\$ -</u>	<u>2,622</u>	<u>2,468</u>
Equity component-conversion right (Reported as capital surplus-share options)	<u>\$ 96,902</u>	<u>96,902</u>	<u>96,902</u>

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Embedded derivative instruments i call and put rights at fair value through profit or loss	\$ -	1,388	2,622	4,010
Interest expense	\$ 23,970	27,343	79,845	76,448

For the collateral of long term borrowings, please refer to note 8.

(q) Accounts payable and other payables

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Accounts payable</u>			
Arising from direct sales	\$ 163,360	167,318	168,568
Arising from concessionaire sales	1,530,207	2,825,519	1,632,530
Others	46,831	61,020	102,367
Total	<u>\$ 1,740,398</u>	<u>3,053,857</u>	<u>1,903,465</u>
<u>Other payables</u>			
Securities payable	\$ 98,626	105,982	-
Dividend payable	248,353	-	63,088
Construction payables	205,076	261,609	182,498
Others	633,888	714,439	666,107
Total	<u>\$ 1,185,943</u>	<u>1,082,030</u>	<u>911,693</u>

(r) Lease liabilities

The information of lease liabilities of the Group were as follows :

	September 30, 2020	December 31, 2019	September 30, 2019
Current	<u>\$ 814,636</u>	<u>955,219</u>	<u>907,317</u>
Non- Current	<u>\$ 7,417,420</u>	<u>8,232,934</u>	<u>8,492,498</u>

Expiration analysis, please refer to Note 6 (z) for financial instruments.

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The amounts recognized in profit or loss as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest expense of lease liabilities	\$ <u>103,009</u>	<u>117,950</u>	<u>318,220</u>	<u>369,331</u>
Variable leases payments not included in the measurement of lease liabilities	\$ <u>21,535</u>	<u>22,912</u>	<u>58,402</u>	<u>86,597</u>
Expenses relating to short-term leases	\$ <u>18</u>	<u>1,487</u>	<u>52</u>	<u>3,570</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>280</u>	<u>-</u>	<u>971</u>	<u>-</u>
COVID-19 related rent reduction	\$ <u>28,218</u>	<u>-</u>	<u>228,558</u>	<u>-</u>

Total cash flow for the Group's leases as follows:

	For the nine months end September 30	
	2020	2019
Total cash outflow for leases	\$ <u>1,020,967</u>	<u>1,125,092</u>

(i) Lease of land, housing and construction

The Group's lease of land use rights, housing and buildings as office space, staff quarters and department stores for business. The lease period of office premises is usually three years, the staff quarters are usually one year, and the department store building is usually ten to twenty years. Some leases include the option to extend the lease period at the end of the lease term.

The lease payments for certain contracts are subject to changes in the local price index or based on the sales amount leased by the Group during the lease term.

(ii) Other lease

The lease period of the Group leased transportation and machinery and equipment is two to ten years. Some lease contracts stipulate that the Group has the option to purchase the leased assets when the lease term expires.

In addition, the period in which the Group leases part of the office is one year, and the leases are short-term leases. The Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and lease liabilities.

(s) Operating lease

Leases as lessor

The Group leases its marine equipment and transportation equipment. Since it does not transfer almost all the risks and rewards of ownership of the assets attached to the underlying assets, these lease contracts are classified as operating leases. Please refer to Note 6 (i) for property, plant and equipment. In addition, please refer to Note 6 (d) for details of the financial leasing situation of the Group operating the passenger car leasing business.

The maturity analysis of the lease payments is reported in the following table for the total amount

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Notes to the Consolidated Financial Statements

of undiscounted lease payments to be received in the future :

(i) Bulk carriers

	September 30, 2020	December 31, 2019	September 30, 2019
Less than one year	\$ 521,036	499,775	549,848
Between one and two years	280,939	277,019	299,475
Between two and three years	281,470	132,848	164,153
Between three and four years	151,305	132,848	137,000
Between four and five years	133,831	132,848	137,000
More than five years	139,142	151,411	190,674
Total undiscounted lease payments	<u>\$ 1,507,723</u>	<u>1,326,749</u>	<u>1,478,150</u>

(ii) Transportation equipments

	September 30, 2020	December 31, 2019	September 30, 2019
Less than one year	\$ 41,064	42,197	43,235
Between one and two years	16,116	31,564	30,693
Between two and three years	7,486	5,684	6,867
Total undiscounted lease payments	<u>\$ 64,666</u>	<u>79,445</u>	<u>80,795</u>

The direct expenses including repairs and maintenance arising from bulk carriers were as follows :

	For the three months end September 30		For the nine months end September 30	
	2020	2019	2020	2019
Operating costs	<u>\$ 6,141</u>	<u>8,761</u>	<u>20,777</u>	<u>19,754</u>

(t) Income Tax

(i) The components of income tax were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Current tax expense				
Current period	\$ 48,315	52,108	98,225	237,687
Land value increment tax	1,119	-	1,260	13,767
Undistributed surplus plus tax	-	-	-	2,469
Adjustment for prior periods	-	42	(1,398)	(5,155)
	<u>49,434</u>	<u>52,150</u>	<u>98,087</u>	<u>248,768</u>
Deferred tax expense				
Origination and reversal of temporary differences	(2,448)	(165)	(19,884)	(2,463)
Income tax expense from continuing operations	<u>\$ 46,986</u>	<u>51,985</u>	<u>78,203</u>	<u>246,305</u>

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(ii) Examination and Approval

The years of ROC subsidiaries' tax returns which were examined and approved by the national tax authorities were as follows:

	<u>Approved year</u>
First Steamship Co., Ltd.	2018
Yee Shin Investment Co., Ltd.	2018
Royal Sunway Development Co., Ltd.	2018

The annual tax returns of subsidiaries in China through 2019 were examined and approved by the tax authority.

(u) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 2020 and 2019. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2019.

- (i) The Group was approved by the special shareholders' meeting on September 30, 2020, to issue overseas or domestic convertible bonds in private placement within the range of no more than 240,000 thousand of shares, and authorize the board of directors that according to the actual needs of the company's operations, funds raise from specific people in stages.

(ii) Capital surplus

The components of the capital surplus were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Share capital	\$ 375,193	561,458	561,458
Stock option from convertible corporate bonds	748,921	748,921	748,921
Employee Share options	96,902	96,902	96,902
Forfeited share options	13,838	13,838	13,838
Treasury share transactions	15,967	15,967	15,967
Changes in equity of accounted for using equity method	-	11,629	-
Difference arising from subsidiary's share price and its carrying value	596,524	430,844	430,844
Changes in a parent's ownership interest in a subsidiary	66,575	64,795	79,656
Donation from shareholders	3,332	3,332	3,332
	<u>\$ 1,917,252</u>	<u>1,947,686</u>	<u>1,950,918</u>

On June 18, 2020, the Group shareholders' meeting approved cash distribution from capital surplus of \$ 186,265 thousand.

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(iii) Retained earnings

According to the articles of incorporation, after-tax earnings are initially used to offset cumulative losses, and 10% of the remainder is set aside as a legal reserve, except when the legal reserve of the Company reaches paid-in capital of the Company. Special reserve may be appropriated or reversed if necessary. Other than distributing dividends, any remaining balance and the undistributed earnings from the beginning of the year are distributed according to the proposal presented by the board of directors in the shareholder's meeting.

According to the Company's articles of incorporation, the dividend policy of the Company should take into account the actual operating conditions of the year, future investment development, capital needs, financial structure and the interests of shareholders, and distributing stock and cash from the remaining earnings. However, the cash dividend shouldn't be less than 10% of the total dividend. If the cash dividend is less than NT\$0.5 dollars per share, it wouldn't be distributed unless otherwise resolved by the shareholders' meeting.

1) Special reserve

The Group chose to apply the exemption under the IFRS1 "First-time adoption of IFRS" ; therefore, a portion of cumulative translation adjustments amounting to thousand was reclassified as special earnings reserve. The net increase in retained earnings due to this reclassification is not covered by the Ruling No. 1010012865 issued by the FSC on April 6, 2012 for purposes of appropriating the same amount of special earnings reserve.

In accordance with the aforementioned Ruling No. 1010012865, portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. A resolution was passed during the shareholders' meeting held on June 28, 2019, reversal of special earnings reserve of \$ 105,284 thousand. A resolution was passed during the shareholders' meeting held on June 18, 2020, appropriating special earnings reserve of \$ 335,040 thousand.

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2) Earnings distribution

The appropriations of earnings distribution correction for 2019 had been approved in the extraordinary shareholders' meeting held on September 30, 2020. And the appropriations of earnings for 2018 had been approved in the shareholders' meeting held on June 28, 2019. The appropriation and dividend per share were as follows :

	For the year ended December 31	
	2019(Note)	2018
Dividends distributed to ordinary shareholders :		
Cash	\$ 62,088	63,088
Stock	558,795	-
Total	<u>\$ 620,883</u>	<u>63,088</u>

Note: Ex-rights and dividend record date is November 7, 2020

(iv) Treasury stock

- 1) For the nine months ended September 30 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 10,000 thousand shares of its own common stock as treasury shares in order to protect the Company's integrity and shareholders' equity. As of September 30, 2020, total of 10,000 thousand shares were not yet cancelled.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all common shares issued. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves.

In accordance with Securities and Exchange Act requirements, treasury shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

- 2) The movement in treasury shares of subsidiaries were as follows:

(In thousands of shares)

	For the nine months ended	
	September 30	
	2020	2019
Outstanding at January 1	11,882	6,350
Exercised during the year	-	6,282
Quantity sold in this period	(205)	-
Outstanding at September 30	<u>11,677</u>	<u>12,632</u>

The proceeds from transferring treasury shares were recognized as prepaid salary for employees to execute subscription. As of September 30, 2020, December 31, 2019, and September 30, 2019, these prepaid salary amounting to \$ 199,845 thousand, \$ 214,055 thousand and \$ 231,453 thousand were recognized under other non-current assets-other, respectively. Considering the crisis the industry is facing and the impact caused by COVID-19, a resolution was passed during the board of directors' meeting to defer the repayment of advanced employees' salary for one year on February 27, 2020.

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(v) Other equity interests

	Exchange differences on translation of foreign financial statements	Equity related to non-current assets classified as held for sale	Non-controlling Interest	Total
Balance at January 1, 2020	\$ (595,680)	29,788	4,117,351	3,551,459
Profit of non-controlling interests	-	-	(112,833)	(112,833)
Exchange differences on subsidiaries accounted for using equity method	(19,162)	-	-	(19,162)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	(313,136)	(313,136)
Changes in ownership interests in subsidiaries	-	-	676	676
Increase or decrease in non-controlling interests	-	-	(183,973)	(183,973)
Exchange differences on foreign operations	<u>(189,676)</u>	<u>(6,531)</u>	<u>(27,110)</u>	<u>(223,317)</u>
Balance at September 30, 2020	<u>\$ (804,518)</u>	<u>23,257</u>	<u>3,480,975</u>	<u>2,699,714</u>
Balance at January 1, 2019	\$ (266,508)	35,656	3,938,602	3,707,750
Profit of non-controlling interests	-	-	125,262	125,262
Subsidiaries dividend declared	-	-	(150,582)	(150,582)
Changes in equity of subsidiaries	-	-	251,763	251,763
Exchange differences on subsidiaries accounted for using equity method	10,958	-	-	10,958
Reclassified to profit or loss on disposal of subsidiaries accounted for using equity method	4,258	-	-	4,258
Disposal of subsidiaries	-	-	(3,407)	(3,407)
Equity related to non-current assets classified as held for sale	-	2,381	142	2,523
Exchange differences on foreign operations	<u>(61,339)</u>	<u>-</u>	<u>(104,802)</u>	<u>(166,141)</u>
Balance at September 30, 2019	<u>\$ (312,631)</u>	<u>38,037</u>	<u>4,056,978</u>	<u>3,782,384</u>

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(v) Earnings per share

The Group's earnings per share were calculated as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Basic earnings (loss) per share				
Profit (loss) attributable to ordinary shareholders of the Company	<u>\$ (21,433)</u>	<u>(120,235)</u>	<u>(356,675)</u>	<u>1,204,321</u>
Ordinary shares issued at opening balance	630,883	630,883	630,883	630,883
Effect of stock dividends	55,880	56,779	55,880	56,779
Effect of treasury stock	<u>(10,000)</u>	<u>-</u>	<u>(7,587)</u>	<u>-</u>
Weighted-average number of ordinary shares at ending balance	<u>676,763</u>	<u>687,662</u>	<u>679,176</u>	<u>687,662</u>
Earnings (loss) per share (dollars)	<u><u>\$ (0.03)</u></u>	<u><u>(0.17)</u></u>	<u><u>(0.53)</u></u>	<u><u>1.75</u></u>

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Diluted earnings (loss) per share				
Profit (loss) attributable to ordinary shareholders of the Company	(21,433)	(120,235)	(356,675)	1,204,321
Effect of dilutive potential ordinary shares				
Effect of conversion of convertible bonds	<u>(Note)</u>	<u>(Note)</u>	<u>(Note)</u>	<u>38,092</u>
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	<u>\$ (21,433)</u>	<u>(120,235)</u>	<u>(356,675)</u>	<u>1,242,413</u>
Weighted-average number of common shares	676,763	687,662	679,176	687,662
Effect of dilutive potential ordinary shares				
Effect of issuance of share option	<u>(Note)</u>	<u>(Note)</u>	<u>(Note)</u>	<u>648</u>
Effect of conversion of convertible bonds	<u>(Note)</u>	<u>(Note)</u>	<u>(Note)</u>	<u>102,588</u>
Weighted-average number of ordinary shares (diluted)	<u>676,763</u>	<u>687,662</u>	<u>679,176</u>	<u>790,898</u>
Earnings (loss) per share (dollars)	<u><u>\$ (0.03)</u></u>	<u><u>(0.17)</u></u>	<u><u>(0.53)</u></u>	<u><u>1.57</u></u>

Note: The conversion of convertible bonds was not included in the calculation of the weighted-average number of shares (diluted) due to the anti-dilutive effect.

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(w) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended September 30, 2020						
	Freight department	Invest department	Retail department	Lease department	Other department	Total
Primary geographical markets						
Taiwan	\$ -	1,447	-	-	398,941	400,388
China	-	-	1,181,837	56,386	-	1,238,223
Other	240,294	2,443	-	-	-	242,737
	<u>\$ 240,294</u>	<u>3,890</u>	<u>1,181,837</u>	<u>56,386</u>	<u>398,941</u>	<u>1,881,348</u>
Major products/services lines						
Commissions revenue (Retail revenue i concessionaire sales)	\$ -	-	356,416	-	-	356,416
Commodity sales (Retail revenue i direct sales)	-	-	428,508	-	-	428,508
Lease revenue (Note)	240,294	1,447	192,449	15,050	-	449,240
Financial lease interest income (Note)	-	-	-	36,273	-	36,273
Service revenue and others	-	2,443	204,464	5,063	398,941	610,911
	<u>\$ 240,294</u>	<u>3,890</u>	<u>1,181,837</u>	<u>56,386</u>	<u>398,941</u>	<u>1,881,348</u>

For the three months ended September 30, 2019						
	Freight department	Invest department	Retail department	Lease department	Other department	Total
Primary geographical markets						
Taiwan	\$ -	1,208	-	-	-	1,208
China	-	-	1,391,295	70,883	-	1,462,178
Other	274,507	8,270	-	-	-	282,777
	<u>\$ 274,507</u>	<u>9,478</u>	<u>1,391,295</u>	<u>70,883</u>	<u>-</u>	<u>1,746,163</u>
Major products/services lines						
Commissions revenue (Retail revenue i concessionaire sales)	\$ -	-	477,576	-	-	477,576
Commodity sales (Retail revenue i direct sales)	-	-	415,060	-	-	415,060
Lease revenue (Note)	274,507	1,208	230,118	13,085	-	518,918
Financial lease interest income(Note)	-	-	-	54,023	-	54,023
Service revenue and others	-	8,270	268,541	3,775	-	280,586
	<u>\$ 274,507</u>	<u>9,478</u>	<u>1,391,295</u>	<u>70,883</u>	<u>-</u>	<u>1,746,163</u>

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For the nine months ended September 30, 2020						
	Freight department	Invest department	Retail department	Lease department	Other department	Total
Primary geographical markets						
Taiwan	\$ -	4,390	-	-	448,050	452,440
China	-	-	3,147,873	174,474	-	3,322,347
Other	706,531	21,917	-	-	-	728,448
	\$ 706,531	26,307	3,147,873	174,474	448,050	4,503,235
Major products/services lines						
Commissions revenue (Retail revenue i concessionaire sales)	\$ -	-	948,782	-	-	948,782
Commodity sales (Retail revenue i direct sales)	-	-	1,143,194	-	-	1,143,194
Lease revenue (Note)	706,531	4,390	476,441	43,932	-	1,231,294
Financial lease interest income(Note)	-	-	-	116,567	-	116,567
Service revenue and others	-	21,917	579,456	13,975	448,050	1,063,398
	\$ 706,531	26,307	3,147,873	174,474	448,050	4,503,235
For the nine months ended September 30, 2019						
	Freight department	Invest department	Retail department	Lease department	Other department	Total
Primary geographical markets						
Taiwan	\$ -	3,458	-	3,058	47,427	53,943
China	-	-	4,722,915	231,550	-	4,954,465
Other	778,613	43,418	-	-	-	822,031
	\$ 778,613	46,876	4,722,915	234,608	47,427	5,830,439
Major products/services lines						
Commissions revenue (Retail revenue i concessionaire sales)	\$ -	-	1,734,295	-	-	1,734,295
Commodity sales (Retail revenue i direct sales)	-	-	1,381,095	-	-	1,381,095
Lease revenue (Note)	778,613	3,458	664,704	51,206	-	1,497,981
Financial lease interest income (Note)	-	-	-	168,225	-	168,225
Service revenue and others	-	43,418	942,821	15,177	47,427	1,048,843
	\$ 778,613	46,876	4,722,915	234,608	47,427	5,830,439

Note : The lease revenue and finance lease interest income of the Group are subject to the provisions of IFRS 16.

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(ii) Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	\$ 1,120	-	1,884
Less: allowance for impairment	-	-	-
Total	<u>\$ 1,120</u>	<u>-</u>	<u>1,884</u>
Contract liabilities	<u>\$ 1,101</u>	<u>150</u>	<u>3,204</u>

Please refer to note 6(d) for the disclosure of accounts receivable and impairment.

The amount of revenue recognized for the nine months ended September 30, 2020, and 2019, that was included in the contract liability balance at the beginning of the period was \$ 150 thousand and \$ 4,353 thousand.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the nine months ended September 30, 2020, and 2019.

(x) Employee compensation and directors' remuneration

According to the Articles of Incorporation, once the Company has annual profit, it should appropriate no less than 1% of the profit to its employees and 3% or less as directors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via shares or cash includes dependent employees of the Company's subsidiaries under certain requirements approved by board of directors. However, directors' remuneration could only be paid by cash.

The company had a net loss before tax, which was no need to estimate its employee compensation and directors' remuneration amounting, for the nine months ended September 30, 2020. For the three months and nine months ended September 30, 2019, the compensation to employees and the remunerations to directors are \$ (2,062) thousand, zero, \$ 8,002 thousand and \$ 1,393 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses for each period. The difference between the actual amounts and the estimation of employee compensation will be treated as changes in accounting estimates and adjusted in profit or loss in the following year.

For the year ended December 31, 2019, the Company estimated its employee compensation and directors' remuneration amounting to \$14,352 thousand and zero. There were no differences between the amount to be distributed as rewards to employees and directors and those estimations made by the board of directors. Related information would be available at the Market Observation Post System.

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(y) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest income				
Bank deposits	\$ 6,242	7,874	17,387	29,526
Amortized cost financial assets	-	3,786	-	35,574
Loans	281	(269)	291	4,281
Open-end fund	246	261	749	806
Other	2,636	-	7,388	-
	<u>\$ 9,405</u>	<u>11,652</u>	<u>25,815</u>	<u>70,187</u>

(i) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Dividend income	<u>\$ 107</u>	<u>214</u>	<u>2,948</u>	<u>3,304</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ 6	(7,665)	(803)	(9,491)
Gain (loss) on disposal of investment	-	5,338	(231)	1,005,022
Gain on disposal of non-current assets classified as held for sale	-	-	-	217,213
Foreign exchange loss	24,942	(21,722)	8,723	(45,998)
Gain (loss) on financial assets (liabilities) at fair value through profit or loss				
Open fund and listed companies	25,094	(10,052)	39,259	8,311
Embedded derivative instruments—call and put rights of convertible bonds	-	1,388	2,622	4,010
Impairment loss, gain on reversal of impairment loss				
Reversal of impairment gain (loss) on non-current asset classified as held for sale	8,054	(92,067)	(97,429)	(7,738)
Intangible assets impairment loss	10	-	(10,332)	-
Other	44,410	33,871	82,738	115,184
	<u>\$ 102,516</u>	<u>(90,909)</u>	<u>24,547</u>	<u>1,286,513</u>

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(iii) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest expense	\$ 57,101	67,346	179,530	264,409
Interest on corporate bonds	-	4,187	8,375	20,937
Amortization on discount of corporate bonds	23,970	23,156	71,470	55,511
Lease liabilities	103,009	117,950	318,220	369,331
Other financial expenses	1,222	3,483	7,085	16,526
	\$ 185,302	216,122	584,680	726,714

The interest related to leases amounting to \$ 11,665 thousand, \$ 13,616 thousand, \$ 45,577 thousand and \$ 35,524 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively, was recognized as interest expense under operating cost.

(z) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(aa) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Receivables of credit risk

For credit risk exposure of notes and accounts receivables, please refer to note 6(d). Other financial assets at amortized cost include other receivables and corporate bonds, etc.; please refer to notes 6 (c) and (e).

The impairment provision of all of these financial assets recognized during the period was limited to 12 months expected losses or lifetime ECL measurement. For the nine months ended September 30, 2020 and 2019, the movement in the allowance for impairment for above assets was referred to notes 6(d) and (e).

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(ii) Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	1 years	1 to 5 years	Over 5 years
September 30, 2020					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 3,380,389	3,380,389	2,828,987	54,163	497,239
Floating rate instrument	6,069,239	6,220,457	3,734,117	2,486,340	-
Fixed rate instruments	4,315,214	4,592,017	4,008,576	583,441	-
Leases liabilities	8,232,056	10,183,604	1,198,930	4,832,904	4,151,770
	<u>\$ 21,996,898</u>	<u>24,376,467</u>	<u>11,770,610</u>	<u>7,956,848</u>	<u>4,649,009</u>
December 31, 2019					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 4,362,608	4,362,608	3,647,699	162,371	552,538
Floating rate instrument	5,507,439	5,779,144	2,899,873	2,879,271	-
Fixed rate instruments	5,667,185	6,089,966	3,524,264	2,565,702	-
Lease liabilities	9,188,153	11,479,164	1,378,453	5,037,213	5,063,498
	<u>\$ 24,725,385</u>	<u>27,710,882</u>	<u>11,450,289</u>	<u>10,644,557</u>	<u>5,616,036</u>
September 30, 2019					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 3,581,867	3,581,867	2,774,695	245,161	562,011
Floating rate instrument	8,005,763	8,465,905	5,270,730	3,195,175	-
Fixed rate instruments	2,807,278	3,081,951	1,486,607	1,595,344	-
Lease liabilities	9,399,815	11,814,382	1,343,159	5,071,400	5,399,823
	<u>\$ 23,794,723</u>	<u>26,944,105</u>	<u>10,875,191</u>	<u>10,107,080</u>	<u>5,961,834</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	September 30, 2020				December 31, 2019			September 30, 2019		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>										
<u>Monetary items</u>										
USD:NTD	\$	514	29.10	14,957	900	30.08	27,072	608	31.02	18,860
HKD:USD		234	0.1292	880	261	0.1285	1,009	156,956	0.1276	62,836
NTD:USD		44,402	0.0344	44,402	3,922	0.0332	3,917	15,875	0.0322	156,956
EUR:USD	-	-	-		148	1.1217	4,994	395	1.0925	13,386

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	September 30, 2020			December 31, 2019			September 30, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Non-monetary items</u>									
Non-current assets classified as held for sale									
HKD:USD	47,543	0.1292	178,724	73,216	0.1285	283,041	63,724	0.1276	252,228
Investments accounted for using equity method									
HKD:USD	179,833	0.1292	676,031	175,614	0.1285	678,892	-	-	-
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:CNY	9,400	6.8101	273,542	25,225	6.9762	758,767	22,700	7.0729	704,161
HKD:USD	26,236	0.1292	98,626	27,415	0.1285	105,967	-	-	-

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents, financial assets at fair value through profit or loss, loans and borrowings; and trade and other payables that are denominated in foreign currency. A weakening (strengthening) of 1% of the NTD or CNY against the USD, EUR, HKD and CNY as for the nine months ended September 30, 2020 and 2019 would have decreased the profit before tax by \$ 3,119 thousand and \$ 4,521 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and nine months ended September 30, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$ 24,949 thousand, \$ (21,722) thousand, \$ 8,730 thousand and \$ (45,998) thousand, respectively.

3) Interest rate analysis

The details of the Group's exposure to interest rate of financial assets and liabilities, please refer to the note on liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments at the reporting date. Regarding of liabilities with floating interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Group's profit before tax would have decreased or increased by \$ 9,606 thousand and \$ 12,562 thousand, which is mainly due to the Group's borrowings at variable rates and demand deposits for the nine months ended September 30, 2020 and 2019, respectively, given that all other variable factors remaining constant.

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4) Other market price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	For the nine months ended September 30			
	2020		2019	
	Comprehensive Income (Loss) (before tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (before tax)	Net Income (Loss) (before tax)
Increase 5%	\$ -	7,772	-	17,530
Decrease 5%	\$ -	(7,772)	-	(17,530)

(iv) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

		September 30, 2020			
		Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
					Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss		\$ 284,748	167,748	-	117,000
					284,748
		December 31, 2019			
		Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
					Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss		\$ 162,866	162,866	-	-
					162,866
Financial liabilities at fair value through profit or loss					
Embedded derivative instruments call and put options		\$ 2,622	-	-	2,622
					2,622
		September 30, 2019			
		Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
					Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss		\$ 498,787	362,828	135,959	-
					498,787
Financial liabilities at fair value through profit or loss					
Embedded derivative instruments call and put options		\$ 2,468	-	-	2,468
					2,468

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2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

- a) Financial assets measured at amortized cost and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

- a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well established, only small volumes are traded, or bid ask spreads are very wide. Determining whether a market is active involves judgment.

- b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques. Embedded derivative instruments are measured at model of adjusted Binary tree.

- c) Financial guarantee contract

Discounted cash flow models that are applied to estimate the fair value of a financial guarantee. The assumption is to use a probability-weighted discounted cash flow analysis that incorporates the expected default rate of the borrower and expected recoveries in the event of default.

4) Transferring from each level 1 and 2 in the fair value hierarchy: None

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Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	Financial assets and liabilities as held for sale	
	Non-derivative financial assets-beneficial rights	Embedded derivative instruments
Opening balance, January 1, 2020	\$ -	2,622
Issued	117,000	-
Recognized in profit (loss)	-	(2,622)
Ending balance, September 30, 2020	<u>\$ 117,000</u>	<u>-</u>
Opening balance, January 1, 2019	\$ -	-
Issued	-	6,478
Recognized in profit (loss)	-	(4,010)
Ending balance, September 30, 2019	<u>\$ -</u>	<u>2,468</u>

The aforementioned total gains and losses were recognized in other gains and losses,

Details of the liabilities the Group still held as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Total gains or losses recognized:				
In profit (loss) (recognized in other gains and losses)	<u>\$ -</u>	<u>1,388</u>	<u>2,622</u>	<u>4,010</u>

6) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income-equity investments.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs			The relationship between significant Non-observable inputs and fair values
		September 30, 2020	December 31, 2019	September 30, 2019	
Embedded derivative instruments' call and put options	Adjusted Binary tree	Volatility			• The higher the volatility, the lower the fair value.
		31.88%	24.29%	30.28%	
Beneficial rights	Discounted cash flow method	Fluctuations in building prices and construction costs			• The higher the building price or the lower the construction cost, the higher the fair value.
		September 30, 2020	December 31, 2019	September 30, 2019	
		410 thousand/ping	-	-	
		110 thousand/ping	-	-	

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- 7) Fair value measurements in Level 3 i sensitivity analysis of reasonably possible alternative assumptions

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, the impact on the net income or loss and other comprehensive income or loss will be as follows if the valuation parameters changed:

			Impacts of fair value change on	
			net income or loss	
	Inputs	Variation	Favourable	Unfavourable
September 30, 2020				
Financial assets at fair value through profit or loss				
Beneficial rights	Price fluctuations	5%	9,185	(9,185)
Financial liabilities at fair value through profit or loss				
Embedded derivative instruments-call and put right	Volatility	5%	154	-
December 31, 2019				
Financial liabilities at fair value through profit or loss				
Embedded derivative instruments-call and put right	Volatility	5%	308	(308)
September 30, 2019				
Financial liabilities at fair value through profit or loss				
Embedded derivative instruments-call and put right	Volatility	5%	154	-

The favourable and unfavourable change effects represent the change in fair value and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(aa) Financial risk management

There were no significant differences of the Group's financial risk management and policies with those disclosed in Note 6(ab) of the consolidated financial statements for the year ended December 31, 2019.

(ab) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 6(ad) of consolidated financial statements for the year ended December 31, 2019 for further details.

(ac) Investing and financing activities not affecting current cash flow

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For the nine months ended September 30, 2020 and 2019, the Group's investing and financing activities which did not affect the current cash flow were as follows:

- 1) Acquisition of right-of-use assets from lease. Please refer to Note 6 (j).
- 2) Adjustment of liabilities from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		September 30, 2020
			Other(Note)	Foreign exchange movement	
Short-term borrowings	\$ 3,544,958	677,393	-	(46,851)	4,175,500
Short-term notes and bills payable	49,954	(21)	-	-	49,933
Bonds payable	2,335,795	(1,000,000)	71,470	-	1,407,265
Long-term borrowings	4,750,089	15,734	-	(112,694)	4,653,129
Leases liabilities	9,188,153	(643,322)	(228,411)	(84,364)	8,232,056
Guarantee deposits	720,549	(161,249)	-	(6,796)	552,504
Total liabilities from financing activities	<u>\$ 20,589,498</u>	<u>(1,111,465)</u>	<u>(156,941)</u>	<u>(250,705)</u>	<u>19,070,387</u>

	January 1, 2019	Cash flows	Non-cash changes		September 30, 2019
			Other(Note)	Foreign exchange movement	
Short-term borrowings	\$ 3,540,288	(362,475)	-	(22,331)	3,155,482
Short-term notes and bills payable	49,947	35	-	-	49,982
Bonds payable	1,995,336	542,300	(224,607)	-	2,313,029
Long-term borrowings	7,262,108	(2,048,656)	-	33,178	5,246,630
Leases liabilities	10,297,999	(665,594)	(47,011)	(185,579)	9,399,815
Guarantee deposits	953,419	(123,453)	-	(15,339)	814,627
Total liabilities from financing activities	<u>\$ 24,099,097</u>	<u>(2,657,843)</u>	<u>(271,618)</u>	<u>(190,071)</u>	<u>20,979,565</u>

Note: The impact of the lease liability on the rental, new and discontinued leases please refer to Note 6(r); the amount of amortization of corporate bond issuance costs.

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(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

First Steamship Company Ltd. is the ultimate controlling company of the Group.

- (b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Nanjing Tiandu Co., Ltd.	The Group's manager is the company's chairman
Shanghai Tian An Tower Co., Ltd.	The Group's manager is the company's director
Huizhou Tianan Xinghe City Management Co., Ltd.	A substantial related party
Huiyang Tamsui New Sun City Construction Co., Ltd.	A substantial related party
Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd.	A substantial related party
Hainan Sanhe Licheng Business Service Co., Ltd.	An associate

- (c) Significant transactions with related parties

- (i) Sales

The amounts of significant interest income of finance leases and lease receivables by the Group to related parties were as follows:

	<u>Operating revenues</u>				<u>Lease receivables</u>		
	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>		<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>			
Associates	\$ 5,191	-	13,106	-	182,303	274,990	-

The interest income of finance leases between the Group and the associates is based on the interest rate agreed by both parties and collected monthly. The interest rate is not significantly different from the one with non-related parties. The receivables with related parties are guaranteed by vehicles for finance lease, take Chengdu Sanhe Licheng Business Service Co., Ltd. as joint guarantee and no impairment losses were required after the assessment.

- (ii) Payables to related parties

Payables to related parties were as follows:

<u>Account</u>	<u>Category of related party</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Other payables	Other related parties	\$ 7,078	-	-

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(iii) Prepayments

	September 30, 2020	December 31, 2019	September 30, 2019
Other related parties	<u>\$ 48,255</u>	<u>48,692</u>	<u>49,527</u>

Note: It is a short-term prepaid lease fee and a monthly fixed prepaid variable rent of the Group, which is settled at the end of the year.

(iv) Lease

1) Lease liabilities and interest

Relationship	Purpose	Lease liabilities		
		September 30, 2020	December 31, 2019	September 30, 2019
Other related parties	Office building and department store	\$ 56,158	76,266	84,060
Other related parties	Energy-saving renovation engineering equipment	48,535	53,811	56,727
		<u>\$ 104,693</u>	<u>130,077</u>	<u>140,787</u>

Relationship	Purpose	Interest expense			
		For the three months ended		For the nine months ended	
		2020	2019	2020	2019
Other related parties	Office building and department store	\$ 703	1,057	2,349	3,472
Other related parties	Energy-saving renovation engineering equipment	596	715	1,851	2,154
		<u>\$ 1,299</u>	<u>1,772</u>	<u>4,200</u>	<u>5,626</u>

2) Operating lease

Relationship	Purpose	Payments that are not included in the measurement of the lease liability			
		For the three months ended		For the nine months ended	
		2020	2019	2020	2019
Other related parties	Office building and department store	<u>\$ 21,535</u>	<u>22,912</u>	<u>58,402</u>	<u>86,597</u>

Relationship	Purpose	Property management fee			
		For the three months ended		For the nine months ended	
		2020	2019	2020	2019
Other related parties	Office building and department store	<u>\$ 692</u>	<u>327</u>	<u>2,643</u>	<u>966</u>

As of September 30, 2020, December 31, 2019, and September 30, 2019, the rental security deposit of the Group to other related parties amounted to \$ 11,716 thousand, \$ 8,624 thousand and \$ 9,012 thousand, respectively.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

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(v) Others

- 1) The Group provided management consulting services and signed service contracts with other related parties. For the three months and the nine months ended September 30, 2020 and 2019, the revenue from consulting services was zero, \$ 5,254 thousand, zero and \$ 16,031 thousand, respectively. On September 30, 2020, December 31, 2019, and September 30, 2019, the outstanding amounts were zero, \$ 28,745 thousand (CNY 6,667 thousand) and \$ 27,411 thousand (CNY 6,250 thousand) and which reported as other receivables.
- 2) For the nine months ended September 30, 2020 and 2019, the Group purchased energy-saving equipment amounting to zero and \$ 406 thousand (CNY 93 thousand), respectively, from other related parties and which reported as property, plant and equipment.

(vi) Guarantees

On September 30, 2020, December 31, 2019, and September 30, 2019, the amount of guarantee that the Group provided for associates, which signed the finance lease agreements with non-related parties, were \$ 82,997 thousand (CNY 19,423 thousand), \$ 64,385 thousand (CNY 14,932 thousand) and zero, respectively.

(d) Key management personnel compensation

(i) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	<u>\$ 13,110</u>	<u>14,566</u>	<u>39,332</u>	<u>50,847</u>

- (ii) The Group granted key management personnel rights to subscribe treasury shares as prepaid salaries. As of September 30, 2020, December 31, 2019 and September 30, 2019, those prepaid salaries amounting to \$ 44,879 thousand (CNY 10,503 thousand), \$ 45,585 thousand (CNY 10,572 thousand) and \$ 49,206 thousand (CNY 11,220 thousand), which were recognized under other non-current assets accounts.

(8) Pledged assets:

The carrying amount of pledged assets was as follows:

Pledged assets	Object	September 30, 2020	December 31, 2019	September 30, 2019
Inventories (for construction business)	Bank loans	\$ 82,313	101,531	106,377
Other financial assets (Note 1)	Bank loans, bank depository funds and ordinary bonds payable	67,759	528,539	563,003
Accounts receivable	Bank loans and other loans	118,974	92,855	39,397
Leases payment receivables	Other loans	158,705	-	-
Property, plant and equipment (Note 2)	Bank loans and ordinary bonds payable	8,945,262	9,602,555	10,069,954
Investment Property	Bank loans and ordinary bonds payable	<u>143,279</u>	<u>144,009</u>	<u>144,252</u>
		<u>\$ 9,516,292</u>	<u>10,469,489</u>	<u>10,922,983</u>

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

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Note 1: The credit line of the above pledged assets has been made, with some are actually appropriated.

Note 2: Including the land use rights, which are recognized as right-of-use assets and long-term prepaid rentals.

(9) Significant contingent liabilities and unrecognized commitments:

Except for those described in note 6, the Group's other significant contingent liabilities and unrecognized commitments were as follows:

(a) Unrecognized contractual commitments

(i) The unrecognized contractual commitments of the Group were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Contracted price</u>			
Construction contract of land and building	\$ 1,674,825	665,331	665,331
Purchase contract of vehicle for rent	16,497	23,981	12,112
Sales contract of land	9,674	11,020	29,972
Purchase vessel equipment	1,868,220	1,931,136	-
<u>Received or paid price</u>			
Construction contract of land and building	373,230	108,309	108,309
Purchase contract of vehicle for rent	11,452	16,816	10,964
Sales contract of land	1,101	150	3,204
Purchase vessel equipment	468,510	386,227	-

(ii) The total amount of the Group's contracts to purchase commercial real estate as department store business office was CNY 198,540 thousand. As of September 30, 2019, the unpaid amount was \$ 67,554 thousand (CNY 15,403 thousand). The aforesaid real estate was completed acceptance in the fourth quarter of 2019 and reclassified as property, plant and equipment.

(iii) The Group signed a finance lease business cooperation agreement with Shanghai Financial Leasing Co., Ltd., then found and reviewed customers according to the contracted risk control standards. Shanghai Financial Leasing Co., Ltd. signed a finance lease contract with the customer, and the Group received some contract considerations from Shanghai Financial Leasing Co., Ltd. on schedule. In addition, the Group promised to buy unconditionally the default claims from Shanghai Financial Leasing Co., Ltd. if the customers violate the agreement, it will buy the default claims from Shanghai Financial Leasing Co., Ltd. Since there was no past due occurred, the Group did not accrue expected credit losses after evaluation. The details of the relevant amounts were as follows:

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(iv)

	September 30, 2020	December 31, 2019	September 30, 2019
Contracted value	<u>\$ 78,828</u>	<u>48,321</u>	<u>-</u>
Remaining amount	<u>\$ 63,295</u>	<u>46,866</u>	<u>-</u>

(iv) The Group signed the joint construction contracts with other companies as follows:

Item	Construction name
Joint construction with allocation of buildings	Me island phase III B1
Joint investing and developing on construction site	Nan Jing Jian Kang

(b) Significant contingent liabilities: None

(10) Losses due to major disasters: None

(11) Subsequent events:

On October 28, 2020, the Group's board of directors decided to sign a joint construction contract with non-related parties at No. 55, 70, 73 and 74, Yongfu Section, Tucheng District, New Taipei City. As of the date of publication of the financial report, the contract has not been completed.

(12) Other:

(a) The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

For the three months ended September 30						
By function	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
By item						
Employee benefits						
Salary	45,117	124,167	169,284	46,106	130,121	176,227
Health and labor insurance	305	914	1,219	-	1,326	1,326
Pension	321	715	1,036	-	15,195	15,195
Others	3,956	22,341	26,297	4,060	32,279	36,339
Depreciation	86,249	389,792	476,041	90,284	402,081	492,365
Depletion	-	-	-	-	-	-
Amortization	7,340	1,322	8,662	8,761	3,934	12,695
For the nine months ended September 30						
By function	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
By item						
Employee benefits						
Salary	136,776	397,411	534,187	134,228	485,020	619,248
Health and labor insurance	919	2,956	3,875	-	4,166	4,166
Pension	973	7,802	8,775	-	48,026	48,026
Others	11,958	64,469	76,427	12,083	94,853	106,936
Depreciation	261,170	1,175,036	1,436,206	269,969	1,246,329	1,516,298
Depletion	-	-	-	-	-	-
Amortization	23,783	4,653	28,436	19,754	10,838	30,592

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(b) Seasonality of operations

The Group's retail department is subject to seasonal fluctuations as a result of vacation. Thus, this industry typically has higher revenues and results for the first and fourth quarter of the year. Due to the impact of the COVID-19 in the first quarter of 2020, the Group was temporarily closed from the end of January in 2020, and resumed business in mid-February, that has caused a decline in business conditions for the nine months ended September 30, 2020.

(13) Segment information:

The Group's operating segment information and reconciliation were as follows:

For the three months ended September 30, 2020	Freight department	Invest department	Retail department	Lease department	Other segment	Reconciliation and elimination	Total
Revenue:							
Revenue from external customers	\$ 240,294	3,890	1,181,837	56,386	398,941	-	1,881,348
Intersegment revenues	-	18,263	-	-	-	(18,263)	-
Total revenue	<u>\$ 240,294</u>	<u>22,153</u>	<u>1,181,837</u>	<u>56,386</u>	<u>398,941</u>	<u>(18,263)</u>	<u>1,881,348</u>
Reportable segment profit or loss	<u>\$ 39,278</u>	<u>(38,047)</u>	<u>(48,289)</u>	<u>8,277</u>	<u>43,487</u>	<u>-</u>	<u>4,706</u>
For the three months ended September 30, 2019	Freight department	Invest department	Retail department	Lease department	Other segment	Reconciliation and elimination	Total
Revenue:							
Revenue from external customers	\$ 274,507	9,478	1,391,295	70,883	-	-	1,746,163
Intersegment revenues	-	17,220	-	-	-	(17,220)	-
Total revenue	<u>\$ 274,507</u>	<u>26,698</u>	<u>1,391,295</u>	<u>70,883</u>	<u>-</u>	<u>(17,220)</u>	<u>1,746,163</u>
Reportable segment profit or loss	<u>\$ 41,706</u>	<u>(133,875)</u>	<u>51,675</u>	<u>(25,679)</u>	<u>(3,829)</u>	<u>-</u>	<u>(70,002)</u>
For the nine months ended September 30, 2020	Freight department	Invest department	Retail department	Lease department	Other segment	Reconciliation and elimination	Total
Revenue:							
Revenue from external customers	\$ 706,531	26,307	3,147,873	174,474	448,050	-	4,503,235
Intersegment revenues	-	51,420	-	-	-	(51,420)	-
Total revenue	<u>\$ 706,531</u>	<u>77,727</u>	<u>3,147,873</u>	<u>174,474</u>	<u>448,050</u>	<u>(51,420)</u>	<u>4,503,235</u>
Reportable segment profit or loss	<u>\$ 63,260</u>	<u>(222,563)</u>	<u>(234,224)</u>	<u>(50,492)</u>	<u>52,714</u>	<u>-</u>	<u>(391,305)</u>
For the nine months ended September 30, 2019	Freight department	Invest department	Retail department	Lease department	Other segment	Reconciliation and elimination	Total
Revenue:							
Revenue from external customers	\$ 778,613	46,876	4,722,915	234,608	47,427	-	5,830,439
Intersegment revenues	-	50,713	-	557	-	(51,270)	-
Total revenue	<u>\$ 778,613</u>	<u>97,589</u>	<u>4,722,915</u>	<u>235,165</u>	<u>47,427</u>	<u>(51,270)</u>	<u>5,830,439</u>
Reportable segment profit or loss	<u>\$ 86,293</u>	<u>792,763</u>	<u>516,315</u>	<u>184,717</u>	<u>(4,200)</u>	<u>-</u>	<u>1,575,888</u>